

Organizational Management

Carolina Machado

and

J. Paulo Davim

Policies and Practices in a Global Market



Organizational Management

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Policies and Practices in a Global Market

Edited by

Carolina Machado

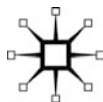
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ORGANIZATIONAL MANAGEMENT: POLICIES AND PRACTICES IN A GLOBAL MARKET

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Preface

Organizational Management: Policies and Practices in a Global Market is dedicated to organizational management with special emphasis on the way organizations define and develop their management policies and practices in order to acquire more competitive advantages in the global market, where they are present. Nowadays organizations face continuous and highly complex processes of change which require more proactive strategies. Indeed, and as a consequence of social, technological, political and economic changes, the fields of work and management have become highly complex, requiring more effective strategies, policies and practice. Conscious of this reality this book looks to provide discussion and the exchange of information on principles, strategies, models, techniques, methodologies and applications of organizational management in the field of industry, commerce and services. It aims to communicate the latest developments and thinking on the organizational management subject worldwide. It looks at interdisciplinary perspectives, to further our knowledge and understanding of organizational management, the related change processes, together with the work policies and practices needed. This will contribute to a better understanding of the organization's, management's and employees' needs in order to increase efficiency, productivity and profitability. Effective management is a huge necessity in today's organization; it helps to reduce organizational costs, turnover, absenteeism, resources and time waste, leading to high levels of commitment, effectiveness, and performance, as well as a more sustainable management. Addressing these questions, this book focuses on the implications of those changes in organizational management and respective strategies, policies and practices.

Designed to increase the knowledge and effectiveness of all those involved in organizational management whether in the profit or non-profit sectors, or in the public or private sectors, this book is divided into ten chapters. Chapter 1 discusses "What We Know about Organizational Commitment: An Overview of the Literature of the Last Decades." Chapter 2 describes "Purpose, Change and Top Management in the Mid-1920s: Revisiting Selected Papers Presented at the Meetings of the Taylor Society." Chapter 3 covers "Managing Careers: Anchored, Plateaued or Drifting?" Chapter 4 contains information on "Other

Organizational Perspectives on the Contribution of Human Resources Management to Organizational Performance.” Subsequently, Chapter 5 describes “Training and Development from the SME Point of View: Portuguese Employers’ Input.” Chapter 6 discusses “Recruitment and Selection in the Expatriation Process: Comparing Perceptions between Organizations and Individuals.” Chapter 7 covers “From Cooperative to Hybrid Organization: Internationalization, Financing and Crisis.” Chapter 8 contains information on “Power and Micro-Politics in the Strategy Formation of Small and Medium Size Enterprises.” Chapter 9 focuses on “Deigning Down or Learning Up? Lack of Voice and Dialogue in Change Management of Public Hospitals.” Finally, Chapter 10 speaks “About the Expatriation Process in SMEs: A Portuguese Look at the HRM Role.”

Innovation in the organizational management arena, worldwide, faces enormous challenges through sweeping political, social and economic changes. Whether we are a manager, an engineer, a policy maker, a strategist, a practitioner, or a researcher, we need to know what is happening, in both national and international environments, to be able to understand and develop effective responses to meet these new demands and challenges. This is why there is such interest in this subject among many types of organizations: important institutes and universities, for example.

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1

What We Know about Organizational Commitment: An Overview of the Literature of the Last Decades

*Santiago Gutiérrez-Broncano, Pedro Jiménez Estévez and
Mercedes Rubio-Andrés*

1 Introduction

Although Organizational Commitment (OC) is not a new topic in the literature, it was not until 1991 that Meyer and Allen developed both a singular conceptualization about the construct of OC and a scale of measurement. Years later OC has become a very useful topic in business literature because it is directly related to turnover, turnover intention, absenteeism, and even organizational citizenship behavior (Meyer and Herscovitch, 2001). Moreover, OC has come to be regarded as an important variable to facilitate the understanding of an employee's workplace behavior. Meyer, Allen and Smith (1993) argued that a better understanding of employee relationships with their organizations would improve organizational performance.

Over the last three decades, OC has been at the centre of the main studies of individual and organizational performance. It has emerged as a key concept in the study of work attitudes and behavior (Cohen, 2007). Despite this, there is still abundant controversy regarding how the construct is defined and measured (Conway and Monks, 2009). Most of the literature recognizes its complexity and views it as multifaceted (Conway and Monks, 2009).

In this chapter we start by defining OC and studying other related words. Then we show its main components and focus on the commitment process, including antecedents (mainly human resource practices), consequences, and correlates. After that, we compare different measurements of OC and close with a summary of the conclusions drawn and any pertinent reflections.

2 Definition and closely related constructs

The modern concept of commitment, presented in Fayol's principles and developed during the 19th Century, did not emerge as a distinctive construct until the early 1960s and it has been used as both an independent and a dependent variable in studies since then (Swales, 2002). Traditionally, OC has been defined as "a psychological state that characterizes the employee's relationship with the organization and his implication for the decision to continue or discontinue membership in the organization." (Meyer, Allen and Smith, 1993: 539)

Over the years, OC has been defined indirectly and in many different ways. For example, commitment in general is defined as an engagement which restricts freedom of action (Oxford English Dictionary, 1969), or the force that stabilizes the direction of individual behavior when conditions are not met and do not function (Scholl, 1981).

But commitment to what? To a project, a team, or a goal? We understand that individuals can commit to both entities and behaviors. Commitment can be regarded as an entity; the behavioral consequences are often implied. Similarly, when commitment is considered to be a course of action, the entity to which that behavior is relevant can often be inferred, even when not stated explicitly.

When identifying OC, Mowday, Steers and Porter (1979) talked about "the relative strength of an individual's identification with and involvement in a particular organization"; several years later, in 1990, Allen and Meyer defined OC as "a psychological state that binds the individual to the organization." (p. 14) Nowadays, there appears to be a consensus that the strength experienced is a mindset, although researchers have not reached an agreement about the nature of that mindset. Although the amount of attention devoted to the study of OC has been significant, there is considerable confusion and disagreement about what commitment is, where it is directed, how it develops, and how it affects behavior (Meyer and Hercovitch, 2001). For instance, Mowday et al. (1982) highlighted the individual's attachment or linkage to an organization, and defended the interchangeability of "attitudinal" and "organizational" commitment. However, this definition has been criticized for not separating the motives for commitment from their effects. Sometimes, a desire to remain with an organization can be seen as a consequence of commitment rather than as part of its definition (Peccei and Guest, 1993). Nevertheless, the most commonly studied type of OC has been attitudinal commitment, focusing on a psychological state more than on a reflection of dedication and responsibility. In contrast, Oliver (1990)

supports the idea of commitment being towards actions rather than objects. So it is clear that no single definition of commitment has been universally adopted.

Recently, Meyers and Herscovitch (2001), defined OC as a multidimensional construct, assuming the existence of a core that characterizes the construct and distinguishes it from other constructs, like motives or attitudes. A construct closely related to commitment is loyalty. It can be defined as an affective response to identification with an organization based on a sense of duty and responsibility but different from an intent to stay. Thus they should be separated in research (Mueller et al., 1992). Yet, job satisfaction, job involvement, and occupational commitment are also related to commitment (Meyer et al., 2002).

3 Components of commitment

Allen and Meyer (1990) conformed a close conceptualization of attitudinal commitment and, based on the four tenets of OC (attitudinal, continuance, normative and behavioral), developed a model of commitment, differentiating between three components of commitment, which they labeled affective, continuance, and normative commitment. They named them components rather than types because, according to the authors, employees can experience each of these psychological states to varying degrees. The net sum of a person's commitment to an organization reflects each of these separable psychological states. So the three components should not be seen as mutually exclusive, but as components that can co-exist in varying degrees. A person's commitment can be based upon one, two, or all three factors. Employees with a strong affective commitment remain because they want to, those with a strong continuance commitment because they need to, and those with a strong normative commitment because they feel they ought to (Allen and Meyer, 1990).

Affective commitment is used to describe an affective orientation towards the organization, and it is defined as "the relative strength of an individual's identification with and involvement in a particular organization;" (Mowday et al., 1979: 226) continuance commitment refers to an awareness of the opportunity costs associated with leaving the organization; and, finally, normative commitment derives from feelings of obligation to stay with the organization or continue employment.

These components of commitment are related to the three bases of commitment proposed by Etzioni (1961) when he talked about three forms of involvement: moral, calculative, and alienative. Moral

involvement signifies a highly positive orientation towards an organization, where memberships internalize organizational norms; calculative involvement is more relevant to business organizations and represents a relationship with an organization based on the notion of an exchange; finally, alienative involvement arises when behaviors are severely constrained, understanding the organization as a prison.

Linking the three kinds of involvement, Swailes (2002) postulated three kinds of power: normative, remunerative, and coercive. In the same manner, individuals accept influence mainly due to three factors: internalization, identification, or compliance (O'Reilly and Chatman's model). Internalization occurs when the external influence is accepted because the attitudes and behaviors one is being encouraged to adopt are congruent with existing values. Identification occurs when an individual accepts the influence to establish or maintain a satisfying relationship. Finally, compliance, also referred to as instrumental commitment, occurs when attitudes, and corresponding behaviors, are adopted in order to gain specific rewards. We can see some similarity among these concepts in Figure 1.1.

Taking all of the above into consideration, we can conclude that commitment components exert an influence on membership decisions through different mechanisms. Employees with a strong affective commitment stay with their organization based on the desire to do so, accept the norms because they believe in the goals of the organization and they share the same values. In contrast, employees with a strong normative commitment stay based on a perceived obligation to do so. As for the contribution of continuance commitment to employee retention, Vanderberghe and Tremblay (2008) distinguished between two subcomponents: the perceived sacrifice associated with leaving, and the perceived lack of alternatives (Bentein et al., 2005).

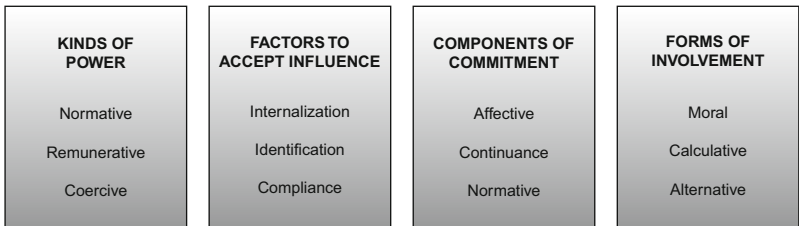


Figure 1.1 Relations between power, influence, commitment, and involvement
Source: Adapted from Swailes, 2002.

4 The commitment process: a general model

If we want to propose a global model of OC we have to incorporate antecedents, outcomes and correlates of commitment.

4.1 Antecedents to commitment

A wide range of variables have been identified as predictors for commitment, including personal characteristics (e.g. age, values, personality, and level of education), interpersonal factors (e.g. social influence and social exchange), job characteristics (e.g. autonomy, feedback, teamwork, work environment, and work pressure), and organizational characteristics (e.g. size, leadership style, career prospects, human resource policies, possibilities for future education, and participation in decision making) (Mowday et al., 1982). Each of the three components of commitment are developed by other antecedents.

For instance, Mowday et al. (1982) suggest that personal characteristics, job characteristics, work experience, and structural characteristics in general, could be antecedents to affective commitment. Employees whose experiences within the organization are consistent with their expectations and satisfy their basic needs, tend to develop stronger affective commitment. (Meyer and Allen, 1991). The mechanism to create this desire varies across the different conceptualizations, but includes involvement, shared value, and identification (Meyer and Herscovitch, 2001).

In the case of the continuance component, the antecedents depend on the degree of implication in the workplace and the perception of a lack of alternatives. These employees recognize that they have accumulated investments, which would be lost if they were to leave the organization, or they recognize that the availability of comparable alternatives is limited. They would be lost if they were to discontinue the activity (Meyer and Herscovitch, 2001).

Finally, the normative component of OC will be influenced by the individual's experiences both prior to (familial/cultural socialization) and following (organizational socialization) entry into the organization (Wiener, 1982). Normative commitment develops as the result of socialization experiences that emphasize the appropriateness of remaining loyal to one's employer, or through the receipt of benefits (e.g. tuition payments or skills training) that create within the employee a sense of obligation to reciprocate. Thus, employees have internalized a set of norms concerning appropriate conduct and, as the recipients of benefits, experience a need to reciprocate. The employee has a psychological contract with the organization (Meyer and Herscovitch, 2001).

As we have said before, human resource practices within organizational characteristics can be an antecedent to commitment. Due to the special importance of this relationship in business organizations, we have developed a new section for it.

4.2 Human resource practices as antecedents to commitment

The concept of OC is central to strategic human resource management literature. The resource-based view is frequently used to frame research which examines links between human resource management and performance (Qiao et al., 2009). Furthermore, the norm of reciprocity varies in different cultures and employees will reciprocate with some loyalty and commitment if organizations are able to show respect for their employees by sharing information with them, providing adequate training and benefits, being fair in performance appraisals, promoting from within, and providing communication between management and employees and between various groups of employees (Quiao et al., 2009).

Literature on human resource management shows many practices oriented towards employee commitment. Although there is little research exploring or analyzing the links between attitudes to human resource practices and commitment, the existence of such links cannot be denied (Conway and Monks, 2009). Only a few studies have linked employee experiences to multidimensional commitment, and findings show that attitudes towards various features of work, have a differential impact on each dimension of commitment.

For example, receptiveness to employee ideas has been positively associated with both affective and normative commitment and negatively associated with continuance commitment. Iverson and Buttigieg (1999) also find a positive association between attitudes towards organizational understanding and training, and the three dimensions of commitment (Taermina, 1999). Attitudes towards career management have been associated with affective and normative commitment (Iverson and Buttigieg, 1999), while attitudes regarding transferable skills and promotion prospects are negatively associated with continuance commitment (Allen and Meyer, 1990). Routine work was negatively associated with affective and normative, whereas pay was positively related to continuance commitment (Iverson and Buttigieg, 1999).

Strategic human resource literature has identified a catalogue of human resource practices which firms wishing to pursue high-commitment strategies should consider. Implementing all of these human resource practices has a deep impact on employees and teams because it

increases their potential, motivation, and commitment to the company (Rubio and Gutiérrez, 2014). But little is known about the real impact of these practices on multiple dimensions of commitment (Comway and Monks, 2009).

Thus, high involvement human resource practices are strongly associated with employees' work-related attitudes and performance behaviors and are the crucial determinants of employees' affective commitment (Yang, 2012).

4.3 Outcomes of commitment

Many relationships have been found between commitment and significant end results, for example, motivation, performance, turnover, and well-being (Cooper-Hakim and Viswesvaran, 2005). However, a positive relationship is not always established.

Regarding performance, the evidence for a strong positive link with commitment is patchy (Cohen, 1991). Most studies that view commitment as multidimensional have reported a consistent relationship between affective commitment and performance (Conway and Monks, 2009). For instance, evidence shows that affective commitment is associated with higher productivity, organizational citizenship behavior, absenteeism and financial performance (Hackett et al., 1994; Allen and Meyer 1996). But we have also found evidence suggesting that high continuance commitment represents a negative feature within an organization; continuance commitment has been negatively associated with organizational citizenship behavior (Shore and Wayne, 1993) and job satisfaction (Hackett et al., 1994). In relation to normative commitment, not much research has examined its links with performance, but evidence suggests that it is positively related to work effort and overall performance (e.g. Ashforth and Saks, 1996), and negatively related to absenteeism (Iverson and Buttigieg, 1999). Furthermore, we have to understand that there are some types of organization in which commitment may not make a critical impact on performance (e.g. in mass-production environments) (Guest, 1992).

When the literature focusing on turnover is reviewed, a similar outcome is evident. Voluntary turnover is generally considered a negative index of organizational effectiveness (Griffeth and Hom, 2001). Commitment has usually been considered a particularly powerful predictor in the turnover process and has been treated as a static variable and as an antecedent to an individual's intentions to leave the organization, but evidence is more closely linked to the intention to quit than actual turnover behavior (Griffeth et al., 2000). O'Really and Chatman

(1986) found that compliance correlated with turnover positively rather than negatively. Hence, the authors reviewed the items used to measure compliance and instead of asking about “commitment to remain,” they changed it to “commitment to perform,” which is similar in some respects to continuance commitment in Meyer and Allen’s model (Meyer and Herscovitch, 2001).

Generally speaking, the literature suggests that, compared to continuance and normative commitment, affective commitment correlates significantly with a wider range of outcome measures, like turnover, turnover intention, absenteeism, job performance, and organizational citizenship behavior. Meyer and Herscovitch (2001) mentioned that this is because affective commitment is generally defined and operationalized more broadly than the others. Yet another possible explanation is that when commitment is accompanied by the mindset of desire, the behavioral consequences of commitment are perceived by individuals as more than a cost or an obligation.

Finally, Allen and Grissaffe (2001) focused on the relationship between OC and customer reactions (like satisfaction and repeat purchase behavior) and suggested that they are related. Employees who are not loyal are unlikely to build an inventory of satisfied customers.

4.4 Correlates of commitment.

It is not just antecedents and outcomes which evidence OC but other concepts also correlate with it. Organizational commitment has been a fertile area as it is strongly associated with work-related attitudes and behaviors (Hult, 2005).

For instance, researchers have found significant correlations between commitment and employee trust in specific individuals (e.g. their supervisor or leader) (Podsakoff et al., 1996), or a generalized trust in management (Gopinath and Becker, 2000). Trust in management reflects employee faith in corporate goal attainment and in organizational leaders, as well as the belief that, ultimately, organizational action will prove beneficial for employees (Kim and Mauborgne, 1993). Withener (2001) ascertained that perceived organizational support has both a direct and an indirect relationship to organizational commitment through trust in management.

Other research has explored a range of correlates such as job security, job satisfaction, and commitment. The high correlations that occur between OC and these variables can appear to be a redundant concept but OC emerges from these studies as a distinctive construct (Morrow, 1993).

A recent study of differentiation strategy and high performance human resource practices suggested that differentiation strategy may require higher commitment on the part of the firm's employees (Sun and Pan, 2011). It also gives us an explanation of the implementation of differentiation strategy which requires the support of high performance human resource practices and employee commitment.

5 Measurement of organizational commitment

The most commonly studied type of OC has been attitudinal, most often measured with the Organizational Commitment Questionnaire (OCQ) developed by Mowday et al. (1979) with 15 items related to three aspects of commitment: the organization's goals and values; its effort on its own behalf; and a strong desire to maintain membership in the organization. We can see all these items in Table 1.1.

Table 1.1 Organizational commitment questionnaire

-
1. I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.
 2. I talk up this organization to my friends as a great organization to work for.
 3. I feel very little loyalty to this organization (reversed).
 4. I would accept almost any type of job assignment in order to keep working for this organization.
 5. I find that my values and the organization's values are very similar.
 6. I am proud to tell others that I am part of this organization.
 7. I could just as well be working for a different organization as long as the type of work were similar (reversed).
 8. This organization really inspires the best in me in the way of job performance.
 9. It would take very little change in my present circumstances to cause me to leave this organization (reversed).
 10. I am extremely glad I chose this organization to work for over others I was considering at the time I joined.
 11. There's not much to be gained by sticking with this organization indefinitely (reversed).
 12. Often, I find it difficult to agree with this organization's policies on important matters relating to its employees (reversed).
 13. I really care about the fate of this organization.
 14. For me, this is the best of all organizations for which to work.
 15. Deciding to work for this organization was a definite mistake on my part (reversed).
-

Source: Mowday et al., 1979.

Until 1990, little attention was given to the development of measures of commitment, then Allen and Meyer developed a new model to measure attitudinal commitment. The three-component model they developed has contributed independently to the prediction of professional activity and work behavior. This model includes affective, continuance, and normative components, all of which are thought to contribute to employee retention. The model was improved and revised and its definitive version may be seen in Table 1.2.

Table 1.2 The three-component model of commitment

Affective commitment	<ol style="list-style-type: none">1. I would be very happy to spend the rest of my career with this organization.2. I really feel as if this organization's problems are my own.3. I do not feel a strong sense of "belonging" to my organization. (R)4. I do not feel "emotionally attached" to this organization. (R)5. I do not feel like "part of the family" at my organization. (R)6. This organization has a great deal of personal meaning for me.
Continuance commitment	<ol style="list-style-type: none">7. Right now, staying with my organization is a matter of necessity as much as desire.8. It would be very hard for me to leave my organization right now, even if I wanted to.9. Too much of my life would be disrupted if I decided I wanted to leave my organization now.10. I feel that I have too few options to consider leaving this organization.11. If I had not already put so much of myself into this organization, I might consider working elsewhere.12. One of the few negative consequences of leaving this organization would be the scarcity of available alternatives.
Normative commitment	<ol style="list-style-type: none">13. I do not feel any obligation to remain with my current employer. (R)14. Even if it were to my advantage, I do not feel it would be right to leave my organization now.15. I would feel guilty if I left my organization now.16. This organization deserves my loyalty.17. I would not leave my organization right now because I have a sense of obligation to the people in it.18. I owe a great deal to my organization.

Source: Meyer, Allen and Smith, 1993.

This model has become the most common instrument for measuring affective commitment. Recently, some authors have split continuance commitment into two different categories: “perceived sacrifice” (measured with three items: 7, 8 and 9) and “perceived lack of alternatives” (measured with three items: 10, 11 and 12) (e.g. Vanderbergue and Tremblay, 2008; Bentein et al., 2005).

6 Conclusions

We have seen how OC is a multidimensional construct, difficult to define and very complex to measure because it is related to a multitude of concepts and variables.

Despite this, OC is a very useful construct in business literature, particularly in the field of strategic human resource management. For this reason, we invite professionals and researchers to continue to broaden and expand their knowledge of this subject because it has been proved that OC is related to many factors and variables necessary to understand employees, improve the implementation of strategies, and help improve corporate performance.

Likewise, following the suggestions made by Myers et al. (2012), we recommend a commitment map for the manager to identify those individuals or groups whose commitment is needed. With this information, they will be able to estimate their current position, attitude, and ability or power to influence the goals or values of the organization. It is very useful to distinguish between those who are opposed to change and norms, those who let it happen, those who make it possible for it to happen, and those who actually make it happen inside the organization.

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2

Purpose, Change and Top Management in the Mid-1920s: Revisiting Selected Papers Presented at the Meetings of the Taylor Society

Aykut Berber

1 The 1920s and the Taylor Society

Widely referred to as the age of consumerism (and sometimes credited as the Jazz Age or the Roaring Twenties), the 1920s saw a remarkable growth in marketing and particularly in advertising in the United States. Backing the needs and wants of customers with stunning advertising was becoming the priority for many companies. The opening of the first licensed radio station, the introduction of instalment payment plans, the first radio commercial, the adoption of protectionist tariffs, and the Hawthorne studies conducted at Western Electric were only a few of many events that shaped the 1920s American business setting (Mayo and Nohria, 2005: 71 and 78). Factories and small companies were transformed into large business organizations and giant corporations. Professional managers with vision were much in demand; and shared ownership became so popular and diversified that anonymous shareholders began to own companies, which led to new management problems. Nevertheless, issues related to customer needs, employee problems, and shareholder expectations were all on the agenda of chief executives, and most were already aware of the new business dynamics and gave priority to competition and the market.

The 1920s also saw the emergence of a body of literature on the embryonic science of management. Undoubtedly, scientific management owes much of its growth to a group of pioneers who valued Frederick

W. Taylor's ideas and efforts. In 1911 *The Society for the Promotion of the Science of Management* was founded under the leadership of Frank B. Gilbreth, and it was renamed *The Taylor Society* in Taylor's memory soon after he passed away in 1915. The official journal of the Society was also renamed and published as the *Bulletin of the Taylor Society*. As advocates of scientific management, the members of the Society were determined to bring about a new age in which discussions could be held on matters other than engineering and which could concentrate particularly on managerial issues. By the mid-1920s, professional managers, businessmen, engineers, union leaders, and psychologists were among attendees at the Society's regular meetings and the interest in the Bulletin was noteworthy. In 1924, Henry P. Kendall made an assessment and revealed some clues about changing paradigms in the science of management. Among these clues were the increasing impact of psychology, and the need for a long-term view in management, with particular emphasis placed on competition and consumers (Berber, 2013: 147–159; Kendall, 1924).

For only a century have management scholars been engaged in reading, studying, and interpreting the works of well-known pioneers and their followers (or opponents, in some cases). So long-established institutions, or entities that have left a mark, can have a significant impact on the way we perceive the conditions of our time. In this sense, publications of such entities can be quite valuable as they give us an opportunity to envisage the past and reach the works that are not part of mainstream literature. As such, we will now look at the work of three different authors – Ordway Tead, William Green, John H. Williams – given at the Society's meetings and published in the *Bulletin of the Taylor Society* 90 years ago. Tead's paper (December 1925) covers a discussion on the concept of purpose and points out the essence of the integration of group purposes. Green's paper (December 1925), on the other hand, is about labor's changing viewpoint and the calls for mutual understanding and cooperation between labor and management under these new conditions. Last but not least, Williams' paper (October 1926) presents opinions on the problem of general management while addressing certain issues related to the view of the organization from the top at a time when a theory of general management did not even exist in the United States. In order to reveal Williams' paradigm, we will try to draw out evidence from Harlow S. Person's paper published in 1923. In effect, we will try to unveil those concepts that were common in the debates held in the Society in mid-1920s, and aim to explore their role in the emerging literature of management.

2 Psychology and management

Given the relevant factors in the economic and sociocultural environment, the mid-1920s could be referred to as the threshold for the evolution of managerial theory. In the United States, a view of the organization from the top was occasionally debated but, unlike in France and Germany at that time, an approach for a general theory of management was not propagated. But management topics attracted the attention of researchers from a branch of social sciences that was still in its infancy, *psychology*. For these researchers, industrial organizations, particularly factories, were well-organized and thought-provoking platforms for the study of psychology, while for some engineers dealing with human-based problems, psychology might have been perceived as offering new methods that were worth trying. Given the scope of this chapter, a question like whether psychology contributed much to the development of the management theory during the 1920s, will have to be left to another discussion. However, the overall interest shown by psychologists in industrial problems in the 1920s, and in managerial issues subsequently, is quite remarkable. Moreover, many of the early advocates of the scientific management movement either directly or indirectly tended to draw on psychology in search of better solutions for managerial problems. For example, as early as 1914 Lillian M. Gilbreth suggested that successful management depended “not on the work” but “on the man” and she added that “placing the emphasis on the man, and modifying the equipment, materials and methods to make the most of the man” was the best way to secure efficiency (Gilbreth, 1914: 3). Henry Gantt, on the other hand, streamlined Taylor’s incentive scheme by rewarding both the foreman (who taught the unpracticed worker the method for accomplishing the task) and the worker (who learned and then successfully accomplished the task). Consequently, foremen dropped their preoccupation with losing their jobs and cooperated with other workers to teach what they knew, without hesitation (Gantt, 1919: 115). Laying practical examples aside, a direct emphasis on psychology was made by Harrington Emerson, who wrote, “it is psychology, not soil or climate, that enables a man to raise five times as many potatoes per acre as the average of his own State,” (Emerson, 1912: 107).

If these early pioneers of scientific management were more or less in favor of the impact of psychology, then what arguments and ideas concerning management practices were suggested by psychologists? Examples may be given directly from the *Bulletin of the Taylor Society* within a context where fundamentals of psychology intersected

industrial practices. At this point, much can be debated about the origin of industrial psychology. For instance, Hugo Münsterberg was among the early psychology scholars who became familiar with the works of Taylor and attempted to transfuse the psychology-based approach into the principles of scientific management (Münsterberg, 1913). By the mid-1920s, issues centered around *the man at work* were significantly debated in the Taylor Society. Among these were a discussion by Elton Mayo – who addressed at a meeting of the Taylor Society in 1924, years before his name was associated with the Hawthorne studies – declaring his opinion that psychology had much to contribute to management and to the factory. His “psychology of total situation” approach (Mayo, 1924) might have been found strange and inappropriate, or radical, or even irrelevant by many among the audience, but the way he challenged the mechanistic paradigm should be appreciated. On the other hand, while Mayo was interested in revealing the facts underlying the behavior of an employee, Ordway Tead preferred to focus on the facts underlying the actions – in other words, the purpose – of the individual.

3 Concept of purpose as discussed by Ordway Tead

Ordway Tead (1891–1973) was an adjunct professor of industrial relations and the co-author of *Personnel Administration* (1920) with Henry C. Metcalf. Their book was a comprehensive work that covered a wide range of topics on management and personnel administration; the authors were, in some sense, advocating the essence of focusing on human need inside the organization. According to the authors, recent developments in the industry required the establishment of a separate administrative unit for personnel affairs. Besides, an industrialized society required more realistic efforts and managerial responsibilities that would focus directly on employee problems rather than merely better management (Tead and Metcalf, 1920: 1–2). At the meeting of the Taylor Society held in New York on December 4, 1925, Tead delivered a paper, *Purpose as a Psychological Factor*, which was also published in the Society's bulletin in the same year. Emphasising the need for managerial efforts in “placing the industry on a peace basis” in the preface to his paper by quoting the words of an industrial manager (Tead, 1925: 254), Tead addressed the essence of a collaborative work setting in organizations and an integrated business environment. The concept of purpose was at the core of his discussion and, apparently, Tead made every endeavor to ensure the meticulous use of it throughout his paper.

Many definitions can be given for *purpose* and, quite often, such words as *aim*, *goal*, *target* and *objective* are used interchangeably. On account of the scope of our discussion, we will not dwell on the meanings of such interchangeable concepts (other than *purpose*, and later, *objective*) but seek to shed light on what Tead suggested, as a prominent personnel management scholar in his time. Before all else, Tead clearly stated that “purposes...which actuate managers in their work are as important...as their methods,” while pointing out the wide acknowledgment of managerial techniques, methods, and procedures as elements of success (Tead, 1925: 254). Even this statement alone was, arguably, a reflection of ongoing changes in the emerging literature on managerial theory. It had been more than a decade since scientific management had introduced a ground-breaking effect across the industry, and its advocates were now discussing how psychology and the individual mindset could represent the unexplored side of management. According to Taylor and pioneers of the scientific management movement, methods and procedures were so important that they could (and should) be *reinvented* scientifically for every job, for each of which a thorough analysis should be conducted. This paradigm was well to industry during the 1910s, when society embraced the battle against waste and inefficiency. But the 1920s were different – at least in some quarters – as it was a splendid age of prosperity, opportunity, and success. As a matter of fact, the dynamics of the new economy were vicious; big buildings and corporations would not guarantee everyone the features of this splendid age and many individuals in these large organizations became more isolated. The modest companies of the past grew into huge and crowded work settings, and the face-to-face relationship between manager and employee weakened in favor of heavy bureaucracy (Berber, 2013: 318).

Unsurprisingly, these years saw the noticeable impact of a paradigm associated with psychology on industrial management discussions. There was the machine and its purpose – maximized production. However, alongside the machine was the man, whose purpose was yet to be discovered. In this context, Tead classified purposes according to their degrees of urgency: (1) fundamental and permanent purposes arising from basic needs and desires of the individual; and (2) specific and immediate purposes of individuals or groups, created and fostered by their surrounding conditions. He continued:

A conditioning factor in all purposes is obviously the environment in which action is taking place. Purposes are never without a bearing upon and relation to the conditions at the same time – they are, in

fact, only intelligible in connection with them. And one element in these conditions which must never be lost sight of is the purposes of those individuals or groups by whom one is surrounded. (Tead, 1925: 255)

Even in our day, these words sound so universal that management scholars and authors still interrogate organizational issues and problems within the same context. For example, in his recently published book, *Managing on Purpose*, James P. Hall asks why a safety manager would want to keep a production manager down, or why a quality manager would want to keep a human resource manager down, when they had to act responsibly together to move their organization forward and get things done in an efficient way. Hall reminds us of an indisputable fact that an organization's purpose does not depend on one individual unless, as on rare occasions, that individual's efforts are vital for the organization to move forward (Hall, 2013: 211). Nearly 90 years ago, Tead drew the attention of his audience to a similar argument, the significance of the purposes of others who surround the individual. Here appeared a fundamental question, which is also quite familiar to contemporary management scholars: should the priority be given to the purposes of other individuals, and if so, when is the best time to achieve the individual's own purpose?

In his paper, Tead suggested four different origins for purposes. These varied from sources within individuals to external sources, like:

1. the need to satisfy individual tendencies,
2. to carry out habits shaped by individual experiences,
3. "The pressure and dictation of the social environment," and
4. an imagined concept developed by the individual along with the determination to bring it into reality. (Tead, 1925: 255)

Broadly speaking, all of these origins have been studied by numerous scholars, and many theories related to such tendencies and experiences have been developed over the past century. On the other hand, Tead proposed a number of needs and demands of human beings, e.g., "economic security that would provide them food, shelter and clothing," and "activities reasonably harmonised with their capacities, aptitudes and interests" (Tead, 1925: 255). More than a decade later, scholars would eventually spend considerable effort to understand why individuals avoided work and to recognize conditions under which individuals showed enthusiasm for work, e.g., Henry A. Murray's (1938)

efforts to categorize individual needs, Abraham Maslow's (1943) widely-recognized theory of the "hierarchy of needs," and, of course, the well-known "theories X and Y" introduced by Douglas McGregor (1960). Certainly, these examples do not necessarily connote that what Tead or other attendees of the Taylor Society suggested were the precursors of successive theories and models in management, but they surely reveal a few of the preliminary building blocks for an emerging managerial theory.

The nature of the group purposes and their effects on industry formed an essential part of Tead's debate as he called attention to the misleading illustration of the "industrial life" based only on the concepts of *capital* and *labor* (Tead, 1925: 256). Instead, he suggested five "functional groups" that could explain group purposes and interests much better and more realistically. These functional groups (better referred to as *interest groups* to emphasize that each group had its own purpose) and their purposes were:

1. *Investors* – securing return on their investment;
2. *Managers* – ensuring high profits and effective operations;
3. (*Manual*) *workers* – securing earnings as large as possible, spending reasonable effort for work;
4. *Customers* – being adequately provided with goods reasonably priced according to quality;
5. *The public*, which generally functions through "the administrative and regulative authorities of government bureaus." (Tead, 1925: 256–257)

Whether he borrowed directly from other authors or not, this was a remarkable categorization and distinction of interest groups for that time – and is how we elaborate on *stakeholders* today – and the collective responsibilities of business organizations against them.

In effect, as early as 1925 Tead took the organizational environment into consideration and attempted to explain how management was exposed to the demands of different interest groups. Furthermore, we can reasonably assume that he had a high regard for managers as policy-makers, as he advanced arguments to explain why purposes never remained the same and how managers should collaborate with these interest groups. Tead considered a group purpose as the "desire of group members to secure for themselves by acting together" and this act was based on certain conditions that would eventually satisfy the individual purposes group members had in common – trade associations and labor

unions were typical examples (Tead, 1925: 256). Although each interest group seemingly had its own cause and policy, a conflict of interest among the group was always possible. This, of course, required a policy that was realistically developed on which decisions would be made efficiently. Tead also addressed the possibility of establishing purposes that could be shared by different interest groups and he suggested that managerial actions based on integration of purposes would be a considerable approach. The participation of workers in major decisions about their company would be a good example. In Tead's words, "if the logic or pressure of this purpose leads a company to allow the election of one or two employee members to the Board of Directors, this may constitute another step in the direction of integrating and harmonising purposes" (Tead, 1925: 261). Eventually, the purposes of investors and managers would get much closer to the purpose of employees, which would potentially enable the organization to move forward. The basis for the formulation of such a policy would of course be "not one individual's or one group's purpose, but the entire organisation's purpose."

4 William Green's discussion on labor's viewpoint concerning management

William Green (1873–1952), a former miner and the President of the American Federation of Labor, presented his paper, *Labor's Ideals Concerning Management*, at the joint meeting of the Taylor Society and the Management Division of the American Society of Mechanical Engineers, organized in New York on December 3, 1925, one day before Tead delivered his speech. The paper was also published in the December issue of the Society's bulletin, with a subtitle that emphasized what Green attempted to deliver as the core message in his discussion: "Labor's attitude toward industry and industrial processes is changing. Understanding and cooperation will serve the best interests of all" (Green, 1925: 241).

Apparently, Green was addressing the changing structure of organizations in his time. Management was becoming more important than ever, and there was a growing interest in managerial issues, which was being neglected in favor of capital and labor matters. Ownership was changing, as personal ownership was no longer as popular. Given that many companies grew into big corporations with diversified shareholders, managers became highly responsible professionals in the American business setting. All of these developments created a new basis for labor–management relationships, alongside which new responsibilities needed

to be defined. As Green mentioned, labor was substantially interested in such recent developments in industry.

Green undoubtedly knew much about the industrial community, and one of the many observations in his paper seems quite interesting. Only a few years after the Efficiency Movement gained popularity across the United States he decided to express his disapproval of the establishment of production systems where workers “served in their mechanical capacities” directly to an audience of scientific management advocates and mechanical engineers. According to Green, such initiatives were “unwise and unprofitable” and their consequences were as severe as monotony of work and large labor turnover (Green, 1925: 244). He continued:

Management must either deal with trade unions organised by workers, free and apart from outside influences, or deal with their workers individually. Company unions may serve some temporary purpose but they cannot function permanently or successfully. (Green, 1925: 244)

This can be regarded as a distinctive warning that stays sufficiently outside intimidation or as a mere declaration of labor–management relationships. Green’s statement arguably indicated elements of concern about management’s underestimation of the real situation in the workplace. Clear-cut notions of manager–worker relationships were deprecated and, in Green’s words, “labour realised that the success of management meant the success of labour” (Green, 1925: 244). This naturally required the inclusion of labor’s voice in organizational policies and managerial practices. Apparently, Green was a defender of labor–management cooperation and, as mentioned by Craig Phelan (1989: 30), he placed moral dimensions of industrial relations at the heart of his approach. It was essential that management gave voice to labor so that labor could express their opinion on bringing about solutions to various problems like “how the waste could be eliminated” or “how duplication of effort could be avoided.” Having made these suggestions in a labor gathering in 1927, Green, according to Phelan, counted on labor’s commitment to efficiency – just as anticipated by the defenders of scientific management – as well as their sense of justice and fair play, and avoidance of strikes (Phelan, 1989: 30; Green’s address at Reading, 1927). Assuming that he was already aware of Taylor’s opinion on labor unions (that Taylor was not against unions but considered their intervention irrelevant in cases where the principles of scientific management were implemented (Berber, 2013: 126; Copley, 1925)), Green probably felt

comfortable enough to make a call for change in the principles of scientific management.

Green also found management's position strategic and noteworthy; policies and activities were crucial to the "well-being and happiness of the workers." According to Green, the "great creative force in industry" was labor (Green, 1925: 243). He was convinced and confident enough to verify that the workers were aware of the importance of "cordial relations" with management and ready for cooperation that would serve the best interests of all in the industry. He concluded:

It is an ideal of labor that management shall formulate and follow such wise policies as to bring to the workers the realization of high living standards as this condition would be of benefit to both owners and workers in industry. (Green, 1925: 245–246)

5 John H. Williams on general management

A few months later, on May 7, 1926, John H. Williams, a consulting engineer from New York, delivered a paper at the meeting of the Eastern Massachusetts Section of the Taylor Society in Cambridge, Massachusetts. The paper's title was simple but meaningful at the time it was presented: *Top Control*. Attempting to describe "ways and means of making managerial policies effective," Williams began his speech by clarifying that the word *top* connoted "general administrative responsibility apart from responsibilities for details," while *control* connoted "observance of the *law of the situation* established by policies." The way he approached the problem of management was quite proactive. He explicitly put forward a counterargument that management could not be considered apart from the manager's personality or from the conditions in which the manager was involved. In his words, "same methods in different hands and under different environments brought different results, and in effect became different methods." For Williams, a universal treatment of the "one best way" approach was the core problem that caused the misinterpretation of scientific management practices. One best way was possible for a particular manager surrounded by particular conditions; however, this would not work when all managers were considered. Besides, every organization was different in size and structure, while managers were different in personality and background one from another. Thus, *top control* (which we may arguably refer to as *general management*) should be treated as a complex process (Williams, 1926: 199).

Williams' paper is one of the few examples of an open declaration of the need for a new theory in this context. His efforts to explain the general management of the *overall* organization was seasonable. The discussions held at the meetings of the Taylor Society were when American companies were growing fast, causing complex problems, whereas problems associated with 19th Century organizations were simple when an entrepreneur could easily play the role of a manager. In effect, the 1920s were to be known as the years when human related problems general to industry were transformed into employee problems particular to respective organizations. Policy-making became as essential as decision-making for companies struggling to sustain their position in the market.

Considering the complexity of problems and the growing number of individuals in different interest groups, the need for a general management theory was apparent. Although Henri Fayol's ground-breaking masterpiece, *Administration Industrielle et Générale* (1916) was published in France ten years before Williams' paper, it did not reach the emerging management literature dominated by the English language. Even in his native country, Fayol faced a counter-action against his "doctrine." The *Taylorism vs. Fayolism* conflict continued until 1925 when, at the International Scientific Management Congress held in Brussels, Fayol and Charles de Fréminville, the leading voice of Taylorism in France, agreed to terminate the unnecessary dispute and unite the two factions – shortly before Fayol passed away. Two years later, de Fréminville would write to the Taylor Society about Fayol's achievements and work. Despite such occasional opportunities, Fayol's work would not attract the attention it deserved and it was only after World War II that his masterpiece reached the English-speaking audience of management scholars, when a particular body of literature about general management began to emerge (Berber, 2013: 228–235; de Fréminville, 1927). At that time, behavioral sciences and personnel management were already building up their respective bodies of literature.

However, we could argue that in mid-1920s, an approach – if not a paradigm – similar to the underlying philosophy of Fayol's "doctrine" already existed in the discussions held at the meetings of the Taylor Society or in the papers published in the Society's bulletin. Harlow S. Person's (1875–1955) contribution to the scientific management of industrial problems (which was published in the *Bulletin of the Taylor Society* in 1923 as a reprint from *Brotherhood of Locomotive Engineer's Journal*) actually reveals observations regarding efficiency problems in

administrative affairs rather than operations, and therefore is a noteworthy example. Above all, Person reminded readers of some essential principles underlying Taylor's philosophy, that: (1) the solutions to the problems of management should be grounded on facts; which should be (2) determined by the use of scientific methods; (3) "when," said Person, "a large number of people are working together at specialized tasks for the accomplishment of a common purpose, these specialized tasks group into two grand divisions." The first division pertained to planning and preparation while the second division was to undertake execution. Person continued that a rereading of Taylor's *Shop Management* would be useful to assess the "actual changes" through the lens of production methods, and continued:

The Taylor principles and system of management, as first presented, were concerned principally with shop management; it is natural therefore that their greatest contribution should have been towards better factory management. But not less significant, although at present less extensive, has been their contribution towards better management of an enterprise as a whole; better definition of the purpose and policy of an enterprise and better coordination of the major departments – selling, production and finance. (Person, 1923)

In reverting to Williams' discussion, a professional approach to management seemed apparently inevitable. As Williams mentioned, business entities were transforming from individual companies (which were usually family enterprises with names ending with & Sons or Brothers) into large and impersonal organizations (mostly corporations). Managers of the time needed to learn how to deal with the requirements not only of their personnel, but also of their anonymous shareholders.

Williams' attempt to distinguish the function of "determining methods of doing things" from the function of "making decisions" probably stands as the remarkable highlight of the entire paper. In cases where these two functions were performed by the same person, the consequences would be, in Williams' words:

the function of determining methods will be continually subjected to interruptions by the function of making decisions. The executive who is called upon to make decisions is continually subject to interruptions and must be continually adopting expediences which are

inconsistent with careful and unbiased study of situations and laying out of well-balanced methods. (Williams, 1926: 203)

Although the approach that underlies his argument clearly reflects the fundamental notion of the philosophy of scientific management – that is the separation of tasks which require thinking from those which require doing – Williams’ words significantly value the responsibilities of managers and regard management as an authentic profession. The task of determining methods of doing things and the task of making decisions, in some sense, are reminiscent of procedures, policies, practices, and, of course, strategies produced and conducted in contemporary business settings. Simply put, Williams’ argument illustrates a small part of the preliminary basis on which a complex set of concepts emerged as a separate branch of management over the past century.

6 Conclusion and final remarks

As we can read in the discussion section that follows Tead’s article in the *Bulletin of the Taylor Society’s* December 1925 issue, Elliott Dunlap Smith, the division manager of a manufacturing company in Massachusetts, valued Tead’s attempt to distinguish between *specific* and *basic* purposes. In addition, Smith stated that it was also important to distinguish *purpose* from *objective* (Smith, 1925). In fact, this may be regarded as an aptly made but not widely known statement that sheds light on discussions related to “what managers were doing” (their objectives) and “what they really had in their minds” (their purposes), along with another point made by Smith: “It is not enough merely to know what his methods are and what he is doing, nor even what are the several things he ‘is after’ – it is necessary to know the relative influence of his several purposes, and especially what purpose, or purposes, are predominant at the particular time” (Smith, 1925: 263). Not many years later, management scholars witnessed the introduction of leadership theories, along with a variety of concepts ranging from autocratic or democratic, to visionary or transformational leaders.

In the 1920s, discussions in the Taylor Society were centered around one vibrant fact, *change*. Needless to say, adapting to change requires strong leaders, professional managers, and efficient solutions that would satisfy all parties – in other words, all interest groups each with their own purpose. Psychology had much to contribute, while a general paradigm of management was in demand. Along with many other opinions and observations at the Society’s meetings, which we did not mention

here, Tead's statements on the integration of group purposes and Green's message about labor's changing needs and desires indicate an essential corollary. The awareness of early scholars that solutions for managerial problems and formulation of policies were to be generated on a basis of "actual" facts (or "law of the situation" as defended by Mary Parker Follett, who was also a member of the Taylor Society) was associated with the needs and requirements of employees in the organization, alongside consumers in the competitive markets, as well as shareholders and investors. On that score, in her address to the Taylor Society in 1926, Follett said, "the real reason that we have personnel work, the study of human relations in industry, is because we have waked up to the fact that the human as well as the mechanical side of industry can be studied...to give us control of the situations between executives and workers or between executives themselves," (Follett, 1926: 250).

The selected papers on which we have dwelt here are neither empirical studies nor literature review papers, but they should be regarded as preliminary efforts that aimed to contribute to a newly emerging literature. H. S. Person wrote in 1926, the embryonic science of management would evolve through the same stages to which the established physical and social sciences were also exposed – since imagination was an outstanding force in the development of a science, and management was no exception (Person, 1926). Undoubtedly Tead, Green, Williams, and many other authors in their time used their imagination to understand the upcoming future of an emerging science. Their writings were generally based on their personal observations and judgments. Here, we attempted to show what opinions were regarded as topics of discussion, other than issues related to operational management, and to envisage the mid-1920s – a period of allegedly unprecedented years of prosperity that began right after World War I and lasted until the Great Depression. On the other hand, it should be kept in mind that these observations and discussions are limited within the context of early 20th Century American industry, and the world was not as global as it is today. Therefore, every effort was made for a thorough interpretation of the manuscripts considering the circumstances of the time. Above all, the *Bulletin of the Taylor Society* satisfactorily performed its precious duty of delivering manuscripts and information to following generations of management scholars.

Note

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3

Managing Careers: Anchored, Plateaued or Drifting?

