Sinikka Vanhala – Merja Kolehmainen
(eds.)

HRM – BETWEEN PERFORMANCE AND EMPLOYEES

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CONTENTS

PART III: HRM, EMPLOYEE ATTITUDES AND ORGANIZATIONAL BEHAVIOR

PREFACE

Sinikka Vanhala & Merja Kolehmainen

Increasing competition, globalization of companies and businesses, and the continuous change in markets and technology, with the idea that human capital is one of the most critical components of strategic success, are the principal reasons for the transformation of human resource management. The change from prior administrative role (personnel administration) to the role of HRM as a strategic partner in top management group is huge. Paul A.L. Evans stated in 1984 that *"HRM is typically used as a vague umbrella label for human and social problems in organizations"*. HRM was thus related to human issues and social problems, while in the late 1990s. HRM was increasingly expected to contribute the bottom line.

Where are we now in HRM - company performance debate? Generally speaking, there is a lot of evidence of the positive relationship between HRM or HR practices and organizational performance. However, the correlations and explained variances have remained relatively low, and the criticism is primarily focused on *"time, cause, and individuals"* as Wright and Hagerty (2005) have defined the bundle of problems. The general assumption seems to be that HR practices are the cause and organizational performance is the result. However, there are indications of the reverse causation: successful and profitable organizations own slack resources, which they may share with employees. It means that a dual causality may exist, or there may exist a one-way relationship to both directions. Another critical observation is related to individuals. HR practices are directed to individual employees, and the chain from HR practices to organizational performance goes through employees to operational performance, profitability, and further, to shareholder value. This mediating mechanism is called a 'black box' covering the intervening factors between HR practices and company performance.

In many cases, company HRM has a positive impact employee attitudes and well-being, while the relationship between employee well-being and company performance is much more complicated (Harter et al. 2002). Well-being and satisfied employees are expected to be innovative, motivated and committed. However, there is a plenty of examples indicating that especially in company crisis situations there may be strongly ill-being employees with high performance figures.

The theme of the conference "HRM - Between Performance and Employees" refers not only to the ideal of HRM as a provider of competitive advantage and employee well-being, but also to the basic contradiction between company targets and employee needs and expectations confronting the HR professionals and scholars, as well. Or should we say that it is not a question of a contradiction at all; it is a question of a double target of HRM. It is true that the history of HRM consists of many contradicting elements ranging from prior (heated) debate on personnel administration vs. (strategic) human resource management, practice-level activity vs. scholarly discipline, to the distinction between 'hard' and 'soft' models of HRM and further to Noon's (1992) widely referred question whether HRM is "*a map, a model or a theory*." Is it only "*old wine in new bottles*" (Legge 1995), practice-oriented administration of personnel issues, or a rhetorical innovation to "talk-up" HRM as a coherent new strategy to achieving competitive advantage? Our answer is 'yes' - and 'no'; HRM is probably all this - and much more than that.

Referring on John Storey's (1995:5) definition of HRM: *"Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques"*, we want to emphasize the importance of employee-level HRM targets (e.g., employee well-being,

commitment, and satisfaction) together with the company-level targets (e.g., profitability, productivity, and competitive advantage). Today, the HR managers and academics have widely internalized the role of HRM in enhancing company performance. Instead, the role of HRM as a guardian of employee well-being is less in favor among scholars and practitioners. The critical articles on the relationship between HRM and company performance (Guest 2002, Wright & Haggerty 2005) call for building employees into the HRM – performance equation.

The papers included in this conference proceedings cover a wide range of topics, approaches, disciplines and empirical research designs forming thus a piece of a larger HR mosaic. Altogether 18 papers are grouped into three major topic areas: I: Impact of HRM on company performance and employees, II: HR practices, and III: HRM, employee attitudes and organizational behaviour. The papers offer an inspiring journey through sociological and philosophical debates back to more traditional discussions and interpretations of HRM, HR practices, performance, and employees. The papers cover both the academic rigor in argumentation and the practice-level needs for better understanding of HRM in the organizational and business context.

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PART I:

IMPACT OF HRM ON COMPANY PERFORMANCE AND EMPLOYEES

1. SOCIOLOGICAL PERSPECTIVES ON ECONOMIC PERFORMANCE AND EMPLOYEE WELL-BEING

Raimo Blom and Tero Mamia

ABSTRACT

In our research we set out to research organizational success from a wide social scientific perspective. Our argument is that organizational success should be analysed as a totality incorporating both economic performance and social well-being. As sociologists we are to an extent critical of traditional managerial thinking. The criticism is directed in particular at the economic rationality and the "thinness" of the social dimension. This applies both to the narrow concept of well-being and the conception of employees as "human resources" instead of "complete human beings".

Our empirical research is based on a sample of 106 Finnish work organizations representing all sectors of economy and all geographical areas. The research material consists of an employee survey data coupled with organization level variables (N=1177) and qualitative interviews of managers and shop stewards or other employee representatives. We are confident that the inclusion of both employer (organization) and employee perspectives - both in qualitative and quantitative form - in one representative data, provides a more complete view on organizational reality, than is the case in most social scientific, economic or managerial research on work and organizations.

In the paper we analyse the connections between economic and social success and organizational processes. Our research indicates that economic and social success do indeed correlate positively. However, this relationship is not particularly strong and by no means mechanical or linear. Work organizations do differ in significant ways, even within a certain line of business. At best investments on employee well-being, which build trust and commitment, can have real economic value by increasing the efficiency and innovation capacity of the organization. In some cases economic success can also be achieved at the cost of employee welfare but this rarely is a sustainable strategy. We also emphasize the need for further comparative research on organizations and organizational strategies.

INTRODUCTION: THE FRAMEWORK

Management literature emphasizes concentration on core functions as a key strategy for companies in adapting to intensified competition and to quickening pace of structural and cyclical changes in the economy and society. Another emphasis in the literature is on knowledge management and production of intellectual capital as key corporate strategies in gaining competitive advantage. (Edvinson & Malone 1997, Roos et al. 1997, Stewart 1998, Prichard et al. 2000, Nonaga & Nishiguchi 2001). The primary focus in the creation of intellectual capital is on fluidity of social relations and interactions within the organization. This is the background for the renewed interest in the so called *high-trust workplace* that Alain Fox (1974) introduced quite some time ago. Concepts such as corporate culture, social capital, trust, commitment and high-competence management have become central to this discussion (Nahapiet & Ghoshal 1998, Boxall & Purcell 2003, Ruuskanen 2003, Halpern 2005).

As results of these new developments work organisations also change. In Castells' (1996) concepts there is a shift from *vertical bureaucracy* into *horizontal corporation*. The organizations of the information age are characterized by: (1) organization around the process rather than the task, (2) low hierarchy, (3) teamwork, (4) evaluation of performance by customer satisfaction, (5) incentive pay systems based on team performance, (6) maximization of contacts with sub-contractors and customers and rapid flow of information, and (7) training and retraining of employees in all levels. Castells' analysis should be seen more as a prognosis than an accurate description of current reality. Groth (1999) reminds us that the changes in the organization of work induced by environmental pressures, enabled by new technology, and facilitated by changes in managerial thinking are still constrained by the basic human needs and capacities. He sees that rather than a borderless virtual organisation, the future of work organisation is dominated by what he calls a *flexible bureaucracy*, which is largely based on the 'machine bureaucracy' but that utilizes extensively information technology.

Finland has been considered a model of information society development (Blom et al. 2001, Blom & Melin 2003, Castells & Himanen 2003). At the same time Finland has also experienced very rapid societal change. From the deep economic recession of the 1990's the country moved into a record-fast economic growth at the end of the decade, then to a period of stagnation (or slow growth), and now again into an economic upturn. The basis for the growth of 1990's has been increased productivity of work, in particular in manufacturing. This has been attributed to the "creative destruction" of the recession which wiped out non-productive firms and jobs. This post-recession growth has been accomplished with smaller labour force and fewer working hours than ever before (Jalava & Pohjola 2004). However, the economic benefits of the post-recession economic upturn have not trickled down throughout the society: welfare services have been cut down, income differences have grown, mass unemployment and low work-participation rates have persisted (Uusitalo 1998, Heikkilä & Karjalainen 2000, Julkunen 2001).

This has created a foundation for relatively conflictual change process in working life. Similar conflict and confusion is seen in the literature on change in work and organizations. On the one hand there is emphasis on the possibilities of the new flexible forms of work and of trust-based management in producing both increased efficiency and more satisfying jobs. On the other hand, there are descriptions of intensification of work and increasing work related exhaustion (e.g. Siltala 2004). Both accounts may be correct but are insufficient on their own. It is obvious that in these circumstances, the companies' economic success and the well-being of the employees do not necessarily go hand in hand. However, our argument is that there is internal differentiation in the work life and that organizations do differ. The central questions that we want to address in this paper are to what extent economic performance and the welfare of the employees are connected and under what conditions both can be achieved. We maintain that when speaking about organizational success both economic performance and employee well-being should be addressed. This perspective entails seeing companies as aggregations of multiple organizational processes.

A CRITIQUE OF MANAGERIALISM

In organisation theory economic and sociological approaches have often been antagonistic and in competition with each other (Swedberg 2005: 324-). It not only different perspectives, but completely different premises and a different language, which has made dialogue between the disciplines so arduous. From the sociological point of view, particularly the assumptions on economic rationality (rational choice theory) and the construction of organization concept based on micro economic principles (organizational economics) have been limitations. From the point of view of the research questions here (performance and well-being) the central limitation of economic approach is the "thinness" of the social dimension (cf. Barley &

Kunda 1992, Zey 1998). The advantage of sociology is its interest in social organisation, including informal organisation, interaction and the social problems of working in organisations; in short, extensive concept of social.

A related problem with economic mainstream thinking is the narrow concept of human well-being, dominated by the utility theory. In the utilitarian theory well-being equals satisfaction of human needs which most often are reduced to economic resources, even if there are some who have a wider conception of the spectre of human needs (e.g. Griffin 1986). We agree with those theorists who see well-being as multidimensional. Furthermore, we argue that the social dimension is important for individual well-being and that well-being is ultimately a subjective experience.[1] These need to be measured as well. This is concordant with the current European orthodoxy of the *quality of life* –perspective (Böhnke 2005). Well-being is made of sufficient material resources and living conditions, of social relationships that provide emotional support, of a sense of belonging (social identity) and of accomplishment or a collective purpose. Essential to well-being are also a degree of autonomy, freedom of choice within a certain social and normative structure, and in general a sense of recognition as complete human beings with "dignity" (Allardt 1976, Jahoda 1982, Griffin 1986, Hodson 2001b).

In addition, although some managers would like to believe that, work is not a separate enclave from the rest of individual lives. For this reason it does not make much sense trying to identify well-being at work as somehow separate from overall human well-being. We may of course analyse what in the domain of work undermines or contributes to well-being. If we want to concentrate on individual subjective experience of work, we can speak of job satisfaction, which contributes to well-being, but is not synonymous to it.

Our main concern as sociologists lies in the social consequences of organizational change. The perspective is not "how to best utilize human capital for corporate success", but rather "how to successfully manage organizations while maintaining employee well-being". The edge of the sociological critique is directed – besides the "thinness" of the social dimension – towards the managerial preoccupation with corporate success and (short term) economic profitability. This criticism has both practical and moral foundations.

Managers claim to act in economic rationality. The professional ideology of managers assume that they have the knowledge and capacity for economic efficiency. However, the research evidence for this claim is lacking (see Fevre 2003: 99-129). The logic of the markets does not seem to be quite as simple as is often thought. Economist John Vickers (1985: 138) has realized this commenting that on markets in which companies are inter-dependent "it is not necessarily true that maximum profits are earned by firms whose objective is profit-maximization".

Miller (2001: 327-329) writes that in essence company managers are disciplined as never before to act in the interests of owners (shareholders). This has resulted in aggressive economic rationality which aims at short term cost-efficiency to attract investors. Miller argues based on a number of extensive empirical studies that although stock markets tend to respond positively to downsizing, there is no clear positive effect on productivity in the long run. The "moral hazard" with downsizing – and in general with "economic rationality" that does not pay attention to the social aspect – is that even the initially efficiency-enhancing rearrangements may be called off by employees who, as a results of markedly eroded security, lose trust in management, loyalty toward the company, and hence motivation to work.

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[1] To be fair, some economists have taken the subjective well-being seriously (cf. Frey & Stutzer 2002)

This is the more practical argument, which has been taken seriously. In much of the recent management literature there is an understanding that in the conditions of flexible work and innovative knowledge production, trust and commitment to the company do play an important role. If we think of an organisation as an "engine" then commitment could be seen as the "fuel" for that engine. Commitment provides the organisation it's driving force in the form of motivation and 'extra-role' or 'organizational citizenship' behaviour. Trust, then, would be the "lubricant" that guarantees the efficacy and efficient functioning of that engine. There has been a lot of interest around concepts such as flexible work arrangements, high-trust organizations, corporate culture, participative management and team organization, which seem to promise a consolidation of company and employee interests. What the workers gain is the increased autonomy, better possibilities for personal development and empowerment in working life. In turn the company gets motivated and involved workers (Nahapiet & Ghoshal 1998, Boxall & Purcell 2003, Halpern 2005).

There is however, also a more profound moral criticism. Many ethnographic studies (Kunda 1992, Casey 1995) have been skeptical about this idea of mutual gain. They perceive culture and trust as having become management tools, more subtle forms of control aimed at ensuring workers pursue company goals in the belief that these are also their personal goals, intimately tied up with their self-fulfillment and self-development (Ezzy 2001: 632-634). Ezzy calls this kind of intentional manipulation of worker attitudes "engineering culture" (following Kunda 1992). The workers are encouraged to trust the company and to believe the rhetoric of the family and the team, but the atmosphere of trust is not genuine, it is just a means to an end (profit making). "Engineered corporate culture provides a simulacrum of trust. The communal relations of workplace family and team are supposed to inspire confidence and reliance on the corporation, but the corporation does not reliably reciprocate employees' trust" (Ezzy 2001: 637).

Although "engineered workplace cultures" may allow more efficient production of goods, they do so at the cost of individual dignity. The major moral criticism is that people are treated as "pairs of hand" rather than as "complete human beings" (cf. Jahoda 1982: 86), as "resource" to be utilized for corporate profit. This is bound to undermine human dignity (Hodson 2001b) and well-being.

It should be noted however, that this kind of engineering of organizational culture is not yet a dominant managerial strategy. Furthermore, it should be born in mind that organisations do differ. There are not and there cannot be – contrary to what many consultants seem to believe – simple solutions or universal best practices in corporate success or employee well-being. Trust-based management is an advantage in innovative knowledge production, but mass production and routine like tasks can well do without it. This does not mean, of course, that increased trust or increased employee satisfaction would do any harm for the organisations even if there are no immediate profits to be gained.

VARIETY OF ORGANIZATIONS AND WELL-BEING OF THE WORKING COMMUNITY

Work organizations do differ not only in terms of their function and tasks, but also in terms of their formal and informal organization. There are also differences in how well the organizations have adapted to the internal and external challenges. Not all organisations have adapted equally well. Ranki (2000) studied one of these *crisis organizations* during the long recession period of 1990-1996. The case organisation was a large internationally operating Finnish enterprise in energy sector. During the research period several personnel retrenchments were made and organizational rearrangements carried out in order to adjust to the recession. The special merit in Ranki´s study is the analysis of the coping strategies of

different personnel groups and the effects of these. She also addressed the question of why the downsizing did not produce expected positive results.

Ranki observed that the personnel groups had indeed different coping strategies. Top-executives' strategies were clique forming, power games and mutual competition aimed at securing their individual position. Technical experts emphasized their autonomy, technical knowledge and competence, and were ready to downgrade their ambitions in order to preserve their jobs. The blue-collar employees emphasized time pressures and the importance of their work. Their whole orientation to development projects was highly skeptical. The general result of these different coping strategies was the decrease of involvement and overall sheltering in an attempt to secure one's own back. Reorganizations led to segmentation of organization, use of scapegoats and a general atmosphere of insecurity and mistrust. The level of co-operation decreased and the accumulation of learning became nearly impossible.

Randy Hodson (2001) analysed a larger number of organization ethnographies in terms of organizational practices and performance: 84 ethnographic studies were retained for final analysis. The ethnographies provide relatively complete information on the organisations, the nature of the labour process, and workers' actions in response to the changes in the workplace. The dependent variables in Hodson's study (2001: 222) were measuring resistance, accommodation behaviour, and organizational citizenship. Eventually, the organisations could be classified as disorganized (29 cases), unilateral (44 cases) and participative workplaces (36 cases). The *disorganized workplaces* are mostly organizations in crisis with poor management, economic performance and job security. The *unilateral workplaces* were those with rationalized and hierarchical work organization based on direct supervision and unilateral management control. The *participative workplaces* were craft organizations, professional organizations and organizations with explicit worker participation schemes.

Hodson's (2001) study confirms that there are major divisions in organizational types that also bear consequences on employee behaviour and attitudes. The main division is between "disorganised workplaces that encourage active resistance and accommodation behaviour and participative organisations that encourage citizenship behaviour. Each of these forms is present in contemporary economy, and each appears to have its own dynamics and logic." (Hodson 2001: 226). Hodson's research thus validates the claim that participatory or high-trust type of organisation and management induce high levels of citizenship behaviour. Somewhat surprisingly the unilateral or 'top-down' organisations do not seem to encourage accommodation behaviour or resistance like in the disorganised workplaces.

Ranki and Hodson point to the conclusion that organizational crisis, disorganization or mismanagement do lead to worker resistance, but do not lead to worker solidarity in opposition of management. Rather, in crisis or disorganized state workers turn against each other trying to shelter their own position. Further, since the share of "disorganized" workplaces in the ethnographies reviewed was quite high, although the sample is in no way representative, we can suspect that disorganization and every-day crises may be more common than sometimes thought.