João Fontes da Costa and Teresa Carla Oliveira

1 Introduction

There have been differences in the definition and understanding of career issues for many years. Literature on careers also has been replete with metaphors (Inkson 2004, 2006, 2007), some of them mixed, ranging from the presumption that they enable a purposeful Protean self-fulfillment (e.g. Hall 2002) to reminders that Proteus changed shape to avoid being captured and punished (Arnold 2001, Arnold and Cohen 2008). In seeking to understand career development some analysts have stressed individual work experience over time (e.g. Arthur, Hall et al. 1989, Defillippi and Arthur 1994, Arthur, Khapova et al. 2005, Gunz and Heslin 2005), while others have been concerned with the survival of careers within organizations from a social exchange perspective (Guest and Rodrigues 2012). Moreover, Rodrigues, Guest and Budjanovcanin (2013) have argued that how people make sense of their careers can no longer be usefully captured by objective benchmarks of career success, such as a higher salary or promotion, and have offered the concept of career *orientation* rather than career *anchors*.

1.1 Values, skills and needs

When assessing such issues one needs to take into account the diversity of factors that Schein (1978) initially included in the concept of career anchoring. There also is a case for deconstructing them in terms of concepts which are well established in theories of personnel selection (e.g. Anderson and Shackleton 1993, Anderson and Herriot 1997), such as knowledge-skills-abilities (KSA) and values-beliefs-personality (VBP) – although, in what follows, we prefer the KAS sequence of knowledge-abilities-skills, since no one acquires skills before gaining ability. For

example, Schein's constructs of *lifestyle*, *service* and *dedication to a cause* concern values-beliefs-personality. Others, such as *competence* and *technical-functional roles* concern knowledge-abilities-skills. Those of *security*, *autonomy*, *creativity* and *challenge* concern needs. Yet several of these can pose a dilemma, such as gaining a balance between security and challenge. Nor does everyone want creativity and dedication to a cause, as opposed to the lower levels in Maslow's (1943, 1954) hierarchy of needs. While there also is the degree to which relations between the "self" and the "other" (Riesman 1954) are constrained, such as employees not being able to be wholly autonomous, rather than achieving a degree of relative autonomy in a particular work context.

Besides which there may be an unduly polarized contrast between concepts of boundaryless careers (since Arthur 1994) and job embeddedness (since Mitchell, Holtom et al. 2001). Mitchell and colleagues (ibid., p. 1104) describe embeddedness as "a net or web in which an individual can become stuck," submitting that those who are highly embedded in both their community and their organization may be more likely to remain in a current job than those who are less grounded. Yet, in understanding careers, this leaves open the questions of: whether the key to both embeddedness and a career without boundaries is a sense of professional identity; whether a career is an individual or organizational issue or, if it interfaces with both, as we submit, what are the key factors and processes involved, and how and who can resolve dilemmas arising from them?

1.2 HRM (Human Resources Management) implications

In seeking to answer such questions we highlight the importance of understanding meanings in different contexts (Wittgenstein 1958). Not least since, if a career is an organizational issue it has implications for HRM policies and practice (Bowen and Ostroff 2004), and for performance (Guest, Paauwe et al. 2011, Guest, Paauwe et al. 2013). If it is up to the individual then it is more consistent, in principle, with the concept of a boundaryless career (Arthur 2013). Yet not entirely so since, while much of the literature on lack of boundaries has stressed an individual's self-direction, the factors influencing individual career choice and mobility may be other-directed and not in his or her control.

Michael Brocklehurst focuses on the notion of a career without boundaries in the discussion of identity, including the degree to which context is important in establishing the sense of self, including the sense of space to move (Brocklehurst 2003). According to Jones and Dunn (2007) research on careers provides a bridge between the micro

and macro levels of analysis. Greenhaus and others have also submitted that research on career choices and outcomes can (1) help individuals manage their careers more efficiently, and (2) that organizations can benefit from understanding the career decisions and dilemmas that employees face (Greenhaus, Callanan et al. 2010, pp. 13). Social contract theory since John Locke's original writings in 1690 (2005) and Jean Jacques-Rousseau writings in 1762 (2003).

It also is vital to distinguish espoused policies, such as career opportunities for self-development in a mission statement, from norms and practices (Wright and Boswell 2002). Thus, while a mission statement may be an organization's stated intentions regarding its corporate social responsibility, it may prove to be mere rhetoric, as in case of an Enron or World.Com (McLean and Elkind 2004). Lok (2010) assessed rhetoric in terms of explicit and implicit institutional logics in the context of a British company law reform bill, enacted in 2006. It aimed to distinguish shareholder value maximization from enlightened shareholder value, such as respecting employee well-being, a supportive work environment, and good relations with suppliers and customers. He found that both management and institutional shareholders, such as pension funds, adopted the rhetoric of enlightened shareholder value, but did not change how they acted. Enacted identity therefore conflicted with a purported re-identification.

Bowen and Ostroff (2004), Nishii and Wright (2007) and Nishii, Lepak and Schneider (2008) stressed that current perceptions relate to prior personal dispositions and values, while Fugate, Kinicki and Ashforth (2004) submitted that values are important in relation to both current and future career needs. Grant and Hofmann (2011) recognized that interpersonal dynamics influence social expectations and role definition and redefinition. Paauwe and Boselie (2005) stressed the need to pay more attention to employee perceptions. There also are issues concerning cognitive fit, such as those of job-fit, organization-fit (Schneider 1983, 1987, 1994, 2001, 2008) and, we suggest, the concept of career-fit. Thus Van Maanen and Schein (1977) analyzed syntheses between individual and organizational interests and values, which Schein (1978) called "matching processes." Yet it may be that there is an increasing mismatch or misfit between employer and employee expectations of job-fit and professional career prospects and preferences.

1.3 Norms, practices, dispositions, and situations

Bourdieu (1990) rarely features in literature on careers. We suggest that his concept of the habitus of our past socialization, including childhood, education, and social environment, is relevant, as are his distinctions of

normative, practical, dispositional and situational logics. Thus, a normative logic is how it is presumed that something ought to be done, a practical logic is how things are done, a dispositional logic concerns what we are disposed to think or want, and a situational logic is where we are and the constraints this may impose on us. There is also Riesman's distinction (1954) between self-direction and other-direction, which he derived from Adler (1964) and Fromm (1947). Fromm also influenced Maslow (1943, 1954) in terms of a hierarchy of needs, including the need for self-fulfillment, which is consistent with the concept of *eudaimonic* purposeful fulfillment in a job or a profession (Robertson and Cooper 2011). As with Bourdieu (1990), the self-direction and other-direction distinction is rarely referenced in the literature on identities and careers, yet does have considerable explanatory power in understanding them.

Besides which, while professional identities and roles, as well as personal and power relations within organizations, are complex they need to be understood in a historical context, such as how established career hierarchies from an earlier era of stable corporations and jobs-for-life have been challenged by globalization, down-sizing, out-sourcing, and business re-engineering. This context is well recognized in much of the literature on boundaryless careers.

With a few exceptions, there has been less concern with conflicts between personal identities and professional values in institutions which have been under pressure to adopt market based performance criteria, such as the case of New Public Management reforms in health (Pollock 2004, Leys and Player 2011). More understanding is needed of why, in the early 21st Century, people stay in jobs rather than quit or seek others. Especially whether this is because they have career anchors in their professional identities, or because they are plateaued and unable to move on, or whether they are drifting between jobs rather than purposefully seeking a boundaryless career.

In addressing questions concerning career preferences and expectations from a socio-cognitive perspective, this chapter presents a preliminary exploration of the relevance of professional identities in understanding social and psychological contracts. First, it analyzes personal and professional identities in relation to career choices and outcomes. Second, it relates these to concepts of social and psychological contract theory. Third, within a grounded theory and socio-cognitive approach it offers evidence from professionals' narratives concerning their career experiences in relation to their initial and current preferences and expectations. It then relates these findings to distinctions between career anchoring, career plateauing, and career drift.

2 Professional identities and careers

2.1 Professional identities

In considering professional identities Beijaard, Paulien, Meijer, and Verloop (2004) drew on definitions of identity from philosophy and social sciences. Schopenhauer (1818) expressed identity in terms of the self and the other, the self in the sense of self-direction, and the other as the external world. This distinction influenced existentialism through to Sartre (1957) and was echoed in the phenomenology of Merleau-Ponty (1962). It nominally coincides with the distinction between subjective and objective, but needs qualification since objectivity depends on people's perceptions of values. Perceptions can differ, as in banking or policing being professions that can be perceived as more or less benign or malign depending on context: benign in safeguarding the public against criminality, or their savings against loss; or malign in the case of police using undue violence, or investment bankers speculating and losing people's savings while then paying themselves bonuses unrelated to performance.

Contextual influences on individual decision-making and choice may be either explicit or implicit in their discourse and narratives about their identities (Sachs 2001, Inkson 2007). These may symmetrize with the values and norms of their work environment – fitting in rather than standing out (Dutton, Dukerich et al. 1994, Elsbach and Bhattacharya 2001, Humphreys and Brown 2002). Nonetheless, as is modeled in Figure 3.1, we submit that an individual's professional identity is influenced by image, status, and role in the wider context of society and professional associations and that these relationships merit further examination.

The analysis of personal or professional identities can draw on schema (Bartlett 1995) and set(s) (Matte Blanco 1988) of meaning that evolve through learning and work experience, or in a broader social context. This may also involve schemas of the self, or self-schema, influencing behavior (Marcus and Wurf 1987, Hoyle and Sherrill 2006). Thus groups, including families, friends, those at work, and professional bodies, are important in shaping such identities, as in Bartlett's (1995) stress that "when we say that social psychology is concerned with the modifications of human experience and conduct which are due to social grouping, we mean that it studies reactions which are specific to groups, found in them and *not found outside them.*" (Bartlett, *ibid*, p 241, his emphasis) Further, Bartlett (*ibid*) stressed that schema tend to overlap, much as

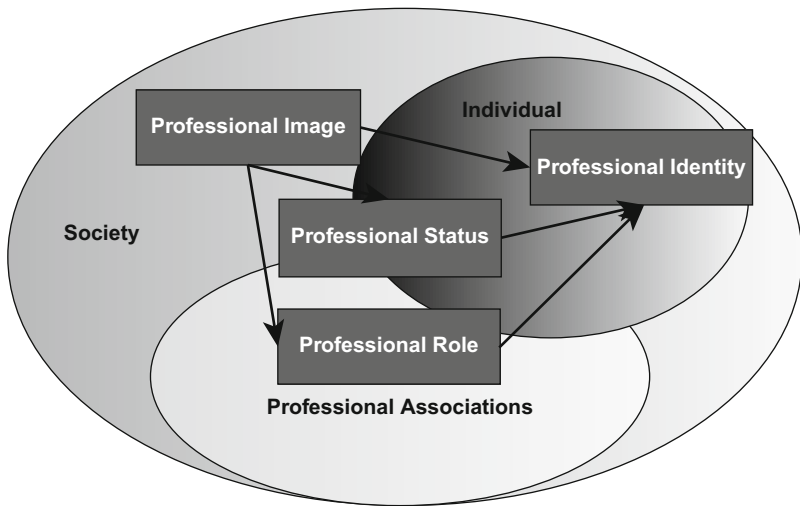


Figure 3.1 Contextual influences on professional identity

Source: Own elaboration.

Matte Blanco (1988) stressed that there may be sets-within-sets of overlapping meanings at varying levels of consciousness.

In terms of enacted identities Vandenberg, Richardson and Eastman (1999) argued that institutional norms and practices are not operationally meaningful until the individual perceives them as important to her or his well-being. Conrad and Malphurs (2008) argued that rhetoric in discourse can compromise rather than enhance communication, action, and agency. An example of which would be a manager asking “Then we’re all agreed?” and assuming consent, although the message may not even have been understood, questioning it would imply diffidence, and dissent may block a career path.

2.2 Group and professional identities

In contrast to Van Maanen and Schein’s (1977) presumption of a synthesis between individual and organizational interests, or Schein’s (1978) “matching processes,” there may be asymmetric individual and organizational career outcomes. Such asymmetries may be slight and give rise to a mismatch between career expectations and outcomes without necessarily motivating the desire for a career move. Or they may be severe, with powerful affects for individuals and work groups

(Humphreys and Brown 2002). Or, inversely, professionals may find stability in an ambiguous environment, using anchors of identity such as being expert or being different (Beech 2008).

Such processes may relate self-esteem to the identity of the organization (including its external image), leading to different outcomes depending on whether a person at different levels of consciousness can symmetrize with that identity or, to a greater or lesser degree, is dissatisfied, or actually dissents from it (Ashforth and Mael 1989, Hinkle, Taylor et al. 1989, Ashforth and Gibbs 1990, Dutton, Dukerich et al. 1994, Humphreys and Brown 2002). But the relationship between subjective perception of identity (individual) and the identity promulgated by management (either workplace or top) can cause dissonance rather than symmetrization (Elsbach and Bhattacharya 2001, Humphreys and Brown 2002) and thus problems of misfit rather than career/job-fit.

According to Becker and Carper (1956) subjective and objective factors that influence professional identity include: (1) interest in the complexity of, and pride in acquiring, new competences; (2) gaining a professional ideology; (3) internalizing motives. Identities emerge from interactions, including bargaining and the interrelation of internal and external factors in different organizational contexts (Clegg, Rhodes et al. 2007). This means that professional identities evolve in relation to everyday practices (Clegg, Kornberger et al. 2005, Clegg, Rhodes et al. 2007), even in situations when others may not understand one's professional identity. The development of identity with a profession necessarily occurs in an institutional context over the lifetime of a career (Becker and Carper 1956).

2.3 Professional careers

2.3.1 Portfolio careers

One of the concepts most consistent with that of a career without boundaries is that of the portfolio career. Baruch (2006) deployed the concept in terms of someone who is relatively autonomous in his or her career choice and may or may not be dependent on an organization rather than a profession. Examples are: an independent accountant who is not working for an accountancy firm; an actor, who may be freelance rather than committed to and dependent on a theatre group or film company; an independent architect rather than one who is embedded in a particular architectural practice; or a freelance musician. He contrasts this with someone who is in a bureaucracy, such as the military, and whose ultimate career specialization is likely to be precisely defined, as

with a helicopter pilot or a signals officer. In principle a portfolio career shares some of the features of the boundaryless career concept in the sense of not being defined within an organization. Thus, a professional musician may become a conductor, or an actor a theatre or film director. On the other hand, such careers have boundaries in relation to professional abilities and skills, as in the sense that an actor is unlikely to become the conductor of an orchestra, or the conductor of an orchestra a film director.

2.3.2 Career plateauing

Ference, Stoner and Warren (1977) made an early attempt to identify career plateauing by distinguishing plateaued employees as “solid citizens” and others as “deadwood.” Veiga (1981) used this model to study plateauing among managers in large manufacturing companies and found that deadwood managers were more likely to change companies than solid citizens or non-plateaued managers. Some literature on plateauing has stressed a supervisor’s interest and support (Gerpott and Domsch 1987, Milliman 1992, Chay, Aryee et al. 1995, Chao 2008). Tremblay and Roger (2004) found that participation in decision-making, job scope, and role ambiguity qualify as career plateauing.

The concept of career plateauing has, to some degree, fallen out of fashion, despite some relatively recent invocations, such as Chao (2008) who found that the negative effects of a career plateau were most pronounced when the plateau was perceived during the early years of an individual’s job tenure. Many earlier analyses of career plateauing were of organizations with highly structured career paths. These paid less attention to whether professional training and affiliation can offer either eudaimonic purposeful engagement in work, or even hedonic satisfaction (Robertson and Cooper 2011) with the job they are required to do if they wish to stay with it rather than seek a career move.

The concept of plateauing also relates to that of embeddedness. For example, in the UK a magistrate is a lay person who does not expect to become a judge, yet whose main job may be different, or who may be retired. By contrast, in several continental European countries, magistrates are paid professionals who only qualify after extensive training and may have a higher social status. Although they are on a high plateau, they may also be constrained, unless their earlier professional training included something else, such as being a solicitor, which blocked them from a self-directed career move.

2.3.3 Career drift, ethics, and values

Career drift has received little attention in western analyses of careers. A conceptual framework for it has been suggested by Kato and Suzuki (2006), who have distinguished between drift as either “floating” or “flowing.” Floating implies no conscious concern with a career path. Flowing is more purposive and allows for a career quest. They also allow that drift, as in a drifting boat, may encounter “mist” and a sense of loss of direction. However, their framework is suggestive and, although they recommend that future research should be undertaken to test the drift concept, there appears to have been little undertaken so far either in Japan or elsewhere.

Moreover Kato and Suzuki (*ibid*) have not related the concept of career drift to dilemmas between professional identities and values. Beech (2008) has recounted such dilemmas in art and culture. What professionals in the arts deem to be of worth may not sell or may be judged, rightly or wrongly, by those funding the arts as unlikely to do so. According to several studies, such as by Caroline Clark et al. (2009), ethical dilemmas are gaining a higher profile across a range of organizations and institutions. Barnett and Varcys (2000) found that individual perceptions of ethics influence behavioral intentions. Dickson, Smith, Grojean and Ehrhart (2001) stressed dilemmas concerning ethics in relation to organizational climate. Petrick and Quinn (2000) developed the integrity capacity construct in relation to ethical progress, or regress, in business.

Thus professionals, such as accountants, may find that they cannot reconcile professional values with commercial values, such as short-term profit maximization, and that they need to make a career move to another institution to do so. This may be purposefully looking for a career with a better fit to their professional identity and values, or it may be drifting, in the sense of responding to events beyond their control. There may also be dilemmas between the values invoked by a profession, including ethical values, and what people may be required to do if they wish to hold onto a job given what their employers expect of them. Integrity is crucial to the overt standards of accountancy. Yet, as Mclean and Elkind (2004) have chronicled, accountants in companies such as Enron and World.Com drifted from such standards to practices which initially eroded and then denied them.

There are other cases of career drift, which have nothing to do with values or ethics as such, involving the loss of a job in one sector or area and being glad to find one in others. As with mathematicians

and physicists when, after the shuttle disasters, the flood of funding reversed for NASA and, on losing their hitherto assumed career anchor in NASA, they were offered jobs by banks and hedge funds to model future stock market prices (Tett 2009). This was less a purposeful movement from one career to another, in the sense presumed in much of the literature on boundaryless careers, than an acceptance of the best alternative job offer open to them when they were made redundant by NASA.

3 Social and psychological contracts

Social contract theory since John Locke (1690) and Jean-Jacques Rousseau (1762) has concerned what people expect from governments. For Locke, this could be tacit and implicit until it was breached. Rousseau aimed to make such a social contract explicit, but did so less on the basis that the role of the legislator was to lay down laws (De Jovenal 1947) than to enable members of a society to see tacit values which could identify the rules and norms of the society they wanted to achieve. This was long before Thorndike and Rock (1934) and Michael Polanyi (1958, Polanyi 1968) conceptualized both tacit knowledge and the case for surfacing it, for which Nonaka and others since (Nonaka 1994, Nonaka and Takeuchi 1995, Ichijo and Nonaka 2007) have claimed extensive evidence.

Some, though not all, of this was in Schein's (1996) suggestion that the degree to which people are committed to an organization depends on their own implicit expectations of what it will give them, and what they owe to it, and whether this is matched in return. The implicit social exchange in this sense will not depend on pay but will include a combination of: job recognition; as much security as is feasible in return for loyalty; the chance for self-development at work, with either a vocational or professional career path; personal challenge, and the chance to meet it.

Spindler (1994) claims that a psychological contract creates emotions and attitudes which form and influence behavior. But Spindler also underlines that in the main the potential partners to such a contract not only do not get to express their aspirations but may also be blocked from doing so. Armstrong (2002) echoes the same point in claiming that the concept means that: "Employee-employer expectations take the form of unarticulated assumptions. The psychological contract governs the continuing development of the employment relationship, which is constantly evolving over time. But how the contract is developing and

the impact it makes may not be fully understood by any of the parties involved." (Ibid., 2002, p. 48)

Hiltrop (1996) has suggested that a new psychological contract emerged in the 1980s in which, despite less job security, and while anyone could expect to be employed only for as long as he or she gave added value to an employer, the implication was that in return the employee had the right to expect interesting and rewarding work, and receive the training and experience to be employable elsewhere. As Armstrong comments, "this could hardly be called a balanced contract" since "employers still call the shots except when dealing with the special cases of people who are much in demand and in short supply." (Armstrong 2002, p. 50)

Within this there are different presumptions. For example, Bowen and Ostroff (2004) analyzed the importance of employers' perceptions of psychological contract. In contrast, Denise Rousseau and others (Rousseau 1989, Rousseau 1990, Rousseau and Parks 1992, Rousseau 1995, Rousseau 1998, Rousseau 1998, Rousseau and Tijoriwala 1998, Rousseau and Schalk 2000, Rousseau 2001, Rousseau 2005), Nishii and Wright (2007) and Nishii, Lepak and Schneider (2008) focused on the perceptions of individual employees. Grant and Hofmann (2011) submitted that interpersonal dynamics influence social expectations and role redefinition.

Employment relationships and expectations are also shaped by changing economic and social contexts (Rousseau 1995, Edwards and Karau 2007). The employee's perspective is influenced by previous experiences and by social and economic dynamics, increasing or decreasing expectations (Kanter 1989, Edwards and Karau 2007). Such contextual influences on individual career choices and outcomes may be implicit or explicit in people's self-narratives concerning their work and life experiences (Inkson 2007). Moreover people develop beliefs about mutual obligations between employers and employees that may, or may not, offer an alignment between assumptions of a social contract – such as the role of their profession by and within society – and of a psychological contract concerning their direct employment relationship (Kanter 1989, Edwards and Karau 2007).

As indicated in Figure 3.2, we suggest that this can gain clarification by distinguishing sequences in professional identities, such as: (1) how they are antecedently acquired at macro, meso, and micro levels; (2) how the norms and values of the adopted profession relate to social contract, in the sense of professionals' perceptions that they are contributing to the welfare of society; (3) how they then encounter an employment context which fits or misfits with career expectations;

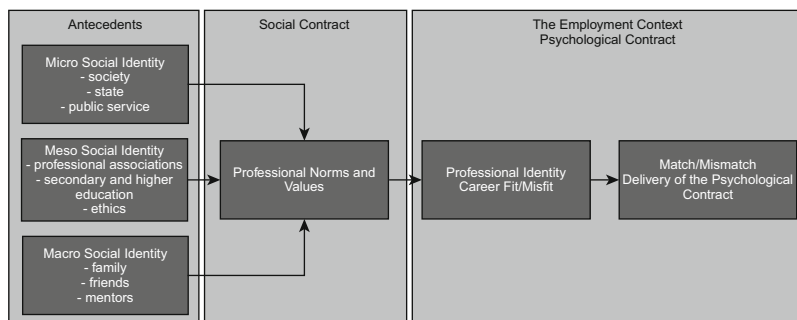


Figure 3.2 Professional identity, careers, and social and psychological contracts
Source: Own elaboration.

and (4) the outcome of a match or mismatch with professional values in such an employment context and implications for perceptions of fulfillment or breach of psychological contract.

The antecedents column of Figure 3.2 allows for changing contexts at different levels within society, which can influence both career expectations and outcomes. Thus, in macro social terms, past assumption that national health systems were a public service have been challenged by New Public Management reforms (Pollock 2004, Leys and Player 2011) concerned with introducing competition between public and private health providers. At a meso institutional level there are pressures for improved performance and lowered costs, not least in health services faced with aging populations and new technologies, as well as competition between established public and new private sector hospitals, clinics, and research centers. An outcome at the micro level of individual choice may be a growing concern with holding on to the career one has by accepting tacit rules and implicit norms (Oliveira 2007) as a means of reinforcing career anchors, rather than questioning changing institutional norms (Clarke, Brown et al. 2009).

4 Case study in the Portuguese pharmacy sector

The pharmacy sector offers an interesting context for research on professional identity and careers for several reasons. First, the role of pharmacists is highly institutionalized at different levels: macro in terms of public health and for society, which may tacitly be assumed as a social contract; meso in terms of the importance of professional associations and

teaching institutions; and micro in terms of the influences of mentors, families, and others on the initial career choice. Second, it includes a wide range of organizations, institutions, and different working environments (Kronus 1976), which parallel the macro, meso, and micro distinctions, and also influence career choices and outcomes. These include: pharmaceutical companies with global research, production and market power, such as Hoffman La Roche or Bayer; general hospitals and major teaching hospitals with a less market focused research capacity; through to smaller establishments such as generic drugs and retail outlets under commercial pressures but with little market power.

However, many of the studies undertaken to date have focused on access to pharmacy as a profession without exploring the role of values in professional identity and how, in terms of psychological or social contracts, these may be perceived to have been fulfilled or compromised by commercial pressures. Further, while most pharmacists may be salaried, whether in a national health system, major drug corporation, retail outlet, or hospital, many of them are on short-term contracts with a high degree of job precariousness (Standing 2011), which has implications for psychological contract.

Studies dealing with career aspirations and prospects for professional access by pharmacy students, such as by Siracuse and others, show that most students receive career guidance for direct care to patients, although some are concerned that this is not the reality of retail pharmacy (Siracuse, Schondelmeyer et al. 2004). The perception of a patient care related career is comparable to other professional subcultures, such as nursing and medicine (Horsburgh, Perkins et al. 2006). Altruistic intentions are cited as one of the most prominent factors for career choice, along with an interest in scientific research, employability, and the possibility of self-employment (Capstick, Green et al. 2007).

However, it is vital to stress that choosing pharmacy as a career is often a second choice to medicine as the result of an individual not gaining sufficient school qualifications for the latter. For a relevant number of the practicing pharmacists (27 out of 50 in our sample: 54%) pharmacy was a second best choice of career, with a greater or lesser degree of professional identification coming after. In this sense pharmacists have been plateaued from the start, as school leavers, rather than achieving the peak of the medical profession.

4.1 Context and method

The context of the case study was of pharmacy in Portugal where a national health service, modeled much on the lines of the British NHS,

and free at the point of use, was introduced in the 1970s after the overthrow of the dictatorship. This was seen very much as a key social gain from the transition to democracy (implicit social contract), which was validated with an increase in longevity by an average of 15 years. Yet, as in other national health systems, the outcome of this success was a rise in overall costs for treatment of an increasingly elderly population, combined with a rise in unit costs as technical progress yielded medical gains for new treatments (Oliveira and Holland 2007). Unlike in the UK, where large retail outlets such as Boots have tended to dominate retail distribution for many years, at the time of the transition to democracy in Portugal most retail pharmacy was, and still is, in small family managed outlets. Further, while successive governments had intended liberalization to open up competition in retail pharmacy, a pressure on doctors from governments to prescribe generic rather than branded drugs has tended to reduce cash flow and profit margins in small self-managed family retail outlets, increasing pressures on them to sell non-pharmacy products.

Without disregarding macro factors and meso institutional levels, which in Bourdieu's (1990) sense of *habitus* influence the formation of professional identities and acquisition of professional values, the case study was directly concerned with individual pharmacists at a micro level and, in particular, the degree to which there were perceptions of job/career-fit or misfit and match or mismatch in terms of expected delivery of a psychological contract (as modeled in Figure 3.2).

4.2 Participants

Interviewees came from a list provided by the Portuguese Association of Pharmacists, using a stratified approach to include pharmacists from different sectors. The sample included 50 pharmacists – of which 64% were women: 24 (48%) from retail; 13 (26%) from clinical analysis; seven (14%) from industry; and six (12%) from hospitals.

4.3 Data collection

The collection on a socio-cognitive basis was informed by grounded theory principles (Glaser and Strauss 1967). This aims to “elicit fresh understanding about patterned relationships between social actors.” (ibid, p. 32) As a method developed, among others, by Charmaz (1990, 1994), and Henwood and Pidgeon (1995), it involves both observation and discourse analysis.

The interviews involved a series of opening questions relating to key themes and concepts, such as: (1) in relation to careers and professional

identity: when and why did you decide to become a pharmacist? What attracted you to it as a profession? (2) In relation to psychological contract: to what extent do you feel that your employer has fulfilled promises or obligations made to you when you were hired? What are your main tasks and responsibilities? (3) In relation to social contract: what is the pharmacist's role in society and how do others see it? Has this changed over time? What are its scope and limits now?

Each interview, lasting from 45 minutes to a maximum of 90 minutes, was recorded in a comfortable location, easy for the interviewees to access. It followed a semi-structured format which allowed for interviewee perceptions of a range of issues relevant to the theoretical and conceptual framework of the literature on careers, and also data driven development of concepts, such as career drift and career-fit or misfit.

4.4 Data analysis

Interview transcripts were analyzed on a template basis for qualitative analysis and the evolution of data driven concepts (Charmaz 1990, 1994; Henwood and Pidgeon 1995; King 2004). This is a flexible set of techniques allowing an initial data analysis using *a priori* codes, but assuming that initial coding should be open to modification according to the data driven analysis. In an analogy suggested by Caroline Clark et al. (2009) this is the equivalent of a puppet show enabling the audience to see some of the strings attached. A fifth of the fully transcribed interviews (ten interviewees) were independently coded by a trained researcher in qualitative analysis using the developed coding system as presented in Table 3.1; the results of the inter-coder reliability, using different indicators – Scott's Pi, Cohen's K and Krippendorff's Alpha, all above 0.85 – show that the coding system was robust.

5 Findings

As represented in Table 3.1, in understanding the career decisions of professional pharmacists, the themes emerging from the case study findings fall into four broad categories: (1) career context, such as may enable a career choice to be self-directed rather than other-directed; (2) professional identity, in terms of values and skills; (3) psychological contract, in terms of whether there are symmetries or asymmetries between professional identities and employer perceptions of career-job match or mismatch and thus delivery or non-delivery of the deal;

Table 3.1 The implication of concepts and issues to career orientation

Concepts	Career issues	Implications
Career context	Self-directed Other-directed	Boundaryless–portfolio Embedded–bureaucratic
Professional identity	Professional values Commercial values Symmetrized employment and professional skills Asymmetric employment and professional skills	Career–values match (Career anchor) Career–values mismatch (Career plateau–drift) Career–skills fit (Career anchor) Career–skills misfit (Career plateau–drift)
Psychological contract	Symmetry between professional and employer perceptions Asymmetry between professional and employer perceptions	Delivery of the deal (Career–job match) Non-delivery of the deal (Career–job mismatch)
Social contract	Public service and social support role Lack of public service and social support role	Fulfillment of social contract (Career–society match) Breach of social contract (Career–society mismatch)

(4) social contract in terms of wider public service and social support roles and whether this is perceived to be fulfilled or breached.

5.1 Career context

5.1.1 *Self-directed and other-directed*

Among our sample of professional pharmacists, and in relation to the first category of career context, the issues raised primarily concerned whether a career was self- or other-directed. Only 12 (24%) of the total interviewees believed that there was a self-directed individual responsibility for managing a career, whereas there were 27 interviewees (54%) who considered careers as an organizational responsibility and thus other-directed.

There was a marked contrast between those in the pharmaceutical industry and those in retail pharmacy. All interviewees in the pharmaceutical industry (seven out of seven) saw their careers as self-directed,

which supports the boundaryless–portfolio concept thesis, and in this regard is consistent with Baruch (2006).

I no longer believe in jobs-for-life. These don't exist anymore. But if I feel that in (company's name) I'm not gaining any more knowledge or skills or, in to progress in terms of a career I clearly would look for another professional job.

Man in pharmaceutical industry, age 29

From the point at which we start a professional career, we need to manage it. But for any profession nowadays, such management has to be life-long. This cannot only be in administrative terms but in our own interests...our own personal development and, only then what an institution expects, such as a health system.

Man in pharmaceutical industry, age 52

Which also has implications for the degree to which institutional perceptions of careers as boundaryless might relate to age, as also in the findings of Chao (2008), that the negative effects of a career plateau were most pronounced when the plateau was perceived during the early years of an individual's job tenure.

By contrast, 18 out of the 24 interviewees in retail pharmacy (75%) saw their career boundaries determined by the organization, which is consistent with Riesman's (1954) other- rather than self-direction, and Bourdieu's (1990) situational logic. The majority of interviewees with other-directed perceptions were women (22 out of 27=81%).

Regrettably there is no career structure as such in retail pharmacy in Portugal. If and where there is, it depends very much on the nature and structure of a particular retail outlet.

Woman in retail pharmacy, age 32

retail pharmacy is hardly the height of a hierarchy of career choices in pharmacy. People know this, and it shows. In return, we feel undervalued.

Woman in retail pharmacy, age 29

I don't see pharmacy as a career...and there are not many pharmacists who do. I didn't start in a hospital pharmacy thinking that I would be a trainee, then an assistant, then supervisor, or such like. A formal career path doesn't concern me very much.

Man in hospital pharmacy, age 31

5.2 Professional identity

5.2.1 Professional values and commercial values

The findings showed a marked contrast between retail pharmacy and the pharmaceutical industry. Eight interviewees (16%) had declined to stay in the same job because of the difference between what was expected of them by their employer in terms of job-fit and their own expectations of career-values fit.

Thus, there are tasks that retail pharmacists are being asked to perform that differ from, or deny, their perceptions of their professional responsibilities and roles, and thus show a career-values misfit, (or, in Bourdieu's (ibid) terms, between normative and dispositional logic, and practical and situational logic). Misfit as in the case of being pressured, on commercial grounds, to promote the sales of non-medical products, such as perfumes, cosmetics, and other products as if one was just a sales assistant. In the pharmaceutical industry, by contrast, and in terms of Bourdieu's (ibid) normative, dispositional, practical, and situational logic, this dilemma between professional and commercial values does not obtain since the role of the industry is not only to sell but also to research and innovate, which, in principle, should enhance both the welfare of the whole of society in terms of social contract, and higher levels of creativity and fulfillment in terms of psychological contract.

Thus, in research and development in the pharmaceutical industry, rather than mere production, there can be a synthesis in the sense of Van Maanen and Schein (1977) and Schein's (1978) matching processes, thereby also integrating Bourdieu's (1990) normative, dispositional, practical, and situational logics. Whereas, in retail – or wholesale – pharmacy, or even in a hospital pharmacy which should in principle have the potential for career progression, there may be asymmetry and mismatch. Which also may relate to the sequence of career experience, as outlined in Figure 3.2, but which may result not in a career progression, but a career plateau.

I wanted to start working immediately and I really didn't think twice about it. Back at the warehouse, they decided everything, I was not consulted, I spent nearly the whole day solving minor bureaucratic issues.

Woman in hospital pharmacy, age 33

Reconciliation, in Bourdieu's (1990) terms of the normative values imbued through professional training by meso level institutions, may conflict with situational experience at a micro practical level.

I am a strong believer in pharmacy for pharmacists, for a very simple reason...public interest. Yet this can conflict with commercial pressures at a retail level. For example, one day, I was confronted by a woman holding a baby and with a box of antibiotics in her hand, who asked whether I could renew it. I declined, advising her that she needed to go to a doctor to re-evaluate the child's condition. I was reprimanded, and so annoyed that I said 'at the end of this week give me what you owe me and I'm going. I can't take any more of this situation.' My function as a technician is the safety of the patient. Of course we also need to think in economic terms but not only.

Or, in terms of Bourdieu's (1990) distinction of terms of the normative, practical, and situational logics, the concern of a pharmacist not to achieve the ambition of synthesizing them, in the sense of Van Maanen and Schein (1977), but simply to gain some balance or practical reconciliation between them.

We need to get a balance...Of course we need to promote sales. But we also need to respect professional standards. I have three responsibilities, to my profession, to the public, and to an employer. But we have to have a balance. And at present market forces, not the public interest, prevail.

Man in retail pharmacy, age 45

In my view there has been a degradation...economic interests are becoming dominant and pharmacists who, by law, are responsible as technical directors of a pharmacy are being suborned by these.

Woman in retail pharmacy, age 29

The findings also indicated strongly divergent views and feelings concerning the degree to which commercial values necessarily were in conflict with professional and ethical values. There were 40% very concerned about this, with only 4% who did not see it as a problem.

Doctors and nurses don't deal with money. Pharmacists have to, which confuses professional and commercial roles.

Woman in retail pharmacy, age 28

Sometimes, unfortunately, management and economic interests can displace clinical needs. But this is a reality that we have to take into account if we want to keep our jobs.

Woman in retail pharmacy, age 28

retail pharmacy is more or less sophisticated but is still a business with a more commercial than professional focus.

Man in hospital pharmacy, age 52

5.2.2 Symmetries and asymmetries between employment and professional skills

The findings indicate that eight (16%) of the interviewed pharmacists decided for a career move based on a mismatch between the identity assumed or wanted by their direct employer and their perception of skills integral to their professional identity, i.e., a career-skills mismatch.

Inversely, rejecting a nominal career promotion for professional identity reasons was referred to by two of the interviewed pharmacists.

I had an offer to be technical director in a pharmacy and the offer was for real, but the role was not, which was why I did not accept it.

Woman in retail pharmacy, age 45

The role of being a retail pharmacist is important in itself, but it is not enough for me. I am more interested in pharmacy as a science rather than simply selling drugs.

Woman in retail pharmacy, age 31

5.3 Professional identity and social contract

As already indicated, at a macro level, the ownership of retail pharmacies in Portugal had been on the basis of exclusivity but recently had been liberalized, which raised concerns among pharmacists of risks to ethical values. Twenty of the interviewees (40%) mentioned this concern, which relates to perceptions of breach of social contract by the government for having changed the macro environment in favor of commercial rather than professional values.

Otherwise, there were two different perceptions of the pharmacists' social role: (1) as a public service provider (12 interviewees: 24%) and (2) as a social support, such as scheduling medical tests, or explaining the outcome of clinical analyses (18 interviewees: 36%).

The government prides itself on having more owner-operated pharmacies because it thinks this is ending the professional monopoly of professional pharmacists. But this is causing problems because it is not clear now whether a professional pharmacist can have ethical independence. Fortunately for me my employers are pharmacists and they don't only push profits to the limit. [In response to the

question what are the limits he replied:] Being less than fully loyal to the public. There may be occasions when some pharmacists take advantage ... such as selling what people do not really need.

Man in retail pharmacy, age 39

An example of concerns about ensuring the role of public service provider was the statement that:

Regulation counts since without it there would be many products circulating which would do much harm to public health ... because of which I do the best I can to sure that everything is going properly in the chain, and in the time expiry life cycle of a product; not only because this is my formal responsibility but also because things have to go right if a sick person is not later to suffer ill effects from which he or she should be safeguarded.

Woman in regulation affairs in the pharmaceutical industry, age 26

An example of concerns with ensuring technical expertise and legal responsibility is as follows:

There are various roles that a pharmacist can play in the pharmaceutical industry from technical direction to lower levels. There also is a legal responsibility besides the very high technical responsibility. These are among the reasons why I hold that a pharmacist should be a specialist.

Man in the pharmaceutical industry, age 30

The relevance of Robertson and Cooper's (2011) recognition of the importance of eudemonic purposeful engagement was illustrated in the following statements:

A retail pharmacist such as in a small town, also plays a social role, doing much for people that is not directly pharmacy related, such as scheduling medical examinations for them which they otherwise might not organise for themselves.

Woman in retail pharmacy, age 29

There also are other things which are not part of our job such as arranging appointments with doctors and explaining the significance of a clinical analysis such as a blood test which, strictly speaking, we shouldn't do, but which helps people.

Woman in retail pharmacy, age 28

5.4 Professional identity and psychological contract

The main findings on psychological contract in the employment relationship were that employer perceptions of roles and role relations differed from the interviewees' sense of professional identity (19 interviewees, 38%), which is consistent with the emphasis on breach rather than fulfillment by Denise Rousseau and others (Rousseau 1989, Rousseau 1990, Rousseau and Parks 1992, Rousseau 1995, Rousseau 1998, Rousseau 1998, Rousseau and Tijoriwala 1998, Rousseau and Schalk 2000, Rousseau 2001, Rousseau 2005).

Sometimes we can readily do this or that; sometimes we cannot... Often enough a doctor has not really clarified the implications of medication to people, who also may wish to try something different. This poses both ethical and professional dilemmas... Not least if we think that the doctor may not have been right, and quite apart from negative feedback from a doctor if it transpires that we have challenged his or her judgment.

Man in retail pharmacy, age 54

A classic problem is when a person does not have a prescription... in such a case, legally, we should not give them a drug or other medication. But this can mean that somebody lacks it who really needs it. So, in such a case, especially if we know it would have been a repeat prescription, we give it.

Woman in retail pharmacy, age 28

Another problem is that some members of the public do not recognize that as a clinical analyst I'm not a doctor. Thus they may ask me to evaluate the outcome of a medication which, in their view is or is not working, such as an anti-biotic and to recommend another. In such a case, I have to say that I regret this, but I do not have access to the diagnosis that was made by her doctor, who knows more of her medical history than I. But it does not reassure and this means a loss of confidence in me.

Woman in clinical analysis, age 32

There are common major misperceptions. Many people think that we are doctors since, after all, we are medical analysts. They therefore expect us to behave like doctors, without constraint on our medical advice.

Woman in clinical analysis, age 57

There are many people who do not really understand our professional role as pharmacists and see us as just another retail outlet, giving them what they want and that we can do anything for them that they ask, without limits. We have the medicines stacked on our shelves, they are the clients, and we should sell them to them. While if we do not, or explain that we cannot, they regard this as a breach of trust, and we lose them as clients.

Man in retail pharmacy, age 32

as a pharmacist, I do not see my role simply as a technician. I also am interested in people and their problems. They also expect this of me, rather than that I should simply take a blood sample without realizing that resolving their health problem is central to their wellbeing.

Woman in clinical analysis, age 31

6 Discussion

What the findings show is that a pharmacist's primary perception of a career is mainly in terms of the profession of pharmacy itself and only secondarily of progress *within* an organization. They also show that, rather than a concern with achieving boundaryless careers *between* organizations, there are professional *identity* boundaries that pharmacists do not want to cross in career moves.

The findings indicate clear differences in this between retail pharmacists and those in the pharmaceutical industry. In the former, there is persistent reporting of a mismatch between professional and commercial values and, thence, also of career aspirations and career-values mismatch. Whereas in the pharmaceutical industry these may be more readily symmetrized in terms of what Van Maanen and Schein (1977) have deemed the synthesis between individual and organizational interests and values, and which Schein (1978) called matching processes.

The findings support the case of Rodrigues, Guest and Budjanovcanin (2013) that the way people make sense of their careers can no longer be usefully captured by objective benchmarks of success, such as a higher salary or promotion. They also support the case of Paauwe and Boselie (2005) for the need to pay more attention to employee perceptions, and the claims of Bowen and Ostroff (2004), Nishii and Wright (2007) and Nishii, Lepak and Schneider (2008) that *current* perceptions relate to *prior* personal dispositions and values (antecedents in Figure 3.2), as well as those of Grant and Hofmann (2011) that interpersonal dynamics influence social expectations and role redefinition.

Further, in line with Bourdieu's (1990) distinctions of normative, practical, and situational logics, extract after extract cited from interviews with pharmacists have shown that the norms and values acquired from professional training conflict with the practical logic of commercial pressures, and that these are most evident in the situational case of retail pharmacy.

Which also suggests an extension of Schneider's (1983, 1987, 1994, 2001, 2008) distinction between job-fit and organization-fit to the concepts of career-fit or career-misfit, in the sense that asymmetries between the values and expectations acquired in professional training with the commercial values demanded for job-fit may mean that pharmacists who find that their earlier expectations of purposeful or *eudaimonic* fulfillment in a career (Robertson and Cooper 2011) are not realized.

The findings confirm the importance of understanding meanings in different contexts (Wittgenstein 1953) and in the case of Bartlett on overlapping schema. Or, more simply, that perceptions of careers may both differ over time and may share different but overlapping features of anchors, plateaux, and drift. Thus they indicate support for Mitchell et al.'s (2001) proposition that job embeddedness, which hitherto has mainly been analyzed in terms of a career anchor, may also amount to a net or web in which an individual can become stuck or, in our terms, a plateau on which he or she is not able to move forward, but may move sideways, with a shift between jobs in Riesman's (1954) terms being more other- than self-directed. They also support the case for interrelating the concept of career plateauing (Gerpott and Domsch 1987, Milliman 1992, Chay, Aryee et al. 1995, Tremblay and Roger 2004) with the concept of career drift (Kato and Suzuki 2006).

A main finding is that a pharmacist's primary perception of a career is in terms of the profession of pharmacy itself and only secondarily with an organization. This suggests support for a main hypothesis emerging from the findings that, rather than a concern with achieving boundaryless careers between *organizations*, there are professional *identity* boundaries that pharmacists do not want to cross in career moves, since their main anchor is not in an organization but in their sense of professional identity.

There are, therefore, two different perceptions evident from the findings: both boundaryless–portfolio and embedded–plateaued. As well as, in the public sector, an interrelation of the two, such as whether a pharmacist working in a general hospital may be able to move to a teaching hospital with more scope for research, and thus achieve *eudaimonic*

fulfillment in pharmacy as a science rather than as a product. In terms of values there are implications for whether there is a career–values match (career anchor) or career–values mismatch (career plateau–drift), and in terms of symmetries or asymmetries, whether there is a career–skills fit (career anchor) or career–skills misfit (career plateau–drift).

In relation to social and psychological contracts, the findings indicate that whereas pharmacists in industry may have little difficulty in reconciling them, this is an ongoing and unresolved issue for retail pharmacists. In terms of other-direction rather than self-direction and symmetries or asymmetries between professional and commercial values, the frontiers are shifting in favor of the latter, much in line with the findings in *New Public Management* of Pollock (2004) and Leys and Player (2011) in the English NHS that government concern with market inspired criteria for performance is compromising the values and sense of professional identity of health workers.

In terms of career plateauing or drift this can mean factors over which individuals may have little to no influence. Such as, that they may find that an incoming tide of market values may compromise their professional values and thereby, what had hitherto been, their professional identities. Which also has macro policy implications for governance and governments in the sense that, if they wish to achieve a reconciliation between the need for economic efficiency and social efficiency in health services, such as eudaimonic purposeful commitment to a job, they should take account of the values of professions and not only of market value criteria.

6.1 Strengths, limitations and further research

A strength of the case study is that it has been based on one-to-one semi-structured interviews which are more able to fulfill the principles of grounded theory in enabling the emergence of new concepts and hypotheses than a questionnaire. Its limitations are that it has been undertaken in only one country on a cross sectional rather than longitudinal basis, and the sample was relatively small. Nonetheless, on such a grounded theory basis, the findings suggest a recovery of the concept of career plateauing and also support for the concept of career drift, which has received only partial attention in Japan and little to none elsewhere. Moreover, in terms of the emergence of new hypotheses the findings also indicate something initially unexpected but relevant to further research in relation to theories of psychological and social contract.

Thus, while theories of a psychological contract have focused on one-to-one relations between an employer and an employee and, in

the case of Denise Rousseau and many others, almost exclusively on employee perceptions of breaches (Rousseau 1989, 1990, Rousseau and Parks 1992, Rousseau 1995, 1998, 1998, Rousseau and Tijoriwala 1998, Rousseau and Schalk 2000, Rousseau 2001, 2005), one of the positive outcomes from the findings from pharmacists in retail outlets has been their one-to-one relations with members of the public and the trust implied by this, which interfaces both psychological and social contracts. Such a synthesis of the concept of psychological contract theory with a wider interfacing of social contract theory is probably overdue and may merit evaluation in other personal and professional contexts.

7 Conclusions

The case study both indicates support for the case of career orientations in Rodrigues, Guest and Budjanovcanin (2013) and that these may gain from exploring the links with professional identities and values. It qualifies the presumption of symmetries and matching between individual and organizational interests and values in Van Maanen and Schein (1977) and has analyzed cases of mismatch between them. It suggests the case for extending the concepts such as job-fit and organization-fit in Schneider (1983, 1987, 1994, 2001, 2008) to concepts such as career-fit or career-misfit. It suggests that analyzing careers can gain from the distinction between self- and other-direction, which Riesman (1954) derived from Adler (1964) and Fromm (1947), and by understanding professional identities in terms of Bourdieu's (1990) distinction between normative, practical, dispositional, and situational logics.

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4

Other Organizational Perspectives on the Contribution of Human Resources Management to Organizational Performance

João Leite Ribeiro and Delfina Gomes

1 Introduction

Human resources management (HRM) has been an object of study and reflection at both theoretical and practical levels. In fact, it is common to find references in the literature to a dichotomy of analysis and perceptions between academics and practitioners (Gates & Langevin, 2010; Buller & McEvoy, 2012; Winkler et al., 2013). The considerable intensification of research in this field is a consequence of diverse debates which emerged around the concept and object of HRM (Legge, 1995; Kaufman, 2001; Gates & Langevin, 2010). Among these debates are questions such as: the transverseness attributed to HRM in the organizational field (Paauwe, 1996; Keating et al., 2000; Ribeiro, 2003; Cunha et al., 2010); and the connection between HRM and organizational performance (Wright et al., 2005; Prowse & Prowse, 2010; Stavrou et al., 2010; Buller & McEvoy, 2012; Sirca et al., 2013; Bednall et al., 2014).

After the 1980s, and particularly after the 1990s, HRM came to be regarded as fundamental to the development of an organization and to the sustained growth of the business (Guest, 1987, 1997; Legge, 1995; Storey, 1992, 2007; Ulrich, 1997a,b; Brewster, 1993a,b; Paauwe, 1996; Cabral-Cardoso, 1999, 2004; Keating et al., 2000; Sirca et al., 2013; Bednall et al., 2014). HRM becomes strategic when it emphasizes the relevance of considering persons as an organizational asset requiring investment and appropriate management (Jamrog & Overholt, 2004; Bourne et al., 2013), i.e., when HRM starts to manage persons according

to the specificities of the business, therefore adding value to the business and contributing to the organization's distinctiveness and competitive character (Porter, 1985, 1990; Peters & Waterman, 1987; Schuler & Jackson, 1987, 1997; Dyer, 1984a,b; Kaufman, 2001; Cabral-Cardoso, 2004; Jamrog & Overholt, 2004; Azmi, 2011; Bourne et al., 2013). There is, however, a long way to go, both at academic and practical levels, to accomplish a greater consistency, credibility and acceptance of the role of HRM in the strategy of the organization (Legge, 1995; Pfeffer, 1995, 1998; Pfeffer & Veiga, 1999; Kaufman, 2001; Caldwell, 2002; Cabral-Cardoso, 2004; Cunha et al., 2010; Stravou et al., 2010; Buller & McEvoy, 2012; Sirca et al., 2013; Bednall et al., 2014).

The systemic nature of organizations requires an understanding of the multiple meanings of each organizational actor as a member of specific organizational and professional groups/subgroups, of their functions, roles, responsibilities, and professional expectations (Sozcka et al., 1981; Luthans, 1988; Romelaer, 1996; Sculion & Starkey, 2000; Lemmergaard, 2009; Long et al., 2013; Amin et al., 2014). Therefore, this study is positioned from the perspective of the internal client, to understand how different organizational actors perceive the reality of HRM with an emphasis on characterizing and understanding their perceptions of the contribution of HRM and HR managers to the performance of the organization.

This chapter is part of a broader study developed by Ribeiro (2014) and makes use of data collected within that research project. Accordingly, the qualitative empirical study is based on 257 interviews with different organizational actors with distinct hierarchical levels and organizational functions, belonging to ten companies active in Portugal. The analysis of the empirical data is developed through the methodology of grounded theory.

The chapter is so structured that the evolution of HRM is presented in Section 2. This is followed by a definition of the scope of HRM in Section 3 with a description of the main roles performed by HRM in Section 4. Section 5 analyzes the expectations of HRM and the HR department; this is followed by the debate on the contributions of HRM to organizational performance in Section 6. Sections 7 and 8 present the methodology applied in the empirical study, showing the paradigm adopted, the methods for data collection and analysis, the description of the interviewees and procedures in conducting the research. Section 9 provides the interpretation of the data, focusing the analysis on the perceptions, by different organizational actors, of the contribution of HRM to organizational performance. The chapter ends with the conclusion.

2 Some notes on the evolution of HRM

The perception that exists at present about HRM, both regarding theory and practice, is the result of a historical development. This development had advances and retreats, changes in designation, controversies at the conceptual level and development of strategies of performance, changes in the type and nature of responsibilities and functions, changes in roles and role expectations, and changes in structure and hierarchical-functional relationships (Legge, 1989; Kennoy, 1990; Storey, 1992; Beer, 1997; Cabral-Cardoso, 1999, 2004; Guest, 1999; Kaufman, 2001; Dolan et al., 2010; Prowse & Prowse, 2010). Therefore, the history and theory of HRM needs to be contextualized within the evolution of paradigms over the last two decades of the 20th Century (Jamrog & Overholt, 2004; McKenna et al., 2011).

The change from a paradigm of productivity to a paradigm of competitiveness implied one of the biggest challenges for HR managers. That is, HR managers had to position themselves in a way that would give sense and meaning to their responsibilities and functions in terms of everyday actions (Brewster, 1999; Kaufman, 2001; Prowse & Prowse, 2010; Donald & Bleekers, 2012). Such a move was required by the distance that exists between the rhetoric and the practice that characterizes the function of HRM managers (Storey, 1992; Legge, 1995; Conner & Ulrich, 1996; Cascio, 1998, 2000; Purcell, 2001; Zanoni & Janssens, 2003; Cabral-Cardoso, 2006; Dolan et al., 2010; Prowse & Prowse, 2010).

Gradually, throughout the 20th Century, it was possible to notice an evolution from normative approaches, focused on productivity, towards approaches of a contingent nature, in which the paradigm was one of competitiveness and quality (Legge, 1989; Torrington & Hall, 1991; Schuler & Jackson, 1997; Prowse & Prowse, 2010; Bloom & Van Reenen, 2011; Chênevert & Tremblay, 2011; Bloom et al., 2012). At the same time, management came to be seen as more than just a set of techniques and practices that improve with time, and took on more strategic and operationally stronger values, principles, and institutional processes (Shore et al., 2009; Lemmergaard, 2009; Bloom et al., 2011).

The developments in HRM, both in theory and practice, occurred after the 1990s, with more fluid, flexible, and decentralized organizational structures. Greater emphasis was given to training and the development of networks of multifunctional and multidisciplinary teams, which reveals a new mentality regarding how to manage and address situations. The predominant organizational mentality was supported by the principles of MacGregor's Y theory (Senge, 1990; Ulrich, 1997a,b,c;

Rego et al., 2006), which is future oriented and focuses on innovation, knowledge and creativity (Senge, 1990; Maxwell & Watson, 2006; Dolan et al., 2010; Guest, 2010; Ng, 2011). The organizational environment was characterized by a high variability and unpredictability, providing intense and discontinuous changes (Ling et al., 2008; Stainback et al., 2010; Long et al., 2013).

People were perceived as proactive, endowed with intelligence, knowledge, skills, and differentiated abilities, which should be identified, developed, and enhanced in terms of organizational performance and individual motivation (Prowse & Prowse, 2010; Pereira & Gomes, 2012). Freedom and autonomy, as well as commitment and responsibility, emerged as the main motivation strategies for workers (Teal, 1996; Gilbert, 1999; Dolan et al., 2010; Waldman et al., 2012). The underlying concept not only assumed that the worker was motivated by economic needs, but also emphasized the importance of social, psychological, and emotional factors. It also stressed the relevance assumed by informal structures and communication, motivational and leadership processes, as constrainers of the performance and commitment of workers (Cabral-Cardoso, 1999; Boon et al., 2011; Prowse & Prowse, 2010; Bloom et al., 2011; Waldman et al., 2012; Pereira & Gomes, 2012).

A set of new trends emerged from the last two decades of the 20th Century, putting pressure on HRM activities to add value to companies. The increase in productivity and the need to be internationally competitive, by featuring high quality standards, are some of these trends (Dolan et al., 2010; McKenna et al., 2011; Buller & McEvoy, 2012; Kapoor & Sherif, 2012; Winkler et al., 2013; Barrick et al., 2015). On the one hand, organizational discourses revealed a tendency to focus on strategic management at the level of operations, research and development, information technology, product development, innovative marketing, and HR management (Dolan et al., 2010). On the other hand, many scholars of the HRM area observed and advocated the development of a critical role in organizations (Ulrich et al., 2008; Jackson et al., 2009; Prowse & Prowse, 2010; Winkler et al., 2013; Barrick et al., 2015). These scholars highlighted that effective HR management requires both an understanding of the trends that emerge in a complex and volatile world and a redefining of the focus of HRM to boost the company's effectiveness. HRM must have a strategy of diagnosis and anticipation of reality and an excellent ability to read events in the context in which they arise and, whenever possible, to adopt a proactive approach supported by appropriate communication systems and effective leadership (Edgley-Pyshorn & Huisman, 2011; Wheeler et al., 2012; Pereira &

Gomes, 2012; Yamamoto, 2009, 2013; Long et al., 2013; Winkler et al., 2013; Snell et al., 2014; Barrick et al., 2015).

3 Scope of HRM

According to Brewster (1997), since the beginning of the 1980s the personnel function, and the respective departments, have been the subject of multiple discussions at the level of their professional class. One reason has to do with the fact that, at least at the level of discourse, human resources are considered by many managers as the most valuable and the rarest resource of the organization, since it is impossible to copy. Thus, the human resource needs to be managed properly and professionally, according to the organization's business and its evolutionary trends (Porter, 1985, 1990; Farndale, 2005; Ng, 2011; Pereira & Gomes, 2012; Snell et al., 2014; Barrick et al., 2015). Another reason is related to the changes the function of HRM has undergone and the new challenges faced by organizations at this level, namely: meaning and emphasis attributed to HRM; characteristics and responsibilities of HRM; and responsibilities of line managers (Brewster & Hegewisch, 1993; Buyens & De Vos, 2001; Farndale, 2005; Andolsek & Stebe, 2005; Mintzberg, 2006; Purcell & Hutchinson, 2007; Breifelder & Dowling, 2008; Prowse & Prowse, 2010; Gilbert et al., 2011a,b; Long et al., 2013; Barrick et al., 2015).

The HR body encompasses several of these issues and has the following responsibilities: diagnose and act proactively in the face of pressures for change; enhance the importance of HRM through actions that favor the creation of organizational value; support dynamically and critically the situations that have to do with changes in the nature of the work, particularly the temporal flexibility of work, contract flexibility and flexibility of functions; and, finally, support line managers as needed (Whittaker & Marchington, 2003; Farndale, 2005; Andolsek & Stebe, 2005; Bondarouk et al., 2009; Prowse & Prowse, 2010; Edgley-Pyshorn & Huisman, 2011). Notwithstanding the summarized description of some HRM responsibilities, these activities differ according to context, and may be affected by organizational factors (such as company size, activity sector, type of business, relationship with other entities, policies and general strategies of the company), and by socio-cultural, economic and political factors (Des Horts & Segalla, 1998; Cabral-Cardoso, 1999, 2004; Farndale, 2005; Ling et al., 2008; Dewettinck & Remue, 2011).

Brewster (1997) considered that it was precisely the strategic dimension of HRM which lent credibility to the role of the HR board and of

the HR manager in addressing issues and emerging themes in this area. Indeed, that dimension is the most effective lever to avoid its devaluation and increase reliability levels and ensure the importance of the various organizational contexts (Bloom & Van Reenen, 2011; Azmi, 2011). According to Brewster (1997, p. 10), one of the characteristics that distinguishes HRM from personnel management is the closer connection of HRM with the requirements of operational management. The role of the technician is no longer to manage and control systems, but is increasingly to provide advice and support to line managers in achieving their goals (Dolan et al., 2010; Ng, 2011; Gilbert et al., 2011a,b).

Taking into consideration these perspectives, HRM can be defined as a management approach to relations and quality of work interactions, with a set of different policies and practices to personnel management (Ribeiro, 2003, p. 49). This differentiation is achieved, on the one hand, through greater involvement and coordination with behavioral and management sciences, and, on the other hand, with more and better knowledge of the business and its development prospects, together with the connection of strategic and operational characteristics of HRM with policies and overall organizational strategies to get results and add value (Benkhoff, 1997; Buhler, 2008; Shore et al., 2009; Dolan et al., 2010; Stravrou et al., 2010; Azmi, 2011; Bloom et al., 2012; Barrick et al., 2015).

4 Role of HRM

The evolution of HRM has led to the need for a definition of the main roles assigned to those responsible for this area of organizational management. The assumption and performance of multiple different roles has given HRM an increasingly important role in defining the portfolio of responsibilities, winning action space, and a recognition of its effective contribution to the organization (Ulrich, 1997a,b, 1998a,b; Sculion & Starkey, 2000; Kaufman, 2001; Becker, 2004; Dolan et al., 2010). After the 1980s, with the paradigm shift from productivity to competitiveness and quality, the emphasis on learning ability, adjustment and flexibility, proactivity, innovation and creativity of organizations has become essential to organizational development and survival, and to the HRM function (Storey, 1992; Ulrich, 1997a,b, 1998a,b; Caldwell, 2002; Stavrou & Brewster, 2005; Prowse & Prowse, 2010; Barrick et al., 2015).

Several typologies of HRM roles emerged based mainly on the evolution of the personnel function, from personnel administration to personal functions, to HRM, and, more recently, the strategic management of

human resources (SMHR). SMHR assumes that people and their proper management are a key factor and a potential competitive advantage (Porter, 1985, 1990; Legge, 1995; Beer, 1997; Becker & Huselid, 1998; Shore et al., 2009).

One of the best known typologies of HRM, dating from 1986, was developed by Tyson and Fell (1986), and is still considered very useful for understanding the roles of HR managers (Edgley-Pyshorn & Huisman, 2011; Uyar & Deniz, 2012). This typology presents four areas of action, which are expected to be assumed and developed by skilled HR managers, namely: preserve the organization's core values; promote actions that contribute to organizational sustainability; secure and maintain the organization's boundaries; and finally, manage processes of change (see also, Torrington, 1989; Legge, 1995; Caldwell, 2001; Edgley-Pyshorn & Huisman, 2011; Uyar & Deniz, 2012). One of the roles highlighted by Tyson and Fell (1986) is the *Architect*, a role focused on business and achieving results.

Another typology was proposed by Torrington and Hall (1991), for whom the categories correspond to stereotypical ways of characterizing HR managers from an evolutionary perspective. One of the categories is *man of the organization*, which emerges when HRM is integrated with management objectives, and wherein the role of HR manager is oriented towards organizational effectiveness and taking part in the definition of objectives. Another category assumes the role of *resources analyst*, which translates as a development in the role of the HR manager, who focuses more on the analysis of those characteristics of HR that fit the company's strategic plans (see also, Beer, 1997; Keating et al., 2000). The importance of the strategic aspects of business and personnel management for HRM and HR managers, in which one of the main objectives is to maximize the potential of the organization through HR, is highlighted by the typology proposed by Wiley (1992; see also Becker & Gerhart, 1996; Pfeffer & Veiga, 1999; Cabral-Cardoso, 1999; De Saá-Pérez & García-Falcón, 2002).

In his proposed typology, Ulrich (1997a, b) mentions, among several roles, the one of *strategic partner*, which poses some challenges in terms of responsibilities for professionals in HRM, at the level of policies and alignment of objectives with the organization's strategy (vertical fit) (Miles & Snow, 1984; Delery & Doty, 1996; Kostova & Roth, 2002; Aumann & Ostroff, 2006); and a horizontal fit through greater consistency, coherence, and complementarity between HRM practices and techniques (Aumann & Ostroff, 2006; Gates & Langevin, 2010). Another role that has been highlighted is the one of *change agent*, where the

persons responsible for HRM are assumed as facilitators in the process of understanding and adhering to change, encouraging and involving all potential actors in that change and, thus, contributing to a better acceptance, implementation, and adaptation (Werbwl & Demarie, 2001; Ulrich & Brockbank, 2005; Long et al., 2013).

Behind these roles lie, on the one hand, the capabilities and skills of those responsible for HRM to add value to the business, and, on the other hand, the capacity to promote and develop efficient and contextually effective processes, fostering the sustainable development of the organization and its distinctive and competitive nature (Becker & Gerhart, 1996; Ulrich & Brockbank, 2005). Ulrich and Brockbank (2005) also mention the importance of HRM professionals being perceived as credible, reliable, and competent (see also, Sanders et al., 2008). Simultaneously, HR professionals should show skills in five areas: strategic contribution, business knowledge, personal credibility, HR delivery, and HR technology (Paauwe & Boselie, 2005; Sanders et al., 2008).

This positioning of the HR professional must be based on efficient and effective communication systems in terms of form, content, and process, to contribute to the promotion of social and professional interactions between the various sectors of an organization (Torrington & Hall, 1991; Ulrich, 1997c; Storey, 1992; Caldwell, 2003; Andraescu, 2005; Hutchinson & Purcell, 2010; Edgley-Pyshorn & Huisman, 2011; Donald & Bleekers, 2012; Pereira & Gomes, 2012; Barrick et al., 2015).

5 Expectations of HRM and the HR department

From a strategic and operational point of view, organizations have multiple objectives, among which are: economic and financial success; organizational climate of excellence; recognition as an ethical and socially responsible organization; development and recognition of good practices (Galang & Ferris, 1997; McIntyre, 2004; Rynes, 2004; Andraescu, 2005; Bartram et al., 2009; Zuzeviciutė & Teresevicienė, 2010; Davila et al., 2010). Additionally, the organization has a responsibility towards its workers to strengthen or help enhance their skills. To do so, it needs to possess compensation mechanisms, motivation systems, and management and career development policies, which enable levels of effective and affective commitment (Andraescu, 2005; Bartram et al., 2009; Zuzeviciutė & Teresevicienė, 2010; Bloom et al., 2012; Prowse & Prowse, 2010; Buller & McEvoy, 2012; Snell et al., 2014).

What is expected of HRM and the HR department (and, inevitably, of HR managers) is that they be aware of the concerns of workers and

able to convey them at organizational levels where they can be solved. What is more, HRM is also expected to be capable of understanding social change in an increasingly global world and, in a proactive way, to prepare the organization to respond to the new challenges faced by HRM (Galang & Ferris, 1997; Fabi et al., 2009; Harris & Foster, 2010; Dolan et al., 2010; Khan & Khan, 2011; Prowse & Prowse, 2010; Kapoor & Sherif, 2012; Sirca et al., 2013).

Personnel management bodies should develop their skills, their knowledge, and their expertise to help and support line managers in their responsibilities in terms of managing their HR. This way, personnel management bodies can stimulate the participation of line managers in the final selection of their employees, in their reception and integration, in the performance assessment process, in identifying training needs, and in the design of remuneration proposals (Cabral-Cardoso, 2004; Williams, 2008; Hunter & Renwick, 2009; Bondarouk et al., 2009; Dolan et al., 2010; Prowse & Prowse, 2010; Kapoor & Sherif, 2012; Sirca et al., 2013).

According to another perspective, HRM, its specific bodies and skilled professionals are also perceived as being essential to the development of the organization and to the formulation and implementation of its strategic directives (Azmi, 2011; Buller & McEvoy, 2012; Long et al., 2013). The expectation of a strategic HRM is based on the premise that the balance between HR values, systems, policies, and practices with the organization and business strategy is crucial for effective and strategic HRM (Fombrun et al., 1984; Miles & Snow, 1984; Delery & Doty, 1996; Galang & Ferris, 1997; Cooke & Saini, 2010; Stavrou et al., 2010; Prowse & Prowse, 2010; Kapoor & Sherif, 2012; Sirca et al., 2013).

In the strategic perspective of HRM, there are approaches that assume a positioning of action of a more reactive nature, where HR programs, processes, and practices contribute to achieving the organization's objectives (Miles & Snow, 1984; Stavrou & Brewster, 2005; Prowse & Prowse, 2010; Azmi, 2011). Nonetheless, other approaches are of a more proactive nature, with skilled HR managers participating in the strategic planning process, and where the organization's strategy may be conditioned by the available HR or by their characteristics (Miles & Snow, 1984; Wright, 1998; Aumann & Ostroff, 2006; Prowse & Prowse, 2010; Uyar & Deniz, 2012; Kapoor & Sherif, 2012; Sirca et al., 2013).

In everyday practice, one frequently witnesses the routinization of many of the responsibilities of HRM, although the expectation is for the HR body to assume a proactive stance and a strategic position in the

organization (Dolan et al., 2010; Uyar & Deniz, 2012; Kapoor & Sherif, 2012; Sirca et al., 2013; Barrick et al., 2015).

Being considered strategic to the organization, the activities of HRM came to be integrated in the cycles of planning, organization, implementation, and control, as happened with other areas of management that are more consolidated (Des Horts, 1987). This has led to HR managers playing an important role in promoting policies to stimulate commitment and organizational quality, as well as practices of flexibility and strategic integration (Yamamoto, 2009; Bloom et al., 2012; Sirca et al., 2013; Barrick et al., 2015).

6 Contribution of HRM to organizational performance

What is the contribution of HRM to organizational performance (OP)? This is one of the questions insistently asked by academics and practitioners. In an era that is strongly result oriented, this issue is of particular importance, and reveals a view of management as strongly utilitarian and instrumental (Prowse & Prowse, 2010; Azmi, 2011; Pereira & Gomes, 2012; Kapoor & Sherif, 2012; Sirca et al., 2013; Barrick et al., 2015).

The literature, with a strong North American and English influence (Stavrou et al., 2010), has revealed the existence of a link between HRM and OP; at the same time, it has shown that HRM practices and techniques allow an enhancement of OP and individual performance (Wright & Haggerty, 2005; Wright et al., 2005; Combs et al., 2006; Prowse & Prowse, 2010; Stavrou et al., 2010; Pereira & Gomes, 2012; Long et al., 2013).

Several studies have sought to establish the relationship between HRM and OP (Azmi, 2011; Armstrong, 2011; Pereira & Gomes, 2012; Kapoor & Sherif, 2012; Sirca et al., 2013; Barrick et al., 2015). One of the assumptions on which some studies support this relationship is the alignment between HRM principles and practices and organizational management strategies (Kapoor & Sherif, 2012; Barrick et al., 2015). This assumption is operationalized, in many studies, through the analysis of the existence of a horizontal fit and a vertical fit (Miles & Snow, 1984; Stavrou et al., 2010; Prowse & Prowse, 2010; Pereira & Gomes, 2012). The horizontal fit exists between sets of HRM practices through customization and adaptation processes aimed at a greater consistency and interconnection. The vertical fit embodies an alignment between HRM's systems and processes and the organization's objectives and strategies (Aumann & Ostroff, 2006).

In the literature concerning SHRM and the relation between HRM and OP, there is an emphasis on the existence of specific HRM practices as important to the development of HR, as a strategy to establish a link

with the final outputs of the organization in terms of good performance (Huselid, 1995; Delery & Doty, 1996; Lepak & Snell, 2002; Boselie et al., 2005; Combs et al., 2006; Nguyen et al., 2010; Sung & Choi, 2014). Corroborating this trend in the literature, Sung and Choi (2014) argue that the development of HR may be based on a more quantitative configuration (an emphasis on indicators related to the costs of certain HRM practices and/or processes) or on a more qualitative one (an emphasis on more descriptive indicators of the potential value and impact of HRM practices and processes). Sung and Choi (2014) mention that the two configurations, quantitative and qualitative, can and should be envisaged in a complementary manner, leveraging mutual synergies, and allowing for an understanding of the processes that mediate the relationship between HRM, specifically, the development of human resources, and the organization's performance, as mentioned by Combs et al. (2006, p. 503; see also Sung & Choi, 2014, p. 852):

In the SHRM literature scholars have identified three mediating mechanisms that explain the SHRM – firm performance link: “(a) increasing employees’ knowledge, skills and abilities (KSAs), (b) empowering employees to act, and (c) motivating them to do so”.

According to Dany and Hatt (2009), the highest relationship between the strategic integration of HRM and the OP arises when decisions are made by specialists in that role, supported by the opinion of line managers, assuming that a proactive and synergistic partnership exists. When the HRM function is more decentralized to direct supervisors, that link is more tenuous or non-existent, resulting in the devaluation of this relationship and the loss of efficiency and effectiveness in a consistent and coherent resolution of situations and problems (cf. Cabral-Cardoso, 2004; Gilbert et al., 2011a,b; Stavrou et al., 2010; Prowse & Prowse, 2010). On the other hand, this function also reduces its impact when one does not take into account the gains and the practical contributions that line managers can make to the processes of decisions, resolution, and progress of HRM.

As regards strategic integration issues and the degree of centralization, Brewster et al. (1997) presented a matrix of the strategic integration/power of the HR function, through which they compared levels of OP. The authors concluded that the most prolific organization is the one presenting a strong HR function, and it is also the one that is more concerned with OP. Other studies demonstrated that the organizations with better performance are those that give the HR manager a strong position, in terms of influence, in

the decision-making process concerning workers' issues, and allow them to do so in a close and positive link with the direct leadership (Beysseres Des Horts, 1988; Delbridge & Lowe, 1997; Buyens & De Vos, 2001; Kelly & Gennard, 2007; Lemmergaard, 2009; Dolan et al., 2010; Yamamoto, 2013; Sirca et al., 2013; Barrick et al., 2015). Nonetheless, Dany and Hatt (2009) did not consider that OP depends exclusively, in matters of HRM, on the existence of a strong HR function. However, they also highlighted a set of tools and strategies through which it is possible to have an ambitious HRM policy, such as training managers in these fields and their effective participation in the management of their teams.

Other studies have addressed the issue of the relationship between HRM and OP through two perspectives, non-contrasting but complementary, in terms of effectiveness and efficiency. Thus, HRM is effective when it helps to achieve results and business goals (Cascio, 2000; Ng, 2011; Bloom et al., 2012). On the other hand, the organization should take into account the characteristics of HR to enable the efficient development of systems and processes of HRM (Buhler, 2008; Lengnick-Hall et al., 2009; Hutchinson & Purcell, 2010; Boon et al., 2011; Waldman et al., 2012; Barrick et al., 2015).

On a more behavioral basis, the perceptual approach is based on theoretical and empirical research that seeks to understand how HRM processes and practices learned by individuals are related to the OP (Delaney & Huselid, 1996; Lepak & Snell, 2002; Barrick et al., 2015). That is the case in studies on organizational climate (Gelade & Ivery, 2003), HR functions (Nishii et al., 2008), and perceived organizational support (Delaney & Huselid, 1996; Butts et al., 2009). Although this perceptual approach is not new (Paauwe & Boselie, 2005), most studies focused on the perceptions of specific actors concerning HRM practices, and mainly on the perceptions of HR professionals. The focus of this chapter is different since it tries to understand how diverse organizational actors perceive this issue.

According to Pereira and Gomes (2012), "Despite some empirical confirmation of the relationship between HR and performance, there is no consensus as to the mechanisms that explain this connection." (p. 4301) However, the nature, shape, processes, and evaluation of this relationship raise a number of issues:

- (1) Which HRM practices contribute to the OP and how? (Prowse & Prowse, 2010)
- (2) How do HRM techniques contribute to OP and, more specifically, to what kind of performance? (Prowse & Prowse, 2010; Pereira & Gomes, 2012; Barrick et al., 2015)

- (3) What metrics and indicators are there to evaluate OP and individual performance in terms of HRM outputs? (Lawler et al., 2004; Lombardi & White, 2009; Dulebohn & Johnson, 2013)

Some studies also mention the difficulty of establishing a consensus on what is meant by performance in general and in the field of HRM specifically and, consequently, the difficulty of developing and establishing the measurement metrics (Stavrou et al., 2010; Azmi, 2011; Dulebohn & Johnson, 2013). In some studies, performance is related to profit, in others with productivity or the degree of efficiency and effectiveness, or, at a different level, with aspects such as employee satisfaction and motivation, organizational climate indicators, levels of absenteeism and turnover, and levels of internal conflict (Huselid et al., 1997; Azmi, 2011; Dulebohn & Johnson, 2013; Barrick et al., 2015).

There are other studies that discuss the challenge of understanding how HRM practices and techniques contribute to performance, whether individual or organizational (Prowse & Prowse, 2010). This challenge may have contributed to the seemingly unfinished discussion about: What is HRM? What is its nature? What are the processes and content? What are the boundaries of its practices? Who are its protagonists? (Guest, 1991, 1999; Legge, 1995; Prowse & Prowse, 2010).

On a broader perspective, one must consider the assumptions and the different aspects valued differently by the models that characterized the evolutionary process of HRM during the 1980s and 1990s (and which still have an influence), in particular the hard and soft models of the schools of Michigan and Harvard (Beer et al., 1984; Fombrun et al., 1984). These two models have contributed to the development of research in which the outputs were marked by more instrumental principles (hard model), or more humanist ones (soft model). These models had repercussions on the concept of human resource, with the literature assuming it as a cost or as an investment, which inevitably limits the approach to the relationship between HRM and OP (Storey, 1992; Legge, 1995; Prowse & Prowse, 2010).

7 Methodology

7.1 Methodological positioning

This study is developed within the interpretative paradigm by assuming that reality is a social construction and cannot be understood independently from the actors who create that reality (Urquhart, 2013,

p.59). Within this paradigm, the empirical study is based on qualitative research in order to understand the phenomena through the meanings that individuals attribute to them (Myers, 2011). According to Myers (2011, p. 38):

Many social scientists claim that the social scientist does not stand, as it were, outside the subject matter looking in; rather the only way he or she can understand a particular social or cultural phenomenon is to look at it from the 'inside'. In other words, a social researcher must already speak the same language as the people being studied (or, at the very least, be able to understand an interpretation or translation of what has been said) if he or she is to understand any data at all. The 'raw data' for a social scientist include words that have already been meaningfully pre-structured by a group of fellow human beings.

In the empirical study, the methodological positioning is justified by the fact that the main objective is to identify dominions and saturate categories with the perceptions different organizational actors have about HRM (Coffey & Atkinson, 1996; Silverman, 2000; Atkinson, 2005; Diriwächter & Valsiner, 2006; Eriksson & Kovalainen, 2008). Within this paradigm, the researcher is both a subject and an interpreter of the situations and social phenomena, as are the individual participants in the study (Myers, 2011, p. 39).

7.2 Methods of data collection and analysis

The empirical study adopted interviews as the method of data collection. Given that this chapter is part of a broader project, the information provided here is simplified to correspond to the objective of the chapter. The broader study included the definition of the research questions and the construction of the semi-structured interview guide. The interview guide was developed based on the literature, on the knowledge and practical experience of one of the researchers, who was a HRM manager for many years and, more importantly, on the results of an exploratory interview with an experienced HR manager. The interview guide consisted of 66 questions, which comprised biographical information about the interviewee and a comprehensive set of questions to collect data to accomplish the objectives of the broader study.

Among the questions were specific ones about the strategic role of HRM, and ones on the nature of the HRM function and the contribution of HRM to the performance of the organization. These are the ones that

corresponded to the objective of this chapter. To perform the interview analysis the grounded theory methodology was adopted, in particular a grounded analysis based on two fundamental operations: (1) posing questions with the objective to generate and connect concepts; and (2) establishing permanent comparisons by positioning the researcher as close as possible to the data and the field in which those emerge (Strauss & Corbin, 1998; Fernandes & Maia, 2001; Corbin & Strauss, 2008; Laperrière, 2010; Urquhart, 2013). The analysis was confirmed and validated by a specialist in the use of grounded theory.

7.3 Participants

The empirical study included in this chapter covers ten companies, three multinationals and seven Portuguese. Two of the Portuguese companies have a family administration. Of the ten companies, two are medium-sized, albeit they are leaders in their field; the others are big companies (in terms of total assets, sales volume and number of employees). The criteria for selecting the companies were: having a HR department; having a person responsible for HR management with the category of Manager of HR and an effective performance of duties; and finally, the manager of HR being hierarchical and/or functionally subordinated to an administrator, a general manager, or a superior HR general manager.

To collect the data, 257 interviews were conducted, with an average duration of 90 minutes. The interviewees belonged to different hierarchical levels, such as: top managers; managers' peers; and collaborators from different organizational functions, with or without managerial responsibilities. The HR managers and their collaborators were also interviewed with the aim of comparing perceptions. The classification of the companies, their sector of activity, country of origin, number of interviews, and the codification of the interviewees are described in Table 4.1.

The interviewees covered a wide age range, from 19 to 82 years old, with labor seniority ranging from three months to 67 years at different stages of their careers. There was a balance in the gender distribution among the different professional categories, except for the administrator category, where there were only three women among 24 interviewees.

7.4 Procedures

After the exploratory interview with an experienced HR manager was conducted, as mentioned before, and after the interview guide was confirmed, data were collected by conducting semi-structured

Table 4.1 Classification of the data sample

Business clusters	Activity	Origin	Number of interviews by company	Codification of the interviewees
Multinational companies	A) Industrial	Sweden/USA	N = 27	Sub. 1–27
	B) Chemistry	Germany	N = 27	Sub. 28–54
	C) Technology	Germany	N = 28	Sub. 55–82
National (Portuguese) companies	D) Industrial	Portugal	N = 25	Sub. 83–107
	E) Technology		N = 25	Sub. 108–132
	F) Commercial		N = 26	Sub. 133–158
	G) Technology		N = 25	Sub. 159–183
Family companies	H) Industrial		N = 26	Sub. 184–209
	I) Commercial	Portugal	N = 24	Sub. 210–233
	J) Textile		N = 24	Sub. 234–257

interviews, performed individually, on the premises of each of the companies involved in the study, in places specifically assigned to the task. The interviews were carried out between 2007 and 2010. The first contact was made by phone with administrators and HR managers known to the first author. The purpose of this first call was to explain the project, its main goals, and to schedule a meeting for a comprehensive explanation of the research objectives and the data required, as well as for the definition of the number of interviews and the procedures for their selection.

At the beginning of each interview, the research project and the objectives were explained. The researcher asked permission to tape record the interviews and all interviewees gave their consent. The guarantee of confidentiality of the interviewee was registered, with a statement that the content of the interview would be fully transcribed by the interviewer, and would be available for confirmation. All the interviewees declined seeing the transcription.

As mentioned before, in an era marked by the pressure to achieve results and fulfill objectives at any cost or sacrifice, it is fundamental to understand the contribution that HRM may have to organizational performance and results. This contribution can be of various types and of different natures, and can also be perceived differently by different organizational actors or by the same actor at different moments in his/her professional life. Therefore, the next section provides the empirical study of the perception of different organizational actors about the value added by HRM and its contribution to OP.

8 Perceptions of different organizational actors about HRM's value added and its contribution to OP

The data collected through the interviews reveal a set of categories that were grouped into broader dominions. They allowed us to analyze the contributions of HRM and the respective protagonists through the perceptions of different organizational actors by reference to broader contexts (such as the organization to which they belong), or narrower contexts (such as situations that have occurred or behaviors assumed in the organization to which they belong or have belonged). Therefore, according to the interviewees, the main categories are: *activities perceived as being the responsibility of HRM*; *performance indicators of HRM*; *valuation of systems of indicators*; and finally, *obstacles to obtaining HRM performance indicators*.

8.1 Activities perceived as being the responsibility of HRM

In this category the main areas, as shown in Table 4.2, are: activities assigned to HRM (225 references¹); impacts of activities (182 references); valued activities by type of respondent actor (225 references); activities more highlighted in terms of companies (198 references).

Regarding the *type of activities* assigned to HRM, it can be concluded that there is a fairly complete knowledge with respect to the activities considered traditional. Aligned with human resources management manuals, the participants perceived the following activities as the ones under the scope of HRM: description and analysis of roles (127 references); recruitment and selection (225 references); reception and integration (179 references); professional training (225 references);

Table 4.2 Activities perceived as being the responsibility of HRM

Categories	Characteristics
Activities assigned to HRM	Type of activities Scope of developed activities Degree of operationalization of the activities
Impacts of activities	Degree of the impact Nature of the impact
Valued activities by type of respondent actor	Characterization of activities by type of actor
Activities more highlighted in terms of companies	Identification of activities by business cluster

performance appraisal (186 references); career management (83 references); and remuneration systems (225 references).

Data analysis also allows us to conclude that, mainly in Portuguese (national) companies, there is a nuance, explained by many respondents, between what they consider each of these HRM activities should be and what they are (102 references out of a possible 225). This difference in participant expectations reflects an awareness of what desired and actual HRM is. This awareness reflects one of the items referred to in the HRM literature review to do with the distance between the discourse produced and the actual practice.

HR departments of the participating companies, besides developing all these activities, with specific departments for each of the activities, also develop other differentiated activities recognized by the different actors. For example, more informal activities, such as the organization of gatherings including families, themed walks, protocols with kindergartens, or sports gyms.

Another example has to do with equal opportunities policies and diversity management. Some participants highlight that these policies are not sufficiently advertised by the HRM department. This is in line with literature that considers communication one of the most important instruments for enhancing HRM practices in terms of outputs for the organization (Azmi, 2011; Pereira & Gomes, 2012; Barrick et al., 2015).

Regarding the *scope of developed activities*, most participants consider that HRM develops many and important activities with a broad scope (formal and informal), *but could do many more* (Subj. director par) (179 references express this idea). Nonetheless, when asked to identify new activities, by putting themselves in the place of the HR Director, most interviewees showed a general difficulty in identifying and operationalizing new activities (184 references express this idea), which was consolidated in a third feature called *degree of operationalization of the activities*.

Regarding the category *impacts of activities* of HRM, data reveal the characteristics: *degree of the impact* and *nature of the impact*, regarding the perceived impact of HRM on the performance of the business. The tendency is to consider the *degree of the impact* low to medium level, which, from the analysis of the data, seems to stem from a lack of information about the activities developed by HRM and the results of those activities. One relevant example has to do with organizational climate questionnaires held by all participating companies, with 136 subjects arguing they were not informed of the results. The same situation occurred, according to the participants, with the presentation of suggestions, both with suggestion boxes or online suggestions. In their words,

nobody cares because, as they say in my hometown, it falls on deaf ears (Subj. undifferentiated operational collaborator). These situations generate reactions of loss of credibility and mistrust of HRM (131 references), malfunction of communication between HRM and line managers (82 references), company discomfort in revealing results or making changes (64 references), and, consequently, a decrease in employee participation in future requests (126 references).

Concerning the *nature of the impact*, the data analysis highlights aspects connected with the *subjective nature of the impact classification* (214 references) and the *deferral in time of the impact of activities* (182 references). In this respect, it stresses the difficulty in associating some activities with the HR director or department, leading to talk of the need for a HRM communication and marketing strategy. There is also the perception that there is no direct link between actions and results (179 references). This perception of deferred time, associated with the mobility that can exist at manager level, as is the case in companies in the tertiary sector that participated in this study, frequently leads to measures within HRM not being implemented:

and the result takes time to be observed and to qualify in terms of performance appraisal, the orientation is given to focus on situations with results in the short or medium term...otherwise what happens is that we can be jeopardizing time in an activity that might have results that we will not enjoy ourselves. (Subj. managers' peer) (78 references express this idea, mainly managers' peers)

The third category, *valued activities by type of respondent actor*, presents a basic feature: *characterization of activities by type of actor*. What data analysis reveals is that at the level of population with management responsibilities, namely administrators, managers' peers, and line managers, the participants' answers highlight existing activities, but add greater depth, more detail, and greater speed in providing the results of such activities (161 references). In turn, the technical staff population proposed as main activities to be developed those that are linked to career management (20 references in 20 possible) and equal career opportunities (18 references in 20 possible). These aspects work, in this population of participants, as instrumental for a set of issues that have to do with perceived dissimilarity and equity of career development opportunities for actors with management performance versus the technical staff (18 references in 20 possible). The activities more often perceived by operational employees and undifferentiated administrative staff are the following: processing of

salaries (37 references in 40 possible); legal interpretations and formalization of contracts (32 references in 40 possible); and solving diversified everyday problems (30 references in 40 possible).

Further analysis of data from the interviews has summarized the activities and processes relating to HR managers perceived by the different types of organizational actors, regardless of which company they belong to. The population *administrators* highlighted the importance given to strategic activities of design, planning, and organization, combined with operational activities and with a relevant role for the company. There is an orientation to achieve results. In the population *managers' peers* there emerges, from the data analysis, a set of activities that are instrumental to the activities developed by the HR manager, namely concerning professional careers promotion and progression, or assistance in the resolution of sensitive issues for the respective areas of management. This group also privileges the pragmatism of the HR manager's role and his/her ability to establish partnership relations, based on appropriate communication systems. Although this group considers the strategic and operational dimensions as complementary, greater emphasis is given to operational performance, since operational results are considered more important at the moment of performance assessment.

Regarding the *collaborators with managerial responsibilities*, the privileged activities are the ones valued by the respective hierarchical superiors, which may be understood as a process of cascading needs. The concern with activities that allow different situations to be solved pragmatically and quickly also stands out, in particular the needs of the employees they coordinate.

Among the *collaborators with technical responsibilities*, the analysis reveals an instrumental position in relation to the activities of the HR manager, motivated by the expectation of fairness between technical careers and management careers. Activities that promote interactions with the HR manager are also highlighted. Finally, the population of *undifferentiated operational and administrative collaborators* highlights HR manager activities that are geared to pragmatically understanding and solving everyday problems, and HRM policies and practices that promote impartiality and humanity in management.

The fourth category concerns *activities more highlighted in terms of companies* (198 references), in which the characteristic is the *identification of activities by business cluster*. An analysis by cluster shows that for the multinational companies the most highlighted HRM activities were: professional training (82 references); staffing (76 references); recruitment and selection (64 references); control of processes (61 references);

and careers and expatriates management (36 references). For the cluster of national companies, the most highlighted activities were: recruitment and selection (114 references); performance appraisal (112 references); career management (112 references); efficient and effective control of the technical and administrative management (94 references); and professional training (86 references). Finally, for the cluster of family companies, the highlighted activities were: professional training (50 references); staffing (44 references); efficient and effective control of the technical and administrative management (38 references); performance appraisal (36 references); and promotion of activities that stress the culture and image of the organization (32 references).

Within this category, analysis of the data of all the participating companies shows the importance of HRM in implementing activities that build up people and their skills (137 references) in the context of appropriate leadership (164 references), in particular *leadership close to people* (Subj. undifferentiated operational collaborator; 129 references express this idea). In the words of a line manager: *whoever is at the helm has to be an example and to know not only the routes, but also the routes of people and to be present in bad and good times. Inspire...give confidence and develop what one has and wants to give* (Subj. col. line manager, 141 references express these ideas). Nonetheless, there is an explicitly assumed difficulty in operationalizing such activities/initiatives (185 references).

8.2 Performance indicators of HRM

In this area, the main categories are presented in Table 4.3.

From the analysis of the data, there emerges a perception which translates into three categories. One of the categories is the *operationalization of indicators*, with the *degree of operationalization* as the most emphasized characteristic, and with the recognition that it is very difficult to operationalize indicators for this area of management (203 references).

Another category is related to the *types of indicators*, with the highlighted characteristic being the *nature of the indicators*. For this characteristic, the

Table 4.3 Performance indicators of HRM

Categories	Characteristics
Operationalization of indicators	Degree of operationalization
Types of indicators	Nature of the indicators
Designation of systems of indicators	Characterization of the systems of indicators

data show a weak quantitative nature, subjectivity, and intangibility of some established indicators. These are strong aspects that result in the perception that this HRM has few quantifiable contributions to the final performance of the company (213 references).

The manifestation of this perception of *indicators that are very qualitative and subjective* (Subj. managers' peer) reveals, through the analysis of the data, the idea that *the absence of, or the enormous difficulty in, producing indicators and quantitative metrics in most issues of HRM constrains heavily the assessment we make, and hence, the perception that one has of this area of management with regard to its contributions to the company's performance* (Subj. managers' peer).

The difficulties perceived regarding the performance indicators of this area of management, translated in problems of operationalization and quantification, are a handicap with consequences expressed in lower credibility, reliability, and respectability mentioned by a significant number of participants (186 references). To corroborate these perceptions, the words used by some participants are as follows:

the difficulty in adopting a more objective reading of HR and the performance of its actors, I refer to HR manager and HR department, leads to perception of loss of effectiveness, efficiency and potential of intervention, which undermines this important area. (Subj. line manager)

we can evaluate and control the management performance of an area if we can measure it. Now, at the level of HRM it is not easy to have objectivity and hence to measure. We improve what can be measured. (Subj. technical collaborator)

A third category is *designation of systems of indicators* of performance of HRM (186 references), characterized as: subjective (181 references); partial (166 references); nonexistent (142 references); irrelevant (126 references); and unfair (95 references). Nonetheless, when these interviewees are asked to provide examples of quantitative indicators, the answers are diversified and contradictory. On the one hand, they report the existence of a very significant set of quantitative indicators based on data for the social balance of the company. On the other hand, some of them explain the great difficulty in establishing/providing operational indicators in this area, even of a qualitative nature.

Data analysis also reveals another curious aspect for two particular groups of participants: administrators and managers' peers. The

administrators (12 references in 24 possible) argue for the need for productivity metrics for their work teams, assigning to those responsible for the HRM the responsibility for drawing up these metrics. Faced with the fact that these performance indicators refer to teams that they coordinate directly or indirectly, and therefore, that they should develop such metrics themselves, the most frequent answer is the lack of time to dedicate to this subject (12 administrators and 82 managers' peers), followed by the greatest impartiality of the indicators when made by those in charge of HRM (nine administrators and 91 managers' peers), and finally, the difficulty in building such metrics (five administrators and 68 managers' peers).

These aspects arise more frequently in the case of national (Portuguese) companies, while in the case of multinational companies the metrics are more defined and the population of managers' peers have a sense of their responsibility in defining both these metrics and individual and collective performance indicators. In these multinational companies, the HR manager provides support and help on the legal feasibility and motivational potential of the developed indicators.

This question also depends on the activity sector and the company's business. For example, in a technology company it is perceived as being:

very difficult to assess the performance of a software design engineer as there are days when, at the end of the day, not much was produced and, in other cases, the attempt to understand what the customer wants is very difficult and time-consuming, making it difficult to quantify or qualify this diagnostic work that has to be done together with the customer. (Subj. managers' peer)

Another example directly connected with HRM has to do with metrics at the level of recruitment and selection and the contribution to filling a particular post. In this case, the participants tend to perceive speed and quality as the criterion to be considered in terms of effectiveness and efficiency. But they often do not reflect, in their assessments, the greater or lesser availability of supply of certain types of professionals in the labor market. Furthermore, they do not take into account the effect of filling a vacancy by external selection, the temporal context, the relationship between supply and demand and expectations/realities of the labor market for a given job/position, and what the company is willing to offer as compensation.