In Finland a recent comprehensive research project in which the differentiation of work organizations is demonstrated is the analysis of 'proactive enterprise' (Antila & Ylöstalo 1999, 2002). The study examines the differences between so called proactive enterprises and traditional workplaces. The proactive workplace bears a high resemblance to what Hodson (2001) called participative workplace. In addition to employee participation and autonomy they are characterized by future orientation, functional flexibility, and in-firm training. Antila and Ylöstalo assert that the proactive concept bears a promise of reconciling economic

performance and employee well-being, having at least tentative empirical foundations for the claim.

The common observation is that organizational practices and management style do affect employee well-being as well as economic performance. Poor economic performance can be caused by faltering trust and loyalty due to poor and unjust management. On the other hand, poor economic performance can of course result from things external to management, such as poor quality of actual products or services or downturn on the markets, which then undermines social well-being as well.

DIMENSIONS OF WELL-BEING AND FINNISH WORK LIFE

Our empirical research is based on a sample of 106 Finnish work organizations representing all sectors of economy and all geographical areas.[2] The research material consists of an employee survey data coupled with organization level variables (N=1177) and qualitative interviews of managers and in some organizations also shop stewards or other employee representatives. We are confident that the inclusion of both employer (organization) and employee perspectives - both in qualitative and quantitative form - in one representative data, provides a much more complete view on organizational reality, than is the case in most social scientific, economic or managerial research on work and organizations.

The quantitative data allows for multiple measures of well-being at work. We are in particular interested in the social aspect of well-being, in other words, the working atmosphere or the *well-being of the community*. This is measured primarily by the levels of trust in the organisation, which includes two dimensions: employees' trust in the management (vertical trust) and the trust between employees (collegial or horizontal trust). Furthermore, we use organizational commitment as an indirect measure of job-satisfaction and social integration. The measures of trust and commitment are factor scores from a factor analysis[3] of a total of 17 Likert-scale statements that relate to employee views on the organisation, management, the atmosphere at work, and fellow workers. "Organizational commitment" measures concrete attachment to the organization and the sense of pride about one's organization and the work one does. "Vertical trust" relates to the experienced fairness and involvement of organization management and to the perceived compatibility of management and employee interests. "Horizontal trust" is about the relations between the employees. In essence it measures the solidarity (or lack of it) and the well-being of the work community.

Recognition and fair treatment (vertical trust), solidarity and supportive social community (collegial trust) and social integration (organizational attachment) are essential components also in the welfare of a working individual (cf. Allardt 1976, Jahoda 1982, Griffin 1986). Together they constitute the social component of work-related well-being. On collective (organization) level we can interpret aggregate individual scores on all of these as an indicator of organizational well-being (working community). Therefore our primary general well-being indicator was constructed by simply adding up the factor scores of vertical trust, horizontal trust and organizational commitment. An average of individual scores was calculated for all organizations from which we had at least 10 respondents. This average score is called "organizational social capital".

On individual level well-being at work is measured by a constructed scale of stress symptoms (0-28) and a direct question on subjective job-satisfaction ("How much do you enjoy your current work?"), which is measure by five-step scale (from "very poor" to "very good").

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[2] However, only organizations with more than ten employees were included in the sample. The data is therefore not representative of the employees of small organizations (roughly one third of the labour force in Finland). For a detailed description of data (in Finnish only) see Uhmavaara et al. 2005: 13-26.
[3] Exploratory Maximum likelihood -factoring with Direct Oblimin –oblique rotation.

All of the measures and indicators of well-being have relatively strong correlations with each other (table 1). In part this is due to overlap in the indicators, but in some cases we can also suspect a causal relationship. The strongest correlation is between job satisfaction and organizational commitment (0,66). It is well imaginable that positive experiences and satisfaction in one's work will enhance commitment to work and organization. On the other hand, some of the correlations are not independent but only apparent and caused by third factors. For example fair treatment and "dignity at work" will definitely contribute to both vertical trust and job satisfaction and will possibly reduce work related stress. It also noteworthy that the correlations of stress level with other measures are lower than between the others, although still significant. This implies that individual and social components of well-being are indeed independent dimensions. In addition, stress can more often be caused by factors external to work. Yet the relatively high correlations indicate that stress – even when measured as frequency of physical symptoms – is indeed induced in part by experiences at work.

Table 1. Correlations (Pearson) of the indicators and measures of well-being.

	Organizational commitment	Vertical trust	Horizontal trust	Stress symptoms	Job satisfaction
Organizational commitment	1	,61(**)	,42(**)	-,35(**)	,66(**)
Vertical trust	,61(**)	1	,63(**)	-,30(**)	,47(**)
Horizontal trust	,42(**)	,63(**)	1	-,30(**)	,38(**)
Stress symptoms	-,35(**)	-,30(**)	-,30(**)	1	-,42(**)
Job satisfaction	,66(**)	,47(**)	,38(**)	-,42(**)	1

** Correlation is significant at the 0.01 level (2-tailed).

Now the question is whether there are significant enough differences between organisations to justify the comparative analysis. For this reason an analysis-of-variance (ANOVA) was conducted. In ANOVA the total variation of the variables is split into variation within categories and variation between categories. In this case we are comparing differences in well-being within an organization and differences in average well-being between organizations. The results show that there are indeed statistically significant differences in well-being between organizations although they account for only about 10-20 % of total variation. This means that the individual differences are still greater but the differences between organisations are still great enough to justify the comparative analysis. The differences remain while controlling for the economic sector or organizational performance. In addition, when controlling for personnel group (i.e. when comparing organizational differences only between workers in similar positions), the explained variance is somewhat higher (16-30 %). This is a clear indication that there must be something in the formal work organization, managerial practices or organization culture that accounts for the differences in well-being between organizations.

Table 2. Results from a one-way analysis of variance with organization as independent variable. Organizations with at least 10 respondents (61).

	Min	Max	F	P	Eta	Eta Squared
Social capital	-2,25	2,02	3,268	<0,001	,425	,181
Organizational commitment	-1,14	0,79	3,072	<0,001	,414	,172
Vertical trust	-0,87	0,93	3,853	<0,001	,454	,206
Horizontal trust	-0,83	0,81	2,818	<0,001	,400	,160
Stress symptoms	3,19	11,31	1,644	0,002	,316	,100
Job satisfaction	3,20	4,27	1,979	<0,001	,339	,115

ECONOMIC PERFORMANCE, ORGANIZATIONAL CHANGE AND WELL-BEING

In the following we will look into how companies, economic performance and changes in their performance are related to well-being of their employees. The measure on company economic performance (private sector) is a somewhat artificial sum variable constructed of the following subjective evaluations by organization management (scale 0-4):
• How have the markets of your company (unit) developed during the last three years?
• How has the turnover of the company (unit) developed during the last three years?
• Has the profitability (return) decreased or increased during the last three years?
• What is the level of profitability of this company (unit) currently?
However, in terms of its internal consistency the construct is quite reliable (alpha=0,78), even if the correlation between the development of turnover and current profitability is only 0,21 (p=0,095). The highest correlation is between development of turnover and development of markets (0,66).

Overall, as figure 1 demonstrates, there seems to be a positive dependency between economic performance and social capital. This means that on average work community fares better in companies that perform also economically well. A few reservations have to be made however. First of all, the relationship is not particularly strong and by no means mechanical. The correlation is 0,36 and the coefficient of determination (R^2) is 0,13. This means basically that there is 13% of co-variation. There are quite a few companies whose level of social capital does not correspond to the level of performance. The black diagonal line in the figure is the so-called regression line, which represents the average relationship. The companies (dots) above the regression line are those in which social well-being is high relative to their economic performance. Those below the perform worse in social terms.

Secondly even if the variables are portrayed in figure 1 in such a way that economic performance is the "cause" and the social capital the "result" we are not, and we could not, make a claim of such causality. There is indeed indication that, even if economic success can undoubtedly produce well-being, the causality may be reversed as well. Social capital, trust and commitment do make a difference and may help the company to perform more efficiently (Nahapiet & Ghoshal 1998, Hussi 2003, Halpern 2005).

This demonstrates that organizations do indeed differ and that there are many paths to economic success. In "participative" (Hodson 2001), "proactive" (Antila & Ylöstalo 2002) or "high-performance" (Boxall & Purcell 2003) organizations success is achieved parallel to or by means of employee well-being. The distinctive feature is that human resource management and employee well-being are seen as integral parts of the strategic management of the organization, and not as separate nuisances that are simply a burden for hard-core economic

activity (Boxall & Purcell 2003, Otala & Ahonen 2003). Common to this type of organisations are committed employees, an atmosphere of trust and openness, participative structures (fair process), person-job fit, balance of work load and worker capacity, fair payment (often performance based), on-the-job training, and a general recognition of employees worth as "human beings". On the other hand, this type of strategic human resource management is not necessarily a precondition for descent economic performance. "Traditional" or "unilateral" work organizations do persist in many sectors. We could even argue that at least in some of the cases that have relatively low social capital, the economic success has been achieved directly at the expense of employee well being. Oppressive, "taylorist" forms of organization have by no means disappeared.

Figure 1. Economic success and organizational social capital. (private sector)
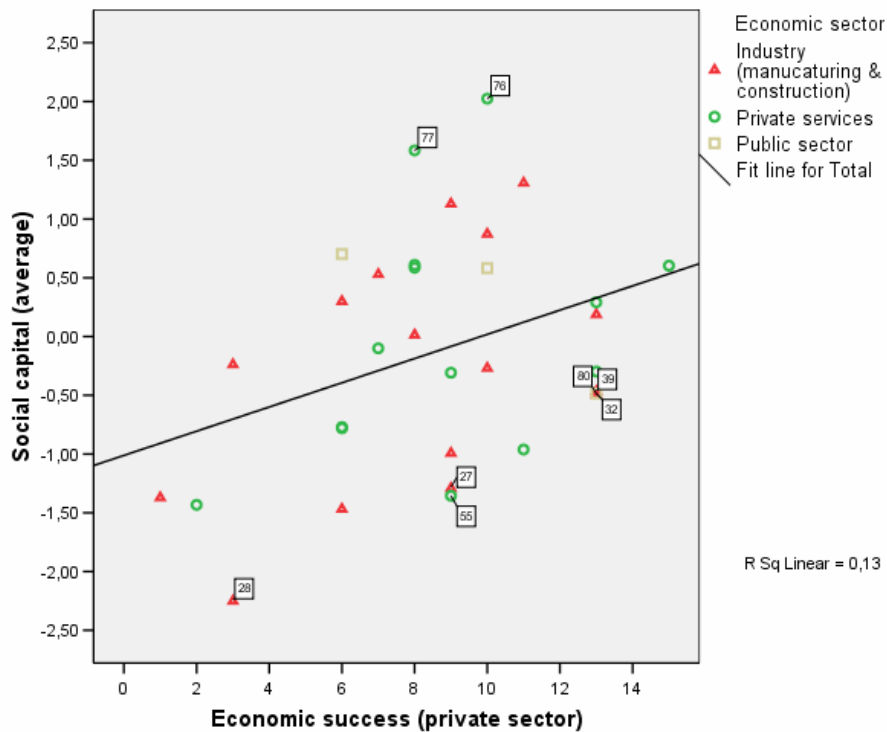
In figure 1 we have identified a few case organizations that fare socially either better or worse than their level of economic performance would let us assume. In some cases this is undoubtedly related to management and organization of work, in some others more to external circumstances. For example case 28 in the low-low corner is a medium-sized manufacturer of sheet metal products, and as a sub-contractor to shipyards highly dependent on fluctuations of demand from ship construction. The downturn on ship construction is the primary reason for the poor economic performance which also explains some of the low social capital. However, the company is also characterized by a hierarchical organization, direct control and supervision, low management interest in employee well-being and imbalances between the three branches of the company.

On the upper end of the performance scale we have three companies with relatively low social capital: a recently privatised waste disposal company (32), a large paper mill (39) and an expert organization specialized in production of medical catalogues (80). Management

interview reveal possible reasons for the low social capital, which are quite different in each case. In the waste disposal company the problem is the hierarchical organization structure and lack of employee recognition by the management. There have been many "top-down" development projects that have not been carried through eventually. The paper industry in general in Finland has been undergoing difficult adjustments and downsizing and the relations between employer and employee organizations are quite antagonistic. This seems to be the case with this paper mill also. The expert organization obviously attempts to become a modern "high-trust" organization. The major problem undermining social capital is that the workload exceeds the capacity of its workforce and thus any attempted development projects have a gloomy forecast.

The two relatively successful companies with exceptionally high levels of social capital are a small restaurant (76) and a company offering occupational adult education in communication, marketing and HRM (77). The restaurant has a small staff, an open and informal atmosphere and a management that is dedicated to the company, but also respectful of their employees and an awareness of the importance of employees seeing the "big-picture". The other company has a modern team-based flexible organization in which employees face a challenging job and (willingly) work long hours. Probably the key to it's success is that during recruitment of employees, they openly tell how hard the work can be, and thus manage to recruit employees who are willing to face the challenge. The company has also a shiny corporate image, and has even been awarded for that.

The correlations between performance and stress level, and performance and job satisfaction show similar trends. However, even if economic performance is connected to lower levels of stress, the correlation is quite weak (-0,13) and the effect not particularly strong. This seems to confirm the observation that stress is more related to individual job experience and to non-work domain. Our earlier research has shown that stress level is for example quite strongly dependent on the extent of experienced time pressures at work ($r = 0,39$). On the other hand, job satisfaction (on organizational level) has a remarkably high correlation with economic success ($r = 0,49$). This is actually quite puzzling, but can to an extent results from random error due to small number of cases on organizational level. The size of the effect is neither particularly strong. Whereas the companies that are performing best economically have an average of 3,6-4,2 on the job satisfaction scale, the average score in the lower end is around 3,2-3,6. Furthermore, the individual differences within the companies are high. The correlation of company performance on job satisfaction in individual level is as low as $r = 0,13$. There is no denying however, that positive economic performance does contribute to job satisfaction also.

Another interesting observation that has come up in the analysis of our data, is the adverse effect of change on well-being and social capital. It is no surprise that economic hardship and decreased profitability adversely affect the atmosphere and hence the experienced well-being among the employees (cf. the discussion on crisis organisations above). More surprising is that also *increased profitability* seems to be connected with negative development of intra-organisational relations (table 3).

Table 3. Changes in profitability and other development in the work place (%).

	Changes in profitability during the last 3 years		
	decreased	not changed	increased
• increased number of personnel	15	29	35
• increased conflicts among personnel	**38**	25	**36**
• increased conflicts between management and personnel	**29**	16	**27**
• intensification of competitive spirit	**32**	24	**35**
• increased salary level	31	34	31
• weakened career opportunities	**19**	7	**14**
• decreased gender equality	5	4	5
• increased work load	**68**	61	**72**
• increased skill/competence requirements	60	60	66
• increased technical complexity of work instruments	55	59	63

Although the dependencies in the table above are not particularly strong, they point to the same direction. Both in organizations with increased profitability and decreased profitability there are more employees that have experienced an increase in intra-organizational conflicts and competitive spirit, decrease in career opportunities and increases in work load. In the light of this we could argue that both progression and regression constitute a crisis for many employees.

Perhaps this is not so surprising after all. According to a recent study by researchers of Statistics Finland, roughly third of the above 45-year old workers consider most important things in terms of their work ability to be health related issues, salary and reduction of excess haste and time pressures. Economic progress does not in any automatic way produce any of these. Even if economic success or growth would not be achieved directly at the expense of employees (overwork, efficiency demands, downsizing), they are often accompanied with reorganizations that are mentally difficult to tackle with. Furthermore, in growing companies and with extensive recruitment of new employees the older employees might experience this as a threat to their own position and as an intensification of competition within organization.

Table 4. Changes in profitability and social capital, stress and job satisfaction (averages).

Development of profitability (during last 3 yrs)	Social capital	Stress symptoms	Job satisfaction
Decreased (n=225)	-,47	7,03	3,76
Has not changed (n=202)	,44	6,66	3,83
Increased (n=310)	-,32	7,24	3,78

The adverse effects of changes in profitability are confirmed in the comparison of average scores on welfare indicators (table 4). In the organizations where profitability has either increased or decreased social capital (trust and commitment) and job satisfaction are lower and stress more frequent than in "stable" organisations. Although the differences are not very great, and in the case of stress and job satisfaction not statistically significant, they all point consistently to the same direction. This observation is concordant with those Finnish surveys

that demonstrate that insecurity is a major risk in terms of work related well-being and that a major source for insecurity is the concern for the one's employment (e.g. Lehto & Sutela 2004).

Table 5. Development projects and social capital, stress and job satisfaction (averages).

Has there in recent years been significant service, process or personnel development projects in the work place?	Social capital	Stress symptoms	Job satisfaction
Yes (n=955)	-,07	7,12	3,80
No (n=210)	,34	6,27	3,98

One of the central results in the same Statistics Finland study was that during the latter half of the 1990's a major negative development in work life was the notable increase in the experienced unexpectedness of change. This means that employees are less and less aware of the changes that concern their immediate work environment. This might also explain the observation that even development projects seem to have an adverse effect on well-being (table 5).

DISCUSSION

Our empirical research indicates that economic and social success do indeed correlate positively. However, this relationship is not particularly strong and by no means mechanical or linear. Work organizations do differ in significant ways, even within a certain line of business. At best investments on employee well-being, which build trust and commitment, can have real economic value by increasing the efficiency and innovation capacity of the organization. In some cases economic success can also be achieved at the cost of employee welfare but this rarely is a sustainable strategy. These tentative results give support to our sociological critique of "economic rationality" of management. There are healthy trends in some of the management literature that attempt to take into account the social dimension of economic activity, but there is still a long way to go before economics and social sciences can engage in a meaningful dialogue.

The results also highlight the importance of comparative research on organizations and organizational strategies. It seems that there are indeed differences in the organizational practices that can account for differences in the relationship between economic performance and well-being. We should examine in more detail and in more systematic manner how do more and less successful organizations (in both economic and social terms), which are otherwise relatively similar, differ in terms of the organization of work? Another research strategy to go on, would be to see if Hodson's (2001) classification of unilateral (hierarchical), participative and disorganized types of work organizations could be used to analyse our case organizations. After all, despite globalization of economy, the social environment in which Finnish organizations operate is quite different from that in the United States.

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2. GOOD LIFE AND EFFICIENCY IN ORGANIZATIONS: A REAL POSSIBILITY THROUGH DIALOGUE

Marja-Liisa Kakkuri-Knuuttila and Kaisa Heinlahti

ABSTRACT

Professional ethics is an interdisciplinary area of studies combining philosophical conceptualisations with special knowledge and experience of the particular profession in question. This study aims at clarifying certain issues in organisational theory with the help of categories from Aristotelian virtue ethics, namely that of practical wisdom related to practical action as doing and technical knowledge related to productive activities. We argue that there are cases where good life in organisations in the Aristotelian sense of good life (*eudaimonia*) is possible to marry with the efficiency of the organisation. Our case here is knowledge intensive service organisations where effective performance requires the adoption of distributive leadership. For deepening the process of distributive leadership, the organisation has to adopt principles of procedural justice and reciprocal justification which is best realised in dialogue type communication practices. We shall argue that dialogue, expressing high professional qualifications both of the experts and managers of knowledge intensive service organisations, involves good life to the participants, and simultaneously leads to effective organisational performance. In our argument we shall rely on Peter Senge's conception of the dialogue as well as on empirical research on effective teamwork by Marcial Losada and Emily Heaphy.

GOOD LIFE AND EFFICIENCY IN ORGANIZATIONS: A REAL POSSIBILITY THROUH DIALOGUE

Professional ethics – merely an extra burden or a blessing to the organization itself? This is an acute question facing many organizations today. While teachers and researchers of business ethics, for instance, try to argue that ethical action is a factor contributing to the success of the firm, some firms deliberate upon withdrawing their social responsibility programs because of lack of profitability. Thus, do professional ethics bring any real benefits to one's professional life and the organization in addition to a possible improvement in the organization's image to its shareholders and the wider public?

Many have concluded that professional ethics never was meant to be more than an image-polishing project, one further technique to enhance the competitive advantage of the organization in a highly competitive environment (see Brecher 2004: 3–8). This implies that ethical considerations are reduced to an aspect of the instrumental rationality of profit making. And, as a philosopher would like to remind, the core of ethics understood as dealing with intrinsic values, that is with what is valuable in itself, is totally lost. Ethical considerations are ethical merely by their name.

And yet, courses in business ethics, medical ethics, and in a number of other fields flourish in the Academia. New research centres to study how best to teach professional ethics in its many varieties are established. If higher ethical standards in the professions simultaneously mean better life for us as human beings, there is no reason to hamper these endeavours and the hopes involved. Thus one urgent need seems to be for cases, which clearly vindicate how, when, and why higher ethical standards in the professional practices go together with improved organizational action.

In our view, the optimism with respect to the value of professional ethics can gain a strong impetus through cases where the demands for higher ethical standards coincide with higher professional qualifications as well as with improved performance of the organization, if there are such cases. And we believe there are such cases, and shall argue for this view in this paper. Our strategy is to discuss the notion of distributed leadership in knowledge intensive organizations as a case where ethically sound organizational action forms an essential element in the effective mode of action of the organization.

We shall argue that it is possible to establish organizational institutions, which promote justice among the experts and the management in a manner, which leads to more effective performance of the organization. As for the factors related to organizational efficiency we shall rely on recent experimental research about teamwork. (Losada & Heaphy 2004: 740–765.) As concerns just organizational institutions, we shall refer to theoretical research introducing the notion of reciprocal justification as a requirement of distributed leadership (Lilja forthcoming).

Part of our argument is that, the requirement for reciprocal justification is best realized in a dialogue among the experts and the management. Hence we claim that the proper way of carrying out the dialogue simultaneously tends to enhance the effective performance of the organization. We shall show that the principle of reciprocal justification can be neatly specified with the help of the concrete rules for dialogue given by Peter Senge at al. (1994). These dialogue rules can be further specified by taking into account the factors which have proved to be those characterizing effective teams (Losada & Heaphy 2004). Thus we end up with a conception of dialogue, which marries good life of those working in an organization and the efficiency of the organization.

Because of the popularity of the Aristotelian virtue ethics in professional ethics today, it seems profitable to conceptualize our basic claim in those terms. To put if briefly, we shall argue that there are cases where highly skilful performance of an expert simultaneously involves good life to the expert her/himself and effective performance of the organization. Because this implies a clear non-Aristotelian move, we shall begin by a brief exposition of some basic categories in Aristotle's ethics and pose the question of their relevance for professional life today. This offers us a better grasp of the contextuality of ethical considerations in general and the great differences between our and the ancient Greek social institutions.

PRAXIS AND POIÊSIS IN ARISTOTLE'S VIRTUE ETHICS

The chief difference between our claim and the original Aristotelian view lies in the relations between the two spheres of social activity, activity as doing (*praxis*) and activity as producing or making (*poiêsis*). While we argue that in high quality professional action these two can be married, Aristotle intends to keep them separate. The reason for this difference can be found in the differencies in the social structures of our time and those of Athens in Aristotle's time. Since the ancient Athens was a slave society, Aristotle describes the moral order suited for such social conditions. From the ancient Greek perspective, we all could be called slaves in some sense because we are bound to earn our living by working. Hence the question rises whether Aristotle's notion of the good human life (*eudaimonia*) can be applied to us at all, or whether it only suits for the period we call our free time, that is time free from work.

For Aristotle doing activity (*praxis*) and productive acitivity (*poiêsis*) belong to different social spheres and are carried out by different social agents. Doing activity consists mainly of the social and political activities of the citizens. It is often said to have no external goal, the goal being in the activity itself. In contrast, production has a goal outside the activity itself, such as health in the medical art, a vessel in shipbuilding, victory in strategy, and wealth in

economics. (Aristotle 1983.) As good life (*eudaimonia*) in Aristotle is the highest goal in human life, it consists of doing activities and - which will be only pointed out here - purely theoretical thinking (*theorein*) with no practical relevance whatsoever. The role of production in *eudaimonia* hence remains purely instrumental, its function being to offer the appropriate means for doing activities.

Good human life for Aristotle, or flourishing life in our preferred translation of *eudaimonia*, was a notion confined primarily to the free male citizens of the Athenian city-state who had the adequate means to spend their days in social and political intercourse. Flourishing life is, however, presented as the highest goal of human life in general, though according to Aristotle it is not fully in reach of everyone. First of all it presupposes certain material conditions, such as good birth, good looks and health, and reasonable wealth. It is only partially available to women and children of the free citizens, but little is said of how it avails to the merchants and slaves or others belonging to the productive class.

In order to see why the Aristotelian virtue ethics is widely considered as a sound basis for professional ethics today in spite of its strong links to certain bypassed social structures, we need to take a look at the basic categories used to characterize both practical and productive activities. According to Aristotle, flourishing life presupposes both intellectual and emotional qualifications in the individual. The title practical wisdom (*phronêsis*) is used for the intellectual virtue, i.e. the capacity to reason correctly about practical action *(*Aristotle 1983: VI 5). The ethical virtues provide the person the right desires, the desire element being the other necessary element to move one to act in addition to the cognitive element. The ethical virtues are defined as capacities to experience the right emotion and hence to have the right disposition to act in each case. *(*Aristotle 1983: II 6.) Aristotle specifies each ethical virtue, such as courage, temperance, generosity, pride, ambition, friendliness, truthfulness, and justice, with the help of the relevant social context, and - what is important for us here – none of which relate to productive activities directly. *(*Aristotle 1983: III 4–11.)

The productive activities have their own characteristic intellectual virtue, called *technê*, but no particular emotional component appears to be regarded as necessary here. *(*Aristotle 1983:VI 4.) Perhaps in Aristotle's days the desire to act according to one's best technical skills was taken to require no particular training, but was rather assumed to develop along the technical training. This would explain the lack of Aristotle's attention to the desire element necessary in technical skills. His extensive treatment of the ethical virtues would thus be explained by the awareness that for the right emotional dispositions to develop a child needs a lot of care and attention, as well as opportunities to rehearse to act correctly and to habituate to enjoy it. *(*Aristotle 1983: II 3.)

THE POSSIBILITY TO COMBINE PRACTICAL WISDOM AND WORK ACTIVITY

As the above presentation reveals, Aristotle's basic ethical categories, if taken as such, are of little use for contemporary professional life. How could we then explain the great popularity of Aristotle's virtue ethics in many areas of professional ethics today? Or how can the capability approach to professional activities, as suggested by Martha Nussbaum, be seen to be related to its Aristotelian origins. (Cornelius & Laurie 2003: 3-16). One of the primary questions here is whether there is any room for *eudaimonia* in the professional activities.

A partial answer to these questions can be found in the flexibility of the ancient notion of virtue (*aretê*). In addition to human virtues, we can even talk of the virtues of various tools. The virtue of a knife, for instance, consists in its capacity to cut well, or the virtue of a printer lies in its capacity to print clear texts and graphics without trouble. Accordingly, we could say that the virtue of a doctor is her/his capacity to heal the patient to the extent possible in each case, or the virtue of the manager consists of her/his capacity to manage the organization well.

Furthermore, such virtues consist of two mutually intertwined components, the intellectual virtue to reason properly and the skill to put the results of reasoning into action.

Obviously, the virtues of a knife or a printer do not constitute the *eudaimonia* of the knife or the printer. For Aristotle *eudaimonia* is a notion meant to capture the highest good of human life in particular, as distinct from other forms of life. **(**Nicomachean Ethics I 7.) Furthermore, he would not call high quality healing activity as a constitutive part of the doctor's flourishing life, nor high quality managing as being constitutive of the manager's flourishing life, since for Aristotle *eudaimonia* is the activity of a human being *as a human being*, not the activity of a person in her/his professional role. (Nicomachean Ethics I 7.) We need not be convinced by the universality of this approach, however.

One possibility for a different conceptualization is offered by the role terminology, so deeply embedded in our understanding of social life. If *eudaimonia* for Aristotle is virtuous activity as a human being, we tend to make further classifications according to the social context which bear some similarity to the contexts delineated by Aristotle in his list of ethical virtues mentioned above, including courage, temperance, generosity, pride, ambition, friendliness, truthfulness, and justice. Instead of a mode of action as a human being, we tend to speak about one's activities in the role of a friend, a neighbour, a relative, a citizen, etc.

On the other hand, in our role as a wage-earning slave, as a doctor, a manager, or a specialist of some other kind, we often seem to practice virtues similar to the ones just mentioned. We can easily see friendship in working relations as bearing similarities to friendship based on usefulness dealt with by Aristotle, likewise with generosity, truthfulness and justice, for instance. Generosity need not be confined to monetary operations, but may concern giving one's time to one's colleague, a student, etc. Justice need not be confined to the exchange and distribution of material goods, but may concern communication as well along with truthfulness.

If virtuous action as a father or a citizen constitutes flourishing life, then why should we refrain from applying the title 'flourishing life' when professional activities seems too involve capacities similar to the traditional virtues? Whether or not to call such high quality professional activity as contributing to one's flourishing life in the sense related to Aristotle's notion of *eudaimonia* seems rather to be a matter of name merely. This has noteworthy conceptual consequences, however, because it involves marrying the concepts of doing (*praxis)* and making (*poiêsis*), Aristotle found so important to keep apart.

But how does this cohere with Aristotle's idea that *eudaimonia* is the highest goal in human life? Is it possible that high quality professional activity as part of the professional's flourishing life has an intrinsic goal while it simultaneously has an extrinsic goal? We may note that Aristotle also seems to accept such double goals. For instance, if giving money to a friend or playing the flute is valuable in itself, these activities certainly have an extrinsic value as well. We could continue along these lines by saying that high quality expert activity may have an intrinsic value to the expert her/himself and thus bring its own satisfaction in addition to having an extrinsic value peculiar to the activity in question. (Comp MacIntyr 1981.)

Which is the dominating value in each case, the intrinsic or the extrinsic value, becomes a tricky question both in theory and in practice. This is indicative of the complex nature of human motivation. We can do something for the fun of it, primarily, or because we know it is the right thing to do while being simultaneously aware of the instrumental value of the action in furthering some goal external to the activity itself. These are very delicate matters since, contrariwise, all the fun can be spoiled by being ordered to do something we would have otherwise done voluntarily.

In the following we shall present a stronger argument for the necessity to fuse elements of doing as flourishing life and making as productive activity. We shall argue that there are cases where high quality making presupposes high quality doing activities as its necessary component. We shall present a case where the skilful performance of the expert tasks simultaneously involves good life to the expert her/himself as well as those concerned.

PRINCIPLES OF LEADERSHIP IN KNOWLEDGE INTENSIVE SERVICE ORGANISATIONS

As a case where certain aspects of flourishing life and good performance of the organization coincide we shall take a look at the requirements posed on distributed leadership in knowledge intensive service organizations. Two requirements turn out to be the most prominent ones: procedural justice and reciprocal justification. As Kari Lilja (forthcoming) argues, distributed leadership together with these two requirements are necessary conditions for a well functioning knowledge intensive service organization. Since justice already is one of the virtues on Aristotle's list and reciprocal justification is meant as its elaboration, we immediately have the basics of our main thesis. Thus we shall argue in more detail that efficiency in knowledge intensive service organizations goes together with management structures that realize justice among, and hence an important aspect of flourishing life of the members of the organization.

It may be take as common knowledge that the traditional hierarchical organization form with its from top to down command structures does not suit to expert organizations. It does not offer enough room for the creative and autonomous work of the experts whose task is to adapt to the particular context bound needs of their customers. On the other hand some synchronization is needed to keep the organization going. This can be solved by creating institutions, suited for the particular organization in question, around the concept of distributed leadership.

To be brief, distributed leadership is not a function bound to particular individuals or positions, but a communal process with its own rules of the game, arenas and procedures. A great number of the experts of the organization take part in distributed leadership in their daily routines as well as in *bas* dedicated to the assessment, critique and development of the goals, strategies, and procedures of the organization. Through distributed leadership the autonomous choices of the experts may accumulate into know how of the whole organization. Therefore deepening the practices related to distributed leadership go hand in hand with synchronizing the partially autonomous expert activities.

By applying the conceptual framework of the preceding section we may claim that well established distributed leadership presupposes just organizational institutions within which the management may fully acknowledge the experts in their role as experts. This means in practice that the experts have a say in matters concerning their own work and the whole organization. As Lilja claims, this involves two conditions on the organizational institutions.

First, the notion of *procedural justice* means here that procedures of decision-making are regarded as just both by the management and the experts. The experience of justice can be strengthened by a joint decision by the experts and the management concerning the procedures to be elected. The condition of procedural justice can be further deepened by the principle of *reciprocal justification*[4] (see, e.g., Blachowicz 1997: 447-468). This implies that both the management and the experts are required to justify their own actions and choices to each other on the basis of their own experience, research knowledge, or anticipation of future

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[4]This notion has close affinities to the antifoundationalist epistemological concept of reciprocal justification discussed by John Rawls.

development. Reciprocal justification requires as another step that each party is able to express the justifications of the other party in such a manner that the other party recognizes the justification as its own.

It is important to notice, that flourishing life in the organization is not a capacity of singular persons, but an emergent property of the organization depending on the capacities and dispositions of the members of the organization and their modes of interaction. Such institutional arrangements are likely to bring many benefits to the organization. The knowledge and experience of the members of the organization becomes more easily available to each and the experts' commitment to the organization is likely to be heightened too. They also help the experts to accept decisions made by the management also when these are against the short-term interests of the experts, because they are familiar with the long term goals of the organization and see their own role in realizing them. These remarks indicate how organizational institutions, which promote the virtue of justice, and just action among its members coincides with effective performance of the organization.

It needs to be added that if the conceptions of procedural justice and reciprocal justification are transformed into normative models of management, the realization of which is monitored and controlled by the management, something essential is lost. The organization falls back to the traditional idea of formal organization. Expert action is reduced to instrumental value while the possibility of intrinsic value in the action itself disappears. Distributed leadership in the deep sense of combining the conditions of procedural justice and reciprocal justification cannot be rule bound, but must develop organically by the choices made by its members. This is the most delicate requirement, which cannot be solved abstractly, but only in particular concrete cases.

DIALOQUE RULES AND RECIPROCAL JUSTIFICATION

As indicated above, procedural justice with the principle of reciprocal justification presupposes communication in the form of dialogue between the management and the experts in knowledge intensive service organizations. This connects us to the notion of learning organization and the rules for dialogue developed, among others, by Peter Senge. The characterization of the goal in the so-called fifth discipline seems to be neatly in harmony with the one described here: 'to marry the individual development of every person in the organization with superior economic performance'. (Senge et al 1994: 10). In this section we shall take a closer look at the formulation of the dialogue rules in *The Fifth Discipline Fieldbook: Strategies and Tools for Building a Learning Organization* (1994) to assess to what extent they take into account the conditions of procedural justice and reciprocal justification as understood here. The following exercise can thus be considered as an attempt to give more flesh to these two principles.