8.3 Appreciation of systems of indicators

The analysis of this dominion highlights the category *results versus processes* (174 references) embodied in the characteristic *degree of appreciation* that is assigned to each of these indicators by the different types of participants. The participants, particularly those with managerial duties, emphasize results rather than processes and refer to the importance that the organizational actors, administrators, and hierarchical superiors assign in practice to the results, as highlighted in the following quotes:

We live in an age where what counts are results and everything must be quantifiable (Subj. line manager);

The results justify all and more and more is demanded and often no one takes into account whether there are resources, time, human capacity ... It is no use. The results are sacred (Subj. managers' peer);

I think we live in the era not of information and knowledge, but of results, and the pressure is huge; comparisons with other units of this multinational are permanent. Everyone puts pressure on everyone and this is a pressure cooker without safety valves, the damage will be huge when it explodes, for sure. (Subj. managers' peer)

Despite the tendency to emphasize less the importance of results in multinational companies, even there the primacy is given to results. Undifferentiated administrative and operational collaborators also express the strong pressure for results, which have become a *compulsive and aggressive obsession* in their companies (Subj. undifferentiated operational collaborator). The population of technical staff also appreciates results, however, among 20 respondents there are 18 references to the importance of the *enhancement of processes as the best way of achieving the results in a more consistent and sustained manner* (Subj. technical collaborator).

Another referred aspect has to do with non-explicit or ambivalent distinction and appreciation of what concerns internal performance indicators. These can be related to the expected behavior of workers, the degree of involvement, the commitment levels with the organization and with the respective work team, and the degree of positive and/or negative social identity. They can also be connected to internal indicators related to performance, such as for example: productivity, quality of service, level of turnover and absenteeism, and the degree of internal conflict. There is higher level of complexity introduced by

some participants when they refer to the need to link HRM practices with sales, margins, financial performance, and the organization's profits.

8.4 Obstacles to obtaining HRM performance indicators

The category emerging from the data is *characterization of the obstacles* (198 references), which is connected with *identification of obstacles* that act as a barrier to the creation of indicators to evaluate the performance of HRM and its contribution to business performance. After one overcomes the first perception of *privilege*, which surrounds HRM and its professionals when compared with other actors that have to be accountable for their performance in a very objective way, the participants² believe that the difficulty in obtaining specific indicators concerning HRM is the result of several factors.

The factors perceived as hampering the construction of appropriate and relevant indicators for HRM are: (1) difficulty in operationalizing certain issues and activities of HRM (189 references); (2) complexity of the issues of HRM (156 references); (3) subjectivity inherent to the social object *persons* (188 references); (4) unpredictability of the variable persons (130 references), which leads to *difficulty in defining exactly what is sought with the indicators of HRM* (Subj. undifferentiated operational collaborator) (107 references express this idea); (5) lack of training in management of HRM professionals (104 references); (6) perceived lack of knowledge and little or no propensity to work with numbers by HR managers (89 references); (7) perception of top management complacency towards this management skill handicap by specialists in HRM (85 references); (8) communication difficulties between HRM, top management, and line management, aggravated by the perception of inadequate communication systems (81 references); (9) ability of HR directors to "dodge" the presentation of indicators (82 references); and (10) *easiness with which HR directors dismiss such obligations, taking refuge in the subjective characteristics of the function* (Subj. managers' peer) (79 references express this idea).

These two last factors can be illustrated by two quotations from the interviews with HR directors:

The pressure to quantify everything is huge and our area is no exception, the problem in practice is that there are situations that are not possible to quantify, or we and other colleagues in the company do not know how to do it. (Subj. HR manager) (idea expressed by all HR managers)

I have had a colleague who told me something like “in HR you have a fantastic life since it is seen as subjective and nobody holds you accountable for anything”, to which I replied something like: “as you see there are a lot of ways to be held accountable”. (Subj. HR manager) (six of 12 HR managers shared this idea)

It should also be noted that, of the 225 people without specialized responsibilities in HRM that were interviewed, 165 mentioned, in general terms, what the social balance was and that it represented business variables quantitatively. When asked about the nature and content of the social balance, the number dropped to only 62 participants.³ Twelve HR managers recognize the need to disseminate social balance more, and eight of these managers⁴ mention the importance, based on the current social balance, to have a broader, transversal social balance with the contribution of the various areas.

Another conclusion resulting from the analysis of data, concerning performance indicators of HRM, is explicit in the following quotation from a female HR manager:

the pressure for results and the eagerness to obtain them almost immediately is the watchword. As HR manager I have some...a lot of difficulty to explain that in HR often there are no immediate results and even, for example, the payroll processing, that many think is just to press a button and it is ready, even that is not so simple. When I say that one thing is to quantify the production done in one day and another would be to quantify motivation, they look at me as if I was an alien, but when I ask them to sit down and help operationalize they cannot stand more than ten minutes...they know I am right, but the next day they return to exactly the same criticism, always with the same argument: “if we are asked for results you cannot be an exception.” (Subj. HR manager)

9 Analysis and discussion of results

Understanding how HRM is perceived by different types of organizational actors, in terms of adding value and contributing to the performance of an organization, was one of the objectives of the broader research developed. From the analysis of the interviews it can be highlighted that, for the participants of the different companies, HRM is considered to have a set of practices and techniques that, properly adapted to the organization and business, can add value and contribute to the

sustainable development of the company and for those that work there, a perception that is corroborated by the literature (Porter, 1980, 1985; Prowse & Prowse, 2010; Buller & McEvoy, 2012).

Regarding the contribution of HRM to organizational performance, the perception of the interviewees is that there exists a relationship between these two factors. There are, however, different valuations on the basis of professional categories and the hierarchical or functional roles of respondents, in line with the literature (Gates & Longevin, 2010; Stavrou et al., 2010). As described in the literature review, the participants also describe a polysemic and polymorphic nature of the term performance (Dulebohn & Johnson, 2103; Sung & Choi, 2014).

The different connotations and forms that performance can take, both at theoretical and practical levels, boosted by the dynamics of change that organizations have, makes it a concept with multiple meanings. The empirical study presented in this chapter shows that, when talking about performance, it is possible to refer to financial performance, margin obtained, and final profit. Or, it can be understood as productivity, quality of service, low turnover rate, good organizational climate, or appropriate timings and satisfactory resolution of different situations, as also mentioned in the literature (Prowse & Prowse, 2010; Dulebohn & Johnson, 2103). This multiplicity of meanings reflects on the analysis of the collected data, by introducing ambiguities, such as: (1) what are the expectations regarding the role of HRM and its protagonists; (2) how to conceptualize and operationalize indicators and metrics to evaluate the impact of HRM in the final performance of the organization; (3) how to allocate responsibilities, both to experts and those responsible for HRM, as well as those responsible for each of the areas of management, both in terms of practice and technique in the design, implementation, and monitoring of such indicators (Gates & Langevin, 2010; Dulebohn & Johnson, 2013; Sung & Choi, 2014).

Similar to the literature, the empirical study also reflects, transversely, a difficulty in understanding the mechanisms that favor the relationship between HRM and performance (Stavrou et al., 2010; Prowse & Prowse, 2010). There is also a rhetoric about the importance of HRM that often does not coincide with the principles, policies and, especially, with the designed and implemented practices (Legge, 1989, 1995; Prowse & Prowse, 2010; Sung & Choi, 2014).

It is also clear that the perception of the participants is that many of the actions and activities proposed and implemented by HRM do not have an immediate return. This perception of the deferred nature of the results of HRM leads to the fact that many of the actions are not

implemented by individual logic with an instrumental nature, as can be understood in the following quote:

One of the problems in this area is that in some situations and initiatives...the results are slow to be seen and sometimes need a large personal investment. To be honest, the reality is that when the time comes to give accounts what is considered in my assessment depends on the objective results, more specifically, on how much I was able to increase earnings and reduce costs. Now look, I may implement actions which I consider important and then when the results begin to appear I'm no longer here, we make changes, and who will profit is another person. I know it is not politically correct to say this, but it is the reality and not only in this company, I have had other experiences and things worked in the same way. (Subj. managers' peer)

This deferral attributed to many practices, activities, and actions of HRM has some explanations, according to data resulting from interviews, in particular the nature of the area, the relevance that people assume in these processes, and the fact that people's agreement and commitment is variable. As already mentioned, the emphasis on HRM activities is arguable and in some cases they are not seen as a value worth investing in.

In this relationship between HRM and performance, participants attributed value to some aspects, such as principles and HRM policies, and the practices and techniques used by HR professionals, in a comprehensive manner. Nevertheless, depending on their professional category and organizational positioning, they highlighted one compared to others. The practices are valued, on the one hand, due to the perceived benefits that each participant envisions for himself (relationship of instrumentality), for their working groups, and for the organization and, on the other hand, the quality recognized in practices and techniques.

The quality of HRM practices is recognized and perceived by respondents in terms of form (appealing, motivating, inspiring, simple and easy to implement and monitor); content (suitable for business, contextualized in the company's phase of life, useful and with a potential to add value to people and organizations), process (supported by good communication systems, aligned with company goals, and noticeable by all actors involved in the process), as described in the literature (Waldman et al., 2006; Prowse & Prowse, 2010; Bloom et al., 2011; Pereira & Gomes, 2012; Sung & Choi, 2014; Amin et al., 2014).

Data analysis reveals, across all companies and all types of participant, that the communication system used in the organization, at management level in general and HRM in particular, is a factor of great importance, seen as a distinctive element in the organization. According to the data analysis and the literature, communication systems contribute to enhancing the value attributed to the practices and actions of HRM, highlighting the importance of a proper alignment of communication systems and processes with the contexts and the organization's culture (Kelly & Gennard, 1996; Skinner & Mabey, 1997; Buyens & De Vos, 2001; Ng, 2011; Bloom et al., 2012; Pereira & Gomes, 2012).

According to data from interviews, and aligned with the literature, the importance attributed to the existence of good communication systems focuses on form, content, and process, with special emphasis on the importance of feedback that allows: (1) to reconcile the position and perception in relation to the practices of HRM at the level of HRM specialists, top management, middle and line managers, and the workers themselves (Kelly & Gennard, 1996; Skinner & Mabey, 1997; Buyens & De Vos, 2001; Stavrou et al., 2010; Ng, 2011; Bloom et al., 2012; Pereira & Gomes, 2012); (2) to manage expectations regarding the quality of practices and their impact on organizational results, avoiding the often perceived mismatch of *practices very well designed but without any relation to the reality of the organization and the business typology* (Subj. technical collaborator) or *HRM processes decontextualized from reality and doomed to failure in terms of implementation* (Subj. line manager) (Amin et al., 2014); (3) to reverse perceptions that reflect a mindset according to which common sense is enough when it comes to managing people, as reflected in the words of a participant *between you and me, many of the things that are done are common sense* (Subj. undifferentiated administrative collaborator).

The lack of information and communication about the practices and techniques used creates mistrust, discredit and even, as is clear from analysis of the interviews, a disclaimer by HRM to assume their actions and performances. This perception of lack of communication is emphasized when it is assumed that it must be the direct responsibility of HRM specialists. However, intermediate and line managers are not without fault in those situations where HRM responsibilities have been decentralized (Stavrou et al., 2010; Prowse & Prowse, 2010; Pereira & Gomes, 2012).

The data analysis also revealed that, at the level of HRM practices, some respondents expressed the perception of a difference between what they wanted the practices to be and what they often are in reality.

This perception reveals an awareness of the distance between theory and practice, of a desired HRM and a practised HRM (Legge, 1989, 1995; Sung & Choi, 2014; Amin et al., 2014). It also shows a lack of communication, which means that sometimes practice may not be conveniently disclosed and explained, resulting in misinterpretation, insufficient feedback, and communication deficits in physical, relational, and temporal contexts (Pereira & Gomes, 2012).

In the context of the interviews, the actors were asked to put themselves in the shoes of the HR manager and propose practices and activities that they considered interesting for people and that they believed would contribute to organizational performance. In general, the response is saturated in terms of recognizing that the company's HRM already conducts various activities; responses also recognized that besides the development of practices and activities, it is equally important, or perhaps more so, for these activities to be presented properly, since it is very common, according to the analysis of data, for *people not to know what has been or is being done* (Subj. undifferentiated administrative collaborator) (cf. Pereira & Gomes, 2012). This handicap poses a challenge for marketing development and adequate internal communication by HRM protagonists. Such ignorance hinders the possibility of adopting strategies that help to enhance the effect of communication in the organizational context and reflect it in added value to the organization and to the link between HRM and performance, particularly in terms of activity indicators (Pereira & Gomes, 2012; Sirca et al., 2013; Sung & Choi, 2014). As for the practical exercise of proposing new activities, it was considered by different organizational actors as a difficult and complex operation (147 references in 225 possible).

This kind of result leads us to reflect on the need to make a contextualized and properly aligned HRM, both in terms of the vertical alignment between the activities and strategies of HRM and the general strategies of the organization, and of the horizontal alignment at the level of consistency between different policies, practices, and techniques among themselves (Stavrou et al., 2010). However, a recurring analysis of the data also allows us to infer and reflect on the need for a strategic and operational alignment so that the two processes are not perceived as disconnected from each other. In the words of a participant:

there is no use in having great strategies if there are no mechanisms and operational skills to implement the strategies and the reverse does not have great results either, just look at the country and see the

amount of energy, the money wasted on things that were not subject to the minimum planning. (Subj. technical collaborator)

Finally, it is also necessary to have a communication and relational alignment that fosters empathy and organizational trust and that enhances mutual knowledge of the roles and expectations associated with them by different actors (cf. Prowse & Prowse, 2010; Sirca et al., 2013). In the words of a participant:

it is crucial that people have a sense of their role in the organization and the roles of others to make things work better. The relationship between people and groups is very important so as to solve problems and optimize practices and procedures, which are fundamental in the field of HRM. It is not easy to want to do things alone. How will a director of HRM that is isolated implement, influence, and show its relevance? We need him, for me he is a fundamental colleague, but he needs everyone, at least I think so. (Subj. managers' peer) (155 participants expressed the same idea)

A second area or dimension in this relationship between HRM and OP saturated categories on the question of HRM indicators and metrics. From the domains resulting from data analysis, an initial conclusion has to do with the importance that the majority of respondents from the different companies attribute to the existence of indicators and metrics as a tangible way to assign value to each of the areas of management.

This perspective emphasizes the relevance of indicators and metrics of a quantitative nature at the expense of qualitative indicators, assuming that qualitative is synonymous with subjective and partial. The trend revealed in the data analysis is that, in HRM, indicators are excessively qualitative, and that subjectivity and partiality contribute to *creating injustices that, in this area of management, can cause major damage* (Subj. undifferentiated operational collaborator) and that prove to be useless because *what is understood by a person can be totally different for someone else, even if they are side by side in the company* (Subj. line manager).

Data analysis in relation to the indicators and their relation to performance reveals that respondents attach importance to these elements, but it is not uncommon to hear in interviews: *we can only improve what we can measure* (Subj. Administrator). This expression reveals a positioning that overstates the quantitative compared to the qualitative indicators although participants assume that managing human resources is a huge responsibility and a very difficult task, because of the subjectivity

inherent in people and because *people are the only resource impossible to copy and imitate and are an invaluable asset, hence the importance that people have in the intangible capital. Now it is a fashion, but here in this company it has been a reality since its foundation* (Subj. administrator in a family company) (cf. Gates & Langevin, 2010; Buller & McEvoy, 2012; Dulebohn & Johnson, 2013).

What can be expected from HRM? More than one value, singular and objective, a comprehensive system that can range from responsibilities of a bureaucratic nature to responsibilities of a global and inclusive nature; knowledge and expertise to make decisions based on quality and authority over the position held; development and consolidation of strategic and supportive partnerships in which participation and the genuine involvement of top management can contribute to a greater credibility of the function and its responsibilities, enhancing a real and perceived contribution to the organization as a whole (Maxwell & Watson, 2006; Barés & Cornolti, 2006; Dolan et al., 2010; Khan & Khan, 2011; Boon et al., 2011; Sirca et al., 2013; Barrick et al., 2015).

As a summary all these aspects, both analyzed in the literature review and in the empirical study, are integrated in Figure 4.1, as follows:

10 Conclusion

The globalization process that started in the 1980s, and some of its expressions, such as the deregulation of markets, the relocation of the economy, increased competitiveness, and increasing pressure to achieve results, has created a very focused interest on each of the areas of management of an organization in order to analyze its contribution to the final performance.

The data analysis conducted and the conclusions presented throughout the chapter highlight the specific nature of HRM and, given the resources that it involves, allow us to foresee that one of the strategies that this area of management may assume is to adopt an alignment of different dimensions, without losing its specificities. This will give HRM a strategic distinctiveness, and can constitute a competitive advantage for the organization in operational terms. In order to enhance OP, it is essential to prepare HRM to address new issues and new challenges, and to reformulate classical issues for new contexts and circumstance, without losing the true sense of the multiple roles that it may assume, particularly the ones of strategic partner and change agent.

At a time marked by constant technological evolution that pervades all areas, with the numerous advantages and complications which

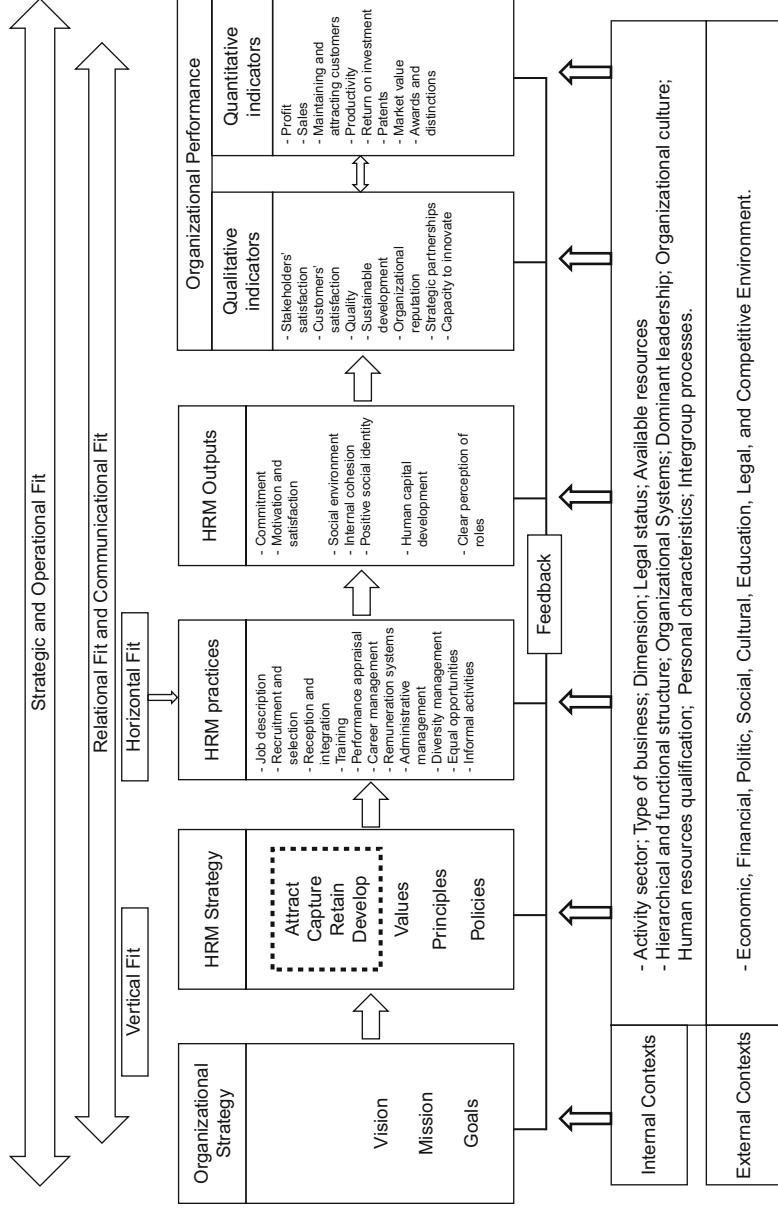


Figure 4.1 From HRM practices to organizational performance

emerge, HRM should, in this scenario, take advantage of technological developments, while at the same time preserving the importance of the individual organization's context.

Despite an often obsessive pressure for results at all costs, it was also possible to obtain perceptions of valuation processes to ensure greater sustained development in organizational terms. A reflection on the processes allows us to enhance the perception of how to get a good result, and leads to a better understanding of the reason for poor results.

The perception that prevails in relation to the expected results of HRM and its connection with OP is that they are subjective and based on subjective criteria and methodologies. However, the analysis of the interviews shows that if there is already some awareness that the qualitative can be as important as the quantitative, it is also true that *a light breeze pressing to obtain results at any price* (Subj. Administrator) can lead to a more vehement and incisive speech on the need for HRM to have more objective data and performance results and possess quantitative criteria for analysis and evaluation.

HRM is presented as an open management area with a large intervention field that should assume a role that in some situations will necessarily be reactive for the sake of efficiency, and at other moments proactive for the sake of strategy, and in other situations it will be active as a matter of reality. It is in the daily confrontation with the dynamic reality that HRM will have the best playing field to reveal its value and contribute to sustainable and integrated development of the organization, and the people who integrate and contribute to its identity and to its role in the broader and global environment in which it operates.

Notes

1. The inclusion of quantitative references in the analysis of the results aimed only to classify the degree of saturation reached in the different types of data.
2. The references do not include the responses of HR managers or collaborators belonging to HR departments, as they consider that there is already a very reasonable number of quantitative indicators, not only in areas of a more administrative nature, but also in areas focused on the development of people.
3. Disaggregated as follows: 24 administrators, 25 managers' peers, three technical collaborators, six undifferentiated operational collaborators, and four undifferentiated administrative collaborators.
4. Three multinational companies, three national (Portuguese) companies, and two family companies.

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5

Training and Development from the SME Point of View: Portuguese Employers' Input

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1 Introduction

The ongoing economic and social crisis has created much public debate about the importance of small and medium enterprises (SMEs) in the European business context. In an increasingly demanding and dynamic global economy, these companies need to find new ways to increase competitiveness and be more effective. The pursuit of competitive advantage has made SMEs invest in training their employees. Millions of euros per year has been spent by the Portuguese government on the modernization of SMEs, and part of that funding has been used for training purposes (Carneval & Smith, 2013; Salas, Tannenbaum, Kraiger, & Smith-Jentsch, 2012).

The available aggregate data concerning recent training and development (T&D) activities in Portugal date back to 2005. According to official statistics published by the Portuguese National Institute of Statistics (INE, 2012) Portuguese organizations have increased their investment in T&D over the past few years. Besides the average cost of training courses per participant (288.2 €), the rate of access to continuing vocational training courses was 28.1% (INE, 2012). In fact, for the last 25 years Portugal has received a flow of money from the European Social Fund (ESF) to increase the level of competences, skills, and human resources (Tomé, 2012).

However, in spite of the investment made in T&D by the Portuguese government (mainly through ESF targeting training, employment, and R&D), Tomé's research found that this investment did not have the expected returns: "the evolution of the skills of the Portuguese labor

force, between 1988 and 2009...does not show the drastic change that the amount of ESF investment would suggest that would have happened" (Tomé, 2012, p. 190).

Data from INE (2012) showed that employers' reasons why they did not invest more in T&D lay in their perception that employee qualifications were already in line with organizational needs (84.4%), and that organizations preferred to hire new workers with the necessary qualifications rather than train the current ones (53.4%). Employers also stated difficulties in assessing organizational needs regarding T&D (19.5%), insufficient or inadequate courses on offer (15.5%), and the high costs of T&D (33.6%). Other reasons mentioned were related to the fact that organizations were more concerned with initial training (5.3%), had made previous investment in T&D (1.7%), and perceived a lack of time for employees to spend on T&D activities (41.1%). These results are consistent with the rest of Europe. The report presented by the OECD in 2013 about the state of skills and training in SMEs showed that the two main reasons for companies not being engaged in continuous training were that existing employee skills were in line with organization needs, and that organizations recruited workers with the required skills, using external recruitment as a primary source for staffing.

This match made in heaven between employee skills and organizational needs mentioned in the Portuguese data may be, paradoxically, an indicator of the gap made visible by Tomé (2012) regarding ESF investment in T&D and the overall (poor) quality of Portuguese workers. Tomé explains this gap with the fact that the ESF money needed to be spent by the government and the fastest, most reliable way to do it was to deliver it to entities that fit the program framework and where program administrators were located. The ESF money was also available for workers who were already employed and educated. So, if that explanation is true, companies really did not need to be engaged in continuous training, and those that did need it probably did not contemplate it.

Regardless of the 84% who stated the adjustment between organizational need and employee qualifications, there are disturbing percentages like those referring to the lack of time spent on training (41.1%), and the reported difficulty in performing training needs analyses (19.5%).¹

The same statistical source (INE) presented data in 2014 (covering 2012) about the number and type of Portuguese companies. Data showed that 99.9 % of the organizations were SMEs. Out of those, 95.9 % were micro companies (with less than ten employees). Micro, small, and

medium firms are, in reality, the most common form of business organization in Portugal and in European countries (Farvaque & Voss, 2009; Muller, Gagliardi, Caliandro, Bohn, & Klitou, 2014). These organizations have some idiosyncrasies, for instance: they are typically family owned; operate on a very informal basis, and do not have a defined organizational/business strategy or employee representation (Edwards & Ram, 2010).

As numerous studies have repeatedly shown, “training works” (Kraiger, 2014; Salas et al, 2012). However there is strong evidence that SME employees are less likely to receive continuous training when compared with larger companies (e.g., Carneval & Smith, 2013; Castany, 2010; OECD, 2013). That is particularly disturbing considering that 99% of companies in Europe are SMEs (Muller et al, 2014). Also, in SMEs all over the world the use of T&D policies and practices seem to be misplaced, misused, and informally handled (Castany, 2010; Kotey & Sheridan, 2004; Panagiotakopoulos, 2011). In fact, it seems that SMEs are ignoring the transversal changes and pressing challenges that affect organizations worldwide: aging of the workforce; unemployment; diverse workforce; emerging technologies that become obsolete in the blink of an eye, like knowledge and information; and so on (Salas et al, 2012). SME training is informal, with little or no involvement of middle management, focused on the short term, and not always related to business needs (Coetzer, Redmond, & Sharafizad, 2012; Kotey & Sheridan, 2004; OECD, 2013).

However, as Kraiger (2014, p. 403) put it: “more effort should be devoted to spreading the good word, helping organizations to understand the benefits of well-designed and competently delivered training and development.” A first step to help spread the word is to identify how employers and employees perceive the T&D process implemented by their organizations, especially regarding SMEs, where research on T&D is scarce and limited to small and fragmented studies (Wong, Marshall, Aldemart, & Thwaites, 1997).

In light of what it has been written, and consistent with previous work exploring employees’ points of view about the training process in their employing organizations (see Ferreira & Leite, 2014), the present study aims to catch the employers’ perspective. As such, the purpose of this research is to contribute to the understanding of the T&D process in SMEs by identifying: (1) the reasons for Portuguese SMEs to invest in training; (2) the problems surrounding the T&D process; and (3) the forms and practices of T&D.

2 Employee training and development: an overview

Although sometimes seen as a panacea for resolving every organization's problem, T&D can be a powerful instrument for boosting organizational performance, competitiveness, and economic growth. Indeed, employees need training to enhance their career or get better compensation; organizations need skilful and updated employees to improve performance and productivity, promote competitiveness, decrease absenteeism, increase turnover, and improve client satisfaction; governments depend heavily on a skilled labor force with the capacity to learn, adapt, and master competitiveness in a globalized economy (Aguinis & Kraiger, 2009; Salas et al, 2012; Tharenou, 2010).

Training "can be thought of as the planned and systematic activities designed to promote the acquisition of knowledge..., skills..., and attitudes" (Salas et al, 2012, p. 77). T&D is now well established as a systemic process that brings advantages at four fundamental levels: social, organizational, group, and individual (Aguinis & Kraiger, 2009; Salas & Cannon-Bowers, 2001; Salas et al, 2012).

Aguinis and Kraiger (2009) summarized studies where economic growth, inclusion of a country in a major economic block, or increased qualification of the workforce were benefits resulting from T&D initiatives. More recently, Cheung and Chan (2012) showed the importance of training to a country's competitive position. Society needs qualified workers. These workers, through training, are the ones contributing to the society's economic growth.

The investment made in T&D also results in increased organizational performance. In a global analysis of the literature Salas and Cannon-Bowers (2001) pointed out the results in productivity, profit, safety, and the decrease of errors. More recently, Aguinis and Kraiger (2009) presented a synthesis of the benefits related to organizational performance, pointing out indicators linked to profitability and individual productivity. Also, in 2011, Park and Jacobs found that investment on T&D (labeled workplace learning) influences organizational performance (sales per employee, net profit per employee, gross margin) through organizational outcomes of T&D (employee competence, labor productivity, employee enthusiasm). Ubeda-García and colleagues (2013) showed that training policies seem to impact both objective and subjective measures of organizational performance.

At group and individual levels, training activities seem to benefit communication, performance, and task coordination within teams (Aguinis & Kraiger, 2009; Kraiger, 2014; Salas et al, 2012), and can

enhance positive attitudes towards the organization and the job, namely organizational commitment (Ehrhardt, Miller, Freeman, & Hom, 2011; Vidal-Salazar, Hurtado-Torres, & Matías-Reche, 2012), and job satisfaction (Latif, 2012; Pajo, Coetzer, & Guenole, 2010). T&D programs also seem to increase employability within the firm (Groot & Van den Brink, 2000).

In sum, company success is determined, in part, by its ability to train and develop their employees in ways to adapt to, and manage, change, and thus T&D systems play a central position in strategic human resource management, contributing to the business's competitiveness and success.

In Portugal the issue of vocational training arose, in a more structured form, in the late 1980s, early 1990s. Its began with the abandonment of technical education after April 25, 1974,² and the need to introduce new technologies, forms of organization, and management mindsets, and to embrace new markets. The intensity and speed of the changes in socio-political, economic, and technological dimensions, were paramount to the emergence and evolution of employee training in Portugal, especially with the help of the EU's European Social Funds (Tomé, 2012).

In this new environment it is possible to understand the increasing need to value people in companies. Organizations need to provide quick answers to increasingly complex questions and new forms of working, which requires a change in employee attitudes (Fuller & Farrington, 1999).

2.1 The training process: brief summary

Returning to Salas and colleagues' (2012, p. 77) definition of training, the set of activities in this HRM practice can be thought of as a process that is normally divided into four stages: needs assessment; training design; training delivery or implementation; and training evaluation.

The purpose of needs assessment is to identify what each organization needs to do to respond effectively to its goals and, above all, decide which of those needs can effectively be addressed by training activities (Brown, 2002; Noe & Tews, 2008). The operationalization of this stage must include rigorous data collection on the current company situation (at organizational, task, and individual levels), by using a set of information-gathering tools and ending with a decision-making process about where, when, and how to carry out training policies and practices (van Eerde, Tang, & Talbot, 2008).

After needs assessment, it is vital to define how training is going to be accomplished. The training design should be thought of in terms

of “learning objectives, trainee characteristics, current knowledge about learning processes, and practical considerations” (Tannenbaum & Yukl, 1992, p. 403). Training design is built on data gathered in the previous stage. Plans, projects, and/or training programs are then elaborated, with specific goals set for each projected activity. Efficiency criteria must be established to guide and control the resources, define methods, predict, and anticipate results from training. This stage must also consider where and when training activities should take place, and who (trainers and trainees) will participate (Noe, 2010).

When implementing and delivering training, everything previously planned should take place. Several researchers (e.g., Salas & Cannon-Bowers, 2001; Salas et al, 2012; Aguinis & Kraiger, 2009), emphasize the need to attend to: (1) pre-training conditions (individual’s characteristics, motivation to train; learning climate; quality of trainers; and so on); (2) training methods and learning strategies; and (3) post-training conditions (training evaluation; training transfer; and so on).

Last, but not least, training evaluation. According to Kirkpatrick’s (1996, 1998) model, one of the most used evaluation frameworks, assessing training implies four levels of analysis. The first level, reaction, is gathering the opinion of the trainees regarding the overall degree of satisfaction with training conditions and trainers. The second level concerns learning results: acquired knowledge, competences, and attitudes. At the third level behavior needs to be assessed: how knowledge, competences, and attitudes acquired during training are transferred to the workplace and affect performance. Finally, training should be evaluated in terms of financial or operational impacts on the organization.

At each of these stages in the training process, problems arise which may be key to understanding the success or failure of training in organizations.

3 T&D in SMEs

In their 2013 report the OECD states clear differences in companies’ “use of a training plan based on company size, with 28% of small firms, 47% of medium firms and 70% of large firms using training plans to guide their provision of training to their employees” and refers to the fact that across “the EU27 region, 36% of small firms, 52% of medium firms and 73% of large firms had dedicated people within their organization” to manage T&D processes (OECD, 2013, p. 34). There is, however, a significant variation between countries; Italy, Luxembourg, Portugal, and the United Kingdom showed higher numbers of people dedicated

to T&D activities, but Portugal and Italy were two of the countries with lower SME training rates. So, SMEs are less likely than larger companies to offer T&D to their workers and the activities provided are mainly informal and with low management involvement (Kotey & Sheridan, 2004; OECD, 2013; Richbell, Szerb, & Vitai, 2010).

SMEs' managers seem to consider T&D expensive and inoperable, and they are skeptical about its benefits. It is harder for SMEs' employees and employers to find time for T&D activities, and to identify and select the kind of training they need from the existing offer (Wong et al, 1997). They generally consider training to be an unaffordable extravagance that involves not only paying for courses, but also the cost of no production during training hours (Kotey & Sheridan, 2004). It seems that, at least as far as formal, planned training systems go, size matters: these formal systems are easier to implement in larger companies than in SMEs (Barber, Wesson, & Roberson, 1999; Castany, 2010; Richbell et al, 2010).

Several researchers point out that T&D activities in SMEs are: focused on the short term; poorly related to the business's needs; non-strategic; and do not reflect individual needs (Coetzer et al, 2012). Training needs analysis is either informal or nonexistent, and the insensitivity and lack of competence in people management by top management have repercussions on other organization members. It has proven difficult to measure the impact on employees and organization performance after a T&D intervention, in both big and small companies (Gomes, Cunha, Rego, Campos e Cunha, Cabral-Cardoso, & Marques, 2008; Melo & Machado, 2013a, 2013b; Pajo et al, 2010; Ubeda-García, Marco-Lajara, Sabater-Sempere, & García-Lillo, 2013). SME literature suggests that small companies assess training value informally, and tend to use several types of subjective evaluation (Jameson, 2000; Sadler-Smith, Down, & Field, 1999). There are contextual variables that influence the possibility of investing in and implementing T&D programs in SMEs, namely organizational characteristics like size, number of managers, and whether or not it is a family business (e.g., Kotey & Folker, 2007; Melo & Machado, 2013a; Pajo et al, 2010).

Storey (2004) presents two explanations for the lack of training activities in SMEs. The first is ignorance; the SME owner underestimates the benefits of training for his/her business and for the development of managers, employees, or even him/herself. The second explanation is the market: SMEs do not give training, not because they are not aware of the benefits, but because the owner will have to deal with the high costs and low benefits, compared to big companies, of T&D programs.

Castany (2010) carried out an investigation using Spanish SMEs and found that, besides size, the main reasons to access T&D initiatives are related to SMEs' technological characteristics and geographic scope; that SMEs who make a technological breakthrough or who need to launch innovations, and/or have an international market are more likely to engage in T&D activities. This gives additional support to Storey's (2014) market explanation for T&D investment in SMEs.

Coetzer and colleagues (2012) assume that the main barriers to T&D faced by SMEs are the actual, and possible, cost of T&D; the lack of appropriate opportunities for SME employees; the fear of owners/managers that their employees might resign or move away after T&D; and employers' negative attitudes towards T&D.

Specifically in Portugal there are not many studies regarding HRM practices, and even fewer T&D activities performed by SMEs. The work of Melo and Machado (2013a, 2013b) provides some insight regarding Portuguese HRM practices in SMEs. In respect to T&D their work shows that this practice, along with recruitment and selection, is the most used, and formalized one, but, even so, it reveals poor levels of formalization. This formalization and use is explained by the injection of European funds to increase the education and qualifications of Portuguese workers, as reported by Tomé's study (2012). In fact, those funds also increased the number of employees assigned to T&D activities in Portuguese companies. According to data from Melo and Machado (2013a, 2013b) these SMEs do not seem to have a plan for ongoing training or a defined methodology; the training methods more commonly used by Portuguese SMEs were workplace and classroom training; most companies outsourced their training programs. Finally, 36% of those firms reported that they would not increase their training budget and around 50% stated that they would not increase their training programs.

Regardless of these difficulties, research has pointed out some specific benefits of T&D actions for SMEs. Panagiotakopoulos (2011) summarizes those benefits as: (1) greater effectiveness and profitability; (2) transfer of skills and prevention of skills shortage; (3) promotion of a good work environment; (4) increased ability to learn; and (5) increased loyalty and trust towards the employer. Therefore it is undeniably important that SMEs should invest in T&D policies and practices.

Considering the importance of SME owners and managers to the decision to invest in training – they actually act as gatekeepers to T&D opportunities – it is of paramount importance to understand their perspective on the issue.

Recent research on the employers' view of the training process, shows that the decision-making process is primarily initiated by owners/managers, especially when: (1) it is mandatory; (2) employees do not perform adequately; (3) acquisition of some form of KSAs is significant for business; and (4) T&D is perceived as retaining the good employees (e.g., Coetzer et al, 2012). These results suggest that there is more than meets the eye in the classical barriers to T&D in SMEs: cost; lack of opportunity or time; managers' fears of employees turnover; or managers' bad attitudes towards T&D. Also, some research carried out mostly with SMEs (e.g., Smith & Kemmis, 2010) shows that employers have certain preferences for implementing T&D activities that are technical, professional, and industry/job related.

4 Methodology

To identify why Portuguese SMEs invest in training, the problems of SMEs' T&D processes, and to characterize the forms and practices of T&D, data was collected using a questionnaire previously used to gather employees' perspectives on these matters (Ferreira & Leite, 2014).

This questionnaire has been properly analyzed to fit the perspective of employers. So, some representatives of SMEs, were asked to analyze the questionnaire and give their opinion about it. No major alterations to the questionnaire were made.

4.1 Sample

There are 2,475 SMEs operating in the two northern municipalities (AV and PB) of Portugal used for this research, with 1,802 in AV, and 943 in PB (INE, 2012). The questionnaire was sent out between January and April 2014, to people in charge of the training process in their organizations. Table 5.1 summarises the sample.

Of the valid questionnaires, 56.5% of the respondents were female (see Table 5.2). With regard to marital status, 35% were single, divorced

Table 5.1 Collected data

SMEs	Sent quest	Answered quest	% Reply	Eliminated quest	Valid quest
AV	160	104	65.0%	9	95
PB	115	111	96.5%	6	105
	275	215	81.0% ^a	15	200

Note: a Average.

Table 5.2 Sample description

Variable	Category	%
Sex	Male	43.5
	Female	56.5
Marital status	Single/Div./Widower	35.0
	Married (equivalent)	65.0
Age	<25 years	7.5
	26–35 years	35.5
	36–45 years	34.5
	>46 years	22.5
Education	4th grade	7.5
	6th grade	8.0
	9th grade	22.0
	12th grade	42.0
	Higher studies	20.5
Job status	Employer/Indep. worker	54.5
	Employee	45.0
Job position	Partner	42.0
	Manager	30.0
	CFO	1.5
	Other	26.5
Employment contract	Permanent	88
	Temp	12

or widowed, and 65% were married or equivalent. In relation to age, 70% of the sample were between 26 and 45-years-old. The academic levels of respondents were 22% with nine years of schooling, 42% with 12 years, and 20.5% had attended higher education. Regarding their job status, 54.5% of the respondents were employers or independent workers. Concerning job position most respondents were partners (42%) or managers (30%). The type of employment contract employees held was a permanent one (88%).

The characterization of the professional situation of the respondents and of their employers can be seen in Table 5.3. The majority of respondents had been with his/her current employer for between two and ten years (47%) and 11–20 years (28%). Job tenure reveals the same tendency, with 50% between two and ten years, and 26.5% between 11–20 years. Compared with organizational tenure it can be seen that job rotation does not seem high in those SMEs, with percentages of the years with the employer and in the job only differ by about 2%.

Table 5.3 Professional and organizational characteristics

Variable	Category	%
Organization tenure	<1 years	11.0
	2–10 years	47.0
	11–20 years	28.0
	>21 years	14.0
Job tenure	<1 years	10.5
	2–10 years	50.0
	11–20 years	26.5
	>21 years	13.0
Municipality	AV	47.5
	PB	52.5
SME size	Micro	70.0
	Small	14.0
	Medium	16.0
Business sector	Industry	22.0
	Commerce	40.0
	Service	38.0
HRM/T&D Depart.	No	72.0
	Yes	28.0
Quality certification	No	74.5
	Yes	25.5
SME training	No	41.5
	<35 h/year	25.0
	>35 h/year	29.5
Individual training	No	36.0
	Yes	64.0

Regarding company size, 14% had between ten and 50 workers, 16% between 50 and 250, and 70% were considered micro companies with less than ten employees. Questionnaires were filled in by organizations operating in industry (22%), services (38%), and commerce (40%). Regarding quality certification, only 25.5% of respondents worked in certified SMEs.

In this sample, 72% of the companies did not have a HRM or T&D department, which is to be expected given that most of the companies were micro or small companies. Regarding hours of T&D activities, 25% of the organizations represented gave less than 35 hours/year,³ 29.5 % gave more than 35 hours/year, but 45.5% did not provide any kind of training for their employees. Data also shows that 64% of the respondents participated in training activities not provided by the employer.

4.2 Procedures

The questionnaire presented 25 reasons to invest in training, and asked respondents to rate the importance of each one regarding their employing organization using a five-point Lickert scale with one as not at all important and five as very important. Due to the great number of presented reasons a principal component analysis (PCA), using SPSS software, was performed to reduce the number of variables in place. This procedure was also used to identify problems in the training process.

PCA showed six dimensions, explaining 65.5% of the variance, regarding the **reasons underlying training investment** by the organizations. The first one was named *growth and sustainability* ($\alpha = 0.860$) reflecting management improvement and organizational results, and the search for knowledge and competences. The second factor was labeled *human capital investment* ($\alpha = 0.807$) and showed management concern for enhancing employee performance and contributing to their development. Next, *welcoming and integration* ($\alpha = 0.817$) revealed the use of T&D as a way to help newcomers and to reinforce employer–employee relationships. Issues of *identity consolidation and credibility* ($\alpha = 0.773$) showed organization interest in reputation and peer respect. The fifth dimension aggregates items related to *strategic management* ($\alpha = 0.759$), reflecting the search for goals, programs, and improvements in the company position regarding customers. Finally, *labor law fulfillment* ($\alpha = 0.813$) expresses the need to fulfill employers' obligations regarding the provision of training activities (one item only).

To examine the **problems underlying the training process**, the questionnaire presented 20 items and again asked participants to rate the importance of each one regarding their employing organization. The PCA performed revealed four dimensions that explained 67.6% of the variance. The first was labeled *supervisor attitudes towards training* ($\alpha = 0.893$), which showed the supervisors' (dis)regard for training issues. This (dis)regard is also present in workers, *worker attitudes towards training* ($\alpha = 0.870$), and reflects the availability of trainees to attend training activities, interest in the training themes, and the perception of the training benefits for the company and for them. The third dimension is related to the perception of *effectiveness of trainer recruitment and selection* ($\alpha = 0.841$), where it can be seen how respondents feel regarding the quality of the trainers, and the match between the covered topics and the real needs of the trainees. The last dimension referred to *training planning and design* ($\alpha = 0.831$), describing the degree of awareness of the training goals and of the adequacy of the number of trainees attending the activities.

4.3 Findings

Table 5.4 presents the average and standard deviation of the importance of each reason to invest in training.

Results indicate that the most important motives were related to the increase in knowledge and competences update, the improvement of job and organizational performance, and credibility within the business area.

Table 5.5, in turn, presents the same statistics regarding the problems underlying the training process. Results show that respondents seem to perceive as major problems the workers' lack of availability to attend after labor hours training activities, and the lack of perception of the training benefits for the company and for them.

In order to explore future research hypotheses, and realize some interactions between variables, correlations were made between the study variables.

Table 5.6 shows a positive association between training hours provided by the company and the reason for *growth and sustainability* ($r = 0.168$;

Table 5.4 Means and standard deviation of reasons to invest in training

Reasons	Mean	Std dev
03 Increasing knowledge and professional competences	4.37	0.72
20 Knowledge and competences update	4.33	0.76
04 Improving organizational management	4.14	0.75
05 Increasing credibility within the business area	4.07	0.77
24 Improving job performance	4.06	0.82
02 Improving corporate results	4.05	0.78
15 Need for worker qualifications	4.03	0.97
25 Worker development	4.03	0.87
16 Labor law imposition	4.01	1.02
26 Addressing client demands	3.99	0.94
01 Worker motivation	3.95	0.86
28 Improving organization climate	3.93	0.99
08 Identifying the need of knowledge, competences...	3.92	0.86
14 Obtaining training certificates	3.91	0.95
21 Workers' career promotions	3.85	1.00
10 Quality certification	3.82	1.13
18 Obtaining prestige	3.81	0.97
09 Reinforcing employer-employee relationships	3.72	0.99
11 Integrating workers in a new post or job	3.55	1.11
07 Integrating and welcoming newcomers	3.52	1.03
22 Worker transfers to a new job or post	3.51	1.16
27 Accessing state funds or subsidies	3.24	1.33

Table 5.5 Means and standard deviation of problems underlying the training process

Problems	Mean	Std dev
03 Workers' low acceptance of after labor hours training activities	3.40	1.19
02 Workers' lack of availability for training activities	3.34	1.07
13 Lack of perception of the training benefits for the workers	3.33	0.99
10 Lack of perception of the training benefits for the company	3.32	1.06
08 Insufficient number of training evaluation stages	3.28	1.00
14 Difficulty in transferring learning to work	3.27	0.99
01 Workers' lack of interest in the training themes	3.26	1.17
19 Inadequate adaptation of the training content to real needs	3.24	0.99
17 Colleagues' lack of interest in the acquired knowledge	3.22	1.06
05 No compensation for transportation costs associated with training	3.20	0.99
15 No expectation of transmitting the acquired knowledge by supervisors	3.20	1.08
11 Companies' low acceptance of spending labor hours in training activities	3.14	1.17
16 Supervisors' resistance to letting workers attend training activities	3.13	1.22
21 Supervisors' lack of interest in training	3.13	1.29
07 Scarcity of trainees at training sessions	3.02	1.08
12 Trainers' lack of experience of the addressed topics	3.01	1.14
06 Unawareness of the training activities' goals	3.00	1.01
18 Scarcity of adequate trainers	2.99	1.08
20 Inadequate selection of trainers	2.96	1.17

$p < 0.05$), while *strategic management* reasons seem to be related to sex ($r = 0.150$; $p < 0.05$). So, the more (fewer) training hours provided by the company, the more (less) important are the reasons to invest in training issues regarding growth and sustainability. Also, reasons of strategic management seem to be associated to female respondents.

Regarding *welcoming and integration* reasons, they seem to have an inverse association with age ($r = -0.179$; $p < 0.05$) and job tenure ($r = -0.142$; $p < 0.05$). That is, respondents with more (lower) age and job tenure, indicate less (more) welcoming and integration as reasons to do training. This reason is positively associated with certification ($r = 0.193$; $p < 0.01$), it is more (less) referred by certified (non-certified) companies.

Table 5.6 Correlations between sample characteristics and reasons to invest in training

	Growth & sustainability	Human cap. Investment	Welcoming & integration	Consolidation & credibility	Strategic management	Labor law fulfillment
Sex ^a	.005	.050	.136	.091	.150*	.046
Marital status ^b	-.103	-.049	-.086	-.037	-.036	.071
Age	-.117	-.062	-.179*	-.095	-.074	.079
Education	.024	.013	.136	.036	.061	-.025
Employment contract ^c	-.045	-.066	-.133	-.032	-.013	.015
Organizational tenure	-.098	-.093	-.113	-.001	-.072	.071
Job tenure	-.122	-.090	-.142*	-.042	-.085	.067
SME size	.093	.015	.138	.015	.074	-.036
HRM/TD department ^d	.034	-.063	.115	.054	.102	-.024
Certification ^d	.081	-.055	.193**	.046	.052	-.046
Training by SME	.168*	.127	.113	.110	.018	-.017
Training by employee	.016	-.039	-.005	.058	-.011	.055

Notes: *Correlation is significant at the 0.05 level (2-tailed), **Correlation is significant at the 0.01 level (2-tailed). ^a1: male; 2: female, ^b1: alone; 2: accompanied, ^c1: temp; 2: permanent, ^d1: without; 2: with.

Table 5.7 Correlations between sample characteristics and problems regarding the training process

	Supervisor attitudes	Worker attitudes	Effectiveness of trainer R&S	Training planning
Sex ^a	-.025	-.094	-.014	-.033
Marital status ^b	.111	.115	.031	.117
Age	.000	.061	.017	.007
Education	-.029	-.166*	-.139*	-.171*
Employment contract ^c	.056	-.015	.007	.022
Organizational tenure	-.021	.006	-.014	-.024
Job tenure	-.002	.030	-.001	-.037
SME size	.062	.110	.089	.025
HRM/TD department ^d	.134	.073	.121	.063
Certification ^d	.164*	.110	.125	.129
Training by SME	.072	.185**	.041	-.004
Training by employee	-.106	-.087	-.049	-.094

Notes: *Correlation is significant at the 0.05 level (2-tailed), **Correlation is significant at the 0.01 level (2-tailed).

^a1: male; 2: female, ^b1: alone; 2: accompanied, ^c1: temp; 2: permanent, ^d1: without; 2: with.

Table 5.7 presents the correlations between sample characterization and problems in the training process. It appears, that schooling is negatively associated with worker attitudes regarding training ($r = -0.166$, $p < 0.05$); with the effectiveness of recruitment and selection of trainers ($r = -0.139$, $p < 0.05$); and with training planning and design ($r = -0.171$, $p < 0.05$). Thus, as the respondents have higher (lower) education, they see worker attitudes regarding training, the effectiveness of trainer recruitment and selection, and training planning as less (more) problematic.

Certification and supervisor attitudes regarding training are positively associated ($r = 0.164$, $p < 0.05$), meaning that employers in certified companies (non-certified) consider (or not) the importance of supervisor attitudes regarding training as a training problem.

The hours of training provided by the employer have a positive relationship with worker attitudes towards training ($r = 0.185$; $p < 0.01$). That is, the number of hours provided by companies seems to influence worker attitudes regarding training.

It can be expected that, at least some, problems with T&D could serve as a trigger to companies investing in these activities. Table 5.8 presents associations between the problems faced by companies with the T&D process and the reasons why organizations invest in it.

Table 5.8 Correlations between reasons to invest in training and problems regarding the training process

	Growth & sustainability	Human cap. investment	Welcoming & integration	Consolidation & credibility	Strategic management	Labor law fulfillment
Supervisor attitudes	.180*	.118	.258**	.193**	.226**	.049
Worker attitudes	.225**	.292**	.252**	.206**	.284**	.042
Effectiv. of trainer R&S	.136	.106	.197**	.185**	.221**	-.057
Training planning	.198**	.260**	.300**	.357**	.380**	.077

Note: *Correlation is significant at the 0.05 level (2-tailed), **Correlation is significant at the 0.01 level (2-tailed).

It can be seen that problems regarding *supervisor attitudes* are positively related with reasons of *growth and sustainability* ($r = 0.180$; $p < 0.05$), *welcoming and integration* ($r = 0.258$; $p < 0.01$), *consolidation and credibility* ($r = 0.193$; $p < 0.01$), and *strategic management* ($r = 0.226$; $p < 0.01$).

However, *worker attitudes and training planning* seem to be the major problems in justifying investment in T&D by employers. These problems are significantly ($p < 0.01$) associated with all the reasons to invest in T&D activities, with the exception of *labor law fulfillment*.

5 Discussion and conclusions

This exploratory research revealed that the most important **reasons for SMEs to invest in T&D** are the increase of knowledge and the upgrade of skills and competences, the improvement of professional and organizational performance, and credibility within the industry. Of minor importance seems to be the use of T&D activities to integrate and welcome workers, and to access state subsidies or funds.

The current results are similar to those in a recent Portuguese study regarding employee perceptions of the reasons their employers invest in training (Ferreira & Leite, 2014). According to that research, the dimensions regarding employee opinions of their employers' reasons to invest in T&D pointed to a major use of T&D for purposes of overcoming knowledge gaps and enhancing organizational performance, and a minor use regarding employee motivation and career development.

These results emphasize mainly the benefits of T&D regarding performance, but not the T&D paybacks regarding organizational climate or individual development and career.

Concerning **training process problems**, the findings reveal the workers' low acceptance of after work scheduling of T&D, the limited availability to attend training sessions, and no perception of the cost-benefit relationship for trainees and companies. Supporting this data, INE (2012) shows that employers seem to perceive a lack of time for attending T&D activities (41.1%). Less problematic are situations linked to trainee and trainer recruitment and selection, and the possible unawareness of training goals.

Likewise, regarding training problems, Ferreira and Leite's investigation (2014) revealed that employees have similar perceptions about the availability of trainees for training activities. Employees also pointed out problems concerning the transfer of learning, highlighting the lack of opportunity to apply knowledge in the workplace and resistance from

supervisors. Also, unlike the present study, employees emphasized problems with the recruitment and selection of trainers.

The results shown in this chapter are in line with findings that reveal the skeptical attitude of SME management regarding the benefits of T&D activities and the difficulty in finding resources for those activities, such as time and money (Kotey & Sheridan, 2004; Wong et al, 1997).

Regarding the **type and utilization of T&D by Portuguese companies**, it can be concluded that training does not appear to be widely applied, considering the employers' perspective, to integrating and/or accommodating workers, or to transferring them to other positions. Actually, employees also have the same opinion (Ferreira & Leite, 2014). That is, training seems to be used in its classical sense, as a tool to acquire skills in the short term, to improve and reduce the shortcomings of current performance and the number of outdated workers, but not to increase employee commitment, or to welcome or integrate them. From this perspective the benefits concerning motivation do not seem to be a priority of training in these SMEs. These results point to a wastage of training as a tool that could help identify development opportunities for employees (Latif, 2012), and to enhance positive attitudes towards both organization and job (e.g., Latif, 2012; Ehrhardt et al, 2011).

One of the expected results that did not appear in this study was the impact of organization size. In fact, most SME research shows the importance of company size in HRM practices, and specifically in T&D (e.g., Castany, 2010; Melo & Machado, 2013a; Pajo et al, 2010). Here such a relationship was not clear. The main reason may be related to the sample, since 70% of the sample were micro companies.

Looking at the results presented in Table 5.6, it can be seen that time seems an issue concerning welcoming and integration as an (un)important reason to invest in training. It looks like the younger members of this sample, and the ones with shorter tenure, are more aware of the importance of T&D activities for socialization purposes. Also, data shows that companies with quality concerns are the ones that see this HRM practice as important in welcoming and integrating new members to the organization. Given that the data shows that companies providing training are the ones investing in T&D for reasons of growth and sustainability, due to the survival needs of micro companies, T&D activities might be seen as central to the sustainability of these micro-firms.

Table 5.7 points to the importance of considering the degree of education among management/owners. Results show that the more educated they are, the less important they consider problems related to worker attitudes towards T&D, to the effectiveness of trainer R&S, and to

training planning. Of course, the data does not say why. But, it is to be expected that the more educated employers and managers (with specific knowledge) will realize the importance of T&D to their organizations, and will be able to deal more effectively with specific situations (e.g., Castany, 2010; Coetzer et al, 2012).

Certification issues are intimately connected to quality management and its implementation (e.g., Lakhal, 2014; Mathews, Ueno, Kekale, Repka, Pereira, & Silva, 2001). The need for employee acceptance regarding the implementation of quality/certification procedures (e.g., Ramenazi & Gharleghi, 2013), namely the direct supervisors, is well documented.

It is not surprising to see an association between training activities provided by SMEs and worker attitudes, when the first problems mentioned by the organizations' representatives are related to employee attitudes towards training (see Table 5.5). If management/owners perceive a lack of interest in their employees why bother to provide training? This actually can work in a loop, and something must be done to break this circle. Corporate communication is essential in helping to deal with this issue, and an HR specialist should deal with this. Managers and employees, together, should address these concerns regarding these perceptions.

When looking at the association between reasons and problems, it can be seen that according to these employers (or their representatives) the attitude of both supervisors and workers is a significant issue in analyzing the reasons why these micro companies should invest in T&D activities. Also significant are issues related to training planning and design. In fact this particular problem presents high values of correlation with the reasons to invest in training. That is certainly related to the resources available in these micro companies. Here, size matters. Those organizations may reveal a problem when trying to allocate resources to planning, designing and implementing training activities. Most of them, as previously shown (Table 5.3) do not have a T&D or HRM department. So it might be the case that these companies do not give training to employees (see Table 5.3), because the owner will have to deal with the high costs and low benefits of T&D programs (Storey, 2004) and, especially during working hours, there is no one to do the job; micro companies, in Portugal, have fewer than ten employees.

The implementation of this HRM tool is very dependent on the resources made available. The main issues for these micro companies seem to be: finding a way to actually carry out the training; having money to invest in training; how to free employees to attend T&D

activities; who is going to replace them when they are doing training; and where to find the right (specialized) staff to deal with T&D activities? These particular issues may be of interest. SMEs, and especially very small companies, do not attract specialized employees.

One solution can be the creation of networking between employers in the same business sector, with an agreement between them that can include, for instance, the loan of employees when they are engaged in T&D activities and hiring specialized T&D staff.

5.1 Limitations and research directions

Some limitations are present in this study. The lack of empirical studies on training specifically in SMEs in a national context does not allow us to speculate safely on the results obtained. Also, the official national data on training carried out in enterprises is not up to date. The INE and the Institute of Employment and Training present data at the end of each phase of European Community Funds, which were used by Portugal to help increase the level of competences and skills of Portuguese workers, and the current phase is not yet over.

This study was carried out in a particular country and region, and mainly with a sample of micro companies. That means, again, that data cannot be generalized to SMEs. However, it revealed some common results, namely concerning the reasons to invest in training, with studies with different samples (organization size and participants). Also, this study does not allow for a nationwide generalization. However, the response rate was surprising, given the population selected for the study, which enables some security concerning the data.

In spite of these generalization problems, this study is one of the few that can provide more descriptive data regarding T&D issues in micro companies. As OECD (2013) reports, there are no specific studies regarding these particular organizations. Also, it claims that “in the majority of firms in OECD countries, no standardised source of data is available to assess micro-firms’ participation in training” (OECD, 2013: 31). One of the few surveys to consider micro companies, the National Employer Skills Survey for England, showed that “almost half of firms with two to four employees (45%) participated in no training during 2009, with a further 16% only conducting on-the-job training (NESS, 2009). Importantly, the results also show that these smallest firms also have the highest levels of off-the-job training across all the company size categories” (OECD, 2013: 31).

The current research focuses on the perception of business owners, or someone in their name. It would be useful to compare this with

employee perspectives regarding the T&D activities developed in the same companies studied, allowing for a comparison. The specific context of each company is an important issue that influences HRM practices (e.g., Castany, 2010) and that can provide more personalized solutions to a specific organization.

Notes

1. http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0002398&contexto=bd&selTab=tab2
2. Non-violent Portuguese revolution that instituted a democratic regime.
3. Portuguese labor law states that each permanent worker is entitled to a minimum of 35 hours annual training.

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6

Recruitment and Selection in the Expatriation Process: Comparing Perceptions between Organizations and Individuals

Inês Resende and Emília Fernandes

1 Introduction

The ongoing transformation in organizations due to economic and market globalization characterized by high competitiveness and instability (Camara, Guerra and Rodrigues, 2007) has had a strong impact on organizational strategy and human resource management (HRM) policies (Lehmann and Gallupe, 2005; Cheng and Lin, 2009). Additionally, since 2008, Portuguese companies have been severely affected by an economic and financial recession which has led them to opt for an internationalization business strategy (Andersen, 2014) in order to survive (Camara, 2008; Castro, 2013; Mateus, 2013). This often implies transference of human resources to foreign contexts to support international operations and organizational needs and expatriation is the most common way of doing this (Camara et al., 2007). Expatriation as a HRM practice consists of the international mobility of workers (referred to as expatriates) for more than one year (Camara, 2008; Camara, 2011). To be an expatriate means having international work experience that entails changing workplace location while still maintaining a work contract with the company and, ultimately, being reintegrated after finishing the international mission (Camara et al., 2007; Camara, 2008; Camara, 2011).

HRM bears an important role in redefining adequate practices and policies to guarantee the success of expatriation by taking into account cultural and legal differences (Camara, 2008; Lessard, 2013) between countries – the country of departure and the country of arrival – and

attending to the personal and professional needs of the expatriates and their families (Camara et al., 2007). This is particularly important as researchers confirm that the failure of an expatriate experience is often related to the unsuitability of individuals and/or their families to the new working and personal life conditions, and to the inadequacy of the expatriate profile previously defined by HRM (Brookfield, 2012).

Expatriation entails a complex process of HRM (Caligiuri, Tarique and Jacobs, 2009; Finuras, 2012). Recruitment and selection (R&S) as a main practice of HRM occupy an important role in the process of expatriation. It is through this critical HRM practice that it is possible to attract, select, and hire the best workers for an expatriation experience, guaranteeing the success of the international mission (Sousa, Duarte, Sanches and Gomes, 2006; Camara et al., 2007; Ribeiro, 2007; Suutari and Brewster, 2001; Martins and Diaconescu, 2014). The research that explores these issues has centered particularly on big companies from the United States, Japan, England, Germany, and Finland (Suutari and Brewster, 2001; Varner and Palmer, 2005).

To expand this line of research it is important to take into account other organizational and national realities, to consider small and medium sized companies, and other European countries (Baruch, Steele and Quantrill, 2002; Brewster, 1997; Pinto, 2008), such as Portugal (Camara, 2011). As argued by Martins and Diaconescu (2014) there is a lack of research into how companies located in Portugal manage their R&S practices in the expatriation process, and how Portuguese expatriates experience their international missions.

Firstly, this study explores the R&S practices developed for expatriation missions by companies located in Portugal. Secondly, it compares the perceptions of the expatriate profile between organizations and individuals.

This chapter begins by reviewing the literature on R&S in expatriation. After a methodology section, it presents the results related to R&S practices in expatriation and the perceptions about the expatriate profile among organizations and individuals. Finally the chapter discusses the implications of those specific practices and the perceptions of the expatriate profile to HRM in the Portuguese context.

2 Recruitment and selection practices in the expatriation process

The R&S practices in expatriation acquire particular importance if we consider that selecting the wrong person for an international work

experience can lead to mission failure and the premature return of the expatriate (Sousa et al., 2006; Camara et al., 2007; Ribeiro, 2007; Brookfield, 2013, cit. in Martins and Diaconescu, 2014). As argued by Caligiuri et al. (2009), being a good professional in one's home country does not mean one will be a good professional in a foreign country. International mobility often implies changing work routines and being exposed to ongoing professional and cultural challenges (Caligiuri and Tarique, 2012). In this sense, it is important that the candidate for an international mission demonstrates a complex set of hard and soft skills (Black and Gregersen, 1999; Brewster, Sparrow, Vernon and Houldsworth, 2011).

However, several authors (e.g., Cascio, 1998; Jassawalla, Truglia and Garvey, 2004) highlight that technical competences do not guarantee on their own the adaptability of the expatriate to the new foreign national culture. Some studies emphasize as central to the expatriate profile the personality traits of the big five model: extraversion, agreeableness, conscientiousness, emotional stability, and openness (e.g., Caligiuri, 2000; Harvey and Novicevic, 2001; Guthrie, Ash and Stevens, 2003). Beside those traits, other studies (e.g., Baruch et al., 2002; Schneider and Barsoux, 2003; Briscoe and Schuler, 2004; Camara et al., 2007; Gomes et al., 2008; Caligiuri et al., 2009) emphasize different individual characteristics, such as persistence, flexibility, sense of humor, leadership, strategic vision, teamwork, openness to different national cultures, creativity, tolerance to ambiguity, resistance to stress, and linguistic skills.

For all of this, it is of extreme importance to guarantee that the future expatriate presents the adequate competences for an international work experience (Sousa et al., 2006; Camara et al., 2007). What seems to be at stake here is a complex and diverse expatriate profile that complicates the work of HRM and makes it difficult to choose individuals to fit such a profile. Moreover, the R&S practices considered in the expatriation process must attend to the diversity of professional and cultural particularities that usually define an international mission (Harvey and Moeller, 2009), and how difficult it seems to be to predict the adaptability of individuals to their new professional and cultural realities. HRM has a very complicated task here to find the right match, not only between the individual worker competences and the professional competences for each mission, but also between the worker's individual characteristics and the cultural characteristics of the foreign country (Cascio, 1998; Hipsher, 2008).

The methods and techniques adopted in the R&S of expatriates are also diverse: selection interviews; psychological evaluation; resistance stress

tests; performance appraisal by managers, subordinates and peers; and interviews with the candidate's family (Mendenhall, Dunbar and Oddou, 1987; Caligiuri et al., 2009). Despite this diversity, most companies are particularly concerned with the technical competences, using performance appraisal as the selection method (Harris and Brewster, 1999; Bonache, Brewster and Suutari, 2001; Harvey and Novicevic, 2001; Suutari and Brewster, 2001; Anderson, 2005; Holopainen and Bjorkamn, 2005, cit. in Martins and Diaconescu, 2014; Brewster et al., 2011). Moreover, some studies (Bonache et al., 2001; Suutari and Brewster, 2001; Finuras, 2003; Gomes et al., 2008; Pinto, 2008; Caligiuri et al., 2009) point out that companies also tend to adopt an informal selection based on personal recommendations from peers and managers or a direct choice from the management board. However, HRM is often not considered in the R&S process, having merely an administrative and supportive role during the expatriation mission (Pinto, 2008; Martins and Diaconescu, 2014).

The involvement of the candidate's family in the process of R&S is sometimes considered in order to determine the candidate's motivation, her/his emotional stability, adaptability, and stress resistance skills. Additionally, such involvement will reveal if the professional ambition of the candidate is supported by his/her family (Tung, 1984). In fact, the family interview carries the highest importance, as is confirmed by several studies (e.g., Webb and Wright, 1996, O'Sullivan et al., 2002, cit. in Martins and Diaconescu, 2014). Family support of the expatriation mission allows the new expatriate to prepare for the new international work experience and to better adapt to a different cultural reality (Black and Gregersen, 1991). Recent surveys (Brookfield, 2012; Cartus, 2013) show that the family is the top reason for an expatriate's premature return and for mission failure. Nonetheless, companies rarely consider the family during the process of expatriate R&S (Martins and Diaconescu, 2014; Cartus, 2013).

Drawing on this body of literature, this study identifies the practices of recruitment and selection adopted by companies located in Portugal, contributing to a better understanding of this particular context. This study also compares the perceptions of companies and individuals related to the ideal expatriate profile.

3 Methodology

The study adopted a qualitative methodology that allows for the identification and exploration of new social themes (Stebbins, 2001), of what practices of R&S are related to the expatriation process, and what the

ideal profile of an expatriate is, taking into account the perceptions of both organization and individual. This methodology focuses on the way social reality and meanings are constructed through the experiences, relations, and feelings of individuals (Creswell and Miller, 2000).

The chapter draws from semi-structured interviews, based on the perception of the participants (Opdenakker, 2006). This type of interview allows for a fluid conversation with the interviewee (Guerra, 2006) while exploring the themes that are considered relevant by the interviewer (Rubin and Rubin, 1995). All the interviews were conducted by the first author of this chapter, between December 2013 and June 2014, and carried out in 11 companies located in Portugal with expatriation processes underway, and 17 Portuguese expatriate professionals.

The interviewees were initially sourced through Facebook, enterprise networks, business directories, and personal and professional contacts, followed by a snowballing technique (Atkinson and Flint, 2001), whereby additional interviewees were referred to the interviewer through contacts.

The interviews of the company representatives were conducted face to face and by Skype. The interviews with Portuguese expatriates were also conducted face to face, and by Skype since some of them were not in Portugal or were otherwise unavailable.

The 11 companies that participated in the study were represented by one or two professionals involved in the company's expatriation process or internationalization business strategy. Globally, the interviews were conducted with nine human resource directors, one global assignment director, one international department director and two professionals in human resource management.

All the companies were located in Portugal. Most of them were Portuguese, two were English and one German. Moreover, most of them were from the private sector and were large companies. They were from different economic sectors: finance, services, industry, and information technology. Altogether these companies had 7,162 workers living an expatriate experience, and nine of them had 373 Portuguese expatriates. Most of these Portuguese expatriates were in middle or top management positions. Most of them were men, married, university-educated, with an average age around 41-years-old. The international missions covered more than 30 different countries; Angola, French Antilles, and Mozambique being the most common destinations.

The 17 interviewees who lived an expatriate experience were all Portuguese, most of them men, married, university-educated, with an

average age around 37-years-old. In the destination country, most of the participants occupied technical and professional positions, and during the expatriate mission eight had their families with them. The most common destination countries were Algeria, Brazil, and Angola. In this group of participants, ten worked in national companies and seven in international companies, all located in Portugal. Most of these companies were from the private sector and were large, with activity in different economic sectors: industry, services, finance, and information technology.

The interviews ranged in length from 33 to 180 minutes, and all were recorded with the permission of the participants and were then transcribed. To guarantee the anonymity of the participants (representatives of companies and individuals), all interviews were identified with a code (e.g., Enterprise 1; Expatriate 1).

The qualitative data resulting from the interviews were organized with the help of Nvivo (qualitative data software), version nine. A content analysis of the interviews was performed to identify common themes related to R&S practices and the expatriate profile. These themes were identified either by drawing on the literature or as they emerged from the data. First, the qualitative data produced by companies and individuals was analyzed and codified separately, followed by the identification of the common themes found in the qualitative data produced by both companies and individuals.

It is important to remember that the research was designed to explore, interpret, and provide some insight into the experiences of companies and expatriates with regard to expatriation missions. In that sense, there was no intention of generalizing the study results and conclusions.

The interpretative work demanded by the content analysis involved constant discussion and reformulation of the themes by the two researchers (Creswell and Miller, 2000; Onwuegbuzie and Leech, 2007).

The next section presents the analysis of the interviews.

4 Results

4.1 The internal and informal nature of the recruitment and selection process in expatriation missions

In interviews with company representatives the preference for doing internal recruitment when they had international missions to carry out was often mentioned. In this way, the interviewees emphasized the

advantages of having a pool of candidates made up of their own workers. The advantages of this were often related to professional experience.

We only do internal recruitment, we only consider people that already work in the company... We do not recruit an outside person to go abroad... We consider workers that are more senior. (Enterprise 7)

Another advantage often pointed out by the interviewees to justify their preference for internal recruitment was related to the technical knowledge specific to the functional activity of the company.

Always internal due to functional specificities of the international mission and to the worker's need to know all the processes, which implicates a process of learning [that is not guaranteed by external workers]. (Enterprise 10)

Until now and before the international experience, all the expatriates were involved in smaller projects... An adaptation process that allows workers to know our company well is needed. (Enterprise 3)

The expatriate interviewees also recounted similar experiences when they talked about how they were recruited. From their narratives, it is possible to understand that one advantage of internal recruitment is the worker's immediate availability.

My manager told me about a new project in Germany. He asked me if I would be interested in going there for some time. After a while he came to tell me that the project was starting and at that very moment I told him "yes", that I would go, and I went. (Expatriate 12)

The relational proximity and confidence of managers who have the power to decide which workers will participate in an expatriate experience also seems to be one issue emphasized as influencing internal recruitment.

It is always our superior who asks us directly if we are interested in having an international experience. I was proposed by the administration... As I work directly with the CEO of my company, he told me that we needed to move in Algeria and that he needed me there, and I told him immediately that I would go. (Expatriate 13)

Nevertheless, two expatriate participants reported being recruited by companies they had not worked in before and being selected

immediately for work outside Portugal. However, these two participants were informed about the job vacancy in very different ways.

I had a friend that worked for this company and he told me to send my CV to the company, so I sent it. Then afterwards, I was interviewed and selected to have this experience. (Expatriate 16)

I answered a job advertisement... I did interviews, psychometric tests, and after I got the job, only then I was informed about the compensation conditions. (Expatriate 17)

Based on the representatives of the companies, internal recruitment seems to be understood as bringing more advantages than external recruitment. The experience of expatriates also seems to confirm the preference for this type of recruitment modality.

Concerning the selection techniques, most of the enterprise interviewees reported an informal approach to the selection process with managers or with the administration being responsible for selecting the right person for the expatriation mission.

This process is always led by the administration board.... It is the administration board that sees how workers fit best [to the expatriate mission], and then makes the invitation. (Enterprise 7)

The expatriate interviewees also reported that their selection was an informal process and that the invitation came from their direct superiors or the administration board.

The vice-president came to talk to me and offered me the job. (Expatriate 15)

My manager came to me... During this conversation, he told me that there was a chance to start a business in Turkey, a subsidiary of our company and he'd be happy if I could accept this invitation because he thought I was the right person. (Expatriate 5)

However, some company representatives reported that in the case of workers with a technical skill, the selection process becomes more formal and a larger pool of candidates is considered.

[For management positions] the administration board does not need the HRM department because the CEOs or middle managers

know their subordinates very well and they are the ones who make the invitation. For other functions, more technical ones, it is the HRM department that recruits and performs the interviews, because it is necessary to select from more than one candidate. (Enterprise 9)

These enterprise interviewees also identified interview, performance appraisal, and technical proofs as formal selection techniques used in the expatriation process.

submit those [workers] to tests to assess their skills... Later... we do an interview and try to somehow outwit, evaluate, and rank, through interviews, the adequacy of the candidate to the new international job. (Enterprise 10)

as internal employees, they have performance appraisals that are analyzed by the HRM department and then an interview is made. (Enterprise 5)

The expatriates also reported the interview as one of most used techniques during their selection for the international mission.

The process, in short, was an internal recruitment process... I made the first interview and then they called me for a second and final interview. (Expatriate 9)

In general, it seems that R&S in expatriation does involve an internal and informal process, especially when the expatriate is going to occupy a management position in the foreign country. However, the HRM department rarely seems to participate in the expatriate's recruitment and selection. In interviews with companies and expatriates, a common idea was that HRM had mainly an administrative role in managing and negotiating salaries and economic benefits with the future expatriates.

we are particularly responsible for informing the new expatriate about his/her new salary and other reward issues. (Enterprise 7)

I was invited by my manager. I did not have any contact with the HRM department until having agreed to go abroad. Only after this I was contacted by the HRM department, which gave me all the necessary information about my new salary conditions. (Expatriate 1)

4.2 Differences in expatriate profiles and relevance of family to expatriation missions

Two different expatriate profiles emerge when we consider the contributions of companies and expatriates. In this sense, the company representatives tended to value technical skills and professional experience in the expatriate profile.

Essentially we put the expertise and the experience they [the workers] have in the business first. Of course, profile and personality have been decisive in some cases to say that this is not the right person, but for us the most important is the professional part. (Enterprise 5)

What we value is the adjustment of technical skills to the technical demands of the job and not the, so-called, social skills. (Enterprise 11)

In the description of what is critical to the expatriate profile to guarantee the success of the international mission, the company representatives sometimes mentioned social and relational skills. Nevertheless, these skills were always presented as secondary or complementary to the technical skills.

Naturally, in the first place are always the technical skills, these are competences directly related to the task that the expatriate will have. This is priority number one. However, we also have to consider more social and generic skills, such as flexibility, adaptability and leadership... So, what is really critical are the technical skills, what the worker needs to develop in his/her work. (Enterprise 9)

However, in the narratives of the expatriates, this profile is defined with other meanings related to openness to change and adaptability.

For starters, I think the workers must present an open mind and accept new invitations and experiences, because being too rigid makes any adjustment difficult. We have to make an effort to adapt. (Expatriate 2)

Try not to make previous judgments of something that you do not know, even if you can deal with it. It is important to see beyond that situation and maintain an open mind. (Expatriate 9)

Being open to change also implies being available to continue learning from the new experiences.

We have much to learn, even if we think at first that that way of working is ridiculous... For someone that does not have too much "worldliness" it may be complicated. However, being open-minded, especially to facilitate learning, is of the most importance. (Expatriate 11)

The adaptation skill also entails being open and respectful to the natives and to the cultures of the destination countries.

It is very important to be able to understand cultures that are intrinsically different from our own. We have to learn to tolerate cultural values and ways of living that are very different from what we know. (Expatriate 14)

As it is obvious, it can be complicated to become part of a new culture, especially when we do not have experience, it can really be unrewarding. However, if we have an open mind, especially if we are willing to learn, we can make the most of this experience. (Expatriate 11)

However, in expatriate narratives, adaptability is not only related to an individual profile but presupposes other situational conditions, such as family support. The expatriates reported how important it was to have their family with them when they went on international missions to guarantee their success, and how family support was the main reason that led them to accept the invitation to an international mission.

being able to come with my wife and children, was one of the main conditions of accepting this mission...I would never jeopardize my personal and family life because of my work. (Expatriate 7)

I had the opportunity to take my wife and children with me and their presence here is very important to me, to ensure that everything goes well. (Expatriate 9)

In this case, the identification of the right person for an international mission is not enough to guarantee its success. It is also important to consider his/her family as critical to the expatriation process. Nevertheless, in interviews with company representatives this issue was not taken into account in the expatriation process.

the families stay here, our expatriates go to the mission alone. (Enterprise 8)

Companies still consider expatriation as an individual assignment, therefore, they do not contemplate sending the family on the international mission with the expatriate. In fact, most expatriates in these companies never take their families with them.

We do not have that tradition [of considering family in the expatriation processes]. As you can imagine, it is too expensive for us to consider such a possibility. (Enterprise 10)

Some company representatives admitted trying to select mainly single candidates.

For workers that have a wife and children, it is very complicated... The ideal expatriate is a single person... If I had to select, he would be single above all... Eventually, if the girlfriend had already been an expatriate it would be great because it would give him [emotional] stability. However, to have a wife and children is much more complicated, [having family and being expatriated] it creates stress and eventually disturbs the couple's relationship. (Enterprise 2)

Table 6.1 summarizes the expatriate profile considered among companies and expatriates.

Table 6.1 Expatriate profile

	Enterprises	Expatriates
	n = 11	n = 17
Openness to change	4	12
Autonomy	1	3
Performance appraisal	2	–
Initiative-taking	1	4
Leadership	4	–
Technical skill	10	6
Family (dis)engagement	3	2
Detachment	–	2
Linguistic skill	5	4
Empathy	1	–
Emotional stability	1	4
Professional experience	6	4
Flexibility	1	4
Age	1	1
Motivation	3	2
Results orientation	–	3
Tax issues	2	–
Resilience	1	7
Respect for natives and cultures	3	10
Health	2	–
Cultural sensibility	1	3
Sociability	3	3
Team work	2	–

5 Discussion and conclusion

This study explored which recruitment and selection practices are considered in the expatriation process and compares perceptions of the expatriate ideal profile among companies and Portuguese expatriates. This research is particularly important because expatriation in the European context has rarely been studied (Brewster, 1997; Suutari and Brewster, 2001; Baruch et al., 2002; Varner and Palmer, 2005), particularly in Portugal (Pinto, 2008; Martins and Diaconescu, 2014).

We have witnessed an increase in the number of Portuguese companies adopting internationalization strategies to survive a severe financial crisis with a negative impact on their national businesses (Teixeira and Diz, 2005; Camara, 2008; Camara, 2011; Castro, 2013; Mateus, 2013). This being said, the understanding of how recruitment and selection is made for expatriation missions and knowing the expatriate profile that companies and expatriate individuals value is of utmost importance.

The content analysis of the interview data shows that both companies and individuals reported internal recruitment and informal selection as the most used practices for choosing candidates for an expatriation mission. The reasons pointed out by companies for recruiting mainly internal workers are related to their experience of the organizations' particular functions. Another reason is the knowledge that companies have about how these workers do their jobs and the confidence that they have in them (Finuras, 2003; Gomes et al., 2008; Martins and Diaconescu, 2014).

As confirmed in other studies (Bonache et al., 2001; Suutari and Brewster, 2001; Finuras, 2003; Gomes et al., 2008; Pinto, 2008; Caligiuri et al., 2009; Martins and Diaconescu, 2014), informal selection usually takes the form of an invitation made to specific workers by their superiors in a professional context of relational proximity. On the other hand, formal selection techniques seem to be used more often when there are many candidates for the international job vacancy, especially when the assignment is to be occupied by qualified technical workers without management responsibilities. In this situation, job assessment and interviews are the main selection methods companies consider (Anderson, 2005; Brewster et al., 2011).

The study also shows that there are different perceptions about the ideal expatriate profile between companies and individuals. Companies tend to value technical skills first, followed by the worker's professional experience, while personal and social skills are evidently secondary in the discourses of the company representatives. On the

other hand, Portuguese expatriates tend to give more relevance to openness to change and respect for other ways of working and other national cultures. Such skills are particularly important for the expatriate's adaptation to his/her new international reality (Baruch et al., 2002). The expatriates also reported that family emotional support and/or having their family with them during the expatriation mission was one of the most critical issues to guarantee the success of the expatriation mission. As also confirmed in other studies (Makela, Kansala and Suutari, 2011; Martins and Diaconescu, 2014), the adjustment to the new international reality is often dependent on family presence and for some expatriates their mission acceptance may depend on their family accompanying them.

Nonetheless, companies tend to devalue such relational and private dimensions of the expatriates' lives. In interviews with the company representatives, the family is not considered an important issue for the recruitment and selection of the candidates to expatriation or as having an important role in the expatriate's adaptation. The study of Martins and Diaconescu (2014) showed the lack of experience of Portuguese companies in expatriation processes that included family. Moreover, the expatriation experiences reported by the company representatives were always centered on the expatriate as an isolated individual detached from his/her social and relational conditions. However, as Caligiuri and Tarique (2012) concluded, family bears an important role in expatriate adaptation and in the success of the international mission.

The individualistic view of the expatriation process can also be related to gender issues and the discrimination of female professionals in their access to such international experiences. In fact, the selection process for expatriation usually involves men and men without a family (Davison and Punnett, 1995; Tharenou, 2008). Expatriation seems to be a masculinized and masculine process that involves choosing men for international missions, because they are perceived as totally available and not constrained by family responsibilities (Davison and Punnett, 1995).

This study also confirms that HRM occupies a secondary position in the recruitment and selection of expatriates, having mainly an administrative and support role in the expatriation process. This is not a new reality, but is a common conclusion found in other studies (Bonache et al., 2001; Suutari and Brewster, 2001; Finuras, 2003; Gomes et al., 2008; Pinto, 2008; Caligiuri et al., 2009; Martins and Diaconescu, 2014).

The results of this study demonstrate the need to rethink the recruitment and selection practices in the expatriation process carried out by companies located in Portugal and involved in international business missions. These practices seem to have mostly an internal and informal nature, being detached from any explicit HRM strategy. In other words, the expatriation process seems to be dependent on the relational proximity between subordinates and their superiors, the latter having the power to decide who will have the international experience.

During this process, we also see that companies see behavioral and relational skills as secondary to technical skills. In this sense, it is important to rethink the ideal profile of the expatriate in order to include relational and behavioral skills besides technical expertise and work experience. This is particularly relevant since it seems to be those skills that can guarantee the expatriate's successful adaptation to his/her new international job realities, as was pointed out in the expatriate interviews. It is also important to understand the expatriation process as a relational and collective process that must involve the candidate's family.

In order to consider these relational and behavioral skills in the expatriate profile and the candidates' family in the recruitment and selection process, it is important to involve HRM in a more intensive way. However, arguing for more direct and interventional HRM participation does not imply ignoring the participation of the hierarchical superiors in the recruitment and selection of the expatriate workers. They continue to serve an important role in identifying appropriate candidates for the international missions, because of the experience and relational knowledge they have of their subordinates. The main focus here is work collaboration between HRM and the hierarchical superiors. This collaboration would also allow for the management of the candidate choices by the hierarchical superiors to guarantee equal opportunities among all the candidates (Davison and Punnett, 1995).

In the current Portuguese context of financial crisis, where there is an increase in the number of companies involved in expatriation processes, it would be particularly relevant to study further the role of HRM in socialization, training, management carrier, and equal opportunities policies in the expatriation process, considering different types of companies. Moreover, it would be particularly interesting to explore further the life stories of Portuguese expatriates to understand how they manage their professional and individual identities in their new international work environments. Finally, bearing in mind that families are important players in the expatriation process, it would be important to study the contours around expatriate and family relationships during the international experience.

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7

From Cooperative to Hybrid Organization: Internationalization, Financing and Crisis

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1 Introduction

The fundamental basis of a cooperative is cooperation among its members to generate positive economic and social results. As cooperatives are social organizations, they are based on moral and ethical values, such as solidarity among partners, equity, democracy, and social responsibility. To survive as an economic organization a cooperative must add value to the economy, thus leading to the generation of profits.¹

In general terms, the main differences between a cooperative and a capitalist firm are the control rights. The theory (Hart, 1995; Tirole, 2001) indicates that a concentration of power in the hands of one stakeholder enhances collective efficiency in comparison to a situation of shared ownership and shared control. While in a cooperative control is in the hands of the member workers, in a capitalist firm control is in the hands of the shareholders (who provide the capital), although to some extent workers can exercise a certain control through trade unions (Ben-Ner et al., 1993; Dow, 2003). A capitalist firm is basically a shareholder company and it represents the main economic organizations in the overall economy. The contribution of cooperatives to the GDP of developed countries varies from one country to another: 7% in Germany, 6% in Spain, 2% in the UK, and 3.4% in Canada (Sánchez Bajo and Roelants, 2013).

Cooperatives can be considered self-organized and self-governing enterprises. Their institutionalized practices include democratic management, entrepreneurial education, sustainable employment, and cooperation dynamics. During the present economic crisis, cooperatives as a

group have displayed a comparative strength in terms of their resilience. They usually follow a solid systematic capitalization system underlying a model of accumulation of productive capital. In this context, we show how the nature of a cooperative has been transformed to include a stronger managerial capitalist perspective. This transformation has been due to rapid international expansion and growth and the way in which this process was financed, and radical changes in the balance between member workers and hired workers in favor of the latter, all of which has taken place in the context of a severe economic crisis. This will be explained through the analysis of the cases of Fagor and Eroski, two main cooperatives in the Mondragón system.

2 Main features of labor cooperatives

In labor cooperatives, which are also known as labor-managed firms (Bonin et al., 1993; Rooney, 1992 and Jansson, 1986),² workers own the assets, share the profits, and have the right to control the decision-making process. Income distribution to workers is based on egalitarian principles. In a cooperative, it is necessary to differentiate between members and non-member workers. A cooperative with hired workers can be considered a deviation from the pure model of a self-managing firm. Some labor cooperatives may allow hired workers to become members by purchasing shares (Bonin et al., 1993). Income differentials are subject to the internal constraints of the cooperatives and they can impose restrictions on membership and establish the rules for the use of hired labor.

We can identify three special types of stakeholders in cooperatives: (1) venture capitalists, who only provide capital and participate in management, based on their financial contribution; (2) hired labor that contributes with their work; and finally, (3) member workers who own the equity capital (either totally or as a majority share) and participate in the management and in the profits generated by the cooperative. However, the aversion to risk shown by workers and liquidity constraints may mean difficulties for cooperatives in terms of accessing external finance and investment (Burdin and Dean, 2008). The objective of this type of cooperative is to create jobs that are sustainable in the long term.

Cooperative shares are not marketable. Accounting and financial reporting in cooperatives follow the practice of book value instead of fair value, and they tend to stabilize prices through surplus distribution to members at the end of each year. For those reasons, cooperatives as a whole appear to be better protected against both speculation and the

debt trap (Sánchez Bajo and Roelants, 2013). The share capital remuneration is a fixed interest rate which is slightly higher than the corresponding remuneration for a long-term deposit account and it should compensate for inflation. If cooperative members leave the organization, they will face a penalty on the share capital (Sánchez Bajo and Roelants, 2013). Within this context, we might expect a lower cost of equity capital than in a comparable purely capitalist firm. Furthermore, if cooperatives are less risky they can obtain debt financing at a low interest rate. This means that if the average capital costs of cooperatives are relatively low, this will allow them to undertake more investment projects than in situations with higher capital costs.

Workers may delegate the management of the organization to professional managers and elect the governing council (which is equivalent to the board of directors). In order to achieve the objectives of the cooperative, the incentives for managers may be linked to the efficiency of their decisions. The key question is how to monitor this behavior.

As Bonin et al. (1993) stated, relating per worker compensation to the firm's residual profits may provide both a direct motivation for individual effort and a rationale for mutual monitoring. When workers have a financial stake in the firm, either individually or collectively, cooperative firm loyalty and worker morale may be higher.

However, if the rights of cooperative members are not transferable and they expire in the case of retirement or termination of employment, some problems arise because cooperatives are a type of closed corporation (Fama and Jensen, 1983). In order to avoid the incentive to prefer short-term investment, cooperative members have to be aware of obtaining benefits while they are part of the organization. When a member leaves the cooperative, it is necessary to determine a fair value for this person's participation, and the cooperative has to adopt a clear definition of the entry and exit conditions. Real cooperation among the members of the cooperative solves the free-rider problem.

Workers who are members of the cooperative may have multiple interests, but these interests must be line with the common objectives of the organization. The long-term objective should be the generation of satisfactory profit in a conceptualized competitive environment, with the constraint of also achieving social benefits, such as quality employment and social responsibility (Gallardo et al., 2014). The employment function of the cooperative has to consider specific variables such as compensation, working hours, and workload (Craig and Pencavel, 1993).

The differences in wages among member workers have to be taken into account to avoid the transfer of wealth from the most to the least

productive workers and, consequently, avoid the former looking for better paid jobs outside the cooperative (Kremer, 1997). Moreover, the degeneration hypothesis can be applied to successful cooperatives if they tend to replace retired members with hired workers in order to increase remuneration to the remaining members (Ben-Ner, 1984). Hiring temporary workers is a flexible response to seasonal demand changes, but radically increasing the overall staff structure in favor of hired employees may also be considered a sign of the degeneration hypothesis. It is worth noting that an insolvent capitalist firm may be reorganized through employee buyouts and then become a cooperative (Miyazaki, 1984). Thus, this solution allows workers to insure themselves against unemployment by instituting compensation schemes which are more flexible than those in capitalist firms.

The workforce in cooperatives may show a positive relationship between wages and employment as they tend to move in the same direction, whereas in capitalist firms they move in the opposite direction. However, it is not possible to reject the hypothesis that employment variations are insensitive to output price changes (Burdin, G. and Dean, A., 2009).

Bartlett et al. (1992) studied a sample of Italian firms, both capitalist and cooperative, to estimate the differences between the groups. The authors showed that capitalist firm managers are more concerned with profits than the managers of cooperative firms. Nevertheless, the employment and sales objectives of both groups do not differ. They also confirmed that the wage structure in cooperatives is more compressed than in conventional firms. Pérotin (2006) found in the case of France that the effect of the business cycle on people leaving employment is the same for cooperatives and capitalist firms.

Meanwhile, Craig and Pencavel (1992) investigated the comparative behavior of capitalist firms and cooperatives and their responses to changes in economic conditions. Their study was based on a group of industrial enterprises from the Pacific Northwest in the United States between 1968 and 1986. Their results indicated that an increase in output prices for capitalist firms was associated with an increase in employment, working hours, and output, although the increase had no significant effect on hourly incomes. In contrast, an increase in output prices for cooperatives was not significantly correlated to employment and working hours, although it did positively affect hourly incomes.

More recently, Pencavel et al. (2006) found significant differences in employment, wage and capital decisions between worker cooperatives and capitalist firms by using a group of Italian enterprises during the period

1982–1994. They found that (1) in the case of market shocks, wages were more flexible in cooperatives than in capitalist firms, and (2) employment and output are less sensitive to product market shocks in cooperatives than in capitalist firms. The results are consistent with the idea that when economic conditions change the enterprise's adjustment process could vary markedly, depending on the firm's organizational control structure.

Finally, Stubbs and Cocklin (2007) examined an Australian bank using the community engagement model (CEM) approach, showing a hybrid model that is based on capitalist principles and cooperative values. The success of this bank indicates that this model could be used as a design guideline for other organizations seeking to improve their social sustainability.

Table 7.1 shows the main characteristics of the two types of organizations.

Table 7.1 Capitalist firm versus cooperative

Characteristic	Capitalist firm	Cooperative
Principal stakeholder	Shareholders (capital)	Member workers (labor)
Main objective	Maximize profit	Profit and sustainable employment
Types of members	Capitalists and/or workers	Workers
Division of social capital	Shares	Participations
Transfer of ownership	Shares are negotiable and transferable	Participations can only be negotiated between the cooperative
Structure of power	Based on the number of shares held	Each member has one vote regardless of the number of participations
Board members	Shareholders and independents	Must be members of the cooperative associated
Distribution of profits	According to the number of shares of each partner	According to the work that the member has contributed
International organization	No	International Cooperative Alliance (ICA)
Ethical global guidelines	Voluntary	Based on principles and values

Note: ICA: an independent non-governmental organization which unites, represents and serves cooperatives worldwide.

Source: Own elaboration.

The corporate governance of a cooperative can be understood as “designing mechanisms and setting up institutions that encourage workers to define a goal that maximizes workers’ wealth or welfare (first level of governance) and, furthermore, includes managers to internalize such goals (second level of governance).” (Surroca et al., 2006) The governance of cooperatives has to be based on the solution of two problems: (1) defining a goal that maximizes collective welfare; (2) implementing this goal in a successful manner. The solution to the first problem is achieved through the delegation of power that enables boards of directors to design a common strategic policy for the organization. The second problem is solved through monitoring mechanisms and incentives that induce managers to pursue this goal, namely its ability to satisfy the objectives of the cooperative members. Furthermore, an agency problem has to be solved. The combination of incentives and monitoring mechanisms in Mondragón have been vital in defining a mission that maximizes collective wealth.