One requirement relevant for reciprocal justification, is equality among the participants of the dialogue. Minimizing the influence of the different hierarchical positions, bound to prevail to some extent in spite of the aim of distributed leadership, helps to create collegial atmosphere necessary for free and creative discussion. (Senge et al 1994: 243.) In principle, the opinions of the managers should not weigh more than those of the experts. This can be realized only if all the parties are able to desire communal discourse more than hold to their particular roles. This requires courage, but skill as well, and therefore this can be learnt through practice. Although the whole idea of the dialogue is meant to serve the purpose of collegiality, we want to point out three means relevant for it in particular.

Since for most organizations dialogue means establishing new communicational institutions, one useful suggestion is the introduction of a *facilitator* to the dialogue (Senge et al 1994: 246-247). This is the more necessary the less experience the members of the organization

have of dialogue type of discussion. In addition to teaching, by means of own example, what dialogue involves in practice, the facilitator is a neutral party who helps to create the atmosphere of equality and mutual respect. She/he and may also cool down the emotions when necessary. Her/his task is not to present own ideas, but to promote the treatment of the matter in hand at points of stagnation in particular, and by giving the word to each participant, even to the quietest one.

Another condition necessary for successful dialogue is that the participants *suspend assumptions*. (Senge et al 1994: 243.) When presenting their experiences and assessments of the situation, the participants should not offer these as their final views, but rather as hypotheses to be tested in the dialogue against the experiences and assessments of the others. Neither should one take the views of others as unshakable beliefs, but likewise as amendable hypotheses. Thus no one is unnecessarily bound to save face by defending one's own views, which would hinder progress in solving the problem at hand.

One further condition for the dialogue that goes together with equality among the participants is that they should *seek after consensus in the dialogue* through open interchange of opinions, not through compulsion. While the first two conditions mentioned above do not find their expression in the concrete rules for the dialogue, all the rules can be seen as means towards a shared conclusion. As already mentioned, consensus in the dialogue may remain an unattainable ideal, however, because it is the management who has to bear the responsibility of the strategic decisions.
Therefore the requirement of consensus concerning the decisions made by the management needs to be relaxed to some extent by replacing it with the less demanding principle of reciprocal justification with the emphasis on mutual understanding. This means that an element of compulsion cannot always be avoided. But as claimed above, the experts may find it possible to accept decisions against their short-term interests made by the management if they can agree with the long term goals of the organization and can see their own role in that perspective. However, consensus as the ideal goal cannot be overemphasized because it presupposes skills to build syntheses of different, often contradictory views, skills that are not adequately supported in our academic training or in our culture in general.

Let us next take a look at the four groups of protocols for dialogue presented in Senge et al (1994) in order to assess their relevance for reciprocal justification. One part of reciprocal justification consists of the expression of one's views and their justification by citing one's own experiences, research literature, or anticipation of future trends. The following protocols are given in the context emphasising the significance to keep in balance between inquiry and advocacy. Senge's first set of dialogue rules gives advice on how to put forth and justify one's own views in a manner appropriate to genuine dialogue, but not only that. This set of rules already includes advice on how to offer one's views under the test of the others' opinions.

> Protocols for improved advocacy: Make your thinking process visible (walk up the ladder of inference slowly).
> 1. State your assumptions, and describe the data that led to them.
> 2. Explain your assumptions.
> 3. Make your reasoning explicit.
> 4. Explain the context of your point of view: who will be affected by what you propose, how they will be affected, and why.
> 5. Give examples of what you propose, even if they're hypothetical or metaphorical.
> 6. Ask as you speak, try to picture the other people's perspectives on what you are saying.
> 7. Publicly test your conclusions and assumptions.
> 8. Encourage others to explore your model, your assumptions, and your data.

9. Refrain from defensiveness when your ideas are questioned. If you're advocating something worthwhile, then it will only get stronger by being tested.
10. Reveal where you are least clear in your thinking. Rather than making you vulnerable, it defuses the force of advocates who are opposed to you, and invites improvement.
11. Even when advocating: listen, stay open, and encourage others to provide different views. (Senge et al. 1994: 256–257.)

We may add here the epistemological remark that the term data may unnecessarily constrain the source of arguments offered. In addition to examples, one may at each point rely on one's own experiences in an extensive sense, as well as on research knowledge and knowledge concerning future trends.

The second part of reciprocal justification concerns the necessity of the experts and management to understand the views and their justification of the other party. This purpose is served by the protocols of the second and third group. They present advice on how to help the others to express and justify their views. They also include advice on how to guarantee that one has properly understood what the other is after. The aim of some of these is clearly to promote consensus. Instead of trying to destroy the others' position and advocate one's own views over those of the others, the participants should attempt to place the different views in a wider context.

Protocols for improved inquiry: Ask others to make their thinking process visible.
1. Gently walk others down the ladder of inference and find out what data they are operating from.
2. Use unaggressive language, particularly with people who are not familiar with these skills. Ask in a way, which does not provoke defensiveness or "lead the witness".
3. Draw out their reasoning. Find out as much as you can about why they are saying what they are saying.
4. Explain your reasons for inquiring, and how your enquiry relates to your own concerns, hopes, and needs.
5. Compare your assumptions to theirs.
6. Test what they say by asking for broader contexts, or for examples.
7. Check your understanding of what they have said.
8. Listen for the new understanding that they may emerge. Don't concentrate on preparing to destroy the other person's argument or promote your own agenda. *(*Senge et al. 1994: 257–258).

Protocols for facing a point of view with which you disagree
1. Again, inquire about what has led the person to that view.
2. Make sure you truly understand the view.
3. Explore, listen, and offer your own views in an open way.
4. Listen for the larger meaning that that may come out of honest, open sharing of alternative mental models.
5. Use your left-hand column as a resource.
6. Raise your concerns and state what is leading you to have them. (Senge et al. 1994: 258.)

Even though a dialogue cannot always end up in consensus, a genuine pursue after consensus is a necessary precondition of a dialogue. Therefore one set of rules is devoted for the purpose of solving conflicts. Here Senge's distinction between two types of consensus may be useful. Consensus on focusing down seeks the common denominator in multiple individual views and consensus on opening up seeks a picture larger than any one person's point of view.

(Senge et al 1994: 248.) This means, among other things, that one seeks after a picture, which would give room to the partial truth of each view. These are important moves, since overgeneralization is a typical mistake in our thinking. Therefore, contradictions often rise because of taking as universal a standpoint, which only has limited validity.

> Protocols for when you're at an impasse:
> 1. Embrace the impasse, and tease apart the current thinking. (You may discover that focusing on "data" brings you all down the ladder of inference.)
> 2. Look for information, which will help people move forward.
> 3. Ask if there is any way you might together design an experiment or inquiry which coul provide new information.
> 4. Listen to ideas as if for the first time.
> 5. Consider each person's mental model as a piece of a larger puzzle.
> 6. Ask what data or logic might change their views.
> 7. Ask for the group's help in redesigning the situation.
> 8. Don't let conversation stop with an "agreement to disagree."
> 9. Avoid building your "case" when someone else is speaking from a different point of view. (Senge et al 1994: 259.)

The discussion is not a dialogue in the sense of Senge and others if the decision has been made beforehand or the management has no intention to take into account the views proposed. A genuine dialogue presupposes a lack of time limits and other similar constraints. This may often be difficult to achieve. But a good dialogue helps the participants to get to know each other better and the ways of thinking characteristic of each which enlightens working together. Such positive experiences also make it easier to reserve the time necessary for dialogue in the future.

CHARACTERISTICS OF HIGH PERFORMANCE TEAMS

Factors correlating with a team's effective organizational performance have been investigated empirically in several studies, which consistently reveal a limited set of relevant factors. We will next present the results of the work done by Marcial Losada and Emily Heaphy (2004), most helpful in argument to build the links from dialogue to organizational efficiency through the ideas of distributed leadership, procedural justice and reciprocal justification. Their study focused particularly on the impact of positivity/negativity ratio (P/N) of team interaction on team performance and efficiency. The P/N ratio appeared to operate as a powerful feedback system: negativity dampened deviations from some standard, while positivity acted as an amplifying or reinforcing feedback mechanism expanding possibilities of communication and action. (Losada & Heaphy 1994: 740.) It also offers strong empirical support for the importance of the balance between inquiry and advocacy in a dialogue underlying the protocols for dialogue presented above.

Losada and Heaphy chose for their study 60 strategic business unit management teams each with eight members from a large information-processing corporation. The sample of 60 business teams was subdivided into three performance levels based on extensive business performance data. These data consisted of measures of profitability (SBU profit and loss statements), customer satisfaction (surveys and interviews) and 360-degree evaluations (assessments of the team members by superiors, peers, and subordinates). By using standardized data, teams were categorized into high, medium, and low performance depending on the levels achieved on these three criteria. These teams were observed in a computerized lab, especially designed for team research, while developing their annual strategic plans. (Losada & Heaphy 1994: 746.)

Losada and Heaphy coded the verbal communication among team members along three bipolar dimensions: positivity/negativity, inquiry/advocacy, and other/self. All these three dimensions are widely discussed in previous organization theory literature, and they were chosen here because of their strong eliciting power and clarity for coding and feedback, in particular. *(*Losada & Heaphy 1994: 745–746.) A speech act was coded as "*positive*" if the person speaking showed support, encouragement or appreciation (e.g. "that's a good idea"), and it was coded as "*negative*" if the person speaking showed disapproval (e.g., "that's about the dumbest thing I ever heard"), sarcasm, or cynicism. A speech act was coded as "*inquiry*" if it involved a question aimed at exploring and examining a position and as "*advocacy*" if it involved a question arguing in favor of the speaker's viewpoint. A speech act was coded as "*self*" if it referred to the person speaking or to the group present at lab or the company the person speaking belonged and "*other*" if the reference was to a person or group outside the company to which the person speaking belonged. Each code was also labeled with a time stamp. *(*Losada & Heaphy 1994: 744–745.)

Losada's and Heaphy's analyses of the data coded as above showed that teams varied systematically with respect to performance level on each of the three bipolar dimensions. Qualitative observations of the teams showed that high and low performance teams were characterized by very different kind of emotional spaces indicated by the P/N ratios. In high performance teams appreciation and encouragement were shown to other team members continuously during the whole discussion. This created expansive emotional spaces opening possibilities for action and creativity. The low performance teams operated in restrictive emotional spaces created by lack of mutual support and enthusiasm, often in an atmosphere charged with distrust and cynicism. Medium performance teams achieved a balance of inquiry/advocacy and other/self until the last fourth of the meeting, at time, which they ended in disequilibrium towards advocacy and self. *(*Losada & Heaphy 1994: 749.)

Positivity and negativity appeared thus to interact as powerful feedback systems to generate different emotional spaces. (Losada 1999: 179-192.) As regards the P/N dimension, Losada and Heaphy compare in an interesting manner their findings to Gottman's (1994) observations on harmonious marriage; the couples who ended in divorce had preponderance of negativity over positivity in their overall interaction over time, just like the low performance teams. (Losada & Heaphy 2004: 747.) In addition to supplementing the protocols, these empirical results offer strong support to the importance of equality and collegiality among the participants of the dialogue emphasized by Senge.

One important observation was that high performance teams achieved a balance between inquiry/advocacy throughout the meetings. The same was noted to hold with respect to other/self speech acts. Low performance teams, for their part, were highly unbalanced toward advocacy and self from early in the meeting. Medium performance teams achieved a balance of inquiry/advocacy and other/self until the last fourth of the meeting, at which time they ended in disequilibrium toward advocacy and self.

Table 1. Ratios for the Three Bipolar Dimensions (Losanda & Heapy 2004: 747)

	Inquiry/Advocacy	Positivity/Negativity	Other/Self
High-performance teams	1.143	5.614	.935
Medium-performance teams	.667	1.855	.622
Low-performance teams	.052	.363	.034

As Losada & Heaphy notice, inquiry/advocacy is prominent in the work of Senge (1990) and Senge, Roberts, Ross, Smith, & Kleiner (1994). The idea of balancing inquiry and advocacy challenges old view of managers as individuals who always "know the answer". It also makes room for expert teamwork where the participants can learn from each other's competences.

That kind of teamwork encourages experts to challenge each others and their own views. After all, balance with inquiry and advocacy lie at the heart of the protocols for dialogue presented in the preceding section, the first set of rules being about improving advocacy and the second and third sets about improving inquiry. One may easily agree that keeping up the I/A balance during the whole discussion enhances the efficiency of the communication. The conceptions and experiences of the participants will best be taken into account in the final solution if they are held in view during the whole discussion.

The self and other (S/O) dimension is not explicit in the protocols for dialogue as it concerns the content rather than the form of the dialogue. Hence it may be understood as involving a point supplementing the protocols.

THE PARADOX OF PROFESSIONAL ETHICS

Is it, then, possible to apply these empirical results together with the protocols for the dialogue to improve a team's communication and efficiency? It is important to notice that no significant improvement should be expected if the protocols and the findings concerning the bipolar factors cited here are applied mechanically. This would go against the whole idea of distributed leadership and procedural justice that goes together with it. Even though a high P/N ratio and a I/A and S/O balance characterize good performance teams, adopting measures to increase the P/N ratio in the team communication and to hit the I/A and S/O balances do not automatically increase the team's efficiency. The changes required need to be more profound.

Good conversation of a team cannot thus be merely an instrument in the realization of the goals of the organization. Good creative dialogue already is a value in itself, and this partly explains the pleasure connected with it. This means that in a dialogue, aiming at consensus about how to solve the problem at hand, good conversation is the highest goal. Thus high quality dialogue can be seen as a part of flourishing life for the participants in the Aristotelian sense, the use of reason being the feature characteristic of human beings as distinct from the rest of the animal world. This does not imply that the conversation should not have an external goal, such as creating plans or solving problems of the organization.

The paradox involved here is a version of the common paradox of professional ethics: if higher ethical standards, or even their appearance, may generate higher performance, ethics is likely to be reduced to a mere instrument. Thus the genuinely ethical tends to disappear altogether. To find the proper balance between intrinsic and extrinsic values forms the greatest challenge in our case as well. High quality dialogue cannot be posed as a goal from above in the manner of normative models of organization. Neither can its realization be the subject of monitoring and control from outside.

The situation is analogous to a child imitating the moral action of a grown up person. Even though the action is correct, the child's behavior is not ethical in a deep sense, because the child is not yet acting as an autonomously deliberating moral agent possessing virtues as permanent character features (*hexis*). Likewise, a mechanical imitation of dialogue protocols or production of high P/N ratios does not, as such, produce effective teams. However, honest attempts to present more positive speech acts than the participant normally tends to, may already open more emotional space and enhance the free flow of ideas and hence improve the result of the discussion. An attempt to keep up the balance of the I/A ratio during the entire discussion may similarly improve the final result.

Communication skills needed for effective teamwork and good life in organisations can thus be learnt through practice and exercise. Little by little the team may develop its own communication culture supporting good dialogue while each individual in the team develops

fairly stable capacities and emotional dispositions to converse accordingly. The goal of the exercise should always be to create an understanding and appreciation of good dialogue along with creating the capacities required by it.

CONCLUSIONS

The aim of this paper has been to offer an impetus to professional ethics by showing that there are cases where ethical considerations and ethical standards support the efficiency of organizational action. Our case has been distributed leadership, deepened by the principles of procedural justice and reciprocal justification, which appear to suit best to knowledge intensive service organisations. We have argued that in this kind of expert organisations high professional qualifications go together with effective organizational action and, moreover, involve elements of flourishing life in the Aristotelian sense both for the management and the experts themselves. Since our focus has been on work, we have not discussed the importance of other friendly relations in the working place, such as the significance of nice lunch or coffee breaks as elements constituting one's good life during the working day.

We have shown how the principles of procedural justice and reciprocal justification can be concretized with the help of Senge's conception of dialogue together with a set of detailed protocols. Relying on previous research, we have argued that the production of plans or solutions to problems through high quality dialogue in knowledge intensive service organizations presumes that the procedures are experienced as just and satisfy the principle of reciprocal justification. We have also built a connection to empirical research on features of communication correlating with the efficiency of teams. Two of the three features, a high ratio of positive to negative speech acts and the balance between self- and other-regarding speech acts, characterizing effective teams, give more content to the conception of dialogue. The third factor, the balance between inquiry and advocacy, characterizing effective teams also complements the protocols by emphasising the importance of the balance during the whole dialogue

Since ethical action is valuable in itself and not to be reduced to an instrument of efficiency, it is action of the autonomous individual relying on her/his fairly stable capacities and desires to make the ethically correct choice and to act accordingly. Likewise, ethical action of an organization is grounded on fairly stable organizational institutions realized by its members. We have also tried to illuminate that ethics in the genuine sense is not to be separated from the substance of professional activity. In knowledge intensive service organizations ethical considerations need to form part of the practices of distributed leadership involving, as argued here, such concrete rules as the protocols for the dialogue which may not appear to possess eminent ethical implications at the first glance. The ethical implications become more visible, however, by embedding the protocols in a context with an emphasis on equality among the participants, which obviously is one of the traditional ethical values. A further step in the same direction can be made by relating the dialogue to the ethical notion of justice in distributed leadership.

Cases where ethics and efficiency go together do not annihilate the significance of other situations where efficiency can be and is gained at the cost of ethical values, such as health or some other basic need of those concerned. These are often complex cases where one's gain easily turns out to be another's loss at least in the short run.

Even our case is a more complex one than the preceding description points out for *eudaimonia* in Aristotle is not something to be realized in bits and pieces. In the contrary, it is a matter of one's whole life. Likewise, just communicational institutions in one's working place do not alone guarantee flourishing life in the office if one is overworked or exploited in

some other way. The above conditions should thus be considered as necessary, though not sufficient for good life in the organization.

We hope that the discussion in this paper illuminates that identifying the ethical aspect in our everyday practices presupposes grasping the meaning of the actions at different levels of abstraction. This demand, among others, philosophical skills is enabling one to see the abstract philosophical relevance in the minute details.

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3. SAVING FAITH? THE MERIT OF SUBJECTIVE FORM PERFORMANCE MEASURES – A METHODOLOGICAL CONTRIBUTION TO THE HRM-FIRM PERFORMANCE DEBATE

Astrid Reichel and Wolfgang Mayrhofer

ABSTRACT

The contribution of Human Resource Management (HRM) to organisational success is one of the most important research questions in the field of human resources. A number of studies has analysed various aspects of the influence of HRM on performance at the conceptual and empirical level. While the existence of an HRM-performance-link is widely agreed, there is a broad discussion about both the independent and dependent variables of this link. This paper advances this debate by taking a differentiated look at the latter and addressing the question of whether subjective performance measures, i.e. perceptions of managers, are adequate substitutes for objective ones. The analysis of 270 Austrian private sector companies from the 2004 Cranet survey shows that the 5 subjective as well as the 3 objective performance measures in each case do not form one performance-factor but cover two dimensions of firm performance: 'financial success' and 'efficiency'. Comparing the influence of various HRM bundles on objective and subjective financial success yields consistent results in terms of direction and statistical. For 'efficiency', the picture is more heterogeneous. Only half of the coefficients indicate relationships between HRM bundles and objective and subjective measures, respectively, in the same direction. In addition, none of the four HRM bundles that significantly influence the objective success measure shows a significant coefficient with the corresponding subjective measure.

Overall, this contribution supports the view that subjective estimations of organisational performance can be an acceptable substitute for objective measures. Specifically, subjective performance measures are more or less equal to objective measures for financial success. However, for efficiency there is greater discrepancy between subjective and objective measures.

INTRODUCTION

The contribution of Human Resource Management (HRM) to organisational success is regarded as one of the most important research questions in the field of human resources (Alcázar et al. 2005). Hence a number of studies analyse various aspects of the link HRM $\Rightarrow$ firm performance at the conceptual and empirical level (see, e.g., Delaney & Huselid 1996, Youndt et al. 1996, Huselid et al. 1997, Fey & Bjorkman 2001, Gelade & Ivery 2003, Wright et al. 2003, Bowen & Ostroff 2004).

While the use of quite different conceptual and methodological approaches in these studies makes their results hardly comparable, a common tendency emerges: At least under specific conditions and in certain combinations, various aspects of HRM do make a positive difference in firm performance. To be sure, this is not due to some kind of simplified and ever present best-practice model of HRM. Rather than a unified model, in different situations different configurations of HRM have an influence (see, e.g., Müller-Camen et al. 2003). While HRM scholars are more or less united in their assumption about a link between HRM and organisational performance and the direction of the link: HRM $\Rightarrow$ firm performance there is a broad and sometimes heated discussion about both the independent and dependent variables of this link. This contribution tries to advance this debate by taking a differentiated look at the dependent variables in the HRM-firm performance-link and compare the usefulness of

objective and subjective firm performance measures when discussing the link between HRM and firm performance. Specifically, it compares the impact of HRM bundles on both subjective and objective firm performance measures, using Austrian companies where both subjective and objective firm performance data is available.

First we will give a short overview on the theoretical basis of the HRM-firm performance-link. We will then discuss the question of what performance measures to use, focusing on the distinction between subjective and objective performance measures. In the next chapter the measures and the sample used for our empirical study are described. Finally, results are presented and discussed.

CONCEPTUAL BACKGROUND: THE LINK BETWEEN HRM AND FIRM PERFORMANCE

The empirical and conceptual work relevant to the question of the existence of an HRM-firm performance-link has progressed far enough to suggest an impact of HRM on performance (Becker & Huselid 1999). While there is consensus that HRM can influence performance, there is a debate on what measures to use in order to demonstrate this relationship.

The independent variable: performance related aspects of HRM and the importance of HRM bundles

On the side of the independent variable there are different assumptions about performance related aspects of HRM. Basically, three different perspectives (Delery & Doty 1996) have been identified.

The universalistic perspective implies that the relationship between specific HR practices and performance is universal across the population of organisations. In this 'best practice' approach it is argued that certain HR measures are always better than others, i.e. the adoption of one of these 'high performance' practices will have a positive influence of any organisation's performance. And since these measures are additive in nature the more of these 'best practices' an organisation uses the better the performance will be. Although empirical findings support the 'high performance character' of some single measures such as long-term incentive plans (Leonhard 1990), managerial compensation based on organisations' financial performances (Abowd 1990) or pay mix (Gerhart & Milkovich 1990) and groups of 'best practices' (Huselid 1993, Terpstra & Rozell 1993, Huselid 1995) the universalistic perspective is criticised for not considering synergic interdependence or the integration of the different practices (Alcázar et al. 2005).

The contingency perspective implies interactions, thus explicitly rejecting the simple linear relationship incorporated in the universalistic perspective. It posits that the relationship between HR measures and organisational performance is not stable but depends on the level of critical contingency variables. The primary contingency factor in HRM literature is the organisation's strategy (Delery & Doty 1996). Contingency models argue that HRM will only have positive effects if it is consistent with an organisation's strategy (e.g., Kerr & Jackofsky 1989, Lengnick-Hall & Lengnick-Hall 1988, Butler et al. 1991). Besides strategic variables organisational variables like size, technology, structure (Jones 1984, Jackson et al. 1989, Jackson & Schuler 1995) and power relationships (Pfeffer & Cohen 1984, Pfeffer & Davis-Blake 1987, Pfeffer & Langton 1988) have been considered as contingent variables as well as external determinants belonging to the competitive, technological, macroeconomic and labour context of organisations (e.g., Schuler & Walker 1990, Jackson & Schuler 1995, Becker & Huselid 1999). The contingency perspective is criticised for the generic typologies commonly used to operationalise corporate strategy (Boudreau & Ramstad 1999, Chadwick and Cappelli 1999, Wright & Sherman 1999) and for believing in a system that leads to a too rigid and

inflexible structure that does not respond to the need for adaptability in today's economic environment (Becker & Huselid 1999).

The configurational perspective adds complexity to the universalistic as well as the contingency approach. It defines the HRM system as a multidimensional set of different elements that can be combined to form an infinite number of possible configurations (Alcázar et al. 2005). These configurations represent nonlinear synergetic effects and higher-order interactions and are equifinal. Under the premise of equifinality, configurational models suppose that the same business objectives can be reached through multiple unique configurations of the relevant factors (i.e. different systems of HR practices) that can be equally efficient (Delery & Doty 1996). These ideal systems of HR practices are rather theoretical constructs as directly observable phenomena and must be characterized by their consistency with external, organisational and strategic conditions, as the contingent model explained, as well as their internal consistency (Venkatraman & Prescott 1990, Doty et al. 1993, Delery & Doty 1996).

In line with the latter perspective several authors point out that individual practices in isolation only have limited ability to generate competitive advantage, while in combination they can enable the firm to realize competitive advantage (Barney 1995) and have a greater positive effect on organisational performance (Ichniowski et al. 1997). A set of interrelated and internally consistent HRM practices often is called 'bundle'. The bundle approach is more focused on the extent to which HRM measures are highly related and interactive in a way that suggests an organisation-level approach. As a result, an HRM bundle captures a broader, higher-level effect than that which can be captured by focusing on individual policies and is particularly appropriate for investigating firm-level effects (Perry-Smith & Blum 2000). It is believed that bundles can create the conditions for effective financial performance, where human resources can be a primary source of sustainable competitive advantage (MacDuffie 1995).

The dependent variable: firm performance – the divide between subjective and objective measures

Not only the independent, but also the dependent variable of the HRM-performance link is subject to discussions. From a practitioner point of view, an influence is only useful if a performance measure that really matters is influenced. Hence, to choose the 'right' performance measures is especially important. From an academic perspective, too, the choice of the 'right' performance measure is essential when HR scholars want to understand whether and how HR practices can improve firm performance. In that context a heated discussion about subjective versus objective performance measures has developed.

Subjective performance measures present a person's – usually a member of the company, mostly an (HRM) manager – estimation of a company's performance. Objective measures are either taken from externally recorded and audited accounts (Wall et al. 2004), or from stock market information, or are other objectively countable rather than subjectively perceived measures (e.g. hours of actual working effort required to build a vehicle at a given assembly plant (MacDuffie 1995). In HR literature accounting measures are mainly used as objective performance measures. Typical objective measures are productivity, return on assets/investment (e.g., Huselid 1995) or profit measures (Wall et al. 2004).

As Wall et al. (2004) estimate, roughly half of the studies on the HRM-performance-link use subjective measures (e.g., Delaney and Huselid 1996, Youndt et al. 1996, Wright et al. 1999) and there are good reasons for that. First, their collection is more cost effective than the gathering of objective measures, since the reports about performance can be collected through interviews or questionnaires simultaneously with the information on HRM practices. A more

fundamental reason is that there are cases where there is no viable alternative to the subjective data. For organisations in the public or the voluntary sector or very small business there are no appropriate financial records. Depending on the purpose of the study the financial performance data might exhibit an aggregation level not compatible with the level of analysis.

HR scholars are united in their view that – besides the special cases mentioned – using objective performance measures is advantageous[5] (Huselid 1995). The point at the centre of the debate is whether subjective measures are an adequate substitute for objective measures or not. There are a number of claims that unless objective performance measures are used in studies about the HRM-firm performance link, the subjectivity of the data as well as single-source measurement problems are too large an obstacle to gain reliable data (e.g., Dess & Robinson 1984). On the other hand, some authors argue that subjective firm performance measures to a certain extent are sufficient for HRM-firm performance studies (e.g., Stavrou & Brewster 2005) and there are arguments supporting the opinion that subjective measures are an acceptable alternative. Because the estimation of subjective measures is usually directed at rather high level employees it is believed that their perceptions are dominated by financial considerations captured by objective measures (Wall et al. 2004). Pearce et al. (1987) found that senior managers' perceptions of performance were consistent with financial measures.

Our present purpose is to differentiate between performance measures to find out how different or equal they are. In doing so we have to recognize that subjective and objective measures not only differ in the one being a single-sourced personal perceptions and the other being calculated from financial statements, but also in the way they appear in research practice. One major difference is that in order to assess subjective organisational performance in research on HR study participants are commonly asked to give their perception of firm performance in comparison with that of their competitors (e.g, Youndt et al. 1996, Huselid et al. 1997, Perry-Smith and Blum 2000) whereas objective measures are usually not measured relative to other companies. Another difference lies in the prevailing composition of the measures. Subjective measures tend to focus on overall performance, whereas objective measurement has typically used more specific financial indicators. A few subjective performance measures are often aggregated to form one composite measure (e.g., Youndt et al. 1996, Wright et al. 1999, Stavrou & Brewster 2005) or the perception of overall performance is asked directly (Dess & Robinson 1984). In contrast when more than one objective measure is used results are rather presented separately (Huselid 1995, Guest et al. 2003).

In this contribution we also want to take a look at the question what performance measure – be it assessed subjectively or objectively – to use. There are numerous performance measures available which cover quite different aspects of an organisation's performance. For example, the commonly used (e.g., Huselid 1995, Ichniowski et al. 1997) objective measure productivity indicates the relation of sales and personnel costs whereas profit shows all income minus all costs of a certain year. Given those differences different underlying performance constructs are likely and one construct maybe positively influenced by a certain bundle that doesn't have an impact on another dimension of performance.

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[5] Within the group of objective measures it is discussed whether to use capital market or accounting measures. Since most of the organisations in the sample used do not take part in the capital market we don't join in to that discussion.

Structural model

The debate about HRM bundles and various objective and subjective firm performance measures outlined above leads to the following simple structural model (see figure 1 which serves as basis for the development of the measures included.

Figure 1. Structural model – HRM-firm performance link
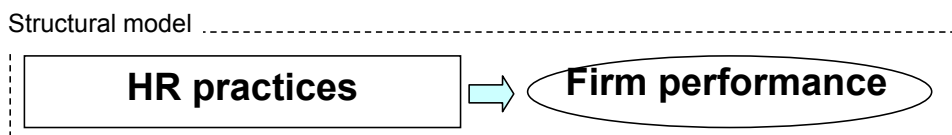
MEASURES

HRM bundles

HR practices from the Cranet 2004 survey round, that a comprehensive literature review has revealed as strategically related to organisational performance (Stavrou & Brewster 2005), served as data base. (see next section on the sample). We used 22 closed-ended questions from the 2004 survey and recoded them into 72 dichotomous variables[6] (1 = practice is used; 0 = practice not used)[7]. The commonly used principal component analysis to identify internally consistent configurations of HR practices as bundles (Alcázar et al. 2005) was applied. For the exact procedure we drew on the work of Stavrou and Brewster (2005) who applied the bundle approach to data from 15 European countries of the 1999 Cranet survey round. To create the factor score coefficients, Varimax rotation and the Anderson-Rubin method (produces uncorrelated scores with a mean of 0 and a standard deviation of 1) were used. The minimum correlation coefficient set for an item to be classified into a factor was .40 (Stavrou & Brewster 2005). Applying the Kaiser Criterion for principal component analysis revealed 20 factors (with eigenvalues over 1.0)[8]. The resulting factors represent four major groups of HRM bundles, which are shown in figure 2. A more detailed list on the HRM bundles and the variables behind them as well as information on eigenvalues, explained variance and factor loadings can be found in the appendix.

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[6] Kim and Mueller (1978) allow for dichotomous variables in principal component analysis.
[7] Minor differences compared to Stavrou and Brewster (2005) in the underlying pool of questions are due to a more recent version (2004 instead of 1999) that has been abridged to improve response rates.
[8] The analysis was conducted four times. Each time items with coefficients below .40 were deleted. The variables excluded from the final analysis are: shared (HR manager plus line) responsibility for training and development, shared responsibility for workforce expansion, shares responsibility for compensation and benefits, communication to management direct to senior manager, communication to management through immediate superior.

Figure 2. HRM bundles

HRM bundles

Employee development
Internal career strategy
Staff reduction
Strategic HR development
Individualised virtual work and communication
Team work management

Employee compensation
Financial performance participation
Share schemes offer
Stock options offer
Performance based pay
Group-performance based pay
Profit sharing/stock options management

HR configuration
Institutionalisation of HR
Shared responsibility for industrial relations

Employee communication
Team briefing
Management operational briefing
Management strategic briefing
Non-managerial strategic briefing
Non-managerial operational briefing
Workforce meetings
Formalised communication

Subjective Performance Measures

Subjective performance measures were gained by questionnaire data. HR specialists, most often the senior HR person, were requested to state whether their business lies at the top 10%, the upper half or the lower half compared to competitors in four different areas: profitability, productivity, service quality and rate of innovation. Moreover individuals rank their firms' revenues compared to their costs on a 5-point-scale from 'revenues well in access of costs' to 'so low as to produce large losses'.

In the previous section we assumed that due to the vast amount of existing performance measure there might be different performance constructs captured by these measures. With only five subjective measures available we made a first step to check this assumption. Principal component analysis with Varimax rotation revealed two independent factors indicating that there is not only one such construct as performance. As can be seen in table 1 one factor consists of variables that seem to be more directly related to the employees (factor 'efficiency') the other one is composed of financial measures (factor 'financial success'). These findings are partly in line with Horgan and Mühlau (2005) who also found two performance dimensions in their subjective performance measures with a finance factor similar to our 'financial success – subjective'.

Table 1. Factors of subjective performance measures

Factor	Variables	Loadings
'Efficiency – subjective' • eigenvalue: 2.10 • explained variance: 42%	Service quality Productivity Rate of Innovation	.77 .77 .56
'Financial success – subjective' • eigenvalue: 1.10 • explained variance: 21%	Revenue – Costs Profitability	.90 .67

Objective Performance Measures

Objective measures were gained by using operating figures that are similar to the subjective measures available and can be derived from the organisations' financial statements.[9] The respective objective measures calculated from the firms' balance sheets are return on investment (corresponds to profitability), net-productivity (corresponds to productivity), and cash flows (corresponds to revenues compared to costs) (see table 2). To straighten out possible exceptional annual results we used the mean of the three years prior to the year the questionnaire had been completed[10].

Table 2. Objective performance measures

Return on Investment (ROI) also known as Return on Assets (ROA)	sales profitability * asset turnover = (operating results * 100)/total assets
Cash Flows	profit/operating efficiency
Net-Productivity[11]	(operating efficiency-purchases)/personnel costs

We also applied principal component analysis to the objectives measures and even with only three variables the same pattern as with the subjective measures emerges. Productivity clearly didn't form one factor with ROI and cash flows. When, due to the Kaiser criterion (Eigenvalue of factor 2 was .996), one factor was extracted the productivity showed a small negative factor loading as those of cash flow and ROI were both positive and much higher. Allowing for 2 factors the following (table 3) factors appeared.

Table 3. Factors of objective performance measures

Factor	Variables	Loadings
'Financial success – objective' • eigenvualue: 1.46 • explained variance:48%	Return on Investment (Mean 2000-2002) Cash Flow (Mean 2000-2002)	.85 .85
'Efficiency – objective' • eigenvalue: .996 • explained variance: 33%	Productivity	.999

Measurement model

Combining the measures for HR practices and objective as well as subjective firm performance leads to the following measurement model (see figure 3).

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[9] Our thanks go to the Kreditschutzverband of 1870, the leading Austrian credit rating agency, for supporting this research through granting access to the financial data of the firms in the Cranet sample.