3 Corporation as governance instrument for a group of cooperatives: the case of Mondragón

Mondragón is a horizontally integrated group of over 100 cooperative enterprises in different sectors: industrial, services, financial, distribution, educational, and research. The first cooperative was created in 1956 (it was called Ulgor and subsequently became Fagor). The founders asked workers to choose the model of governance and in 1959 the financial cooperative Caja Laboral Popular was created and it established close cooperation with other cooperatives. Caja Laboral was later transformed to open up its activities to external agents to reduce (diversify) its risk exposure (Ormaetxea, 1997).

In the 1980s, the Mondragón Cooperative Corporation (MCC) was created with the intention of achieving positive economies (of scope and size) derived from clusters of cooperatives, (Dow, 2003) such as: management advice from other cooperatives, finding optimal solutions for common problems or situations (both on a regional and a sectorial level), and generating a strong reputation and trust among stakeholders. As a group, they aim to achieve solidarity and cooperation among cooperative members combined with a rigorous entrepreneurial approach. They have also created a health and social welfare insurance system. Therefore, it follows that inter-firm cooperation has developed trust within the group. Mondragón is the 10th biggest industrial group in Spain, and it was developed based on interrelated cooperatives. There

are currently around 80,000 employees, of whom 33,000 are members, and Mondragón coordinates 110 cooperatives and 289 business units.

In the Mondragón cooperatives, temporary non-member workers are allowed to move there from other cooperatives within the group and they receive the same bonus payments as the members of the cooperative in which they work. Workers who wish to become members must pay an initial entry fee and then have their application accepted by the current membership. Individual share ownership is limited, and the initial investment required to acquire membership status is 15,000 euros. The cooperative usually reinvests earnings in the system that the MCC pays out as loans with an interest rate which is 2% above the return of bank deposits. The highest paid person cannot earn four to five times more than the lowest paid person. When the first cooperative was founded, this wage difference was from one to three and nowadays the ratio is one to eight.

Cooperatives have democratically delegated competence to the MCC in the fields of finance (loans and investment) and insurance, consultancy, industry coordination, education and training, research and development, etc. Cooperative democracy within the MCC must be combined with professional management. A board is elected and it designates a group of professional directors with the power and the autonomy to make decisions in their management process.

The governance at cooperative level is shown in Figure 7.1, where at the first level we find the General Assembly, which elects the members of the Governing Council, which in turn nominate the managers. As consultancy bodies, they have a Monitoring Commission, and Social

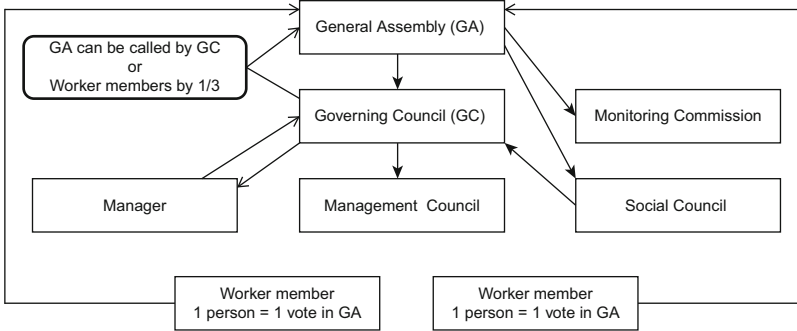


Figure 7.1 Cooperative governance bodies

Source: Mondragón Web and Sánchez Bajo and Roelants (2013).

and Management Councils. The governance structure of the Mondragón Corporation (MCC) is shown in Figure 7.2. At the first level, we can see the Cooperative Congress, the Standing Committee, and the General Council that includes elected representatives from each cooperative within the corresponding division (the third level within the structure). Each cooperative also elects representatives for the General Assembly of the industrial subgroups of cooperatives (the second level). The divisions coordinate the management of their cooperatives.

The general policy is developed in strategic plans, firstly for the divisions, then for areas or industry groups, and finally for primary cooperatives, which are autonomous but transfer decision rights to the superstructure of the MCC and in return receive a number of benefits, such as branding, external promotion, group support, and access to certain social institutions and financial coverage (Surroca et al., 2007).

Mondragón does not own the cooperatives belonging to the system and, consequently, it does not consolidate the accounts of any of the cooperatives. Moreover, we were unable to obtain financial information at a cooperative level. However, we did have access to the financial accounts that Fagor and Eroski are obliged to provide to the Spanish

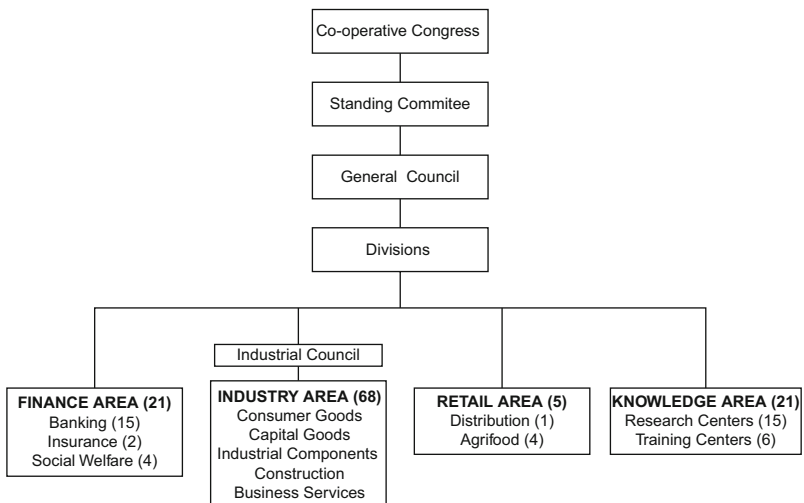


Figure 7.2 Mondragón governance bodies

Note: The number of cooperatives is shown in parentheses.

Source: MCC Annual Report (2012).

market supervisor (CNMV), due to the issuances of debt by both cooperatives.

The MCC includes 289 institutions, of which 110 are cooperatives and 147 are subsidiaries (105 foreign). The rest are foundations (8), benefit societies (1), umbrella organizations (10) and international services (13). Any company interested in joining the group must first become a cooperative, assume their congressional rules and have a viable development project. Membership applications are reviewed by the cooperative group belonging to the same sector (division). If the response is favorable, the ultimate decision will be made by the corporate governance bodies (Standing Committee and General Council).

The industry area plays a very important role, as shown in the organizational structure, with 68 cooperatives and an Industrial Council. Table 7.2 shows the production plants and corporate offices, within the foreign industrial area. Its international expansion has taken place in 28 countries over five continents, and we highlight its presence in France (17 subsidiaries) and China (15 subsidiaries). In 2012, it opened new production facilities in China, India, the USA, Brazil, Mexico, Colombia, Norway, Italy, and Germany, thus continuing its consolidation in foreign markets, many of which are in the BRIC³ countries. Indeed, the MCC has become a coordination hub in terms of its expansion and international activity (Sánchez Bajo and Roelans, 2013).

Figure 7.3 shows the number of companies by country areas. Almost half of these companies (155) are located outside Spain. There are 85 in the European Union and four are in Russia and Ukraine. Of the 27 companies that are in the Asia Pacific region, 15 are located in China. In total, the MCC is present in 37 countries, including Spain.

During 2012, international sales reached 70% of the total (4,000 million euros) and there were 14,000 employees abroad. MCC presence in BRIC markets has increased during the economic crisis (there was a 20%

Table 7.2 Production plants and corporate offices

Production plants	Geographic area	Corporate offices
59	Europe	1
4	North America	1
16	Latin America	3
24	Asia Pacific	4
2	Africa	
105	Total	9

Source: Based on MCC Annual Report (2012).

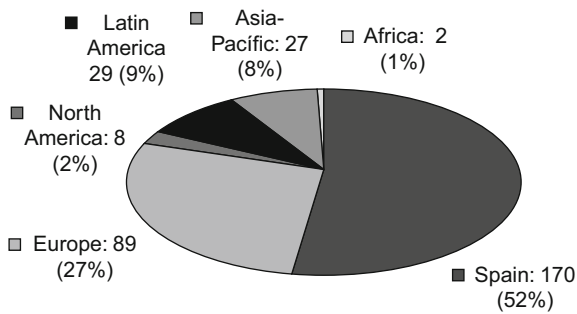


Figure 7.3 Number of companies and percentage by country area

Source: Based on MCC Annual Report (2012).

increase in 2013 in comparison to the previous year). However, in 2012 total sales were 7.6% lower than 2011 mainly due to the fact the poor performance of the Spanish market was slightly offset (1%) by international sales. EBITDA was 1,289 million euros, like the previous year, and this represented a margin of 10%. The workforce had been reduced by 3.9% and the average yearly number of workers was 80,321, of whom around 33,000 (41%) were members. The hired members do their work mainly in the field of distribution outside the Basque Country.

Like any other economic organization, cooperatives have to deal with economic and financial problems. In this sense, like any other firm facing difficulties, cooperatives may have taken certain short-term measures: reduction of expenditures; considering the possibility of mergers; use of reserves (central solidarity) funds; use of assets as guarantees to obtain bank loans; an increase, if necessary, in working hours without a corresponding increase in salary; and asking cooperative members to accept a reduction in their salary. Mondragón (through LagunAro EPVS⁴) has also coordinated the redeployment of member workers from one cooperative to another, e.g., 600 people in 2009 and about 400 in 2010.

In times of crisis, all of the group's efforts are focused on maintaining the existing level of employment. Job losses in the group have been minimal thanks to the redeployment of workers from one cooperative to another under the coordination of LagunAro and other support institutions. Even those workers who are made redundant and cannot be redeployed receive some support payment from LagunAro for a number of months, after which most of them can return to their original cooperative.

In 2008, in the midst of the global financial crisis, the job growth rate became negative for the first time since 1983 (minus 1.1%). This negative trend was further aggravated in 2009 (minus 8.3%), as the average number of jobs during the year went down from 92,000 to 85,066. From the beginning of the history of Mondragón and up until 2009, ten cooperatives were liquidated. Nonetheless, the situation at Fagor was the first major problem faced by Mondragón in six decades of activity, followed by the crisis faced by Eroski.

Eroski is currently trying to improve its image as a socially responsible company and is highlighting intangible values, such as reputation and trust, which have been badly damaged by the aforementioned operations (Eroski, 2014).

4 The failure of Fagor

Fagor has 13 manufacturing facilities in five countries: Spain (5), France (4), Poland (1), Morocco (2), and China (1). At present, the Spanish market only represents 24% of total company sales.

Fagor has pursued a multi-brand strategy: Fagor and Edesa in Spain; Brandt and De Dietrich in France; and Mastercook in Poland. These brands are aimed at electrical appliance segments in low, medium, and high price ranges. In 2005, Fagor bought its French subsidiary (Brandt), a company which had a strong industrial superstructure and this operation doubled the size and number of Fagor's plants. Its competitors in the low price segment are located in low cost countries (Turkey and Eastern Europe).

The housing bubble also meant a market crash in the electronics business. Since 2007, Fagor has continually reduced its sales and incurred losses. In 2007, there was a turnover of 1,750 million euros; 1,396 million euros in 2010; and 1,167 million euros in 2012; with a 42% decrease in 2013. In five years Fagor accumulated losses of about 150 million euros. Staff numbers were progressively reduced from 10,067 workers in 2007 to 5,642 in 2013. The crisis in terms of demand (a 37% decrease in 2007) in Spain and France, in addition to greater competition in prices from less developed countries (the cost of labor in China or India is less than one euro per hour while in Europe it is 23–25 euros per hour). In the face of thousands of euros of accumulated losses, Fagor had to lower its prices to resist competition and, therefore, reduced its margins. To compete in emerging markets, Fagor needed size in its Chinese and Korean subsidiaries, and for this purpose it was essential to have sufficient financial resources.

The viability plan devised by Fagor involved closing plants in high-cost countries, divesting itself of activities in low margin industries and focusing their business on small electrical devices, a line of business in which Fagor was a market leader. Staff numbers were to be cut by half from an initial figure of 5,642. But the MCC considered that the viability plan was not feasible and that the resources requested would not guarantee the future of the company.

In May 2013, the MCC provided 70 million euros from the profits generated by other cooperatives. The Mondragón Corporation refused to provide the necessary funding (170 million euros), in line with the refusal of the larger cooperatives in the group such as OROVA (an elevator manufacturer) and Eroski (supermarkets and distribution). With this decision, Mondragón sought to avoid a conflict between cooperatives. Historically, on some occasions the Corporation had helped Fagor, as it has done with other cooperatives. The MCC has always maintained that rescuing Fagor could endanger the entire group, as other cooperatives were also affected by the economic crisis. The way the MCC faces the crisis will affect its credibility, which is a relevant but intangible question for cooperatives.

As can be observed in Figure 7.4 and Table 7.3, in 2005 Fagor almost doubled the number of workers (5,835 in 2004 and 10,163 in 2005). However, this growth in employment radically changed the qualitative structure of the labor force. In 2004 cooperative members represented 60% of the total workforce. One year later, they only

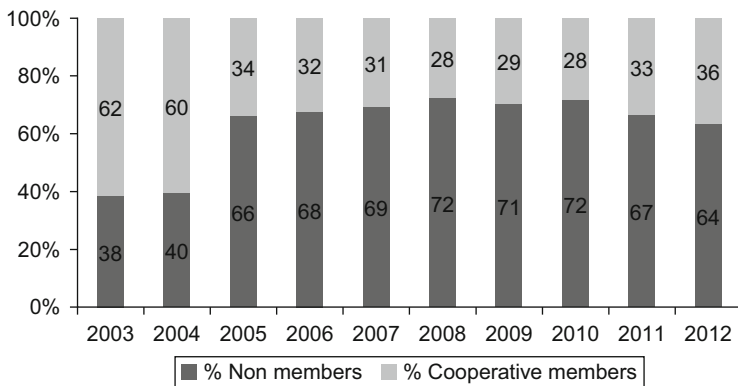


Figure 7.4 Structure of Fagor's labor force

Source: Author, based on Fagor accounts.

Table 7.3 Number of Fagor employees

Fagor	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of employees	5,682	5,835	10,163	10,543	10,067	9,861	8,405	8,260	6,641	5,673
Non members	2,187	2,315	6,739	7,150	6,985	7,143	5,931	5,935	4,422	3,606
Cooperative members	3,495	3,520	3,424	3,393	3,082	2,718	2,474	2,325	2,219	2,067

Source: Author, based on Fagor accounts.

accounted for 34% and they remained around this level until 2012. This meant that non-members represented approximately 65% of the workforce. Looking at the quantitative figures, we can observe that the redundancy measures were aimed mainly at non-members. Fagor lost around 5,600 jobs, 2,000 in Spain and 4,000 indirect jobs. Since the start of the crisis Fagor has reduced salaries by 20%. Employment in Fagor was also affected to a certain degree by enrolling relatives of many of the workers, which could have been a barrier to attracting new talent.

With the growth in the number of non-member workers at Fagor, the Social Council lost some capacity to influence decisions due to a certain rupture between management (control) and ownership, along with a deterioration in labor relations, which blurred the fundamental principles of the cooperative, according to statements by the Social Council (El País, November 1, 2013). Managers developed opportunistic behavior and owners (member workers) lacked effective control mechanisms and, therefore, they began to feel discouraged. Companies can lose efficiency when ownership is fragmented and there are no adequate mechanisms for effective control over the conduct of managers (Berle and Means, 1932; Marris, 1964; Jensen and Meckling, 1976; Fama and Jensen, 1983).

From the financial point of view, Fagor's debt ratio was stable in relation to its total assets until 2004 (see Figure 7.5). Since then, total assets increased radically from 600 million euros to 1,500 million euros in 2005, and to nearly 1,800 million euros in 2007. The new investment was mainly financed through debt; the debt to total assets ratio reached an average of 70%. In 2012–2013, the net equity was negative due to the accumulated losses. As of March 2014, Fagor was in the process of closing down as a business unit and was even considering becoming a listed company on the stock exchange, although the government of the cooperative considered this to be sacrilege.

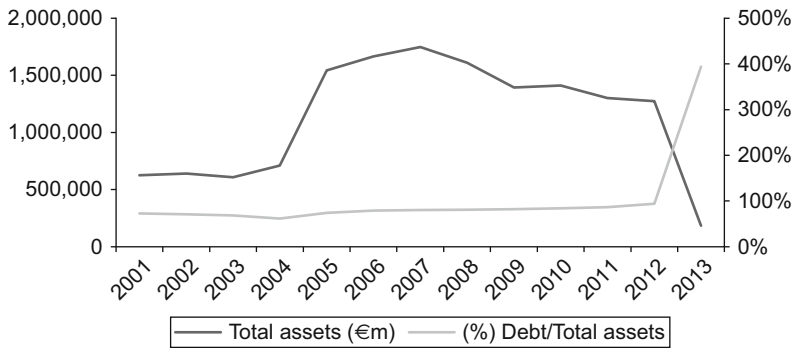


Figure 7.5 Fagor's size and debt ratio

Source: Author, based on Fagor accounts.

During seven years of economic crisis, Fagor has failed to react in time. Perhaps this was due to a lack of business integration in the corporation. The MCC is composed of a set of coordinated companies which identify with solidarity, it is not just limited to the survival of its cooperatives, and it can be negatively affected by a lack of flexibility in terms of its ability to respond to critical strategic situations which involve re-designing and reorganizing the business.⁵

Comparing the 2012 and 2013 balance sheets we see very important asset divestitures. In 2013 its equity negative went from 41 million euros to -715 million euros. However revenue fell by almost half and financial expenses increased by 39 million euros to 367 million euros. In July 2014, Fagor sold assets for 42.5 million euros to a Spanish company called Cata. The president of the company which bought Fagor announced that profits were more relevant than employment and that they would keep on 700 workers. The 1,850 member workers were redistributed as follows: 1,050 went to other cooperatives; 450 retired; and the rest were not offered any other solution at that moment in time. Fagor Electrodomesticos was sold to CNA Group (Cata), the other cooperatives remained within the Mondragón system: Fagor Ederlan (automotive components), Fagor Arrasate (stamping presses and systems), Fagor Automotive, Electronics Fagor, Fagor Industrial.

5 Eroski: restructuring and size reduction

Eroski was created in 1969 through the integration of ten consumer cooperatives with 88 workers in the Basque Country. In 1972, the

company opened its first store, which had the largest food distribution area (3,000 m²) in Spain at that time. In 1978, Eroski began to sell its own brand products.

In 1996, Eroski joined a buying center (Intergruop) established in Hong Kong (with an indirect stake of 14.28%), which was a milestone in the internationalization of the cooperative. As result of this rapid expansion, Eroski became the largest employer within the Mondragón group, with 46,000 workers (50% of all the jobs in the group), of whom only 9,000 were members, 5,000 were potential members, and most of the workers were employed in different subsidiaries.

After 15 years of successful business activity, in 2007 Eroski experienced a substantial drop in sales. Since 2008 and the beginning of the economic crisis, there has been a continuing decline in sales, which is correlated to the decline in consumption and which has been reflected in losses year after year. During the economic crisis, the number of workers has been reduced, wages have fallen (both for cooperative members and employees), the debt has been restructured, assets have been sold, and some establishments have closed. The staff of the central offices of Eroski has worked 10% more without any additional pay for this extra effort.

In 2008, Eroski doubled its number of workers; however, the percentage of cooperative members was also reduced to 20%. In other words, nearly 80% of the workforce were not members of the cooperative (see Figure 7.6 and Table 7.4).

During the period 1999–2008, Eroski went through a rapid expansion phase and undertook a very ambitious investment program, financed primarily through debt, as can be observed in Figure 7.7. Since 2001,

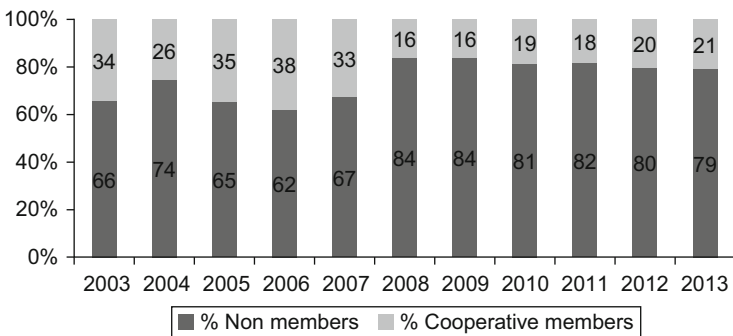


Figure 7.6 Eroski's employment structure

Source: Author, based on Eroski accounts.

Table 7.4 Number of Eroski employees

Eroski	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of employees	23,837	28,351	22,620	21,108	24,590	50,588	52,705	47,539	44,649	41,834	39,862
Non members	15,647	21,108	14,785	13,055	16,528	42,411	44,279	38,604	36,420	33,371	31,554
Cooperative members	8,190	7,243	7,835	8,053	8,062	8,177	8,426	8,935	8,229	8,463	8,308

Source: Author, based on Eroski accounts.

there has been a continuous increase in assets, with a remarkable rise in 2007–2009, followed by a decline in the period immediately afterwards. In 2008, Eroski was three times bigger than five years previously. Until 2007, the debt ratio was between 70% and 80% and approached 90% in the following period.

One of the main acquisitions made by Eroski in 2007 was Capabro, the Spain's oldest supermarket (created in 1959), taking control of 75%, acquiring another 9% in 2011, and the remaining 16% in 2012. With this operation the debt ratio of the company increased. In 2014 Eroski restructured 2,500 million euros of debt with 22 banks, obtaining new credit lines and also planning to sell assets. Recently, Eroski agreed with the banks to repurchase 200 million euros of debt in July 2019 for one euro, under certain conditions. (El País, May 29, 2015)

Although cooperatives as a whole showed considerable resilience to the economic crisis, in the case of Mondragón the two main cooperatives cited suffered a major impact which has led to the disappearance of one the two aforementioned cooperatives (Fagor). The workforce of a cooperative can be divided into two types: members and non-members. In the case of Fagor, the members represented 62% of the workforce in 2003, and since 2005 have accounted for around 30% on average. In the case of Eroski (a distribution cooperative), the member workers represented 34% in 2003 and this figure remained much the same until 2007. Since 2008, this number has dropped to around 18%. In both cases, during the very significant process of expansion the workforce that was needed was made up of non-member workers (a flexibility option). To finance the rapid growth which was achieved, the law was changed to allow the issuance of complex finance instruments (similar to perpetual debt) that could be purchased by minority (non-professional) investors. Once the crisis had taken hold, both cooperatives found themselves in a debt trap. Workers were laid off, debts were not paid, and the market value of the debt was 75% below its face value.

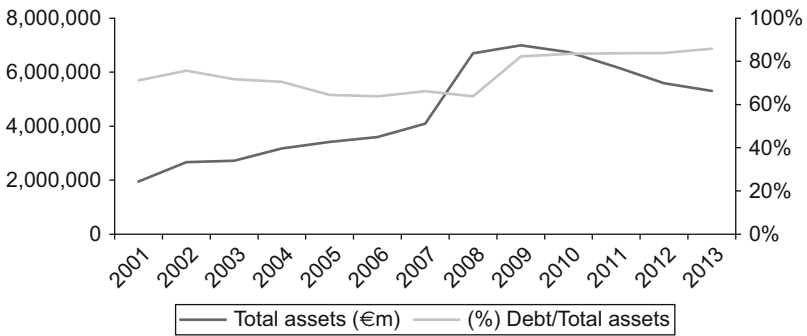


Figure 7.7 Eroski's size and debt ratio

Source: Author, based on Eroski accounts.

6 Hybrid financing of Fagor's and Eroski's growth

The substantial amount of resources devoted to financing the growth of both Fagor and Eroski were obtained by issuing hybrid instruments called subordinate financial participations, SFP. This financial asset is neither pure equity nor debt, but is similar to subordinated debt and to preference participations (also similar to preference shares).

The financial entities that commercialized the product defined it as a guaranteed product similar to a time deposit that could be liquidated in 24–48 hours. However, these products are not bank deposits and consequently are not guaranteed. The issue of this financial product was not allowed for cooperatives and, therefore, the Basque Law on Cooperatives was modified to name the product SFP, so that they could be issued by Fagor and Eroski to obtain financial capital. The financial needs of both cooperatives were facilitated by institutional changes.

SFP is a complex product according to MiFID⁶ and consequently only professional investors could buy them. The members of a cooperative are minority investors who are not qualified to buy this type of product. The risks associated with this product are: that, as it is issued as perpetuity, the issuers can amortize them partially or totally at their own convenience and, in any case, the cancellation of the SFP can be made depending on the requirements of the investor; the profitability of the product depends on certain levels of profits obtained by the issuer; the interest on the product could even be paid for with goods and not

Table 7.5 Issues of SFP for Fagor and Eroski

	ISIN*	Issue date	Amount (€)	Nominal value	Latest price	Date	Estimated loss
Fagor	ES02359720009	Feb-04	60,000,000	25 €	5.625 €	12/05/2014	77.50%
	ES0235972017	Jun-06	125,000,000	25 €	5.938 €	12/05/2014	76.25%
			185,000,000				
Eroski	ES0231429004**	Feb-05	360,000,000	25 €	7.5 €	12/05/2014	70%
	ES02314290038	Jul-07	300,000,000	25 €	7.5 €	12/05/2014	70%
			660,000,000				
Total			845,000,000				

Notes: *ISIN (International Securities Identification Numbering); is developed in the ISO 6166 international standard and is used for the identification of securities. A code that uniquely identifies a security internationally.

**Unification of three previous issues: 90,000,000 € (Jun-02), 70,000,000 € (Jul-03) and 200,000,000 € (Jun-04). The minimum amount to subscribe to these issuances was 1,000 € (40 SFP x 25 €), therefore they were aimed at retail rather than professional investors.

Source: Author's own work and CNMV.

with cash; and investors go after ordinary creditors if the company is liquidated.

Table 7.5 shows the SFP issued by Fagor and Eroski. In nominal terms, each SFP was 25 euros, which basically focused on minority investors. The four issuances were for a total amount of 845 million euros (185 million euros in the case of Fagor and 660 million euros by Eroski). By May 2014, investors had lost nearly 77% and 70% of their investment in Fagor and Eroski, respectively. In Table 7.6, we can see the coupons (interest earnings) for the period 2001–2014 that, on average, were between 2.5% and 3.5% above the corresponding interest rate.

The net profit of Eroski went from highs in 2008 (200 million euros) to losses in 2009 (–100 million euros) and it did not become profitable again (see Figure 7.8). Fagor had rather more moderate figures until it started to show losses in 2009.

In 2013, Eroski had a negative result of 168 million euros. In June 2014, the members of the cooperative agreed to assume 30% of the losses themselves. They were also negotiating new conditions for a debt of 2,500 million euros.

Figure 7.9 shows the capacity of the two cooperatives to transform revenues into profits as is reflected in the margin. Until 2009, the margins were low (no more than 2%) but positive. However, from 2009 on the percentages became negative as a result of continued losses.

Table 7.6 Coupon SFP Fagor and Eroski

		Annual coupon (%)													
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Average
Fagor	Feb-04			5.70	5.87	6.34	7.52	8.29	6.63	4.75	5.02	5.46			6.17
	Jun-06					6.88	7.52	8.29	6.63	4.75	5.02	5.46			6.36
Eroski	Feb-05	8.00	5.64	5.24	5.34	5.89	7.09	7.36	5.29	4.23	4.62	4.77	3.62	3.56	5.43
	Jul-07						6.75	6.86	4.79	3.73	4.12	4.27	3.12	3.06	4.59

Note: Fagor pays on 31 December and Eroski on January 31.

Source: Author's own work and CNMV.

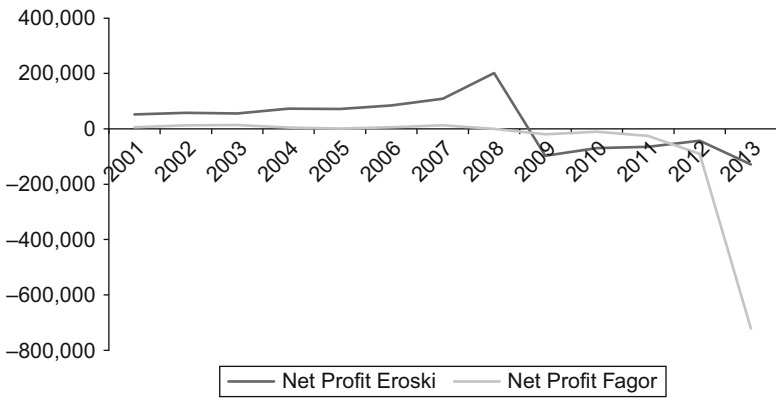


Figure 7.8 Net profit of Eroski and Fagor

Source: Author, based on Eroski and Fagor accounts.

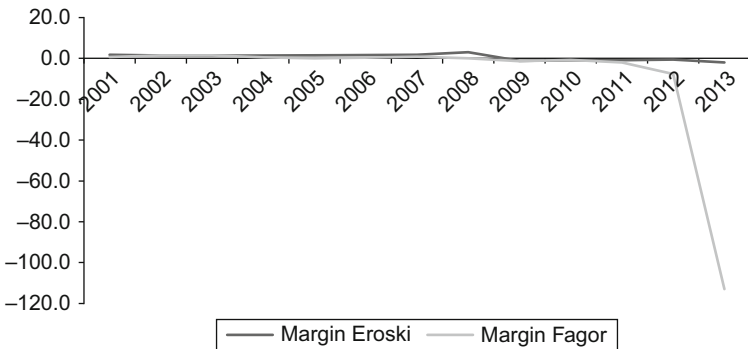


Figure 7.9 Percentage of margin (net profit/revenues) of Eroski and Fagor

Source: Author, based on Eroski and Fagor accounts.

7 Conclusions

As social firms, cooperatives are important actors among self-organized and self-governed enterprises. Their institutionalized practices include democratic management, the building of common financial reserves, the development of entrepreneurial education, sustainable employment, the creation of business support institutions, horizontal entrepreneurial systems, and cooperation dynamics. The cooperative rationality is based on the generation of trust among economic actors, both the

member stakeholders who own the cooperatives and among cooperatives themselves. They have built an institution called the International Cooperative Alliance (ICA) which is an independent non-governmental organization which represents and serves cooperatives worldwide.

During the present economic crisis, cooperatives have demonstrated their resilience to economic crisis and have proven to be a model of accumulation of productive capital (Sánchez Bajo and Roelants, 2013). Cooperatives as a whole appear to be better protected from both speculation and the debt trap for the following reasons: cooperatives' shares (participations) are not marketable; in accounting, cooperatives follow the practice of book value instead of fair value for financial reporting; and they tend to stabilize prices through surplus redistribution to members at the end of each year.

We have analyzed the Mondragón Cooperative Corporation, an organization comprised of a group of companies (cooperatives), which are legally separated and which have no technological and product interrelation among them. The MCC does not have equity control over these cooperatives, although it can exercise effective democratic control over the different cooperatives, which are integrated into divisions in the organizational structure. A corporation basically generates economies of a financial and managerial nature and, to a lesser extent, economies of scale and scope (technical and commercial). Nevertheless, the democratic character of the decision-making process of the MCC and its cooperatives reduces the possibility of a flexibility necessary in problematic situations.

The Mondragón group offers a broad level of industrial and geographic diversification. The different cooperatives are the beneficiaries of complementary factors from the Central Unit (MCC) in terms of management, finance, and training. However, cooperatives have a high level of autonomy and independence.

We found that the economic crisis has revealed the weaknesses of the cooperative system developed by the Mondragón group during its six decades of existence: the lack of operational flexibility to deal with the crisis, and the model of management. The MCC has shown two models of management: one proposed by the current management, which wanted to give more executive power to the corporation at the expense of cooperatives; and another model which sought to maintain the independence of cooperatives and therefore achieve a greater decentralization in decision-making. MCC has decided to maintain the principle of

solidarity among cooperatives but be more rigorous in controlling the problems that need help from the system.

The financial and labor performance of Fagor and Eroski in the pre-crisis period and during the period of the current crisis displays some interesting features. Both companies undertook a significant process of investment and international expansion. In a short space of time, both doubled their size and both primarily financed their high investments through debt. Furthermore, they used the issuance of complex financial assets aimed at minority investors (i.e., non-professionals). In this situation, both cooperatives have had to absorb high financial costs in circumstances which meant a radical reduction in sales as well as negative net profits. Investors have also had to deal with major losses in the subordinated financial participations. In the context of a Great Depression, the financial structure of both cooperatives has contributed towards their finding themselves in a very dramatic situation. Indeed, one of them has disappeared. The poor economic performance of both cooperatives coincided with the period of their greatest financial need and the issuance of SFPs. The nature of risk and return has changed.

Furthermore, both cooperatives showed some similarities in the way they dealt with the need to increase the workforce to accompany the rapid growth process they undertook. They both mainly increased the number of non-member workers and maintained the number of cooperative members. Consequently, the situation showed a greater divergence from a pure labor cooperative approach. This decision meant the acquisition of flexibility options for both cooperatives and the adjustment was made through redundancies for non-members, while maintaining the principle of solidarity for members. In Fagor, many members were able to get jobs in other cooperatives.

In fact, both cooperatives were transformed into hybrid organizations, where the importance of the capitalist vision of business increased radically while diminishing the essential nature of cooperatives. Moreover, family and personal relationships were important in admitting new members. The process of internationalization and expansion led these cooperatives to bypass their true nature, and their business perspective became more relevant than the social project of their organization. The value of such intangibles as confidence and trust, solidarity and quality of (social) management depreciated. We have shown that the determinants of this hybrid approach were: the process of rapid growth and international expansion, and the way in which this was financed in the context of an economic crisis.

Notes

1. In terms of the nature of their activities, cooperatives can be classified as: labor, consumer, marketing, and commercial (including farm cooperatives).
2. A review of the theoretical and empirical literature can be found in: Bonin et al. 1993; Dow and Putterman, 2000; Dow, 2001; Dow, 2003; Hansmann, 1996; Surroca et al., 2006.
3. BRIC (Brazil, Russia, India and China) refers to those emerging economies that are likely to mark economic and political development in the future.
4. LagunAro EPVS (*Entidad de Previsión Social Voluntaria*) is a voluntary social welfare entity that offers a pension scheme which has a mutual nature (it is aimed at members of affiliated cooperatives) and provides assistance and social welfare to its members and beneficiaries.
5. In January 2014 the President of Mondragón (the former CEO of Fagor) resigned. Until the election of a new president in October 2014, the MCC was run by a management committee. In November 2014 a new president was elected.
6. MiFID: Markets in Financial Instruments Directive. This came into force on November 1, 2007 and aims to improve investor protection from financial institutions. MiFID classifies products into two categories: non-complex (simple) and complex. The SFP can be classified as a complex product, an investment for professionals.

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8

Power and Micro-Politics in the Strategy Formation of Small and Medium Size Enterprises

David Starr-Glass

1 Introduction

It is said that all comparisons are odious and at some level they undoubtedly are. However, comparisons only become odious when the inherent differences and unique values of the items being compared remain unrecognized. Despite reservations, comparing and contrasting are inevitable; they are significant ways through which we make sense of the world about us. In our sense-making efforts, comparing similarity and contrasting difference contribute to our growing understanding and increasing discernment. For example, in trying to make sense of organizations and managerial behavior the use of comparison – in particular, provocative ways of comparing such as metaphor – has added appreciably to our collective understanding of these domains (Cornelissen 2005; Morgan 1996; Oswick, Keenoy, and Grant 2002).

Inevitably, comparisons are made between large-scale enterprises and those that are regarded as small and medium sized. The basis for classification is simple, size. But, once small and medium size enterprises (SMEs) have been classified and distinguished, the inevitable comparison with large-scale enterprises begins. Rather than recognizing and accepting their difference, there are those who see SMEs as simply scaled-down versions of large corporations. Understood this way, SMEs are not seen as unique and distinctive forms of business with their own internal processes and dynamics but as transient entities in the first phase of a process of economic evolution. The problems they face are referenced to large-scale firms: a lack of financial and human resources; a diminished capacity for growth; and a weak market presence. Thus conceptualized,

SMEs are simply large-scale enterprises in the making and those SMEs that want to be successful will inevitably aspire “to expand in terms of market access, revenues, added value and number of employees...realizing win-win opportunities for collaboration between market leaders and market disruptors.” (World Economic Forum 2014, p. 9)

Quantitative comparisons with large-scale enterprises are easy to make, but the comparison should not be used to restrictively define SMEs or simplistically explain their nature and existence. Quantitative comparisons ignore the *qualitative* aspects of SMEs and, indeed, render these aspects invisible. This is unfortunate and counterproductive because the unique nature of SMEs is better understood through their qualitative characteristics, and “it seems clear that SMEs are more meaningfully defined by their functional and behavioral attributes than by Procrustean quantifications of employees, assets, and turnover” (Gibson and van der Vaart 2008, p. 10).

Over the last few decades there has been a burgeoning interest in many of these qualitative aspects: the structure of SMEs; their internal relationships; and their operational dynamics (Benavides-Velasco, Quintana-García, and Guzmán-Parra 2013; Bosma 2013; Carlsson et al. 2013; Jacob et al. 2004). Explorations of these aspects can be challenging and tentative. They require an appreciation of – and sensitivity to – the uniqueness of the individual SME under consideration and of the diversity and heterogeneity of SMEs as a class. Because of their difference and heterogeneity, generalizations from SME research need to be made with caution and prescriptive recommendations need to be tempered by context. Nevertheless, research on the internal and qualitative aspects of SMEs has shed a new and useful light on what small businesses do, how they do it, and why.

In all areas of socially organized activity – whether in Fortune 500 companies, struggling micro-enterprises, or for that matter in institutions of higher education – a number of fundamental dynamics and processes come into play. To perpetuate themselves and to prosper, all organizations have to formulate an approach for the future, a strategy. Whatever their size, organizations have to determine long-term goals that they consider important and beneficial. Then, they have to decide how best to navigate towards these goals. Inevitably, this means that past assumptions have to be reconsidered and prior behavior altered; strategy inevitably calls for change.

Strategy formation and its subsequent implementation will have an economic outcome for the organization, but they will also have outcomes for organizational participants. Those who are involved in strategy

formation cannot avoid referring to their personal agendas, preferences, and anticipated outcomes. They might use power and influence, mediated by politics, to select and determine strategic outcomes that they consider beneficial for the enterprise. They might consider this an appropriate approach and one that is expected within the legal, ethical, and relational framework of the enterprise. However, in strategy formation they will inevitably balance these entity-centered considerations with personal-centered considerations and use power, influence, and politics to formulate goals that might be personally advantageous. It turns out that strategic determination is a complex and nuanced affair, less of a rational objective process centered on the organization and more of a social and political one that impacts organizational participants (Bower and Doz 1979; Gunn and Chen 2006; Mueller et al. 2013).

In large-scale enterprises, where the competing interests of owning non-managers and managing non-owners are more acutely and pragmatically appreciated, governance structures are designed to provide a degree of balance for all stakeholders, particularly the owners. Governance structures are designed to moderate the personal benefits and opportunities open to those who determine strategy. They are meant to align strategy more perfectly with the economic interests of those who have provided the firm's capital. In SMEs, however, governance structures are more nebulous and fluid because of the small number of participants, their physical and emotional proximity, and the synergistic ways in which they blur and overlap organizational roles. It is to be expected that when SMEs engage in strategy formation the process is particularly complicated. There are multiple interests and the power and politics of the participants assume a greater salience. Yet, despite the prevalence of micro-politics in SME strategy formation, little or no research has been undertaken to provide a better understanding of these internal dynamics and their consequences.

The chapter shares thoughts on the micro-political dynamics of strategy formation in SMEs. As such it is preliminary, theoretically based, and essentially speculative. However, it is designed to provide a starting point – albeit an incomplete and imperfect one – for a more comprehensive exploration of a perspective that has been neglected for too long in SME research and practice. The structure of the chapter follows a sequence of propositions:

- (1) that SMEs are an exceptionally important part of the economy and deserve more research and academic consideration, but this consideration needs to appreciate that the structures and internal

dynamics of SMEs are significantly different from those in large-scale enterprises;

- (2) that strategy formation occurs in all socially constructed organizations, including SMEs, but in SMEs strategy formation is best understood as a process that is strongly mediated by the relational dynamics of participants and as an emergent pattern process that results in “a pattern in a stream of actions” (Mintzberg and Waters 1985);
- (3) that strategy formation provides opportunities for both the firm as a collective of participants and for the individual actors involved. Conflicting interests are traditionally mediated by governance structures, but governance structures in SMEs are fluid and tend to favor the interests of the more significant individuals;
- (4) that politics exist in all social environments where competing powers, resources, opportunities, and benefits exist. SMEs are no exception and it is clear that political considerations, whether recognized or neglected, exist within them;
- (5) because of their size, the number of actors participating in strategy formation, and the individual benefits and personal opportunities at stake, it is inevitable that SMEs will provide a particularly rich environment for micro-political activity;
- (6) given the significance of SMEs, and the prevalence of micro-politics, it is surprising that so little research has been undertaken to provide a better understanding of how strategy formation is shaped by internal politics in small business enterprises and it is highly desirable that such research is initiated.

The concluding section of this chapter attempts to summarize the major issues raised and urges for more research interest and activity in the micro-political dimensions of SMEs.

2 The comparatively smaller business enterprise

Over the last few decades there has been unprecedented interest in small and medium size business enterprises. This interest is hardly surprising because SMEs play a vital role in regional and national economies and contribute significantly to economic growth, entrepreneurial development, and innovation. For example, in the EU27 countries alone during the fiscal year 2012, business ventures classified as micro, small, and medium sized constituted the most prevalent way in which business was done. In numerical terms they formed more than 99% of all operating businesses. These small and medium size enterprises also contributed more than half

(58%) of the gross value added (GVA) to these economies and employed two-thirds (67%) of their labor force (Wymenga et al. 2012).

The prevalence and economic importance of SMEs means that their well-being and resilience are matters of great concern for regional and national governments. SMEs have an exceptional impact on the macroeconomic landscape in which they operate, and a profound effect on the social well-being of the communities within which they are located. At a policy level, the extent to which SMEs are encouraged and supported – or conversely, the degree to which they are ignored and neglected – has profound repercussions. Indeed, many have taken the health of SMEs as a general indicator of the well-being of the economies in which they are embedded. Others have seen the health of SMEs as one of the most important factors in the fragile and faltering economic recovery of the EU in the wake of the great recession of 2008 (ACCA and IMA 2013; Edinburgh Group 2013; Muller et al. 2014).

As the term implies, small and medium size enterprises (SMEs) are classified by their relative size. Whether an externally referenced criterion, such as size, is appropriate or advantageous is questionable. It has been suggested that a *qualitative* definition – one that identifies the endogenous characteristics and internal nature of the smaller enterprise – would provide a greater understanding and utility. It has also been suggested that a blending of quantitative and qualitative criteria might be more useful in defining SMEs (Loecher 2000). Despite these suggestions, quantitative classifications have been universally adopted to classify SMEs and to differentiate them from large-scale enterprises. These classifications do have bureaucratic and administrative merits: they are easy to apply; can be objectively verified; and provide a uniform definition for national and regional policy initiatives. Size classifications alone, however, have introduced ambiguities and distortions into both SME research and governmental policy (Dilger 2014; Headd and Saade 2008).

Problems of size classification notwithstanding, most countries use simple quantitative parameters to define small businesses. For example, the US Small Business Administration currently differentiates businesses according to the number of employees: (1) *very small enterprises* have fewer than 20 employees; (2) *small enterprises* between 20 and 99; (3) *medium enterprises* between 100 and 499; and (4) *large enterprises* employ more than 500 workers. Using this system of classification in the US for the fiscal year 2012, very small enterprises employed 20.4 million people (17.6% of total employment), small enterprises 19.4 million (16.7%), medium enterprises 16.3 million (14.0%), and large enterprises 59.9 million people (51.6%) (Caruso 2015).

The simple headcount approach seems to miss the economic point of the existence and behavior of SMEs. Many current definitions consider not only the employee level of SMEs, but also their economic output (in terms of annual turnover) and their financial status (in terms of balance sheet assets). Although these two latter criteria are sometimes difficult to determine – or are inaccurately reported by SMEs – they provide some sense of relative scale in terms of financial and economic impact. Currently in the EU all three parameters are included in SME definitions (Centre for Strategy and Evaluation Services 2012; European Commission 2005):

- *micro size enterprises* have less than ten workers, an annual turnover of less than € 2 million, and balance sheet assets of less than € 2 million;
- *small size enterprises* employ between ten and 50 people, have an annual turnover in the € 2–10 million range, and balance sheet assets in the € 2–10 million range; while
- *medium size enterprises* employ between 50 and 250 people, have an annual turnover in the € 10–50 million range, and balance sheet assets of € 10–43 million.

In addition to these quantitative parameters, SMEs are characterized as being legally and economically autonomous, that is, capable of making their own operational decisions and formulating their own strategies.

Large-scale firms constituted only 0.2% of all employers in the EU27 in 2012; nevertheless, they employed almost a third (32.6%) of the total workforce. By comparison, medium size enterprises employed 17.2% of the total workforce, small size enterprises 20.6%, while the much more numerous micro-firms employed only 29.6%. A similar disproportionality between numerical prevalence and economic impact was also reflected in the contribution of gross value added (GVA). Although large-scale firms constituted only 0.2% of all business enterprises, they contributed a full 41.9% GVA to the EU27 economy in that year. Both medium and small size enterprises provided about the same amount of GVA to the economy (each contributed about 18.4%), while micro-firms generated slightly more (21.2%) (Wymenga et al. 2012).

3 Strategy formation as a dynamic and emergent process

For any business organization continuity of existence is a critical concern. The nature of that continuity and the expressions that it might take – growth, innovation, diversification, or internationalization – might be

ill-defined and lie in an unknown future, but they will not materialize unless the entity remains in business. Continuity of existence, the need to develop a vision of the future, and a strategic approach to reach it are all necessary for the firm, irrespective of its size. This is something that even the smallest of SMEs eventually come to appreciate (Sandberg, Robinson, and Pearce 2001).

Strategy formation and its subsequent implementation are the normal and necessary processes through which a continued existence is considered and expressed, if not necessarily assured. But, while continuity is a critical concern, *strategy* recognizes that continuity does not mean the continuation of what has been, or the conservative preservation of the status quo. The future will inevitably be different – marketplaces will change, competition will increase, and economic opportunities will be repositioned – so, by definition, strategy infers that change has to take place and strategy formation is the proactive response to that anticipated change. Although ideas about the future might bring about changes in the organization's current activities, "at the same time history might affect the ideas about the future. In this way, strategy formation is never completed, but is always under construction." (Rosén 2011, p. 24)

All organizations have to deal with the external task-environment in which they operate. Task-environments are complex and increasingly turbulent. Responding effectively to external turbulence is particularly challenging for SMEs, which have size-limited economic resources and environmental information. There is evidence that in meeting this challenge, most SMEs adopt a *configurational approach* in which strategy formation is regarded as a holistic activity in that it is complex, integrated, and multi-faceted, and is not a process of assembling unrelated, isolated, and disconnected elements (Gibcus and Kemp 2002; Miles and Snow 2003; Mugler 2004).