[10] Since assume that respondents draw their performance estimation from their knowledge (see previous chapter) and most companies have their year-end closing at the actual year end we didn't include the year the questionnaire had been completet.

[11] Using net-productivity makes the measure comparable among companies with different spendings on material.

Figure 3. Measurement model – HRM-firm performance link
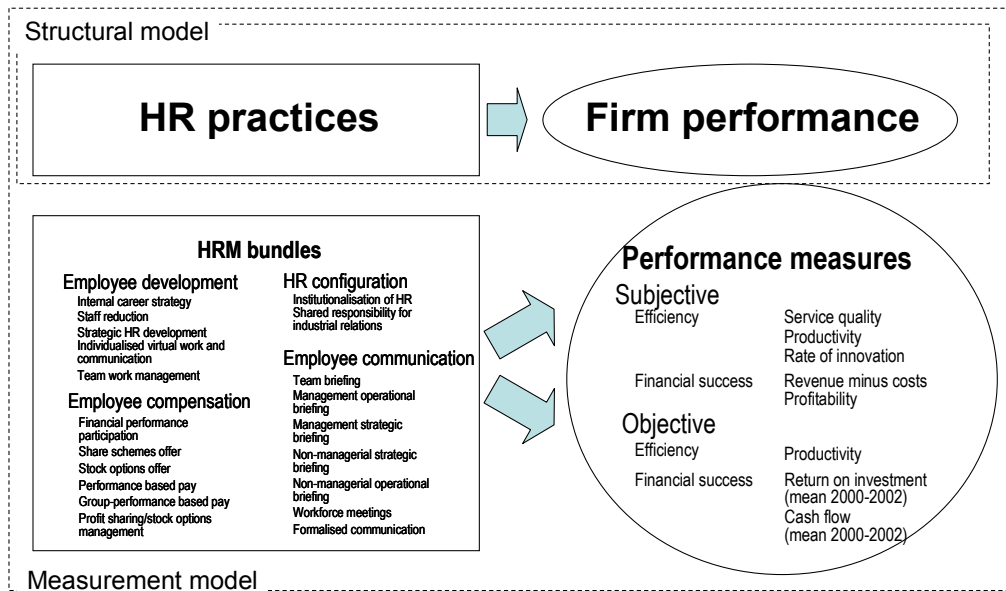
SAMPLE

The data used for our analysis has been generated within Cranet, a research network dedicated to analysing developments in HRM in public and private organisations with more than 200 employees in a national, cross-national and quasi-longitudinal way since 1989 (see, e.g., Brewster et al. 2000, Brewster et al. 2004). Presently, after six major survey rounds more than 30,000 organisations are included in the Cranet database.

For the current analysis 270 Austrian organisations with more than 200 employees from the 2004 Cranet survey round are used. In terms of sector and size they are demonstrative of the population of organisations in Austria.

RESULTS

Assessing whether subjective and objective measures lead to different conclusions concerning the relationship between HR practices and performance addresses the question of whether the the subjective and objective financial success/efficiency factor measure the same thing (construct validity (Wall et al. 2004)). Table 4 shows the resulting standardised regression coefficients of multivariate linear regressions conducted for each of the two objective and the two subjective performance factors with the HRM bundles serving as independent variables.

Looking at the influence of various HRM bundles on subjective and objective financial success, yields quite consistent results in terms of direction and statistical significance. The influence of 15 out of 20 HRM bundles goes in the same direction in both measures. 4 out of these HRM bundles show a significant ($p<.10$) influence on objective financial success with all 3 HRM bundles significantly influencing the corresponding subjective measure being included. Looking at differences between the coefficients with equal algebraic signs we see differences between 0 and .050 in 7 of the 15 cases, between .051 and .100 in 4 and over .101 in the remaining 4 cases.

Table 4. Influence of HRM bundles on performance

|	Financial success		Efficiency	
	subjective	objective	subjective	objective
HRM Bundles	beta	beta	beta	beta
Financial Performance Participation	.347**	.256**	.127	.212*
Share Scheme Offer	.150	-.039	-.075	.105
Internal Career Strategy	.127	.124	.175	-.140
Stock Options Offer	-.072	.038	.092	-.069
Performance-based Pay	-.056	-.209*	-.071	-.083
Non-managerial operational briefing	-.085	.022	.022	.068
Non-managerial strategic briefing	-.126	.042	.142	-.046
Group Performance-based Pay	-.103	-.145	-.047	-.044
Staff reduction	-.461**	-.246**	-.149	.264**
Strategic HR Development	-.150	-.108	-.227**	-.148
Formalised Idea Communication	.018	.088	.042	-.284**
Individualised virtual work & communication	.144	.040	-.069	.076
Team-Work Management	-.142	-.061	.379**	-.118
Workforce Meetings	-.021	-.085	.194*	.165
Management StrategicBriefing	.084	.044	-.030	.080
Management Operational Briefing	-.043	-.008	-.089	.044
Team Briefing	.146	.010	.068	.076
Shared Industrial Relations Responsibility	.080	.080	-.139	-.009
Profit sharing/stock options management	.042	-.147	-.037	-.013
Institutionalisation of HR'	.176*	.274**	.057	.212**
Equal direction of influence	15 of 20		10 of 20	
Equal significant coefficients	3 of 4		0 of 4	
* p<.10 ** p<.05	N= 70			

Turning to efficiency measure, half of the coefficients indicate relationships between HRM bundles and objective and subjective measures, respectively, in the same direction. None of the 4 bundles that significantly influence the objective factor shows a significant coefficient with the corresponding subjective measure. However, they are in turn significantly connected to 3 different HRM bundles. One of these bundles significantly positive linked to the subjective measure even exhibits a negative influence on the objective measure.

When we look at correlations between single measures as well as the factors we see rather high correlations except for subjective productivity. Spearman's roh between subjective and objective productivity reaches only .13 whereas the correlations of subjective profitability (measured relative to competitors) and ROI and subjective estimation of revenue minus costs and cash flows is .39 and .54, respectively. The relationship between the factor subjective efficiency and net-productivity reaches only $r=.14$ and close to 0 with ROI and cash flow. The two factors, subjective efficiency and objective efficiency, only show a correlation of $r=.14$ whereas subjective financial success and objective financial success correlate with $r=.57$[12].

CONCLUSIONS

Our point of departure was the assumption that firm performance is influenced by HRM bundles orthogonal to each other and that firm performance can be assessed subjectively and objectively with both methods capturing part of the overall performance construct. As can be seen in figure 4, we assumed the subjective and objective measures to be partly overlapping.

Figure 4. Influence of SHRM bundles on objective and subjective performance
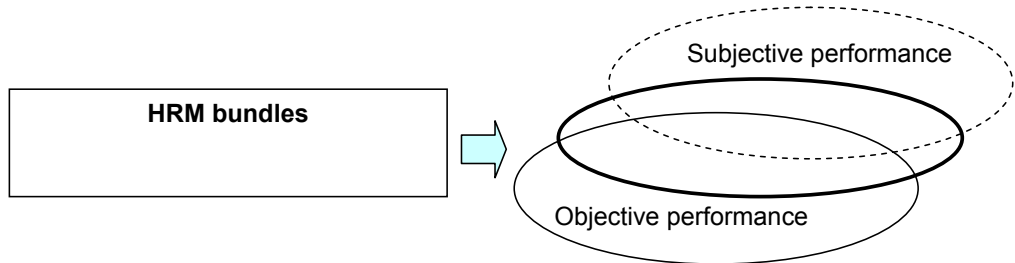
Two major findings emerge. First, in the area of financial success, objective and subjective performance measures lead to more or less parallel results. While there are some differences both in terms of direction and statistical significance, the overall findings in this respect point into the same direction. These findings support claims that subjective firm performance measures are a reasonable good substitute for objective performance measures. While these results of the two financial performance measures are not as unambiguous as previous findings using single measures (e.g., Wall et al. 2004), the pattern still shows sufficient similarity. Hence, while subjective measures in this area might not obtain the optimum solution, they still seem to constitute a sufficient substitute for objective financial performance measures.

Second, for the efficiency measure combining productivity, rate of innovation and service quality, the picture is much more unclear. While part of the results point into a similar direction, other elements show vague or contradictory findings. Looking at the correlations of

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[12] These correlations are very similar if coefficients are calculated separately for companies where the most senior HR manager/an employee of the HR department estimated the subjective measures.

the underlying single performance measures shows that subjectively estimated productivity doesn't have a relationship with objective productivity and the other objective measures. Thus it seems that using estimations of productivity compared to competitors are no good substitute for objective net-productivity. Productivity perception might be too closely related to the reference group participants have in mind, but a linear model including the sector showed no significant ($f(12,116) = .81$, $p = .64$) influence of the sector on the estimation.

Overall, this leads to a call for a more differentiated discussion about the relationship between objective and subjective firm performance measures and their use in studies about the HR-firm performance link. A simple antagonism 'subjective' vs. 'objective' does not target the essential issues. Rather than asking 'subjective or objective', the more appropriate discussion should focus on the question: Which types of subjective and objective performance measures are to what degree likely to be good substitutes for each other? A discussion like this could prove to be fruitful for future research on the HR-firm performance link as it would allow a differentiated approach towards the often difficult issue of objective performance measures.

Table 5. HRM Bundles

Factor	Variables	Loadings
'Financial Performance Participation' • eigenvualue: 6.93 • explained variance: 11.75	Clerical/admin pay on company-wide performance Prof/tech pay on company-wide performance Manual pay on company-wide performance Manual briefed about financial performance Clerical/admin offered profit sharing Prof/tech offered profit sharing Manual offered profit sharing Clerical briefed about financial performance Prof/tech briefed about financial performance Management pay on company-wide performance	,876 ,861 ,823 ,696 ,646 ,643 ,634 ,546 ,457 ,446
'Share Scheme Offer' • eigenvalue: 4.80 • explained variance: 8.14%	Clerical/admin offered employee share schemes Prof/tech offered employee share schemes Manual offered employee share schemes Management offered employee share schemes	,958 ,949 ,872 ,851
'Internal Career Strategy' • eigenvalue: 3.71 • explained variance: 6.29%	management - planned job rotation management - international experience scheme management - formal career plans management - assessment centres vacancies filled internally for management management - succession plans management - high flier scheme HR Strategy	,733 ,726 ,622 ,548 ,515 ,481 ,463 ,446
'Stock Options Offer' • eigenvalue: 3.33 • explained variance: 5.64%	Clerical/admin offered stock options Prof/tech offered stock options Manual offered stock options	,942 ,928 ,890
'Performance-based Pay' • eigenvalue: 3.12 • explained variance: 5.27%	Prof/tech pay on individual performance Clerical/admin based on individual performance Manual based on individual performance Management pay on individual performance	,809 ,809 ,681 ,510
'Non-managerial operational briefing' • eigenvalue: 2.64 • explained variance: 4.47%	Clerical briefed about org of work Prof/tech briefed about org of work Manual briefed about org of work	,855 ,819 ,637
'Non-managerial strategic briefing' • eigenvalue: 2.36 • explained variance: 4.00%	Clerical briefed about business strategy Prof/tech briefed about business strategy Manual briefed about business strategy	,873 ,829 ,692
'Group Performance-based Pay' • eigenvalue: 2.13 • explained variance: 3.61%	Prof/tech pay on team/dept performance Clerical/admin pay based on team/dept performance	,810 ,778

'Staff reduction' • eigenvalue: 1.96 • explained variance: 3.34%	staff decreased by voluntary redundancy staff decreased by internal transfer staff decreased by outsourcing	,856 ,838 ,704
'Strategic HR Development' eigenvalue: 1.86 explained variance: 3.16%	Evaluation of training needs Evaluation of training success HR involvement in corporate strategy	,834 ,814 ,550
'Formalised Communication' • eigenvalue: 1.77 • explained variance: 3.00%	Communicate to management through suggestion schemes Communicate to management through attitude surveys	,780 ,415
'Individualised virtual work and communication' • eigenvalue: 1.71 • explained variance: 3.89%	Manual pay based on team/dept performance Communicate to management electronically	-,806 ,583
'Team-Work Management' • eigenvalue: 1.62 • explained variance: 2.74%	Management variable pay based on team/dept performance Shared Responsibility for recruitment and selection	,699 ,504
'Workforce Meetings' • eigenvalue: 1.48 • explained variance: 2.51%	Communicate to management through regular workforce meetings	,860
'Management Strategic briefing' • eigenvalue: 1.37 • explained variance: 2.32%	Management briefed about business strategy	,835
'Management Operational briefing' • eigenvalue: 1.24 • explained variance: 2.11%	Management briefed about financial performance Management briefed about organisation of work	,740 ,694
'Team Briefing' • eigenvalue: 1.19 • explained variance: 2.01%	Communicate to management through team briefings	,777
'Shared Industrial Relations Responsibility' • eigenvalue: 1.16 • explained variance: 1.82%	Shared Responsibility for Industrial Relations	,803
'Profit sharing/stock options management' • eigenvalue: 1.07 • explained variance: 1.82%	Management offered profit sharing Management offered stock options	,708 -,607
'Institutionalisation of HR' • eigenvalue: 1.03 • explained variance: 1.74%	Head of HR in Board Personnel/HR dept exists	,807 ,562

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4. DOES HRM ENHANCE SMALL BUSINESS PERFORMANCE?
A case of an expert design agency

Essi Saru

ABSTRACT

Human resource management is equally important for both small and large companies. However, the current literature on HRM is mainly developed and tested in and for large organizations. As a result little is known about their applicability to smaller organizations. SMEs are a very heterogeneous group of organizations although they are often treated as an entity. That is why one can not speak about a single HR management style for SMEs. The aim in this paper is to find out what factors in HRM affect performance in SMEs. This research is conducted as a single case study in a small expert organization operating in the field of heating and plumbing systems (HPAC). The organization suffers from the lack of competent experts who would be committed to the organization for a longer period of time. The workforce is close to retirement age which thus puts more pressure onto the manager to find younger professionals to replace them. These factors affect the performance of the organization and make the human resource questions especially relevant.

INTRODUCTION

Human resource management is equally important for both small and large companies. However, the current literature on HRM is mainly developed and tested in and for large organizations. As a result little is known about their applicability to smaller organizations (Heneman et al. 2000). SMEs are very heterogeneous group of organizations, although they are often treated as an entity (Kotey & Slade 2005). That is why one cannot speak about a single HR management style for SMEs. In addition to being small SMEs have special features that affect their HRM. There are factors that inhibit it, for example, lack of financial resources, HR expertise and time (Hill & Stewart 2000, Marlow 2000, Sels et al. 2006a, Subramony 2006). There are also factors that enhance HRM, like more direct communication, flexibility and distinct impact of each employee's effort on organizational performance (Bacon et al. 1996, Sels et al. 2006b). The change programmes carry more meaning in smaller firms because they are more informal compared to the more bureaucratic and formal change programmes in larger organizations (Bacon et al. 1996). Based on these enhancing factors small firms can be seen as an ideal field for studying the relationship between HRM practices and performance (Sels et al. 2006a). SMEs need to take advantage of being small, flexible, and sensitive companies and consider the high level of informality as a source of competitive advantage (Nguen & Bryant 2004).

There are many studies on HRM in SMEs (for example, Gibb 1997, Jennings & Beaver 1997, Hill & Stewart 2000, Bacon & Hoque 2005, Harney & Dundon 2006). Still the management practices in SMEs are not well understood (Nguen & Bryant 2004) and it can be asked how exactly small firms differ from their larger counterparts in HRM (Wagar 1998, MacGregor 2004). Can it be said that it is easier in small companies or does it get more difficult with fewer people.

HRM has an established theoretical foundation. However, there is still lack of evidence about the underlying theories in HRM (Guest 1997). Especially, when we talk about the connection between HRM and performance, the theoretical foundation would be relevant to reveal. The investigation of the link between HRM and performance is one of the future research

challenges. One reason why this link is still unclear is that empirical research has not been cumulative enough (Guest 2000).

The aim in this paper is to find out what HRM-factors affect performance in SMEs. This research is conducted as a qualitative single case study in a small expert organization operating in the field of heating and plumbing systems (HPAC). The organization suffers from the lack of competent experts who would be committed to the organization for a longer period of time. The workforce is near retirement age, which puts more pressure on the manager to find younger professionals to replace them. These factors affect the performance of the organization and make the human resource questions especially relevant.

This paper begins with a literature review on HRM and performance in the small business context. The case description and analysis of the data are then provided. Finally, conclusions are drawn and suggestions for future research are elaborated.

LITERATURE REVIEW

Specialties of SMEs

By the end of 1990s, the research on SMEs was ignored in many HRM discussions. Despite the fact that there were a number of journals devoted to SMEs, the focus was on finance, marketing and operational management issues instead of HRM (Wilkinson 1999). I believe that this has now changed. There is quite a lot of literature on HRM and HRD in SMEs; however it is not yet clear how these two fit together (e.g. Bacon et al. 1996, Hill & Stewart 1999, Mazzarol 2003, Nguen & Bryant 2004, Kotey & Slade 2005, Sels et al. 2006a and b, Harney & Dundon 2006). Already in the beginning of the 1990s Hornsby and Kuratko (1990) brought many small firms' HRM issues into the academic attention; however it wasn't until recently that they came into the discussion more fully. Previously, the literature presented two ideal types of small firms: "small is beautiful" scenario which is more family-like organization and "the bleak house" scenario which represents a dictatorially run organization. Today these polarized views have been questioned (Wilkinson 1999).

SMEs are important to the national economy in many countries because of their employing effect. The SME sector covers over 90% of companies in Europe and North America. In Finland the figure is over 99 % (Tilastokeskus 2003). This is why HRM in the small business context has attracted research interests during the past decade (Bacon & Hoque 2005). In prior literature it has been established that HRM in SMEs is in poor shape and that HRM is mainly practiced and studied in the larger organizations (Kotey & Sheridan 2004, Bacon & Hoque 2005). The lack of knowledge about human resources in SMEs is problematic for theory, research, and practice (Henemen et al. 2000). HRM in SMEs is best described as complex (Harney & Dundon 2006).

SMEs are a very heterogeneous group of organizations. They represent different size groups and types. Therefore, like Marlow (2000) states, it is difficult to point out a single approach in human resource management that would advance the small firms' possibilities for security and success. For example in expert organizations – design agencies, law firms, professional sports teams, high tech firms etc. – employees are the primary source for value creation. In spite of that, the workforce is usually not professionally managed, and the function of human resources is very small or absent (Finegold & Frenkel 2006: 1).

HRM practices are described to be informal in SMEs. HR formality is defined as the extent to which HR practices are documented, systemized and institutionalized (Nguyen & Bryant 2004, Kotey & Slade 2005). It also includes also legitimate sources of recruitment and the use of specialists for training (Kotey & Slade 2005: 17). It is also established that firms

implement more formal procedures with growth (Kotey & Sheridan 2004). The bigger the company the more hierarchical and formal it becomes (ibid.). This is apparent because the more people work together the more rules and procedures are needed.

In micro-firms the close relationship between employer and employees replaces formal control and reduces the need for detailed documentation. Moreover, at the micro level owner-manager may lack the resources required to implement those HRM practices (Kotey & Sheridan 2004). Like Hill and Stewart (2000) state, there is a need to understand more explicitly how and why small organizations generate their own models of developing human resources. In order for a SME to see the benefits of it, the link to the business performance needs to be visible. When this happens the managers would be more willing to invest in HR practices (Hill & Stewart 2000). Although Hill and Stewart talk about developing human resources (HRD), I feel that it is equally important for HRM as well.

HRM and performance in small business context

HRM research has moved to a more strategic direction during the past decade (e.g. Gratton et al. 1999). Strategic HRM has been defined as having a longer-term focus. In addition HRM is linked to the strategy process, which will enable HRM practices to increase the organizations performance (Martell & Carroll 1995). It has been stated that human resource management has an effect on the organization's performance at least in larger organizations (Martell & Carroll 1995, Guest 1997 & 2000, Barney & Wright 1998, Delery 1998, Lähteenmäki 2001). In a small business context this is also apparent because people are the primary source of competitive advantage. The problem may be that managers may not see it as a human resource management activity.

Finegold and Frenkel (2006) suggest that there are three areas where managers in small expert organizations are expected to make a contribution. These are hiring staff, motivating and managing their performance, and building the individual and organizational capabilities needed to support the business strategy. As they continue (ibid.), there is a continuing problem of hiring employees who are competent and who would fit to the organizations current team of employees and the work culture. The main HRM activities of a small firm are thus recruiting, training and communication.

The key element in finding new employees is to make sure that the new recruit fits in with the current organizational culture. It is more important than analyzing the employee on the basis of contribution to the firm's present and future needs. Informal methods are valued although they may restrict the employee diversity (Marlow 2000). As Marlow (2000) points out the benefits of choosing a new employee who fits outweigh the potential costs of employing someone who – no matter how qualified – does not fit. The selection process is important for a small firm because the costs of selection errors are very high. (Henemen et al. 2000) and it is very difficult to get rid of a wrong choice.

The discussion of fit and flexibility is closely linked to the SME performance. Like Henemen et al. (2000) suggest the selection process in SMEs may need to be a two-stage process. First of all a new employee needs to fit with the current director of the SME and second, the employee has to be able to be flexible and to adapt to future directions of the organization.

The complexity of the small business environment demands unique skills to succeed in exploiting competitive advantage (Jennings et al. 1997). Training is often seen as one of the central elements in managing human resources in small business context and a way to create competitive advantage. In addition, in many small organizations training does not take place at all or if it does, it typically is reactive, informal and short-term. This means that training is for solving work-related problems and not the development of people. (Hill & Stewart 2000:

108) Patton and Marlow (2002) point out that there are a number of reasons why small firm owners are reluctant to invest in training. These reasons include ignorance of benefits, time issues, a fear that training will enhance employee mobility and that there is little evidence to indicate that investment in training and development leads to enhanced firm performance. Informal training is therefore preferred. (Patton & Marlow 2002: 261) These are all important issues to take into account and they are very relevant for the small organization's manager. In spite of the importance of training it cannot be the only goal. Training needs to have a purpose, which clearly enhances the firm's performance.

There is a vast discussion about the connection between HRM and firm performance. The main difficulty in finding that link is that the effects of HRM are difficult to measure. In the SME context the most relevant measure of performance seems to be the amount of cash available – including investments convertible to cash (Jarvis et al. 2000). Cash is an important short term indicator and it is also an indicator of firm's health to investors. Yet the managers often make decisions on an informal and intuitive basis. This is because survival is the main goal rather than maximizing growth and profit. One of the very informal measures for small business owner is the feeling that there is work to do all the time. It is the "keeping busy" - measure (Jarvis et al. 2000).

In addition to the monetary measures, there is growing evidence that "systems" or "bundles" of human resource management practices are more important than any single program (Wagar 1998). In the large organization context the discussion about HRM bundles and their connection to business performance has been widely discussed (e.g. MacDuffie 1995, Wood 1995, Becker & Gerhard 1996, Lähteenmäki et al. 1998). In this discussion the aim is to find a bundle of human resource activities that would bring competitive advantage to the organization. The problem in small organizations is the lack of a human resource expert who would be in charge of HRM. It is the sole responsibility of the owner-manager among other management duties.

METHODOLOGY

This is a qualitative single case study. The case-study approach has a long history in social sciences, but there has been very limited discussion about the philosophical consequences of applying the case-study approach to the small business area (Perren & Ram 2004: 84). Despite that case research has been popular in small business research for some time (Curran & Blackburn 2001). This is very understandable because in a small business context it is easier to keep the approach simple. The case-study approach has been used for single and multiple cases and with quantitative as well as qualitative methods (Yin 1984). Case study can be used to test theory, generate theory, and provide descriptions (Eisenhardt 1989) and therefore it can be classified as explanatory, descriptive or exploratory (Yin 1984).

The aim of this research is to describe the target organization's human resource management needs and explore the other factors effecting human resource management. This study is descriptive in nature. A descriptive case study attempts to describe what happens in a case setting. It is often considered as a less valuable approach for studying cases because it is seen to be summarizing issues that have already been discussed (Gummesson 1991). The case-study approach has been criticized for providing few possibilities for scientific generalization, for being time-consuming and for being biased (Yin 1984: 21). However, as the case here is qualitative and single, the intention is not for it to be generalized to other contexts. The aim is to describe the situation in the company and give ideas about how human resources can be developed in a small business context. Because, however, the case organization is an expert organization, the results can also be applicable to other similar contexts. The problems are similar in many other small firms.

The data were gathered by interviewing the case organization's owner-manager. The analysis of the data reveals the current state of human resource management and, in particular, problems with employment in and commitment to the organization. There are some quotations from the interview in between the narrative passages. These quotations show that the company is dealing with the same issues that have been described in prior literature. It is searching for answers about how to deal with human resources with limited time and financial resources.

FINDINGS AND DISCUSSION

The case organization in this study is a small expert design agency that specializes in designing HPAC-systems (Heating, Pluming and Air-Conditioning). The agency can be regarded as a small or even a micro firm. SMEs are firms, which employ less than 250 employees and the line between small and micro firm is drawn somewhere around ten employees. Most of the companies operating in this field in Finland are small or micro organizations. The problems and solutions described in this paper may have some implications for and are similar in most of the organizations in the field.

The case company was chosen because of its problematic human resource issues, namely those of finding new competent designers to employ who could be committed to the work for a longer period of time. The field itself does not attract highly educated employees because it can be described as uninteresting. This makes the HRM-issues even more complicated. The educational institutions have had difficulties in attracting enough competent students. The dropout rate has also been high and the competencies and motivation of the students are not as high as expected and hoped for. This has a direct effect on their performance at school as well as work. The impact of employment in the field is estimated to be significant in the future. That again should attract many new students. Many design and mechanical jobs will become available due to extensive renovation work needed in the 30 to 40 years ago built suburbs.

Due to the significant and prolonged lack of interest towards the field, a whole generation ofemployees is missing. There are designers near retirement age as well as very young workers at the beginning of their careers. This causes a problem because the work requires some on-the-job training: a young designer who has just graduated from a polytechnic or university starts working with an older designer who acts as his/her tutor. Therefore it would be vitally important to find more of these younger designers before the professionals retire. The tutor's knowledge and competencies should be transferred to the younger designers bit-by-bit in order to not lose that valuable knowledge and experience with retirement. The manager of the case company describes the situation as follows:

> *"The workforce is clearly divided into two groups: old and young. I am missing the natural middle-aged group. If the young designers suddenly decide to leave the company, it is difficult to find a replacement. This makes the company very vulnerable."*

At this point the group of designers is homogeneous – no division between old and young workers – and they work well together, which also affects the performance. With a good team a small firm can make a profit and survive the competition. But the age division of workers in the field in general leads to the fact that many small companies have to fight with larger ones to get employees to work for them rather than for a large corporation. The situation applies to every small company in this field. Every one of them is trying to solve the problem better than its competitors do.

> *"Half of my employees will retire within the next five years. That is a huge percentage of my workforce. It's a challenge but I'm not too worried about it now. The situation needs creative solutions and I believe that I will find one when the time comes."*

The management job requires creativity and the greatest challenge here is to make sure that the young recruits do not use the company as a stepping-stone on a way to bigger organizations and challenges. Small firms cannot afford to train employees for the big firms. The firm is managed and run by the owner who does not take part in the actual designing of the systems but controls all day-to-day management issues and tries to make sure the company has the prerequisites to survive competition. He is in charge of the firm's economy and is actively trying to find new employees to fill the gap between the old and the young designers.

Because small organizations are so vulnerable to losing a designer, they need to find a way to solve the recruitment and commitment problem. One way to overcome this problem might be to co-operate with schools that train engineers. These schools could then be regarded as belonging to the firm's stakeholder network. As part of the network the schools would be a part of the firm's learning circle (see Gibb 1997) and thereby they would need to learn how to benefit from one another. This is quite a simple method, which could result in fruitful co-operation, but it only works in areas where a school and a design agency coexist. The problem remains, however, that there is no guarantee that the deciners once trained and possibly recruited will also be motivated to work for the organization and be committed to its success and well-being for a longer period of time. One way to promote work satisfaction is to communicate with the employees and to share information.

> "I meet with the younger designers yearly to discuss with them about their jobs and their well-being and also to find out if they are still satisfied with their work. Then I know what the situation is and it does not come as a big surprise if someone decides to leave. On a large scale, I want to know how my workers feel and think. It is communication both ways."

The employees need to feel that they are valuable and that the value of their work is noticed. This is difficult for a small organization because it is always a financial problem. As I see it, however, it would help if the manager first and foremost made sure that every employee was aware of the strategic meaning of his/her work and its affects on the business performance of the firm. But it seems that, in an engineering company, this is not seen worthwhile.

> "In a company full of engineers I feel that a kind of unnecessary waffling does not fit in. The engineers just want to do their job and if there is a problem, it is discussed and then they continue working. That way the manager's job is quite clear. I feel that the appreciation comes from good quality equipment and the possibilities to attend courses once in a while."

This is a challenge for HRM. The management process in the company is very informal. It relies on informal communication and all unnecessary documentation is cut off from the daily routines. The most important thing is for everyone to be aware of the nature of the work project as well as financial limits. The outcome of the designs has to be excellent to ensure that in the future there is a chance to be competitive in the tough competition.

The manager's goal is to find larger work projects for the company, to form the basis of income for many years at a time. Then smaller projects are needed to fill the gaps. The project nature of the work makes it impossible to plan ahead, and gives the work an unstable and unpredictable nature. The workload of different designers is difficult to estimate. This is how the manager describes the situation:

> "It is difficult to assign jobs for different designers in our company because the workload is difficult to estimate. There is no point in planning ahead and it is like

juggling; I move people around very flexibly from one project to another according to their expertise."

The different firms in the field specialize, as do different designers within a firm. The firms choose a field of expertise where they think that they can succeed and compete in quality and cost with larger companies. Larger companies are able to compete on price but do not necessarily possess the expertise of specialized smaller firms. Specialization is the key to competitive advantage and the small firms need their experts to do the job. The manager's responsibility is to stay alert and feel the upcoming changes that could affect the day-to-day business.

"I work on the principle that every one of the designers does their work very independently, but every day I talk with them and make sure they know what they are doing and try to help if there is a problem. I give them all the information about the budgets and timetables that I have, so that they know the limits and possibilities in that particular project."

CONCLUSIONS

The firm size is a significant factor in human resource management in SMEs. Small and micro firms operate in a very different manner to the medium sized firms. Academic terms like strategy, vision and learning are terms that are rarely used in small companies when managers talk about human resource issues and general strategies. One could even ask if the concepts related to the terms can be used when the realities in a small organization are so different from those of larger corporations for whom the terms and concepts have been created. One very interesting research question would be to find out what the human resource development models in small firms could look like and what aspects could be included in them.

Movement in that direction, however, requires great consideration: which aspects of HRM could be effectively integrated into a model for small firms using terminology that would communicate the message to both owners or managers and to other stakeholders. In the small business context, however, one should consider what is formally possible and to what extent is something feasible given the internal and external realities. This is why it is important to consider the context, the field of operation and the whole social and political environment in which an organization operates, to be able to outline the whole process of dealing with human resources. Henemen et al. (2000) bring up an important point indicating that the lack of empirical research on HRM issues in SMEs may partly be due to the owner manager's reluctance to participate in a research because of the potential time away from the business or because they do not view human resource management issues as a source of improved business performance.

In the middle of 1990s Bacon et al. (1996) found that small companies do take up new management practices and initiatives. New management initiatives include for example culture change, team working and flexibility. They found that very often change in management practices occurred when ownership in the company changed. This suggests that the management practices are closely tied to the owner manager. Small firms implement many of the initiatives that have been identified in larger organizations. The apparent difference is that larger organizations have more resources to implement them. But despite the lack of resources, it could be easier for SMEs to implement new management practices because the manager is more committed to the change process and more aware of the employees' tasks (eg. Storey 1995, Marlow 2000).

When we talk about a small company, one cannot separate the human resource management issues from other factors such as organizational culture, business environment and other strategic decisions. Harney and Dundon (2006) suggest an open systems view to view HRM in SMEs. Their framework indicates how firm size interacts with other factors in the environment (labour and product market, ownership, managerial style, relations with customers and suppliers). The factors are the same as in a larger firm's environment but the factors impact the small firm more, making the situation for small firms different from that of their larger counterparts (McMahon 1996, Harney & Dundon 2006).

Changes in the environment affect the small firm's performance directly. Management decisions in small companies are especially important due to the uncertainty of the environment and the limited resources. This is why managers need to be sure that a decision to adopt a management practice is the right one (Subramony 2006). Uncertainty may also foster reactive management (Keogh et al. 2001). This is due to the lack of resources and time to manage the environment. The only opportunity then is to react to changes and not to prepare for them.

Ebben and Johnson (2005) found in their study that small firms that pursue either efficiency or flexibility strategies are able to achieve optimal performance, while firms that attempt to mix efficiency and flexibility strategies underperform significantly. This means that the firm needs to choose between being efficient and being flexible to reach sufficient results. Efficiency would mean specialization to a narrow niche, which is the choice that the case organization has made. As a conclusion could be stated that HRM practices would have an effect on the small firm's performance if they were managed properly and seen as worthwhile activities. Despite the scarce resources the small firms need to take human resource matters seriously – consciously or not.

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5. WHAT GENERATES THE EFFECTS OF PERFORMANCE INFORMATION IN THE CONTEXT OF STATEGIC HUMAN RESOURCE MANAGEMENT?

Terttu Pakarinen

ABSTRACT

The purpose of this presentation is to provide research results about how to create work systems where both human and organizational vitality are developed. The aim of this study was to clarify by what mechanisms performance information brings about change in a complex organisation. One of the research questions were, how agency can promote the development of organisations into competent organisations. In the study this kind of effect was defined as a strategic competence that can be empirically studied by means of the knowledge flow. The study deals with performance information as a function of strategic human resources management (SHRM). The performance information was reviewed as an evaluation, management and feed-back system within vocational education.

The methodology of the study was based on critical realism. The contribution of this framework is both theoretical and practical. The following theoretical model was found: Action and interaction in the boundaries act as generative mechanisms, triggering, under favourable circumstances, the knowledge flow that contributes to the creation of strategic competence. These circumstances are related to human resources management and organisational learning. The theories explaining change at individual and group level are found in the theories of social identity and social learning. The knowledge flow is best described by socio-cognitive processes.

The practical results of the study can thus be applied in human resources management, leadership and management in knowledge organisations and global economy. The challenge for SHRM is to focus on learning-intensive job designs and goal orientation in the organisation. This results in new challenges for immediate superiors both in the management of changes and in performance management and knowledge leadership. There will be new challenges for occupational and organisational psychology in the promotion of action and interaction in the boundaries.

INTRODUCTION

The background of the study

This study is on the one hand founded on the increased productivity demands of the public sector, and on the other hand, on the development of the knowledge society, in which the success of organisations largely rests on their capacity to process information. This study deals with performance information as a function of strategic human resources management

(SHRM). The two case studies on which this study is based both deal with vocational education. The evaluation of education performance has become increasingly more important both locally, nationally and internationally (cf. the Lisbon Strategy).