Configurational approaches seek to shape the enterprise in ways that will allow it to function optimally within the complexity of its shifting external environment. Such approaches recognize that there will be a number of different pathways to what seem to be similar strategic objectives. Configurational approaches are also informed by two different perspectives of the future: an entrepreneurial perspective that is predominantly *opportunity seeking*; and a strategic perspective which is centered on *advantage seeking*. Both perspectives are possible options and may be blended into the ultimate strategy mix. However, the one that will tend to dominate in strategy formation must align with the intuitive outlook of the strategy decision-makers within the organization.

Kraus and Kauranen (2009) suggested that in increasingly turbulent environments – which have characterized the contemporary task-environments of most business enterprises – the process of strategy determination and strategic management should become “more entrepreneurial, and shift from the traditional administrative approach to a strategic entrepreneurship approach...[including] a new management philosophy that promotes strategic agility, flexibility, creativity, and continuous innovation.” (p. 46) This is true for large-scale enterprises, but SMEs seem to have been much more aware of this, whether because of the difficulties that they face within their resource constraints, or whether because of their more entrepreneurially minded founders and owners.

Configurational approaches and entrepreneurial perspectives seem to intuitively appeal to SMEs, whether they are Singaporean or Swedish manufacturing concerns, or family-owned businesses in Austria or Italy (Hienerth and Kessler 2006; Löfving 2014; Pittino and Visintin 2009). Some have also observed that the strategic decision-making in some Australian micro-firms is “remarkably intuitive and heuristic, suggesting that micro-firms might be a unique kind of firm that use non-rational mechanisms to make their strategic decisions...idiosyncratic characteristics impregnate the decision-making” (Lieberman-Yaconi, Hooper, and Hutchings 2010, p. 89). Yet others have found that the use of configurational approaches and heuristic strategy formation is more nuanced, if not necessarily less idiosyncratic (Gibcus, Vermeulen, and de Jong 2006). Reviews of the strategy formation of Canadian and French manufacturing SMEs, for example, show that it has tended to reflect the personal characteristics and strategic orientation of the entrepreneur-founder (Raymond et al. 2010).

Strategy formation has often been understood and presented as a rational, objective, and logic-driven process. In practice this is hardly ever the case, although such a perspective is often espoused *ex post facto* by those involved. Strategy formation is rarely “a linear progression from initial aspiration to final result...[but] a complex and meandering process...although the strategy process may include strategic decision-making as an activity, it is too limited as a representation of the full strategy formation process.” (Sminia 2009, p. 98) That complex and meandering process was observed by Mintzberg and Waters (1985), who viewed strategy formation as a dynamic process in which *emergent strategies* might differ from the *deliberate strategies* that had been originally formulated or intended.

Emergent strategies form slowly, incorporate organizational learning, and are tempered by external forces. Most strategy formation is neither definitively deliberate nor exclusively emergent; strategies develop and

materialize along a deliberate–emergent continuum. Where strategy formation actually takes place on this continuum – that is the degree to which it is either deliberate or emergent – is a function of the complexity, turbulence, and impact of the external task-environment that confronts the firm. However, emergent strategies evolve from, and are mediated through, a dynamic organizational process which involves those who formulate strategy, through strategy participants building agendas and proposing alternatives (Kipping and Cailluet 2010; Lechner and Müller-Stewens 2000; Smith 2011; Titus, Covin and Slevin 2011).

4 Participants and structures in SME strategy formation

Strategy is inevitably a process of changing and becoming something else (Chakravarthy and White 2002). Change will have an impact, perhaps significant and profound, on the organization – on what it does, how it does it, and who does it (Burnes and Jackson 2011; Nixon 2014). But change cannot be located exclusively in the operations, structure, and purpose of the entity. Change will result in altered relationships, a redistribution of power and influence, and new benefits and opportunities for organizational participants. By the same token, change will potentially reduce, limit, and eliminate the benefits and opportunities that presently exist for organizational participants (Jarzabkowski 2003; Johnson, Melin, and Whittington 2003).

There are competing views of how strategy formulation actually takes place and of how it should take place. From these competing views, *strategic leadership* approaches have received the most scholarly interest and practitioner attention in the last few decades (Dinh et al. 2014). A central theme in strategic leadership approaches is that strategy decisions flow from the upper echelons of the organization – from CEOs and their top management teams (TMT) – and that the “values, cognitions, and personalities [of senior managers] affect their field of vision, their selective perception of information, and their interpretation of information.” (Cannella and Monroe 1997, p. 220)

These senior organizational participants are assumed to have the skill, experience, and power to formulate and subsequently enact strategic decisions; that is, they are assumed to possess both *managerial* and *visionary* capacities (Elenkov, Judge, and Wright 2005; Rainey 2014; Rowe and Nejad 2009). The process of strategy formation is often considered rationally driven. In analyzing the failures of strategic leaders, however, it has been pointed out that limited values, complex

personalities – whether a short-term focus, hubris, greed, or a propensity for unethical decision-making – coupled with an inability to interpret and deal with environmental turbulence, all raise significant questions about the presumed impersonal and objective nature of the strategy formation process (Hitt, Haynes, and Serpa 2010).

Strategic leadership approaches are common, perhaps dominant, in large-scale enterprises and often replicated by SMEs in their strategy formation. Certainly, strategy formation is enhanced and made more effective when multiple participants are engaged in the process, rather than when left in the hands of a single owner or entrepreneur-founder. In SMEs, the entrepreneur-founder might have limited strategic vision or experience. The entrepreneur-founder might also display a conservative outlook, or be naturally risk-averse. In family-owned enterprises there is often a conservatism in strategic vision and a propensity for preserving the status quo. Including a greater diversity of opinion, vision, and experience in strategy formation results in a more effective strategy and greater success for the firm. However, in applying strategic leadership to SMEs it is important to recognize that the size constraints of smaller enterprises alter the actors, process, and structure of strategy formation.

4.1 Top management teams

SMEs have a limited pool of people from which to select their top management teams (TMTs). These individuals might have limited, or less expansive, experience than can be found in large-scale concerns. Generally, SMEs have neither a well-defined management hierarchies nor a sizeable cadre of upper echelon managers. In reviewing the literature on TMTs in small enterprises Abatecola, Mandarelli, and Poggesi (2013) found that SMEs often augment their strategy formation teams by adding outside directors, or by recruiting more participants from within the firm. They considered that the latter option was preferred by entrepreneur-founders, who were concerned with losing their control or giving power to those outside the firm. These same authors also noted that “the roles of the board and the TMT may not be separate and clear cut which points to the benefits of researchers conjointly assessing different governance mechanisms in SMEs.” (p. 305)

Certainly, the number of individuals that constitute the TMT is significant; larger teams are generally viewed as more effective. Equally important for effective TMTs are the functional heterogeneity and the experience of the participants, both of which influence the ease with

which team members enter and exit the TMT (Brunninge, Nordqvist, and Wiklund 2007; Ucbasaran et al. 2003).

TMT members have to work together effectively and require strong relational connections with one another. In looking at the TMTs of small US semiconductor enterprises, Eisenhardt (2013) found that effective teams work quickly and often enter into conflict; however, team members are able to resolve those conflicts and restore harmony. The inclusion of multiple participants, with multiple identifications and perspectives, may enhance the quality of strategy formation, but it also creates a complexity within the TMT in terms of cohesion, relational dynamics, and political activities (Boxer, Perren, and Berry 2013). Teams drawn from a wider range of members, as usually happens in SMEs, also introduces a complex mix of those who might have quite different objectives and see different benefits, both for the firm and for themselves.

4.2 Role and personality of the entrepreneur-founder

The entrepreneur-founder of the SME has a strong identification with the enterprise and often has a unique set of personality traits, experience, social networks, organizational competences, and propensities for risk and growth (Baum and Locke 2004; Wiklund, Davidsson, and Delmar 2003; Wincent and Westerberg 2005). Meta-analytical reviews of these individuals indicate that although the founders of SMEs are not exclusively entrepreneurial in outlook most have psychological attributes associated with entrepreneurial engagement and with strategic determination (McCarthy 2003; Shane, Locke, and Collins 2003). These characteristics will have a significant impact on the internal dynamics and the political activities of the TMT that the entrepreneur-founder forms. These characteristics include:

- *Achievement motivation.* Personal motivation as an expression of a need for accomplishment and achievement is well-recognized and often characterizes the entrepreneur-founder of the SME (Collins, Hanges, and Locke 2004; McClelland 1990). In particular, achievement motivation has been demonstrated to be significantly higher in those founding growth-focused businesses than in those managing business that are income-focused (Stewart and Roth 2007). Although McClelland (1990) identified other personal needs that serve as motivations – a need for power, and a need for affiliation – these dimensions have received little consideration in SME literature and practice, although they are undoubtedly significant.

- *Locus of control.* Individuals differ in the ways in which they locate success. Some tend to attribute what is happening to external forces and factors over which they have no control. Others see the present and the future as areas over which they can exert control through their personal efforts (Rotter 1966; Selart 2005; Strauser, Ketz, and Keim 2002). SME research indicates that, at least in Western contexts, entrepreneur-founders tend to possess high levels of internal locus of control with regard to both present and anticipated performance (Littunen and Storhammar 2000). Although personality attributes relate to the individual they are nevertheless shaped and supported by social norms and cultural assumptions. For example, entrepreneur-founders of SMEs in China, and countries with a Confucian heritage (national culture), tend to have lower levels of individualism and higher levels of uncertainty avoidance, both of which might predispose them for a lower internal locus of control (Fuller, Spears, and Parker 2010).
- *Tolerance for ambiguity.* Research also suggests that an entrepreneurial disposition or orientation is associated with a greater tolerance for ambiguity, which might in turn be expressed in a greater propensity for innovation and creativity (Carland, Carland, and Aby 1989; Tegano 1990). Research findings, mostly from Europe, also show that a high tolerance for ambiguity and a high internal locus of control seem to be connected and that both constructs correlate positively with entrepreneurial behavior (Cools and Van den Broeck 2007). Although tolerance for ambiguity, like locus of control, is a personal attribute it is also shaped by ambient cultural attitudes and norms. To that extent, expressions of entrepreneurial behavior within a framework of SMEs may be moderated, supported, or limited by the norms of the national culture (Kreiser et al. 2010; Okhomina 2010). Again, these characteristics may play a significant part in the strategy formation process and in the political activities that surround it.

4.3 Structures of ownership and governance

The formation of strategy within the SME involves two differing aspects. The first is connected to the processes of power, influence, psychological dispositions, and propensities of the actors involved, particularly the owners and entrepreneur-founders. These fluid and interrelated variables constitute the *ownership dynamics*.

In contrast to the dynamic behavior of owners and other significant participants, *ownership structures* “refers to a category of variables describing the static or demographic characteristics of ownership ... the

type of ownership (for instance, family vs. non-family); ownership concentration (that is, fragmented vs. large block-holders); and size of the ownership group.” (Uhlener 2008, p. 11) The ownership structure is important and will provide channels for strategic decision-making, strategy implementation, and the subsequent monitoring of results. But the ownership structure only provides the framework within which the ownership dynamics – processes involving attitudes, perceptions, behaviors, shared beliefs, and micro-political activity – are played out. It is important to recognize that the ownership referred to in ownership dynamics is often defined by personal and relational interest, rather than by legal form.

Ownership structure determines, among other things, the governance of the firm. In a large-scale enterprise, governance tends to focus the ways in which power and decision-making are moderated to recognize and benefit one particular set of stakeholders, the owners. In large-scale enterprises there is usually a clear distinction between owners – who have contributed financial resources and capital – and managers, who facilitate the effective use of these resources. Given the different interests and priorities of owners (principals) and managers (agents) – and arguing that, unless properly controlled, agents will tend to maximize their own benefits and further their own interests rather than those of their principals – agency theory suggests that governance structures are required to monitor and control managerial decision-making (Daily, Dalton, and Cannella 2003; Lan and Heracleous 2010; Mizuchi 2004).

Formal (or *contractual*) governance systems reflect the discrete and transactional perspectives of agency theory. Typically, a board of directors will oversee the strategic decision-making within the firm and try to ensure that it is aligned with the interests of the owners, rather than the opportunistic interests of managers. Contractual governance is predicated on a number of factors: (1) participants within the firm can be definitively categorized as either owners (principals) or managers (agents); (2) participant interests will differ, or will not necessarily be mutually aligned; and (3) exchanges between organizational actors will be transactional in nature, based on rational neo-classical economic considerations (Arthurs and Busenitz 2003; Fama and Jensen 1983).

Although these conditions might apply in large-scale enterprises they are less applicable to SMEs because of the fewer organizational participants involved, their personal engagement, and their overlapping roles. The independence and interdependence of organizational

participants complicate contractual governance systems in most SME contexts, but are most apparent and researched in family-centered SMEs (Calabrò and Mussolino 2013; Huse 1994; Mustakallio, Autio, and Zahra 2002).

Informal (or *relational*) governance reflects the interpersonal relationships that direct and consolidate the firm when it is understood not as a legal entity, but as a social collective. Relational perspectives and behaviors are predicated on a recognition of the other and on mutual reciprocity (Hoffer Gittell and Douglass 2012). In summarizing her work on Dutch family-centered firms, Uhlaner (2008) understood relational governance as the extent to which “owners share the same vision of the firm...take a long-term view in their investments and in firm strategy, the degree to which they are committed to the same goals...express an emotional or affective attachment to the firm.” (p. 29) Here, the overriding focus of governance is not located in *contractual* legal theory, but in a *relational* contract theory that recognizes social interaction, encourages a shared vision, and supports relational norms and trust between those involved (Macneil 2000, 2003; Mustakallio 2002).

Patterns of relational governance come into play in all socially constructed enterprises, but their importance is more pronounced in SMEs, where they parallel, complement, and modify formal decision-making and strategy formation. The prevalence and power of patterns of relational governance have been most extensively studied in the strategic decision of SMEs to export or internationalize. Export strategies, and more particularly strategies involving internationalization, might be challenging and present a risk for all organizational participants, not just the entrepreneur-founder, and consequently decisions to pursue these strategies are often influenced by multiple organizational participants (Calabrò and Mussolino 2013; Thomas and Graves 2005; Sharma and Zahra 2004; Zahra, Neubaum, and Naldi 2007).

5 Micro-politics: often unspoken, not easily observed

It might be argued that the strategic unit of concern is the firm itself; after all, it is the firm's operations, effectiveness within its external task-environment, economic success, and financial strength that are the main concerns of strategic formulation. This focus is on the firm as a single economic entity engaged in an external economic world. However, the firm is also a social organization composed of individuals and social groups. Understanding the firm as *only* an economic entity

obscures and fails to recognize its social nature and distracts attention from the human *inter-firm* aspects of strategy formation. A consideration of the firm's transactional behavior should not obscure the significant dynamics, or *relational* behaviors, that take place within it.

5.1 Power and micro-political dynamics

The term micro-politics seems to have been first introduced by Burns (1961) in his consideration of the ways in which institutional change comes about. Political approaches, he suggested, were as prevalent in institutions as they were in the national state. Economic institutions and national states both have available resources and distributable benefits that provide political opportunities for participants: "politics are not only about the rules of the game – the game itself changes." (p. 279) Micro-politics is concerned with the behavior of human actors in organizational settings. In institutional environments, micro-politics forms a continuum of participant behavior, with conventional organizational management practices at one end and "illegitimate, self-interested manipulation" at the other (Hoyle 1999, p. 126).

Micro-politics relates to the *internal* politics of organizations and is separate from, although it might be indirectly influenced by, the macro-political environment within which the organization is embedded. The origins and early development of micro-political theory and application were centered on these internal institutional dynamics, particularly on educational institutions and teacher training (Ball 1987; Blase 1991; Hoyle 2004; Kelchtermans and Ballet 2002a; 2002b). Within these contexts – and within other socially constructed contexts, such as business enterprises – micro-politics is exercised through a number of strategies which might take different forms: conflictual, cooperative, consensual, and protective. Irrespective of the specific strategies employed, micro-political activities are based on power and perceptions of power (Smeed et al. 2009).

In his landmark work on micro-politics Blase (1991, p. 1) provided the following definition:

[Micro-politics] is about power and how people use it to influence others and to protect themselves. It is about conflict and how people compete with each other to get what they want. It is about cooperation and how people build support among themselves to achieve their ends. It is about what people in all social settings think about and have strong feelings about, but what is so often unspoken and not easily observed.

Influence, protection of the self, competing with others to obtain beneficial outcomes, cooperation, building support and conflict, and possessing strong feelings about outcomes *are* inherent in all social settings, whatever their size. All of these behaviors rely to some extent on the mobilization and use of power; however, power has often been considered to be discrete, finite, and an identifiable attribute of the individual. In most social settings, however, power is better understood as a dynamic. It has fluidity and can be mobilized by individuals and groups of individuals who seek to derive advantage, or “seek to create or reinforce social and political value and institutional practices” (Lukes 2005, p. 20). Power might then be brought to bear in different ways: “coercion, influence, authority, force and manipulation.” (p. 21)

It is important to keep in mind that the way in which power is exercised is a function of the attitudes and proclivities of the individuals and groups involved. As Smeed et al. (2009) contended, power might be expressed in terms of “power with”, “power through” and “power over” others: (1) *power with* manifests itself in close relationships, empowering, shared leadership, support, open communication, and collaboration; (2) *power through* is associated with transactional exchanges, facilitation, negotiation, and cooperation; and (3) *power over* is expressed through coercion, dominance, control, and authoritarian stances (p. 35).

It is argued here that power plays a significant part in a SME's strategy formation and the workings of its TMT. One might contend that power and political action is restricted to large-scale enterprises; however, the suggestion here is that it is precisely because of the limited number of social actors in SMEs that power, for those participants, is particularly salient. Expressions of micro-political activity might also be assumed to surround strategy formation in the SME because: (1) emergent strategy will inevitably result in change, and that change will have repercussions for the future relationships, distributions of power, and social capital of those within the small and limited confines of the firm; (2) strategy formation is not imposed from the outside, it emerges from an internal process involving participants who probably have a good appreciation of the consequences of the change that they advise.

5.2 Human nature and scopes of action

Although rational decision models are often advocated, this “obscures the persistent state of affairs within organizations, that the ‘maker’ of strategy is not a single individual but a *set* of political actors.” (Narayanan and Fahey 1982, p. 32, emphasis in original) Organizations are social environments and strategy formation is a process of collective

sense-making moderated by social and political forces. Within the social space of the organization “life is lively” (Ortmann 1988, p. 7, translated by Dörrenbächer and Geppert 2009, p. 378), and in that liveliness there is a continuous dynamic of social interaction, social exchange, and manifestations of power and micro-politics.

This is true for all socially constructed organizations, but the contention in this chapter is that organizational liveliness is more intense in SMEs because of their size constraints, which place more emphasis on the reality of the social space and more emphasis on the social actors involved and their behaviors (Eisenhardt and Bourgeois 1988; Jarzabkowski and Spee 2009; Wrona, Ladwig, and Gunnesch 2013).

Considering the evolution of thinking and theory about power and politics in organizational behavior, with particular reference to multinational corporations (MNCs), Geppert and Dörrenbächer (2014) suggested that an enduring problem of “simplifications of human nature and agency is that the economic rationality of agents is described as universal, despite the paramount role of social context, the social embeddedness of economic actions.” (p. 228)

Organizational participants, certainly in large-scale enterprises, operate within a set of institutional rules and structural arrangements that direct and constrain their behavior. However, a common premise of micro-politics “is that formal rules, such as hierarchies and organizational aims, cannot determine actors’ behaviors completely...there are always ‘scopes of action’ of one type or another” (Willner 2011, p. 160). These scopes of action are arguably wider and more important for organizational participants in SMEs. It is likely that socio-political approaches to the internal dynamics of SMEs might address issues of power and politics more prominently from an actor-centered perspective, to give a greater understanding of the micro-foundations of their power relations – just as such approaches would increase an understanding of the organizational dynamics of MNCs (Alon and Herbert 2009; Becker-Ritterspach and Dörrenbächer 2011; Geppert and Dörrenbächer 2014; Dörrenbächer and Geppert 2014).

5.3 Towards a greater understanding of micro-politics in SMEs

Given the ubiquitous nature of political activity in organizational life, it is strange that so little research has focused on micro-politics. Some have noted the paucity of qualitative micro-political research in political science; indeed Willner (2011) makes a plea “for more micro-analyses and, as a consequence, for more qualitative research in political science. It is not possible to understand policies without the

decision-making process within organizations.” (p. 176) Others have noted that a micro-political focus is exceptionally rare, essentially absent, in the strategy formation of SMEs (Bellamy, Lodorfos, and Dana 2013; Koski and Järvensivu 2008).

Although a greater understanding of the micro-political behavior and its ramifications for SMEs is of critical importance, there are a number of challenges that need to be recognized. First, the functional and behavioral attributes of SMEs are diverse and it would be naïve to believe that SMEs represent a homogenous category of business ventures, or that all small businesses are essentially the same. Indeed, Pett and Wolff (2012) have warned against “the arguably insidious assumption of homogeneity within the category.” (p. 48) There are multiple reasons for the lack of consistency and homogeneity within the SME classification. It is likely that this lack of homogeneity associated with SMEs as a class will limit the degree to which specific micro-political activities associated with individual strategy formation can be generalized. Specifically, it might be anticipated that the differences in SMEs will be associated with a number of dimensions.

- *National cultural differences.* Small and medium size enterprises are usually deeply embedded in their local regions and communities. Their founders and participants share these national cultural characteristics, its assumptions, beliefs, and expectations (Liñán and Fernandez-Serrano 2014; Pinillos and Reyes 2011). In considering national culture it is always important to avoid stereotyping and to recognize that determined national culture values might be statistically useful, but that they do not necessarily define the individual (Hofstede 1980; Osland and Bird 2000). Nevertheless, national culture shapes the behavior of SMEs (Schlierer et al. 2012), the German *Mittelstand* has culturally influenced organizational attitudes, managerial dynamics, and strategic outlooks that make it differ from the same size Chinese enterprise. It is suggested that national culture differences in dimensions such as power difference, individualism–collectivism, and uncertainty avoidance, will be reflected in the macro-political sensitivity and micro-political behavior of participants (Keillor, Hauser, and Griffin 2009; Yoon 2010).
- *Economic sectors and task-environments.* The challenges, knowledge, and networks required by SMEs to enter and survive in different economic sectors are very different. To inhabit these different operational niches, SMEs need to exhibit and maintain a wide spectrum of appropriate difference and diversity. The small high-technology firm

might have the same employee headcount as the building contractor, but both will be qualitatively different in the ways they operate (Blackburn 2012). The different demands made for entry into different economic sectors and task-environments serve as filters of the kinds of individuals who will form and populate SMEs (Brixy, Sternberg, and Stüber 2012). Reference has already been made to the entrepreneur-founder, who plays a pivotal role in most SMEs. The characteristics of the entrepreneur-founder differ with the task-environments within which the enterprise has to function. This is expressed in terms of the kinds of networks and interpersonal relationships possessed by the entrepreneur-founder. Significant in these networks, both within and beyond the SME, are issues of social capital (Lin 2001). Power and influence are both characteristics of social capital and it is likely that the nature, extent, and purpose of micro-political activity will be moderated by the structures and understandings of social capital within different types of SMEs (Bamford, Bruton, and Hinson 2006; Felício, Couto, and Caiado 2012; Xerri and Brunetto 2011).

- *Patterns of ownership.* Structural difference in SMEs and the dynamics associated with these structures – particularly in terms of ownership and governance – result in different goals and objectives for SMEs. For example, a family-owned business might have the same quantitative parameters (employees, GVA) as an enterprise directed by a single owner-manager; however, the qualitative nature and outcomes of the decision-making process, strategic-development approach, and interpersonal relationships might be radically different (Kotlar et al. 2014; Uhlaner 2006; Uhlaner, Wright, and Huse 2007). Patterns of ownership and governance will affect the distribution of power and the power dynamics within SMEs, just as they will change the landscape of perceived benefits that participants will encounter. Given these differences it would seem that there are rich research opportunities in exploring the different micro-political assumptions and behavior that might take place in SMEs with different ownership structures, particularly between family and non-family centered enterprises (Kotthoff 2008; Price, Stoica, and Boncella 2013).

6 Conclusion

Comparisons are odious. This chapter has argued that comparisons between SMEs and large-scale enterprises are generally unproductive because SMEs have a distinctiveness that sets them apart from larger organizations. That distinctiveness is underappreciated if SMEs are considered simply as

scaled-down organizations, smaller versions of what an *ideal* business enterprise should be. SMEs generally do not aspire to be large-scale corporations, and more often than not do not become one. Yet there are a number of ways in which large-scale enterprises and SMEs do share common features, even though they may engage in these activities in different ways.

All business enterprises have to consider both the present and the future. A key function of management, irrespective of the size of the enterprise, is to plan – to project into an uncertain but inevitable future. Planning cannot take place, however, until future goals have been identified and ways of reaching those goals considered through a process of strategy formation. Strategy formation is thus common to all business enterprises, including SMEs. The objective of strategy formation is clear, but the process itself and the dynamics involved are not. Some have attempted to open the mysterious black box of strategy formation (Boyd, Gupta, and Sussman 2001). Some have seen strategy formation taking place around that black box, not within it as something around which strategy forms (Laari-Salmela 2009; Mintzberg 1994). But for all that, the evolving process of strategy formation within organizations still remains complex, obscure, and elusive.

Large-scale enterprises and SMEs also share a second feature, micro-politics. Organizational participants are social actors. They see personal advantages within the matrix of the organization. They recognize that they can derive benefit and secure special advantages that would not exist except for the organizational setting in which they operate. These benefits might be restricted, but there are undoubtedly many who recognize them and wish to secure them. Within such a context, organizational participants compete indirectly to further and protect themselves. They might maneuver rather than manipulate; they might form alliances and casual collisions; and they might use their power and influence to reach the goals that they have determined as obtainable. These are the reasons for, and the expressions of, micro-politics and they are pervasive in all social settings.

Micro-politics are familiar to all of those working in large-scale corporations, but strangely the area is seriously under-researched. They are even more invisible in SME research (Bellamy, Lodorfos, and Dana 2013; Koski and Järvensivu 2008). However, it is suggested in this chapter that micro-politics probably constitute a more important and more influential part of the dynamics of these smaller enterprises, especially in the formation of their strategy. There are a number of reasons why micro-politics might be more significant in SMEs. Because of size constraints, the number of managerial positions and of organizational participants

is limited, but more than that the social space is small. Those who are employed in SMEs have a greater social proximity with one another and their relationships are often complex and intertwined.

Also, unlike large-scale enterprises, the governance structures of SMEs are more fluid and flexible. Governance structures are designed to mediate the interests of individuals and the firm, with an emphasis on ensuring that decisions made are beneficial for, and in the best economic interests of, owners and those who have contributed capital. The difference between owners and employees, however, is often blurred in SMEs. Given the imperfect nature of governance structures, it is to be expected that there will be an internal rivalry between organizational participants to secure and develop personal advantage, benefits, and resources through the use of their power and influence.

Another quality of SMEs is that many have a relatively short life. This can be seen as a simple illustration of Schumpeterian creative destruction, with economic assets – land, capital, human resources, and innovation – being recycled into more effective and efficient forms. However, the short life of the SME places pressure on participants to secure advantages within a limited time frame. Those advantages might materialize during the SME's existence, or they might be of an enduring and portable nature – such as enhanced social capital and increased personal networks – that can be obtained now and utilized after the demise of the enterprise.

All of this suggests that micro-politics are a prevalent and important aspect of SMEs. They are undoubtedly connected to all aspects of the enterprise's existence, but are most demonstrable in its strategy formation. It is hoped that a more extensive effort, using both quantitative and qualitative methodologies, will be made to explore the micro-political dimension of SMEs. Such research would shed considerable light on how business is done in SMEs, how decision-making evolves as a socially mediated process, and would shed light into the black box of strategy formation that emerges through and from the collectives that we understand as small and medium size enterprises.

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Deigning Down or Learning Up? Lack of Voice and Dialogue in Change Management of Public Hospitals

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1 Introduction

Who knows what, at which level, is vital for effective change management, and whether there can be mutual learning. Yet whether this is organizational learning, and how it relates to institutional change (such as reforms of public health systems, or of education, or of a judiciary), is open to question. Thus, there have been some claims that knowledge management (KM) is already an established discipline with a growing and solid base of theory and practice (Mertins et al., 2003, Dalkir, 2011), revealing proven strategies for organizational learning (Malhotra, 2001, O'Dell and Hubert, 2011). Yet Legge (2005) has suggested that the very concept of a learning organization is fraught with both conceptual and practical difficulties. Questioning whether senior management can possibly have knowledge of a whole organization, she claims that the concept of organizational learning displaces that it is people who learn and that to suggest that organizations learn is to reify this.

This is highly relevant to issues concerning change management in hospitals, which are among the most complex form of human organization (Drucker, 1993, Djellal and Gallouj, 2005, Sultz and Young, 2011). Such complexity derives from the variety of professions and roles (including administrators, physicians, nurses and pharmacists), and other stakeholders (e.g., patients, government) with often apparently incompatible interests, perspectives, and time horizons (Golden, 2006), and yet who are vital for public health and welfare (McKee and Healy, 2002, Rechel et al., 2009). Moreover, as recently argued by van den Broek

et al. (2014), the health care sector is a domain in which competing values and logics are at play, such as a managerial logic concerned with introducing market based performance criteria and a professional logic concerned with preserving and enhancing quality and innovation in patient care.

It has been widely overlooked that this was the case with the introduction of New Public Management (NPM) reforms in the British National Health Service (NHS) before devolution, and thereafter in the English NHS. Their explicit logic was for an internal market to be supervised by professional managers, but the outcome was that the costs of administration, which in the pre-reform NHS were less than 5% of the NHS budget, had increased to nearly 15% by 2010 (Leys and Player, 2011).

This chapter suggests that such a failure in health change management was due to deigning down by imposing a misconceived production logic of economic efficiency inappropriate for public service organizations, while neglecting to learn up from health professionals on what was needed for social efficiency, in terms of both their purposeful commitment to change and for patient well-being. Managers at intermediate and lower operational levels need a voice, in the sense of Hirschman (1970), and should be involved in the design and implementation of reforms (Guest, 2013, Guest et al., 2013, Oliveira and Raposo, 2014) rather than merely being required to implement them.

This chapter, firstly, relates this conceptual framework to NPM style reforms in hospitals, which reflect an increasing interest in the concept of opening governance, and allows for a distinction between governance and management at different levels (McGahan, 2015). It also distinguishes institutional, organizational, and operational logics at different levels in submitting that: (1) NPM is a macro institutional logic required by a government for the whole of a national health service; while (2) its implementation concerns the organizational logic at a meso intermediate level of decision-making by local health authorities and hospitals; whereas, (3) operational logic at micro levels of services or units (such as pediatrics, cardiology, orthopedics, or gynecology) involves health specializations that higher level management cannot have direct knowledge of.

Secondly, it draws on concepts of boundary spanning (e.g. Mørk et al. (2012) and relational coordination (Gittell, 2002, Gittell et al., 2008) and suggests that these should be both horizontal, as recommended by Mørk et al. (2012), and vertical, between intermediate services and units and upper level management, to enable feed-up of what could be learned

from operational levels, rather than only feedback in a top-down organizational design.

Finally, it presents findings from a southern European case study of three hospitals within a health authority, which were merged within an institutional logic on the assumption that there would be efficiency gains from economies of scale and increased performance assessment. It recommends a greater degree of relative autonomy for doctors and senior nurses, as managers at an operational level, to determine what, in their professional judgment, is in the best interests of patient welfare and the well-being of the clinical staff for whom they are responsible.

2 Governance and change management

Governance is more than government, or administration, or mission statements. It concerns what is done, why, how, where, by, and with whom. According to McGahan (2015) it implies not only managerial control systems but also leadership systems, and authority and mandates for action, as well as issues of transparency and accountability. Yet it also may be rent by conflictual institutional logics, such as, in public health services, conflicts between market-driven managerial concerns with reducing costs and a professional concern with ensuring high-quality clinical care (Boselie et al., 2003, van den Broek et al., 2014). Besides which, institutional logics in command-and-control leadership systems may be authoritarian, while mandates for action and mission statements may claim more transparency in terms of performance appraisal and cost effectiveness, but not be less concerned with learning from lower operational levels rather with demanding compliance.

With reason, therefore, Pache and Santos (2010), Greenwood et al. (2011), and Lounsbury and Crumley (2007) have advocated that more research should look into how people and organizations respond to multiple institutional logics. Thus Anthony et al. (2014) have found that while health care in the United States is institutionally regulated, compliance with regulations is variable. For example, compliance with rules for electronic data processing in the 1996 Health Insurance Portability and Accountability Act took longer than expected and was highly uneven across US hospitals.

As outlined in Figure 9.1, we suggest that the debate on different institutional logics and their regard or disdain for practice can be informed by a distinction between institutional, organizational, and operational logics at different macro, meso, and micro levels.

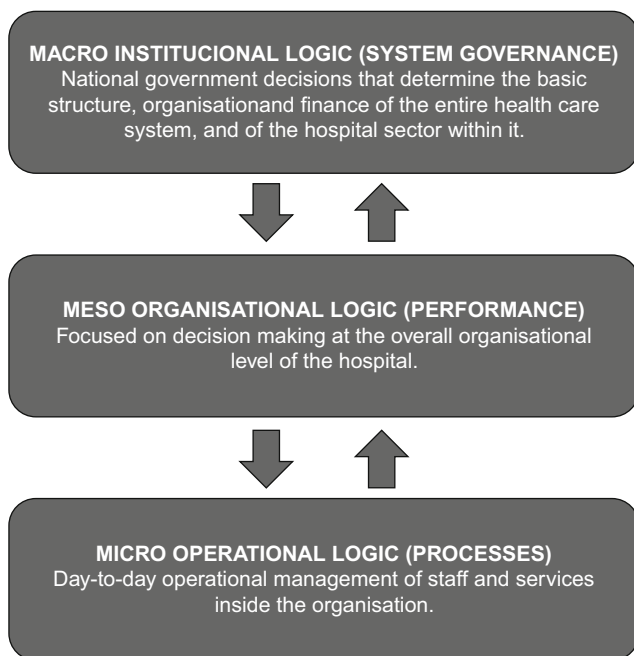


Figure 9.1 Deigning down versus learning up: actual versus potential logics in governance and management of hospitals

Source: Own formulation.

As indicated by the downwards arrows in Figure 9.1, the institutional logic required by macro NPM reforms seeks to achieve greater economic efficiency in terms of mission statements, practice protocols, performance criteria, and budget constraints. How this is to be done is imposed by governments on the meso level of area health authorities and hospitals and also impacts at a micro operational level on the management of clinical services and units.

As indicated by the upwards arrows on Figure 9.1, reconciling this with the professional values of health workers needs a more open governance approach, enabling higher and top management to learn from operational levels as the basis for organizational learning, while recognizing that what is needed at such levels may well vary between units and services and make allowance for diversity rather than imposing a standardized organizational and operational design.

In effect, the top-down mission of institutional reform through NPM should not be the only message. Higher level management – and governments – should be able to learn from what is either not working well, or could work better, which implies a voice (Hirschman, 1970) from below rather than a command-and-control logic, and vertical, not just horizontal, relational coordination and boundary spanning (Mørk et al., 2012). With the aim of negotiated and agreed change at different levels to achieve both economic and social efficiency, in the dual sense of the well-being of both patients and health staff.

It already is clear that institutional and organizational logics influence operational practice and are expected to determine the appropriateness of such practice (Lounsbury and Crumley, 2007, Thornton and Ocasio, 2008, Greenwood et al., 2010, Greenwood et al., 2011, Thornton et al., 2012). Moreover, it has been found that new institutional logics change the focus of managers in organizational and operational decision-making. For example, Thornton and Ocasio (2008) and Reay and Hinings (2009) submit that when one logic is dominant, the attention of decision-makers is directed towards issues and practices reflecting this logic, which may be to the neglect of others.

The need for change in the public sector governance model includes, *inter alia*, a move away from hierarchy towards alternative models for delivering services and replacing traditional models of command-and-control with “negotiated self-governance” (Newman, 2001). This was also the philosophy informing the proposal for innovation-by-agreement between social partners at both organizational and operational levels endorsed in the Lisbon Agenda 2000 by the European Council as a means of enhancing the European Social Model, including the right to work–life balance (Holland, 2000). Which is highly relevant to health services since burn-out through stress is among the main problems faced by hospital management, including hospitals in the case study reported on later in this chapter.

European governments did not endorse such innovation-by-agreement as a European citizenship right, as had been recommended to the European Council. It nonetheless could be adopted in practice either by a government for a National Health Service in terms of institutional logic, or as an organizational logic by a local health authority, or an individual hospital. This could enhance the well-being of health staff, and would tend to increase loyalty and deter exit (Hirschman, 1970) without necessarily compromising operational efficiency. For, rather than absenteeism in the sense of away without leave, negotiating the terms and conditions of such balance would inform supervisory managers in advance

and enable them to take compensating action. It also would extend the concept of relational coordination between groups, in the sense of Gittell et al. (2008), to relational coordination between employees and supervisors or managers of groups, with implications for reinforcing rather than breaching psychological contracts (Oliveira and Holland, 2007a).

Studies of institutional logic, such as those forwarded by Lok (2010), Oliveira and Holland (2013), and Oliveira et al. (2014), have found that there may be differences between *espoused* logic in a management paradigm, and a logic in *practice* that may contradict it. This echoes the same distinction made by Argyris and Schön (1978, 1996), which is consistent with the difference between the aspiration of NPM in the UK to reduce health costs and the outcome of increasing costs through imposing different layers of supervisory management to control conformity with standardized performance criteria (Pollock, 2005, Oliveira and Holland, 2007a, Leys and Player, 2011). Or, as van den Broek et al. (2014) have stressed, formal adoption of a practice for conformity with a new institutional logic may be dysfunctional simply because not enough people believe in it.

Osborne et al. (2013) have submitted that NPM theory was not fit for purpose and was mistaken in drawing, either explicitly or implicitly, on market based models from the sphere of production, since public service delivery is not a final *product*, like manufacture, but is an ongoing relational *process* between people. While the aim of gaining greater efficiency cannot be questioned, given aging populations and national budget constraints, there is a risk that NPM reforms reinforce: an institutional logic that is Weberian in terms of hierarchy and authority; is a Fordist organizational logic in seeking to achieve economies of scale and speeding up patient throughput, which may be at the cost of the quality of patient care; while its operational logic is Taylorist in intensifying the labor process and extending performance assessment (Oliveira and Holland, 2007b, Oliveira et al., 2014).

This may be as alienating for health professionals now as it was for Ford's workers when he combined his serial production line with Taylorist surveillance. With the initial outcome that workers quit within weeks or months, despite high rates of pay and the offer of profit sharing if they stayed for six months. Employee turnover within a year, up until he relaxed the intensity, was as high as the whole of his workforce. While for the Ford Motor Company, and General Motors and Chrysler, which for decades shared his assumption, in line with Taylor, that there was "one best way" to organize production, failed to learn from post-Fordist flexible production and devolution of process innovation to work

groups, enabling the *kaizen* of continuous improvement pioneered by Toyota. Which meant that by 2006 Toyota overtook General Motors as the world's leading auto producer, while all three of the US auto majors were either about to file for bankruptcy or were on federal life support (Taylor, 1911, Lacey, 1987, Womack et al., 1990, Oliveira and Holland, 2007b, Oliveira et al., 2014).

For, like Ford, who notoriously insisted that people could have any color they liked for his Model T provided it was black, an institutional logic in NPM imposes on rather than learns from lower operational levels, like the successful Toyota production system (Womack et al., 1990). Whereas, in managing operational units and services within a hospital, doctors and nurses may be aware that such an institutional logic is dysfunctional in terms of social efficiency, in the sense of the well-being of both patients and health workers, but not be able to feed-up why it is so and what could be done about it.

A key distinction in this regard is between economies of scale, or more of the same at lower unit costs, as in Ford's serial assembly line, and economies of scope or doing more with the same, including the post-Fordist concept of *kaizen* or continuous improvement. *Kaizen* includes two Japanese words, *kai* for improvement and *zen*, which is mutual advantage from the success of the enterprise. Japanese flexible production also includes the concept of *muda*, cutting out wasted time (Colenso, 2000), whereas in an NPM model managers needed more time to report in detail on performance, which detracted from ensuring an enhanced relational coordination either within or between teams or a more integral human resource management (HRM). Both of which are relevant to whether change management in health can be to the mutual advantage of governments seeking greater economic efficiency, patients in terms of clinical quality, and health workers in terms of professional commitment and purposeful engagement at work.

Which suggests our first research question:

RQ1 Whether a production institutional logic for governance of hospital reforms needs to be qualified or complemented by a service oriented model that can reconcile what otherwise may be conflicting institutional, organizational and operational logics.

3 HRM and change management

There also is the question of what role should be played in change by human resource management and at what level. An early and influential

study on the importance of the management of human resources, including interest in quality circles, and detailing the use of HRM by companies such as Fombrun et al. (1984) defined three levels: (1) strategic; (2) managerial; and (3) operational. It also recognized that these are subject to external environments offering either capabilities – such as to innovate – or constraints.

The key external constraint in the private sector is the market, in terms of competition on price, or innovation, which may not be price focused since generating a must-have demand, like that for iPhones and tablets which can sell for multiples of cost. By contrast, in the case of public hospitals and health services, the key external constraint is government as the main stakeholder and funder.

In proposing an aspirational framework for strategic HRM, Jackson et al. (2014) allow that few organizations deploy identical HRM practices for all groups of employees and that segmentation is well documented, not only for pay practices but also at different pay levels. How HRM systems co-evolve with other aspects of organizations is rarely researched and only a few longitudinal studies, such as Guest et al. (2003), Wright et al. (2005), and Wang and Shyu (2009), have directly addressed what cause and effect relationships might be involved.

Further, there is the question of whether a mutual gains perspective for employers and employees can be integral to HRM in change management. Some two decades ago Legge (2005) argued that the battle for *soft* HRM had already been lost and that *hard* HRM ruled, especially in the private sector. Legge (2005) and Van Buren et al. (2011) claimed that HRM systems which prioritize shareholder gains tend to do so at the expense of employees, even if Van De Voorde et al. (2012) and Jackson et al. (2012) allowed that employees working for successful companies may have a higher sense of well-being than those who work in companies that are performing poorly. While Jackson et al. (2014) submitted that addressing the concerns of employees is a prerequisite for achieving long-term organizational effectiveness, and that doing so need not be problematic.

Jackson, Schuler and Jiang also submitted that most empirical studies have assessed only HRM policies or practices and that “almost none have examined HRM philosophies or processes” (Jackson et al., *ibid*, p.28). In parallel, Oliveira and Holland (2012) and Oliveira (2015) suggested that relevant philosophy includes that on stress by Wittgenstein (1953), following the *Gestalt* psychology of Jastrow (1899), and that perceptions of what may be the same phenomena or facts can differ. While this has been paralleled by Bourdieu (1977, 1984, 1990), in terms of the values,

beliefs, and dispositions that people have acquired at varying levels of consciousness from the habitus of their life and work experience, and which they may feel are violated by change when this is imposed rather than negotiated.

Thus, perceptions of the value of a policy such as NPM in a hospital may well differ between senior doctors and chief nurses as managers, and hospital administrators. Guest and Bos-Nehles (2013a) and Guest et al. (2013), along with Bowen and Ostroff (2004) and Nishii et al. (2008), found that the links between perceptions of change and the outcomes of HRM are diverse at different levels, which suggests that standardized criteria in performance assessment are inappropriate. Sveinsdottir et al. (2006) have found from an Icelandic study that nurses' occupational stress decreases job satisfaction, increases turnover rates while reducing nursing quality, and that nurses are confronted with different tasks and working conditions at different workplaces and hence suffer different sources of stress.

Inversely, Peccei et al. (2013) and de Koeijer et al. (2014), following Warr (1987), have submitted that employee well-being at work can be enhanced by participation in how improvements in work methods can be achieved at lower levels within organizations. This is consistent with a "lean management" approach (Womack et al., 1990, Womack and Jones, 1996) and the Japanese principle of *kaizen*, or continuous improvement, which depends on trust and cooperation at work group or team level, and process innovation at such levels rather than fulfilling top-down performance criteria (Colenso, 2000, Oliveira and Holland, 2007b).

In a series of country studies for the World Health Organization, Saltman et al. (2011) examined the degree to which granting an individual public hospital the ability to make its own strategic, financial, and clinical decisions, would enable it to become semi-autonomous. This in turn is relevant to what level HRM should obtain at and whether it may improve institutional and operational level functioning and outcomes.

In terms of who has "voice" (Hirschman, 1970), at what level, there are also questions in governance terms, not only *vertically* – from government down to operating units and services – but *horizontally*. Thus, while one of the main criticisms of the managerial logic of the NPM model is that it is top-down, senior government officials in Norway have admitted multiple and multi-level problems of coordination, including not only downward coordination at regional and local levels and base-up coordination, but also coordination across policy areas,

and lateral coordination with stakeholders in the private and voluntary sectors (Lægreid et al., 2013).

We suggest that this reinforces the need to identify not only the stated or *explicit* logic but the *implicit* logic in the philosophy of a governance model and – especially – whether it is functional or dysfunctional, in terms of HRM. Thus, the welfare of patients is explicitly addressed in most NPM protocols, whereas how change affects the well-being of health professionals is not. This reflects the assumption of key architects of the case for NPM reforms that health professionals are self-seeking rentiers who need to be submitted to market, or quasi-market, pressures to perform efficiently (LeGrand, 1997). Further, that when the institutional logic of the government as principal stakeholder is dominant, the views of other stakeholders, such as health professionals, may be in the minority or excluded through lack of voice, which Hirschman (1970) stressed could strain loyalty to the point of prompting exit. Such as, in our context, health professionals quitting the public sector for private practice.

Gittell (2002) and Gittell et al. (2008) also stressed the importance of relational coordination between groups at operational levels who may have knowledge and expertise in areas of different clinical practice and the potential to synergize learning from these by working on the basis of both shared goals and mutual respect. Whereas this may not be the case in organizations in the public sector where upper management, under pressure for changed institutional logics from governments, may primarily be concerned with economic efficiency, without knowledge of different clinical needs other than – if they had been doctors – in the domain of their own earlier expertise.

Yet, as Jackson et al. (2014) have claimed in their case for a more aspirational framework for HRM, this is still under-explored in relation to actual processes and outcomes. Research into change management is shifting from whether new performance criteria are implemented, to seeking to understand whether there is cognitive dissonance between higher, middle, and lower levels of management (Raes et al., 2011), which is directly relevant to the role of HRM. Guest (2011) suggested that this may gain from understanding managers' narratives (Guest, 2011), which can be informed by discourse with them and its analysis. Within this, in public institutions, such as hospitals, determining whether motivation is enhanced by change management, such as within an NPM production paradigm, or demotivates or loses a highly skilled and qualified workforce, either through early retirement or by moving to the private sector where personal fulfillment may or may not be higher, but other rewards may be (Fried and Fottler, 2008).

Further, while NPM reforms have tended to assume that HRM should mainly be concerned with performance evaluation and appraisal on the basis of a top-down organizational design, Guest and Bos-Nehles (2013b) and Guest et al. (2013) have been concerned to identify the stages of such reforms from the government's decision to do so and see how effectively senior executives, HRM managers, and senior and junior line managers can implement and monitor them.

Nishii et al. (2008) argued that the attributions employees make about HRM practices have consequences for their attitudes and behaviors at unit and group levels, that these attitudes become shared within units, and that they are related to unit-level citizenship behaviors and customer satisfaction. This is consistent with theories of tacit knowledge acquisition (Polanyi, 1958, 1962, 1968, Ichijo and Nonaka, 2006) and implicit learning (Reber, 1993, Berry, 1997), as well as claims that groups are the basis of any learning (Bartlett, 1932). These may be identified by discourse analysis on the lines of grounded theory, which itself was pioneered by Glaser and Strauss (1967) and then developed in the context of gaining a better understanding of both sickness and health by Charmaz (1991).

This suggests that the role of HRM in managing change in health systems implies recognizing that best clinical practice depends not only on knowledge transfer, such as formal training, but also drawing on tacit knowledge and implicit learning from group experience at lower levels, and may be constrained or denied by an NPM insistence on explicit practice protocols.

Moreover, in contrast to Taylorist ultra-segmentation of tasks and top-down performance appraisal, typical of the era of Fordist mass production (Taylor, 1911, Womack et al., 1990), Gittell et al. (2010) propose that high-performance work systems can improve organizational performance by strengthening relational coordination among different groups of employees who otherwise perform distinct functions. This is consistent with the case of Mørk et al. (2012) on horizontal boundary spanning. This also has implications for the theory and practice of organizational learning since, in recognizing Legge's (2005) criticism that it is people rather than organizations that learn, with an enhanced role for HRM in securing relational coordination, an organization may be able to learn from operational learning at unit and group levels. Including the degree to which what is best for performance is better informed at such levels than a standardized top-down template for performance. Also, by enabling the Hirschman (1970) voice this may both deter exit and reinforce loyalty.

In parallel, there is the Swart and Kinnie (2014) case for the need for boundary buffering, or protecting the domain of one's own professional values and expertise. Buffering in the private sector mainly involves protecting the internal operations of an organization from external shocks, such as changes in material or energy costs, capital shortages, or seeking to minimize the internal impact of changes in institutional logics. Such as in the case of Lok (2010) on institutional logics, where UK legislation under the Blair government required that stakeholder, and not just shareholder, value should be reflected in company mission statements and other rhetoric but was not seen in practice. Which relates to Argyris and Schön's (1978, 1996) theory of differences between espoused and actual practice. Whereas, consistent with our distinction between institutional, organizational, and operational logics, we suggest that boundary buffering is needed at operational levels for the managers of services and units within hospitals to preserve the social efficiency of their clinical practice from intrusion by standardized performance criteria.

Which suggests our further research questions:

RQ2 Whether issues of governance and change management can be enhanced by horizontal and vertical boundary spanning of policy domains by both top and intermediate management teams.

RQ3 Whether change management concerning clinical practice needs relative autonomy and boundary buffering for doctors and nurses as managers of services and units.

4 Research context

4.1 Healthcare reforms in Portugal

One of the main gains for Portugal after the overthrow of the dictatorship and the restoration of democracy was the establishment of a National Health Service modeled on that of the postwar British NHS. From the 1990s, along the lines of New Public Management health reforms in the UK, Portugal started healthcare reforms in different domains: health promotion, long-term care, primary and ambulatory care, hospital management, inpatient care, and pharmacy (Barros et al., 2011). These proposed integrated governance structures (Deighan et al., 2004) included market focused criteria for the management of hospitals (Saltman et al., 2011), and new criteria for performance assessment with efficiency protocols for clinical governance (Degeling et al., 2004) to

improve operational and organizational performance (de Waal, 2007). But the outcome in terms of economic or social efficiency, in the sense of enhancing well-being either for patients or for health professionals, has been open to question, which the research in this chapter seeks to address.

The research context includes a major teaching hospital which has consistently ranked among the top 30 within the OECD in terms of clinical efficiency and which underwent an internal reorganization in 2007 to reduce the management of 42 disparate services into seven integrated management areas and two autonomous services. This was followed by its merger, in 2011, with two other hospitals, including a pediatric hospital, and further boundary changes by re-designating the integrated management areas as intermediate management units which, in principle, would better coordinate individual medical services.

4.2 Methods

4.2.1 Participants

The research was conducted by semi-structured interviews with a sample of 41 health professionals in the teaching hospital: three senior administrators, 12 senior doctors who were managing directors of services, and ten doctors who were managing directors of units. Interviews were also conducted, on the same basis, with 16 nurses in a pediatric hospital which had been merged with a general hospital and a teaching hospital and relocated to a new building. This was considered to be an interesting sample for three reasons. First, the doctors as clinical managers had been managing units and services for years before the NPM reforms. Second, because administrators had taken over these functions without necessarily having any clinical experience. Third, because, both before and after the reforms it was senior nurses who managed nurses rather than doctors. Since the internal reorganization in 2007 these three groups formally constituted the management team of the major teaching hospital.

4.2.2 Data collection

Participants were informed about the study's aims. Confidentiality was assured and interviews were recorded and fully transcribed. Interviews typically lasted 45 minutes.

The interviews were conducted by one of the authors of this paper and a nurse undertaking a Master's degree in management under her

supervision. They covered four key areas: (1) what are the main changes that have taken place in your hospital over the past two years that have affected how you do your work? (2) To what do you attribute these changes? (3) What has been the impact of these changes on your ability to provide a high quality of service to patients? (4) How have the changes affected you personally and your well-being at work?

4.2.3 Data analysis

Using a coding system on a grounded theory basis, including the four main domains of practice proposed by Mørk et al. (2012), it was possible to identify the main issues of managing change in a hospital context. We first sought to identify the fields (Bourdieu, 1977, 1984, 1990) or domains of change. We used the qualitative data analysis software MAXQDA to facilitate this. There was a high degree of agreement between the coders. A number of meetings were subsequently held to compare the coding of the data. Further, two coders independently analyzed the data according to what the NPM modeled institutional changes meant to them in terms of roles and levels within organizational and operational logic. In particular, the categories were refined and consolidated into those identified by Mørk et al. (2012) in relation to domains of change and boundaries, and by Guest and Bos-Nehles (2013b) in relation to levels. We also explored the derivation of domains of practices and roles/levels.

The coding system drew on: explicit and implicit logics in change management, including Fordist concerns to increase patient throughput and Taylorist concerns to increase productivity; widened boundaries with reorganization and whether these enhanced or inhibited performance; and issues concerning both economic and social efficiency such as, in the latter case, the perceived well-being of both patients and health professionals; as well as relational coordination, or lack of it, at different levels.

5 Findings from discourse analysis

The findings from the discourse of clinical staff as managers of units and services fell within two main areas: (1) institutional and organizational logics; and (2) organizational and operational logics, with marked conflict rather than complementarity between them due to top-down command-and-control models of change within implicitly Weberian, Fordist and Taylorist logics of NPM.

5.1 Conflicting institutional and organizational logics

Much in line with the case argued by van den Broek et al. (2014), the findings indicated that there was perceived conflict between institutional and organizational logics. No support was found for the NPM assumption of gains from economies of scale through mergers of the hospitals, or increased efficiency through more centralized decision-making.

Decision-making has been centralized in the teaching hospital, which in principle is supposed to be more efficient. But is not, since it reduces autonomy. When we were only a pediatric hospital we had our own administrative council to whom we could readily relate when we needed to resolve a problem. We only needed to pick up a phone. Now we have a whole bureaucracy on top of us which means taking and wasting time which detracts from often urgent needs to resolve issues of patient care.

(Doctor as middle manager)

Rather than clarifying control structures, the mergers had confused them and also were compromising social efficiency in the well-being of both patients and health professionals:

With the new and allegedly more efficient reorganization we not only have difficulty in getting responses to problems in time. We do not know who really has the authority to approve what we need to do.

(Doctor as middle manager)

The changes by merging the hospitals were supposed to integrate us. But have done the reverse and have not increased patient well-being. On some days the children are operated on in the General Hospital, in others in the Teaching Hospital, and yet others in the Pediatric Hospital. We used to be in one place, but now are all over the place.

(Doctor as middle manager)

Things now are totally disorganized rather than better organized. In management terms we now don't even know who is supposed to be in charge of us.

(Doctor as middle manager)

5.2 Conflicting organizational and operational logics

Rather than the boundary spanning recommended by Mørk et al. (2012) new barriers to effective communication had emerged which blocked the base-up an intermediate up dialogue and voice (Hirschman, 1970) potential illustrated in Figure 9.1.

There are now barriers where earlier there were none not only in organizational but also operational terms. Such as that treating children is different from treating adults, whereas many of the doctors in the general hospital have no grasp of this, which generates conflicts.

(Doctor as middle manager)

Rather than enabling better relational coordination, cutting out wasted time, and improved team working on the lines recommended by Gittell, (2002) and Gittell et al., (2008):

As ever we are time constrained. But because we are now different teams who have to work in different locations this is now much more difficult than before. We are wasting rather than gaining time.

(Chief Nurse)

Coordinated working time has been shot to bits. Needing to be somewhere else after the mergers rather than where we were means that hardly anyone now is in the right place at the right time.

(Chief Nurse)

Teams functioned pretty well in the other smaller location because we were closer together. But now, the new bigger organizational environment is creating difficulties in relating to each other.

(Doctor as manager)

With the changes we can no longer rely on team working. It is only on occasion, and by chance, that we can do so.

We used to be able to work well as teams when we had our own pediatric hospital because we were near to and knew each other. With the new merged hospitals we now have great difficulties in doing so.

(Doctor as manager)

The deigning down of intensified Taylorist individual performance criteria also proved divisive and damaged team cohesion at operational levels.

We are all professionals but now we are supposed to rely on ourselves and individual assessments of our performance rather than recognition of team achievements, which is divisive.

For much of the time we no longer are teams but isolated, on our own.

5.3 Boundary spanning of policy domain

There was none of the base-up learning recommended in Figure 9.1, and therefore none of the *kaizen* of suggestions for continuous improvement to mutual advantage both for teams at operational levels and for the organization, evidenced by Womack et al. (1990), Womack and Jones (1996) and Colenso (2000) as successful in Japan.

Nurses used to be involved in decision-making. Now they are not since those *on high* allegedly know better in terms of what is needed for economic efficiency. But this compromises effective patient treatment. Once those *on high* have deigned to respond, it is often already too late, and patients suffer from the delays.

(Chief Nurse)

5.4 Clinical practice and relative autonomy

There was no recognition of relative autonomy even for clinical practice.

As pediatric specialists we don't want to be treated differently from others in terms of pay or conditions. But we differ from others in terms of our knowledge, skills, and experience in terms of treating children and this needs to be recognized by restoring the clinical autonomy we used to have.

(Doctor as middle manager)

This combination was demotivating, much as van den Broek et al. (2014) had found in similar pressures to improve efficiency without bottom-up proposals for how to implement change in a Dutch hospital.

Every day there is something new and we are interested in developing projects for improvement but teams are not supported in this, which is demotivating

(Chief Nurse)

The findings offer support for the main research hypotheses.

6 Discussion of findings

The findings inform some of the main themes raised in recent literature concerning the scope and limits of change management in health systems and some of the conceptual proposals made earlier in this chapter.

- They illustrate that the institutional logic of NPM reforms when these are based on presumption of gains from Fordist economies of scale, such as hospital mergers, may reduce rather than enhance economic and social efficiency.
- They confirm the case of Osborne et al. (2013) that there are key differences between production paradigms in the private sector and service paradigms in both the private and public sectors, and that New Public Service rather than NPM model services imply ongoing social relationships between both health professionals and the public at operational levels rather than delivery of health as a product.
- They support the case of Boselie et al. (2003), van den Broek et al. (2014), Pache and Santos (2010), Greenwood et al. (2011), and Lounsbury and Crumley (2007) that multiple logics may be conflictual rather than complementary.
- They suggest support for a distinction of macro institutional logics from meso organizational and micro operational logics.
- They confirm the case of Greenwood et al. (2010), Greenwood et al. (2011), Lounsbury (2007), Thornton and Ocasio (2008) and Thornton et al. (2012) that institutional logics impact both organizational and operational practice.
- They illustrate that such impact may be negative, confirming the case of Thornton and Ocasio (2008) and Reay and Hinings (2009) that a dominant institutional logic may be to the detriment of good practice at operational levels.
- They question the case of Dalkir (2011), Mertins et al. (2003), Malhotra (2001) and O'Dell and Hubert (2011) that theories of

knowledge management have revealed proven strategies for organizational learning and support the case of Legge (2005) that organizational learning is a reification and misnomer.

- They offer support for the case of Nishii et al. (2008) that the attributions that employees make about HRM practices may become shared within units and groups.
- They confirm the findings of Guest and Bos-Nehles (2013b) and Guest et al. (2013) that effective implementation of HRM practices should recognize different roles at different unit and service levels within organizations.
- They confirm that such learning may be tacit, unknown at higher management levels – such as what is needed to reduce unit costs – and that hitherto tacit values may surface when challenged by priorities for market based performance criteria in change management (Oliveira and Holland, 2012).
- They suggest that economic and social efficiency at service and unit levels needs relative autonomy for team managers to ensure both quality in clinical care and purposeful fulfillment for health professionals
- They further suggest support for the case of Mørk et al. (2012) on the need for boundary spanning rather than top-down imposition of criteria for change, and the case for both lateral and vertical synergies between institutional boundaries.
- But also strongly support the case of Swart and Kinnie (2014) of the need for boundary buffering in terms of clinical domains.
- They further support the case that organizational learning needs learning-up by voice from operational levels rather than only deigning down with a standardized organizational and operational design.
- They therefore imply that organizational change needs to reconcile different needs for mutual learning at service and unit levels, and that purposeful engagement and support for change management needs a high degree of professional autonomy at operational levels.

7 Merits, limitations and possible future research

If there are merits in our study it is because it tends to confirm both claims by others for conflicting institutional logics, and what may be a useful clarification of institutional from organizational and operational logics. It nonetheless has four relevant limitations. First, it is based on a small sample of health professionals. Second, it only concerns hospitals

in one European country. Third, the data needs to be cross related with performance outcomes.

Future research could explore the core features of the issues addressed in the paper among larger samples and different public sector institutions and organizations, such as judiciaries and higher education. There is also scope for quantitative research, ideally longitudinal, which may inform more effective change management through a better understanding of the potential for achieving synergic dynamics between institutional, operational, and organizational learning to achieve synergy between economic and social efficiency.

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10

About the Expatriation Process in SMEs: A Portuguese Look at the HRM Role

Cláudia Carvalho and Carolina Feliciano Machado

1 Introduction

This chapter seeks to develop a theoretical revision about human resource management (HRM) in micro, small and medium sized enterprises' (SMEs) expatriation process. Structured in five steps, it begins with a brief contextualization of SME reality at national (Portugal) and European level, just followed by some considerations about globalization and internationalization as well as its relevance to SMEs. Thirdly, the expatriation concept is explored followed by the study of HRM role in the expatriation process management and the main challenges they are facing. Some HRM practices at SMEs expatriates' level are also analyzed. The chapter finishes with some final reflections and considerations.

2 SME: definition and contextualization in Portugal and Europe

According to the European Commission Recommendation of May 6, 2013, the SME concept refers to organizations with less than 250 employees whose business volume doesn't exceed 50 million euros, or whose annual total liquid assets doesn't exceed 43 million euros (Comissão das Comunidades Europeias, 2003).

In 2012, and according to the Statistical National Institute of Portugal (INE), the Portuguese business sector had 1061767 SMEs, representing 99.9% of non-financial organizations. These SMEs were, in 2012, responsible to employ 78.1% of the worker population (INE, 2012). The SME's weight in the business structure is not limited to the national context; on contrary, it is common to all Europe. Indeed, in the 2013/2014 European SME Annual Report, spread by the European Union (EU), we

can find similar percentages to those founded in the national panorama: SMEs correspond to 99.8% of the organizations in the non-financial sector, guaranteeing the employability of 66.8% of the workers (Muller, Gagliardi, Caliandro, Bohn & Klitou, 2014). SMEs assume, in this way, an expressive and unquestionable relevance in national and European economic contexts.

In this same EU report are highlighted the economic difficulties that many of those SMEs are facing and to which many of them have succumbed (decrease, in 2013, of 0.9% of SMEs number and of 0.5% in the number of the employed people¹). This is the same in Portugal, where SMEs business volume and these organizations employees number present a strong recession tendency (INE, 2012). *Taking into account this contraction scenario in SMEs growth, what is the best way to be successful in a more and more competitive market?* The answer to this question seems to be, in many situations, in internationalization, deeply related to globalization: concepts that will be focused straight away and that are closely related to expatriation, which, as Camara (2011, p. 15) says 'is not a phenomenon that appears alone and, in order to be understood, is necessary to contextualize it.'

3 Market globalization and the organization's internationalization

The globalization concept has been analyzed under the magnifying glass of different knowledge areas: Economics, Sociology, Management, Psychology. So it may be possible to find a diversity of definitions from different authors. However, all agree that globalization is the interdependency and complementarity process that is established among all the world's countries with regards to: information, technology, capital, goods, services and people flows (Mateus, 1998). It is clear that globalization covers different areas, having a plural impact, not only at the economic level, but also at social, political, cultural, religious and legal levels (Santos, 2005).

Globalization can't be described as a recent phenomenon. However, it has been assuming, nowadays, a great relevance, namely in what concerns the business market. Indeed, globalization has become one of the main internationalization motors. As Ribeiro and Coelho (2012, p. 23) point out, organizations 'begin, from the nineties of the XX century onwards, to expand their businesses in a more massive way, looking for competitive advantages.' Business internationalization is not a new phenomenon (Camara, 2011; Teixeira, 1998). However, *Is*

there something new in internationalization that can justify the emphasis it has received? Teixeira (1998, p. 220) answer ‘what is new is the relative growth and dimension that it has reached yet nowadays, as well as the way how it processes and the type of organizations in which lays.’ As a matter of fact, internationalization has reached organizations at a full speed, has been assuming different outlines and has involved a great diversity of organizations, from different business areas, dimensions and ages. Although traditionally associated with large organizations, internationalization is less and less exclusive of the great economic groups (Business Association of Portugal (AEP), 2013; Scullion & Brewster, 2001; Teixeira, 1998). In a scenario of national market stagnation and global expansion, many SMEs seek comprehensive economic plans in order to reinforce competitive potential, even more considering the EU support mechanisms that have been provided. The Small Business Act (SBA), or SMEs Law, formally adopted in the conclusions of the ‘Competitiveness’ Council, of December 2008, is a clear example of this European investment. The SBA created a strategic framework which looks to promote SME growth and innovation potential: namely new markets access / internationalization access. SMEs are therefore in a context where the need and the opportunity intersect in a synergy that seems to drive to the inevitable fate of internationalization, at the risk of not being able to take this opportunity, lose its competitive capability (Comissão das Comunidades Europeias, 2011), or, worse, not survive (Lee, Kelley, Lee & Lee, 2012).

The challenge is now to answer the inevitable questions about the Portuguese context: *Have we been following this internationalization tendency? What is SMEs’ reality in Portugal? Have SMEs also spread to the global market?* Portuguese international ambition is recognized all over the world due to our history closely anchored in the development of new territories across borders (AEP, 2013). Many centuries after the Discoveries, Portugal doesn’t stay indifferent to these new challenges of international mobility. One of the five thematic areas of the ‘Portugal 2020’ funding framework is competitiveness and internationalization, with a strong commitment to SMEs. In what concerns the number of national SMEs internationalized, we still don’t have official data. We only have data concerning exports in 2009. According to INE, in 2009, from the total of Portuguese SMEs, nearly 10% were exporters, having contributed with 40% to the total business volume realized by SMEs. In relation to the total of good export organizations, 69.1% were SMEs, which contributed 44.6% of the global value exported (INE, 2011). These numbers are elucidatory about the internationalization relevance to

Portuguese SMEs. However, they offer a limited framework of the internationalization process, considering that this is not limited to exports.

4 Expatriation: concept and statistical data

According to Priberam Dictionary of the Portuguese Language *expatriation* means 'to send away its own native country' and 'to leave its own native country to live abroad' at the same time that *expatriate* is 'the one that lives, willingly or not, outside its own native country'². This concept analysis, disconnected from the scientific context, is important in order to better understand the wide sense of the concept *expatriation*, reason why different authors use the term in very different ways. Indeed, the scientific use of the concept differs quite considerably, not only as a result of the process has been started by the State, by an organization or by the individual, as well as the result of whether it is a voluntary process or not (Norwood & Stai, 2011).

We will consider the expatriate concept, which defines him/her as an employee who, while continuing to work for an organization, is temporarily transferred to another country (by an established period of time), having the possibility of being together with his/her family (Baruch, Dickmann, Altman & Bournois, 2013; Caligiuri, 2000; Rego & Cunha, 2009). One should note that even when expatriation focus is limited to this level, we can find a diversity of perspectives about the concept, above all in what concerns the expatriation period of time. Many authors understand expatriation as limited to five years (e.g., Burckhard & Stai, 2011), many others establish a minimum period of time, usually from six months to two years (e.g., Caligiuri, 2000; Mayerhofer, Hartmann, Michelitsch-Riedl & Kollinger, 2004). Beyond that, Bonache, Brewster, Suutari and De Saá (2010), Banai and Harry (2004) and Fenwick (2004) call attention to more diverse ways of mobility that go beyond the conventional perspective of expatriation, including those employees who move regularly to another country, but not implying, necessarily, moving there. However, it is important to highlight that, due to its distinct characteristics, some authors consider that these new ways of mobility can't be included in the big expatriation cluster (Rego & Cunha, 2009). In this chapter's literature review we will consider only the standard perspective of expatriation.

Expatriation has three phases: pre-expatriation, expatriation and repatriation (Ashamalla, 1998; Cerdin & Le Pargneux, 2009). The first phase involves: evaluation, including recruitment, selection and preparation. The second phase is the international mission itself; and finally,

the third phase sees the expatriate return to the home organization. It is important to stress that expatriation implies a contractual relation: the employee remains part of the organization during the international mission and, once finished, the employee returns to the home organization in order to develop a task compatible with the repatriate profile (Camara, 2011).

Expatriation has been used by organizations with a strategic character as a way of more easily obtain a well succeed internationalization process. Indeed, research has demonstrated the potential of expatriation, for different reasons, among which we highlight the need to anchor the branch in the home organization policies and values (e.g., AEP, 2013; Banai & Harry, 2004; Rego & Cunha, 2009; Tungli & Peiperl, 2009). Maybe because of expatriation's strategic character, it has been widely associated with management positions; also with diplomats and military professionals, whose professions demand a stay outside the country (Freitas, 2000). However, nowadays expatriation covers a great number of professionals (Bonache, 2000), as confirmed by the Global Relocation Trends 2012 Survey Report, which revealed that the number of expatriates in technical functions surpass those that develop managerial functions (Brookfield, 2012). The option by the expatriation of employees with a highly technical profile is related, usually, to the difficulty of finding this kind of worker locally (Camara, 2011).

Considering data about internationalization and expatriate relevance, we can easily understand the international and national values related to the expansion of the expatriation phenomenon. According to a study developed, in 2011, by Price Waterhouse Coopers, international missions had a growth of 25% in the last decade, with an increase of 50% until 2020. At the national level (in Portugal), AEP (2013) foresee that expatriation can grow about 20%. The 'International Assignment Survey – Portugal 2020' study, developed by Mercer Consulting, confirms the growing trend of the employees expatriation process of Portuguese organizations.

Although expatriation contains in itself a potential to be successful, such missions do not always follow the ideal course (Baruch, Steele & Quantrill, 2002; Stroh, 1995). The expatriation process failure can result not only in the premature return, as well as, and according to some authors, in less tangible ways in what concerns attitudes and behaviors and professional performance (Bozionelos, 2009; Forster, 1997; Harzing & Christensen, 2004). Some studies (e.g., Forster, 1997; Harzing & Christensen, 2004) have been drawing the attention to the fact that failure may not be so high as initially considered (some studies pointed out to anticipated return rates around 40%). Nevertheless, although

figures may not be so startling, they should be valued; especially if we consider that an unsuccessful expatriate process entails considerable costs (and not only economics) to the main stakeholders – organization and expatriate (Rego & Cunha, 2009). Of course, considering the unsuccessful expatriate process high costs, immediately the following question appears: *What has caused this failure in the expatriation process?* According to research, the answer would seem to lie mainly in the expatriate intercultural adaptation difficulties, but also in family problems that appear further to the family retirement (when family doesn't accompany the expatriate) or in family mismatch to the expatriation place (when a join displacement happens) (e.g., Agard & Mevel-pla, 2011; Caligiuri & Tarique, 2006; Harrison & Shaffer, 2005; Rego & Cunha, 2009). Based on this knowledge: *What to do to promote the intercultural adaptation of those who had been sent on mission? What to do, by one hand, to support the family that stays, and, on the other hand, to promote its own adaptation when family moves together with the expatriate? In short, what to do to increase the mission success probability?* These questions carry us to the next point where we will see that human resource management (HRM) has too much than a single word to say.

5 Expatriate HRM in SMEs: role, challenges and practices

At this moment it is critical to say that, although SMEs clear relevance (that we have focused at the beginning of this chapter), researchers have focused their efforts especially to large organizations. This is even more clear in what concerns the research about the subject focused in this chapter – the expatriate management practices in SMEs – that has been explored in a very incipient way (Anderson & Boocock, 2002; Chandler & McEvoy, 2000; Cheng & Lin, 2009; Dabic, González-Loureiro & Harvey, 2013). Although this is true that Portuguese literature about expatriation management has increased during the last years (e.g., Camara, 2011; Ferraz, 2011; Guedes, 2012; Leal, 2013; Martins, Rego & Proença, 2012), this is also true that it doesn't exist a concern in differentiate HRM practices that can support expatriation in large and in SMEs, neither in national nor international literature. *Can we assume that the expatriation process management in a large organization is equal to that of a SME and generalize results of scientific studies? Can we or should we use in a SME the same practices that are used in a large organization?* Considering the significant differences that exist between both of them, that make them unique and with deeply distinguished characteristics (e.g., Barber, Wesson, Roberson & Taylor, 1999; Cardon & Stevens, 2004), it is reasonable to

assume that due to many SMEs limited resources, it doesn't happen and it is not necessarily desirable that happens. Although it doesn't exist an agreement about this issue, it seems to be logic that, being a different type of organization, it needs a different approach too, adjusted to its specificities as it has been defended by many authors (e.g., Anderson & Boocock, 2002; Baruch et al., 2002; Cassell, Nadin, Gray & Clegg, 2002). According to this perspective we can't just transfer the knowledge that we have about expatriate management in large organizations to SMEs.

Starting from the earlier presented limitations, from now on the present study looks to establish a 'bridge' between empirical knowledge that we have about HRM of no expatriate employees and the results of the few studies about SME expatriates management, raising some questions and providing, more than conclusions, some reflections.

Let us begin to answer to the following question: *What is HRM role in SME management of expatriate employees?*

Literature as showing us, from an extensive way, that people are the 'engine' of any organization, being a critical factor of its success (Chandler & McEvoy, 2000; Katz, Aldrich, Welbourne & Williams, 2000; Marlow & Patton, 1993). In SMEs oriented to the international markets, expatriates are in the epicenter of all process, playing a relevant role that the expatriation failure can be in the origin of the own internationalization experience failure. So, it is possible to claim that even if indirectly the success or failure of the internationalization experience will depend, to a great extent, from HRM, which has the power to manage the expatriation process, including the expatriate and his/her family intercultural adaptation which, as we have seen before, are from the main factors that are in the origin of the process success or failure.

Recognized the HRM role in the expatriation process, it is important now to understand: *What are the main challenges that are presented to SMEs expatriates' HRM?*

The first, and crucial, idea that should be keep, is that HRM in an SME as well as international human resource management (IHRM) (concept that we will focus straight away) offer, by itself, great challenges to HR managers. From the intersection of these two realities we obtain incomparable challenges, far greater than the simple sum of the challenges of each part *per se*.

Let we see, first of all, some of the challenges facing HR manager in a SME, *per se*, without considering yet, the internationalization challenges. One of the main challenges that is presented to them is related with the place that HRM have in this kind of organizations. HRM is, nowadays, designed by researchers as crucial in the management process of

any organization (Chandler & McEvoy, 2000; Katz et al., 2000). It seems evident the need to have a careful HRM by specialists in this area. This is not however, an option to many SMEs that manage their employees resorting to a work force specialized in other areas, such as economy and management areas (Klaas, McClendon & Gainey, 2002; Marlow & Patton, 1993; Welch & Welch, 1997). This may be due to different factors including organization size, its limited resources or simply the non-recognition of HR as a valuable strategic resource (Fenwick, 2004; Marlow & Patton, 1993). When, in a SME context, this work becomes to be managed by specialized professionals, these may be confronted with a series of difficulties associated not only to the inheritance left as regards HRM (with some implemented and rooted policies), but also to the absence of clarity of its role in the organization. *How do employees perceive the role of the organization new element? Does top management real recognize HR manager role as an all or this is reduced to an administrative / bureaucratic work? Or, worse, the organization itself wishes that HR managers assume the role of a modern 'foreman'?* According to diverse studies, by comparison with large organizations, there is a better chance that SME policies and practices can reflect top management ambitions and aspirations (Bacon, Ackers, Storey and Coates, 1996; Hill & Stewart, 2000; Marlow & Patton, 1993) becoming clear its role in HRM. Associated to this reality, many studies have verified that HRM policies in SMEs tend to be informal (Bacon et al., 1996; Cardon & Stevens, 2004; Hill & Stewart, 2000), ad hoc (e.g., reactive), through trial and error and centered in short term problem resolution (Anderson & Boocock, 2002; Cassell et al., 2002; Hill & Stewart, 2000; Marlow & Patton, 1993). This is in this context that SMEs HR managers move.

Summarized some of the main challenges which are set to HRM in SMEs, let us see, now (and not considering the organization size), those that organizations, in an international context, face. It is crucial to refer that internationalization implies a radical and global change in the way how to manage the employees (Brewster, 2011; Rego & Cunha, 2009). Change doesn't can happen just in the HR manager mind; it needs to cover all the organization, from the bottom to the top of the hierarchy. HR managers ought to substitute their local and static 'lens' by others more global, flexible and dynamics and drive this change in all the organization. Only by this way is possible to effectively manage people that move to new environments with a set of cultural, social, politics and economics specificities. This is in this scope that IHRM appears which 'mean to the establishment of a set of principles and rules to the management, with success, of people in an international context' (Camara, 2011, p. 33).

Adding, now, to internationalization the SME item, we understand that in the scope of this kind of organizations these demands in what concerns people management in an international context, can imply a deep restructuring in its work, just beginning by HRM role. So, and following this reflection, we can suppose that the internationalized SMEs will be 'obliged' to adapt its HRM systems, moving away from those that develop their activities only in national contexts. *But, is it really this what happens? Do SMEs with international strategies, in virtue of its own internationalization process, have more formal, proactive and long term HRM policies, than the remaining SME universe? Or, on the other hand, will they maintain its characteristic way of HRM? And will it be possible for them, even so, to survive in international markets?* Although not directed to HRM, Baird, Lyles and Orris (1994) verified, in their study, that small organizations internationally oriented tend to have formal planning systems of its strategies. *Does it occurs the same with HRM?* According to Camara (2011) 'the majority of Portuguese organizations adopt casuistic solutions, not having a well define expatriation politic (...).' In a study developed by AEP (2013) about the expatriation process management policies and practices, in a diversified set of organizations (SME included), 55 from the 70 organizations that were invited to become a part of the study, declined the invitation due to the inexistence of any defined practices and/or policies or by not make publicly available this information. *Will it be too this the international reality?* In the following pages we will look to understand, in a deeply way, how SMEs effectively manage their expatriates in some of the critical HRM processes, which will allow to clear up some answers to the questions above. Although the relevance of all HRM practices in the expatriation process, including compensation system and family support management that has been considered, by the literature, crucial to the expatriation success (Causin, Ayoun & Moreo, 2011; Cheng & Lin, 2009), in this chapter we will give a special attention only to four HRM practices, namely, *Recruitment and Selection, Training and Development, Communication and Performance Appraisal.*

5.1 Recruitment and selection

How do SME recruit and select their employees? And what about the specific case of expatriates selection, is this a similar process?

Recruitment and selection processes, being the process that looks to attract, select and take on the candidates with the organization appropriate profile, is a complex and crucial process to the organizational success. This process has been understood as particularly critical to the international missions' success (AEP, 2013; Cheng & Lin, 2009; Lin, Lu

& Lin, 2012), specially to SMEs which, not having so many resources to expatriates' training and support (Golhar & Deshpande, 1997; Lin et al., 2012; Mol, 2005), have an additional need in select the best professionals that ideally will be able to succeed, even without the necessary organization support (Lin et al., 2012).

First of all, and before any other consideration, we should note SMEs talent attraction and retention difficulties, which has been pointed out in many studies (Barber et al., 1999; Cardon & Stevens, 2004). Indeed, considering their smaller competitive power, small organizations seem to be less attractive to the employees that prefer to place their competences in bigger markets (Barber et al., 1999). SMEs, above all the smallest, enter, by this way, in a recruitment and selection process with this immediate disadvantage.

Departing with this disadvantage to the talent competitive race, how do SMEs recruit and select their employees? Research has showing that when SMEs need to recruit new employees to belong to the organization, they do that, above all, through the organization informal channels, especially among top management network or through their employees referring (Barber et al., 1999; Cassell et al., 2002; Marlow & Patton, 1993). This way, organizations further restrict their options to choice, being limited the opportunity, for potential talent, to accede to them. Obviously SMEs also make use of formal channels but in a micro, convenient and economic dimension, using, among others, spontaneous applications, local journals advertisements (Cardon & Stevens, 2004). In what concerns expatriates selection, that will be affected to international missions, this occurs especially through internal recruitment, in other words, the choice is made among the organization existent employees (AEP, 2013; Cheng & Lin, 2009; Remondes & Vinhas, 2014) which, as we have seen before, have been selected from a very limited range of options. *More exactly, how is this selection developed? What selection criterions are used?*

Research has been showing that organizations (without a distinction between SMEs and large organizations) proceed to a direct choice of its expatriates based in their experience and previous performance in organization. Harvey and Novicevic (2001) proceed to an extensive literature review about expatriates' selection and verified that technical competence was, indeed, used as primary selection criterion. The preferred use of these criterions is based in the generalized belief according to which a successful employee in his/her own country, is naturally qualified to develop his/her work in any other country (AEP, 2013). However, assume that what one person do in the national scope can be easily

replicated to the international scope is a huge error. At the international scope, expatriate needs to be able to deal with a new situation, far from home organization and house, in a different culture. To limit the selection process by this way, can, not only, increase the international mission failure (Cheng & Lin, 2009; Jayasekara & Takahashi, 2013) as, on the other hand, can influence home organization performance that can be removing key employees from national market (AEP, 2013). Lin and colleagues (2012) verified in a literature review, which included studies with occidental organizations (SMEs and others) and Taiwan organizations (SMEs in majority) that, while in the first case there were a strong preference by hard skills (technical competences), in the second situation the option goes to soft skills (personal / behavioral competences). In a study developed by AEP (2013) with 15 organizations (including SMEs), the authors observed that organizations consider not only technical competences as well as personal and behavioral competences, such as adjustment to new cultures/realities, ability to new challenges / flexibility / change adjustment ability. Pinto (2011) verified in a study with a medium size Portuguese organization that it doesn't exist, strictly, an expatriate selection process. It was a matter of natural 'choice', since these employees were, yet, involved in other internationalization processes, expressed their interest in participate in international missions and were recognized their technical and personal competences. On the other hand, Remondes and Vinhas (2014) studied two Portuguese SMEs and verified that although both of them established the expatriates' selection criterions, one only valued management competences.

These summarized data about expatriates recruitment and selection, allow us to identify some general conclusions about this process relevance to the mission success as well as about the importance to give to soft skills when chose the most appropriate persons. It remains to be seen, exactly, how SMEs chose its expatriates. *Is there a single answer? Or should it be adjusted to each SME reality? Will it be possible to implement the 'universal' competences widely identified by research, without consider to the different exigencies that could be established in different regions of the world as well as in different functions?* Some researchers (e.g., Causin et al., 2011) have been dedicated to the study of these issues, showing us that the universalistic trend should be replaced by a contingent one. It is necessary a deep analysis of this issue. It will be also left here other issues that need to be explored: *Not having SMEs the same culture and resources of a large organization, will be its employees willing to leaving their cultural ties to embrace a mission away from home with all the associated unpredictability?* It is reasonable to assume that this will be one of the first

obstacles find from several SMEs. *How these organizations overcome it? And what about the family?, have organizations any concern in insert them in the selection process in order to evaluate the existence of family problems impossible to manage?* As we have seen before, family as a crucial role in this process, so that these issues can't be neglected. Finally, we leave one final question that was raised in some studies, needing to be explored: *In organizations with few resources an effective selection process may fill training absence and of other kind of support during the mission?*

5.2 Training and development

Do SMEs concern with their employees training and development? And what about expatriate employees?, What kind of training, with what extent and in what way is training developed?

Literature has been showing that one of the critical factors to an international mission success relates inevitably with the development of specific competences to be mobilized by future expatriates (Chew, 2004; Gulbro & Herbig, 1996). The kind of training program to choose and its extent should change according to items like employee characteristics to be involved in the mission, mission period, differences between home and host country (Chew, 2004). It is consensual in the literature the relevance of intercultural training (Chew, 2004; Rego & Cunha, 2009), being also consensual that one of the main failure factors are intercultural adjustment difficulties, as previously mentioned. The aim of this kind of training is to minimize a possible cultural chock and, by this way, prevent an anticipate return to the home country. Besides, training programs can include language training and educational programs of technical competences development in areas like management, leadership, negotiation, strategic planning, international marketing (Causin et al., 2011; Chew, 2004; Rego & Cunha, 2009). It is also crucial to refer that, considering the family relevance in all process, many authors defend the need to extend training to all the family that will follow the expatriate (Camara, 2011).

Training can occur in a classroom or, in a less traditional way, through coaching and mentoring programs (methodologies which highlight the individualized relationship and development), immersion programs in foreign cultures, participation in transcultural teams, among others (Causin et al., 2011; Chew, 2004; Rego & Cunha, 2009).

In a general way, studies about training and development process of SMEs non expatriates employees, have allowed to understand that training practices in this type of organizations tend to be developed according an ad hoc approach, that is, answering to specific needs that

are identified over time and not in a systematic and strategic way (Cardon & Stevens, 2004; Cassell et al., 2002; Hill & Stewart, 2000). In a literature review implemented by Cardon and Stevens (2004), the authors verified that in small organizations tend to prevail less structured and informal training processes (e.g., knowledge transfer, instructions).

Literature about employees' preparation training to international missions goes to meet these ideas. Training not always is considered a priority, especially to SMEs with limited resources, reason why systematic and formal training is not much common (Gulbro & Herbig, 1996; Jayasekara & Takahashi, 2013; Lin et al., 2012; Lin & Wei, 2005). Remondes and Vinhas (2014) verified that in one of the two studied Portuguese SMEs, training was provided only to one of the five expatriate employees. In the study implemented by AEP (2013) with SMEs and large organizations, it was observed that the organizations majority doesn't have a structured training program; however, they invest in the development of some competences according to employees' needs.

Considering the great diversity of available training, what is the SMEs chosen training? In his study in a medium size Portuguese organization, Pinto (2011) verified that the preparation training of future expatriates had centered in linguistic and of legislation competences and even this was considered insufficient from employees. Equally, AEP (2013) study identified linguistic competences as one of the preferred training areas simultaneously with information and communication technologies. In both studies exists a clear negligence of cultural adjustment. In a literature review that lin and colleagues (2012) developed with occidental organizations (SMEs and large organizations) and Taiwan organizations (especially SMEs), the authors verified that while in the firsts training was more directed to specific competences development related with the function, in the second ones were, yet, considered transcultural competences. Finally, in AEP (2013) stud, it was observed that the overwhelming majority of organizations used face to face training. The use of methodologies as e-learning, coaching or mentoring was very residual.

5.3 Communication

Do SMEs have resources (human and material) to create effective communication network? Being the expatriate geographically distant from home organization how is communication between the organization and the expatriate managed? Can SMEs make full use of the closer relationship which, right from the start they could, yet, maintain with their employees, or this relation is lost with the physical hiatus that separate them?

The organization's support work doesn't finish in the moment when the expatriate goes in the international mission. Indeed, the mission success doesn't depend exclusively from a good selection and preparation. It is imperative that home organization follows its expatriates during all the process, with a special emphasis at the initial phase of adjustment and integration (Agard & Mevel-Pla, 2011; Rego & Cunha, 2009). Considered, in a national perspective, as an intrusion in the employee private life, the organizations concerns related with the expatriate's family is critical in the expatriation process. In other words, in what concerns the expatriate, this intrusion is need, and more than that, indispensable since it will allow the home organization to more effectively answer to the expatriate real needs (Agard & Mevel-Pla, 2011).

An effective monitoring inevitably requires an effective communication system, too. Literature has demonstrate, in a systematic way that SMEs communication networks are more direct and shorter, in a result of a hierarchical system also shorter and closest (Bacon et al., 1996; Welch & Welch, 1997). Clearly this face to face communication system can't be maintained in this way with a displaced employee. *So, in such situations, how is managed the communication between the SME and the employee?* According to the study implemented by AEP (2013) with SMEs and large organizations, the majority of organizations don't have procedures or structured tools aimed to communication with the employee. Although not structured, communication occurs mainly through information and communication technologies. From the obtained results is still clear that there exist a limited availability of relevant information about home organization (when it exists, indeed). Besides, it should be noted that, in these communication processes, the organization focuses in the aims and goals set out to the mission. In what concerns the study developed by Remondes and Vinhas (2013), from the two studied SMEs, authors present results about the communication system only to one of them, reporting to this one that it proceed to a regular communication with the employee using the *internet* and telephone. Besides, meeting the previous study, they are not reported to the employee changes which have occurred in the home organizations. In what concerns to the study of Pinto (2011), with a SME, the author says that during the adjustment phase, organization had promoted trimestral meetings and have realized mensal live meeting with the employees. Finally, they report that exist a constant feedback from the organization side and that the expatriates can contact the home organization whenever they desire.

These results are elucidative about the communication process that occurs in SMEs with its expatriates. However, more studies are needed in

order to better understand the communication channels used by SMEs, the contact frequency that the organization establish with the expatriates, which are the experienced difficulties and how they are overcome (e.g., *How is communication managed when the employee is expatriated in a country with a huge difference in the time zone?*, *How is communication managed with the employee in an organization with limited information and communication technologies?*).

5.4 Performance appraisal

Does SMEs have any concern about Performance Appraisal of its employees, in generally, as well as its expatriates? How is this performance appraisal operationalized?

Performance appraisal is a crucial part of any work, considering that it allows to identify employee gaps and areas with a higher potential and explore both (Camara, 2011), including expatriates (Fenwick, 2004). However, in an international context, this process has many specificities that might appear as highly challenging, especially to small organizations. There are, indeed, a set of issues that make difficult an expatriate performance appraisal, namely the difficulty in knowing the work developed by the expatriate, the difficulty in choose who is going to develop the assessment (home organization or the subsidiary), the difficulty in choose assessment criterions congruent with both backgrounds (from home organization and from the subsidiary), the communication difficulties with the expatriate (Briscoe, 1995). At the same time, this assessment must cover a diversified set of parameters, not only those that are directly related with the aims of the business, but also those that are associated to the expatriate behavior (e.g., intercultural adjustment, leadership ability). Besides, it doesn't ignore contextual variables (e.g., the subsidiary market situation) (Brewster, 2011; Cheng & Lin, 2009).

Empirical data available about performance appraisal of SMEs non expatriates' employees suggest that only some of these organizations assess its employees. Besides, the way they interpret and operationalize the assessment process (including employees that evaluate and tools they use) is too diversified and tend to be informal (Cassell et al., 2002; Hill & Stewart, 2000). *Does the assessment of displaced employees follow this tendency observed in the subsidiary employees' assessment? Or, on the contrary, considering the strong investment in the expatriates and their relevance to the internationalization process exist a high concern with their assessment?* Brewster and Harris (1999, p. 9) in their literature review, reveal that paradoxically 'Given that expatriates are among the most expensive

people that an organization employs, it is surprising how little is known about the assessment of their performance and contribution.' *Is this generic observation of Brewster and Harris present in SMEs?* Remondes and Vinhas (2014) in their study with two SMEs concluded that, although they proceed to the assessment of their expatriates, this assessment was realized by the home organization recurring to the results obtained in the international mission. Pinto (2011), by his time, verified that the studied SME foresee quantitative and qualitative assessment mechanisms in order to assess the individual results obtained relatively to the established aims. In its study with SMEs and large organizations, AEP (2013) verified the existence of consolidated assessment procedures, with clearly defined and communicated aims and respective measure indicators. Besides, the obtained results were aligned with the compensation procedures.

As we have concluded in relation to the other HRM practices, also here a deep research is needed. None of these three last studies implemented in Portugal answer to all our operationalization questions and its impact in the assessment process. *When is the assessment implemented? By who? Recurring to what tools? What are the established aims? What is the performance appraisal impact?*

6 Conclusion

The present study had contributed to obtain some understanding and, above all, to reflect about the way how SMEs manage their expatriates. There were left some answers and many other questions. Even the left answers should take into account the existent limitations of the empirical studies in this research area. Many researchers have been giving a special attention to case studies in order to understand SMEs. This is useful to have a wider vision of SMEs reality; however, it makes impossible to generalize the obtained results. Different data that were presented in this chapter result from different studies and can, eventually, be applicable to many organizations, but certainly not to all, reason why is of crucial relevance to maintain as background this idea of diversity. It is added, at a methodological level, the fact that some studies were based only in auto-relate tools, with various limitations (e.g., Remondes and Vinhas, 2014). So, it is essential maintain present the idea according to what the appropriation that we made from the reality is always limited.

Research about SME expatriation process has, still, a long course to cross, a challenging and exigent course, but essential to obtain a more precise and complete picture about the way how SMEs manage this

process. It is no exaggeration to state that research of this specific reality is still at the embryonic stage. For this embryo be established and grow conveniently researchers need to look to SMEs and to SMEs expatriate process, keeping present its great diversity. Indeed, it is essential don't forget the great diversity of organizations that are associated to SMEs label. This is, undoubtedly, a sector of great heterogeneity, in which we can include organizations with dimension and business areas very different, in different phases of their life cycle, with different organizational cultures and roots (family or no family) and from diverse cultural contexts, resulting that all this issues can influence these organizations HRM (Cassell et al., 2002; Causin et al., 2011; Klaas et al., 2002; Rutherford, Buller & McMullen, 2004). If to these variables we add, for example, the internationalization process stage where SMEs are (Monks, Scullion & Creaner, 2001) and the expatriation / expatriate country culture (Lin & Wei, 2005; Rego & Cunha, 2009) we will obtain a real melting pot. So, we need a higher number of studies that contemplate this diversity and allow us to accede to a vision more and more wider and understandable of these different realities.

Notes

1. Considering the generalized economic context of the recession, it is reasonable to suppose that these numbers have increased during the last two years.
2. These definitions can be find at <http://www.priberam.pt/dlpo/expatria%C3%A7%C3%A3o>

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