The data of this study has been gathered during the national research programme for the evaluation of the performance of municipal services (KARTUKE) and is one of the studies under the project "Increased performance in municipal organisation through competence"

(OSAATKO) between 2002 and 2004. The study examines vocational education in a situation where educational services are provided to students and enterprises by experts in different fields.

National vocational education curricula have been revised so that the length of education has been extended to three years and emphasis is placed, through on-the-job learning, on an increasingly closer co-operation between education, business and working life. Furthermore, vocational qualifications provide eligibility for higher academic education. The system of credit-based funding has been designed based on performance evaluation in line with quality award criteria and the Balanced Scorecard model. Another measure to improve the quality of vocational education is the ongoing reform that will include competence-based examinations for young people, in curricula. During the same time period, a major organisational reform was implemented in the Northern Savo Vocational College, which is the object of my research. The changes included the features of high -performance work systems, where decision-making and responsibility was pushed further down the organisation and the college was transformed into a team and process organisation.

The purpose of the study

The purpose of this study was to ground a theory of performance evaluation as an information system of Strategic Human Resource Management (SHRM) in complex organisations (Gratton & Truss 2003, Colbert 2004). The aim of this study was to clarify by what mechanisms performance information brings about strategic competence in a complex organisation (Lawson 2004). Performance information is examined both as a management system and a feedback system (Kaplan & Norton 2001, Greve 2003).

Two subquestions were used in the search for a solution to the key question of the study What in a public organisation's circumstances trigger the mechanisms that bring about a change of the entire complex organisational system based on the performance information. The first one related to how to achieve a performance evaluation functioning in practice, and the other one to how agency can promote the development of organisations into competent organisations. In the study this kind of effect was defined as a strategic competence that can be empirically studied by means of the knowledge flow (Hodgkinson & Sparrow 2002).

THEORETICAL BACKGROUND

Performance evaluation as information system

Performance evaluation as an information system has the consequence that also the organisations must be viewed as open information systems (Tsoukas & Mylonopoulos 2004). Therefore, the relationship of strategic human resource management (SHRM) to performance evaluation, to knowledge management and to the concepts of competence and capability must be defined at different levels of organisation. Performance evaluation is usually viewed as a basic function of strategic human resource management in the sense that both strategic choices and goals and measures of human resource management (HRM), such as rewarding and development of personnel, are based on evaluation information (Boxall & Purcell 2003).

In this study, joint authorities for education are viewed as knowledge organisations operating in the context of enterprises, and work is viewed as knowledge-intensive work involving expert positions where the prerequisite for success is the functioning of an information system that supports strategic human resource management. In complex, dynamic organisations, information related to performance is non-linear, flowing in the network of individuals, groups and organisations (Reed & Harvey 1992).

The studies on strategic human resource management have not really looked at SHRM from the viewpoint of complex systems. Colbert (2004) calls for a view according to which the approach used in adaptive systems links together the tradition of resource based studies on human resource management and knowledge management practices that emphasise how people's own resources and hidden capabilities can best be brought out. Here, besides HRM contents, attention should be paid to processes used by individuals to create individual meanings related to HRM.

Organisational learning and strategic competence

In order to illustrate the advantages of conceptualising organisations in terms of competencies it is useful to consider the ability to learn. This is one of the most discussed qualities of productive systems focused upon in the recent literature. Moreover, most accounts stress the importance of the collective nature of learning. Lawson (2004) suggests the distinctions between capacities, capabilities, competences and dispositions using critical realism as a framework:

The term capacity is used for more passive power of a structure to attract, contain or receive. There is no learning involved in this. The term capability is used to refer to an ability, which is possible but has not yet realised. At the system level, the main focus will be upon the networks of interconnections that enable skill or knowledge acquisition to take place. The term competence refers to an ability (requiring skills and knowledge) that has been acquired. At the system level the focus is likely to be upon the abilities of systems to perform certain kinds of jobs etc. Finally, the disposition or propensity is a way of acting or being that the thing is likely or inclined to pursue or do. At the system level a disposition is any characteristic that is likely to be manifest in a certain outcome.

Organisational learning takes place through shared processing of evaluation information and through activities based on it. Lähteenmäki et al. (2001) criticise the shallow theoretical foundation of organisational learning. They suggest that more research should be conducted on how individual learning is transformed into organisational learning. They emphasise the role of the individual and empowerment. There, attention should be paid to the organisational culture, leadership, structures and HRM. Various organisational factors either prevent or promote organisational learning. The organisation's knowledge creation process and the system of knowledge management allow the organisation to tap into its unused resources.

According to Viitala (2002) competence management emphasises leadership for which immediate superiors have the main responsibility. Järvinen et al. (2002) see the development of teacher competence as two intertwined processes, professional work and organisational work. Work carried out at a joint authority for education is professional work where, following changes in the operating environment, a change from individual work to organisational work has taken place. Information from customers, both from students, business and working life, is strategically important.

Strategic competence can be developed and managed if emphasis is placed on how the personnel at workplace acquire, store, recall and interpret information and how they act based on this information (Akgûn et al. 2003). In this case, strategic management is cognitive in nature, which means that emphasis is placed on strategy processes and on the development of organisational cognition. In a competent organisation the competency is situated in and between collectives (Hodgkinson & Sparrow 2002).

The concept of competence can also be defined from several viewpoints. Markowitsch et al. (2002) distinguish between individual competence related to work performance, competence related to goal setting and tasks, and the organisation's core competence where competence is

embedded in organisational structures and processes. Both individual and organisational competence can be influenced with HRM.

To bring out competence, not only must individual competence be documented but conditions conducive to learning must also be developed. These include demands from customers, the management, colleagues and owners; changes in technology, organisation and working methods; management responsibility; the number of external customer contacts; feedback on work; management's encouraging attitude towards learning; rewarding competence with challenging tasks, career development and compensation (Skule & Reichborn 2002).

Strategic human resource management and performance

To achieve success, the organisation must generate knowledge through collective learning. When human resource strategies are based on competence, the competency point of view is relevant to all functions. The key functions of HRM include personnel recruitment, development, career planning and performance evaluation.

In this study, the definition of the SHRM concept is based on Gratton and Truss (2003). Strategic human resources management is seen as a three-dimensional model: it is based on vertical alignment between people strategy and operational strategy; on horizontal alignment between individual HRM functions; and on an action and implementation dimension. The alignment of strategies and action is expected to be reached through competence and capability thinking and goal-setting. It is feasible since in the Northern Savo Vocational College, strategies are based on capability thinking and emphasis has been placed on individual competence management.

Kamoche (1999) outlines the links between strategic human resources management (SHRM), competence and learning and develops a resource-capability paradigm for SHRM research. In the SHRM research school that emphasises resources, the organisation is seen as a combination of material and immaterial resources. They are expected to provide competitive edge to the organisation. In these studies, resources and capabilities have been defined as skills, collective learning (core capabilities embedded in the organisation's structures and processes) or as core competence. Some representatives of this school define resources as capabilities, organisational processes, organisation's characteristics, information and knowledge.

The earliest representatives of this school distinguish between resources and competence. Resources are input in the production process whereas organisational competency refers to what the organisation can accomplish with its resources. The inclusion of the resource-competency viewpoint in SHRM emphasises the importance of human knowledge. This is related to organisational learning and, in particular, to the processing of evaluation information in organisations. Views that emphasise capability underline those processes and functions that aim for a competitive edge.

Strategic capability includes both human, structural and relationship capital. Individual competence is a good example of human capital. Structural capital consists of intellectual property and infrastructure; systems of performance evaluation and management provide an example of the latter. Finally, relationship capital refers to those distinct features that mark the organisation's relationship with customers, personnel and interest groups. From this viewpoint, HRM is seen as a promoter of strategic capability, as a driver or as the organisation's core competence (Lengnick-Hall & Lengnick-Hall 2003). The latter consider that HRM functions typical to the organisation can create unique competence that makes the organisation stand out from the rest. This in turn increases its competitive advantage or, in a public organisation, its public value.

When we talk about competence at the level of an organisation, some of the research emphasises the definition of the organisation's core competencies, which incorporate collective learning (Kamoche 1999). The definition of individual competence is usually based on the relationship between individual skills and work demands (Kurz & Bartram 2002). Theories that emphasise individual competence often link competence to good work performance. Kamoche (1999) aims to combine the concepts of individual and organisation-level competence through HRM. Thus, HRM must start from individual competence, which includes both skills and behaviour that leads to good work performance.

From a performance point of view, individual competency can be defined as an effective response to work demands (Kurz & Bartram 2002). Task-specific competency is a combination of behaviours and aptitudes, which are used to reach a desired result. Occupational competency is goal-oriented behaviour aimed to respond to work demands and service needs. Goal competency includes initiative and successful goal-directed behaviour used to respond to the organisation's demands. Role competency refers to social setting-specific transactions that are instrumental in reaching desired goals. Competency potential encompasses the individual attributes that are necessary for the production of desired outcomes. The prerequisites for competency depend on circumstances and are related to the facilitators of and barriers to reaching organisational goals, created by the organisation and by social relations. Individual competency potential and the characteristics of the organisation influence work competency i.e. effective response to work demands. Here, it is a question of reconciling desired behaviours and outcomes with actual behaviours and outcomes. This can also be considered as the prerequisite for learning in HRM.

In this study, performance evaluation at the level of an organisation and performance feedback at the level of an individual constitute the basic functions of SHRM. This mechanism is expected to establish a link between HRM and performance by increasing the motivation of personnel (Guest et al. 2000) through the development of strategic competence in the organisation.

METHODS AND DATA

The methodology of the study is based on critical realism. The performance information is thus seen as a social phenomenon, and it is presumed that its application will lead to a change in municipal services. The study was carried out combining intensive and extensive research (Danermark et al. 2002). The intervention 2002-2004 was the implementation of Balanced Scorecard as performance evaluation system. The joint authority has been organised into 11 study sectors and operates in six locations in the region. The total number of personnel was 497 in 2002, of which 249 were women and 239 men. The average age of personnel was 45.5 years.

The data was collected from a joint authority for vocational education using individual and group interviews (focus group) and a questionnaire. The collection of data took place in four separate stages from causal groups, management, staff, political decision makers, consultants, customers and owner municipalities of the joint authority. In the first phase of the study, data on initial conditions of the intervention were collected from documents and through interviews of individuals; in the second phase, a survey questionnaire on learning opportunities offered by work and workplace and on human resource management was used; in the third phase, focus group interviews on knowledge flow were conducted; and in the fourth phase, the survey questionnaire of the research programme (Niiranen et al. 2005) was used in order to describe the terminal conditions of the intervention. Theoretical, methodological and data triangulation as a research approach was used. Each phase of data collection is based on the analysis of the material and feedback from the previous phase. The

data from the focus groups were analysed using grounded theory approach applied to the ontology and epistemology of realism.

In 2002, the following were interviewed: 2 representatives of strategic management, 6 superiors, 8 staff representatives and 2 representatives of interest groups. The initial phase showed that HRM and competence have the greatest influence on the success of a joint authority for education. The employee survey conducted in spring 2003 was based on the themes surfaced in the initial survey. The section on HRM of the survey was based on the WERS survey (Guest et al. 2000) and on the questions included in Ehrnrooth's (2002) dissertation on HRM. The section on learning conditions provided by workplace was adapted from the survey by Skule and Reichborn (2002). The core capability of the organisation was measured by the open question in this survey.

Altogether 96 persons (25%) responded to the 2003 survey. The survey was internal and was carried out in spring 2003 among the entire personnel of the joint authority by using an electronic questionnaire. The distribution of respondents closely corresponds to the distribution of personnel except for the management whose share slightly exceeds that of teachers and support personnel. Teaching personnel accounted for 57 percent of the respondents, support personnel 19 percent and management 24 percent of the respondents. Means and statistical testing (T-test) were used among the variables for leadership position, because the agency in this article is defined as management and personnel.

Focus groups were conducted 2003-2004 to 15 groups (11 study sections, management team, support personnel, political decision makers and customers). The aim of the survey in the end of the study 2004 was to measure the implementation of the Balanced Scorecard –based performance eavluation system. The results of this case study (top down implementation) were compared with an case study on the bottom up implementation of management systems conducted 10 years earlier in order to analyse the historical context of vocational training and management systems.

RESULTS

The results of the study can be divided into three reality areas (Tsoukas 1989, see figure 1); management systems connected to performance (empirical), phenomena connected with the performance information flow and its links with organisational learning (actual), and action and interaction (real) in boundaries (Paulsen 2003).

A boundary phenomenon explains the effects of performance information, knowledge flow. This phenomenon can in turn be explained by the social identity theory (Haslam 2003) and social learning theory (Wenger 2000), which is the link between organisation/management research and social psychology. Social change is connected to learning at micro-, meso- and macro level in complex system and can be enhanced by action and interaction between levels.

The results (figure 2) suggest, that performance evaluation serves as an information system and produces strategic competence in organisations, when the three dimensions, vertical, horizontal and action dimensions of SHRM are in use (Gratton & Truss 2003) and when the learning-intensive jobs are designed (Skule & Reicborn 2002). The most important dimension of SHRM seems to be the action dimension, where the arenas for performance and knowledge management practices are used.

Figure 1. Explanations and the role of middle-range theories (Pawson 2000)

real

actual

empirical

Case 2: Balanced Scorecard, 2000-

High performance work system SHRM, Strategic Human Resource Management

Knowledge flow

Strategic competence (renewal)

Social learn-ing theory

Bounda-ries

Social identity theory

Social routine (practice)

Social cognition

HRD (Human Resource Development, OD (organization development) and job design

Case1: Management by results, 1990-

In practice, management of change emerges as a challenge to leadership and management at two levels. In the work of the immediate superior, the importance of identity work in interaction with staff is emphasised, whereas top management should focus more on the process of strategy work and on support for middle management, who play the role of boundary spanner. The development of SHRM requires that the socio-cognitive processes have been developed within the organisation so that the performance information can flow at the boundaries both horizontally and vertically.

Figure 2. Theoretical model (Sayer 2000)

Effect/Event
Strategic competence/knowledge flow

Mechanism

Action and interaction in boundaries

Conditions

SHRM and learning-conducive work

Structure

Multidimensional performance information in the evaluation of educational outcomes
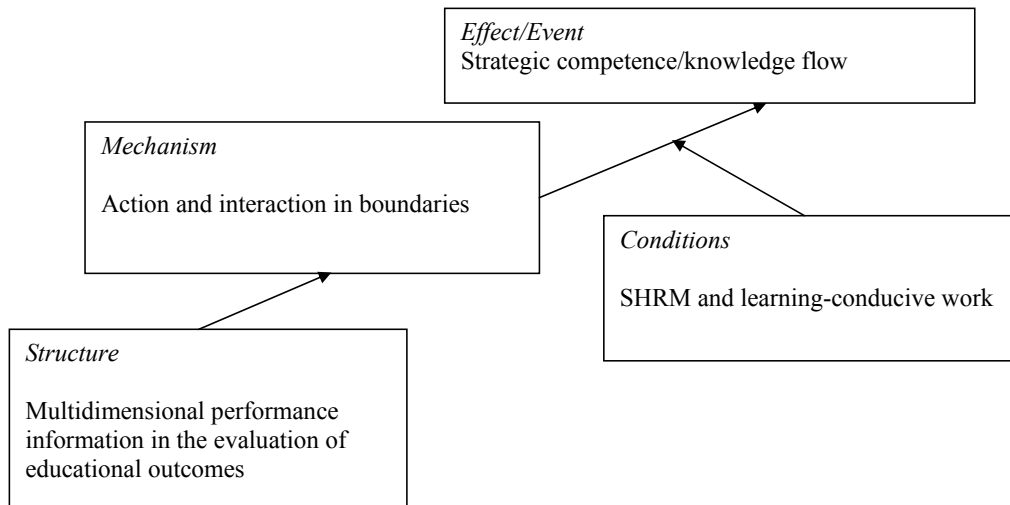
DISCUSSION AND CONCLUSION

The results of the empirical study were compared with the theoretical findings in previous research literature. In order to develop the strategic competence in organisations, emphasis should be put on the learning-conducive work designs, which enable the competencies to develop. The development of strategic competence would require the processes of gathering, storing, recalling and interpreting performance information (Akgûn et al. 2003).

The limitations of this study were that it was the first empirical study based on critical realism and the research process developed by Danermark et al. (2002). It was conducted to describe the structures and processes of one organisation, where the performance evaluation system was implemented. Since both case studies dealt with vocational education, the results cannot be reliably generalised to other organisations. Nevertheless, similar results were also obtained in studies on other municipal services under the KARTUKE Research Programme.

Finally, strategic human resource management is supported by the view put forward by Colbert (2004) that in complex context, especially strategic human resource processes, "strength" of the HRM system and performance culture should be developed and the climate improved in order to promote the success of organisations. This paradigm of SHRM needs much more research than was possible in this study.

If the aim of the performance management is to promote the development of human resources and people's commitment to the organisation's objectives, attention must be paid to learning conditions, opportunities for middle-management (the role of boundary spanners) to carry out activities (goal-setting and appraisal), and to knowledge management, where so-called tacit knowledge is made use of and structures and processes (arenas for strategic dialogue) are developed.

Educational organisations provide a good example of knowledge organisations where expertise needs to be constantly improved and where learning is of critical importance from the viewpoint of both customers and personnel. In complex context, the management of knowledge and competence has become a success factor of increasing importance for the

organisation. What this means in practice is a sensitivity to recognise needs for change and an ability to analyse organisational information. In this analysis is helpful, if you consider this information from the viewpoint of personnel, work and organisational development. Once strategic competence has developed, organisations are able to act proactively and not merely react to changes once they have already taken place. Then the organisation will be able to constantly develop its competence and make new strategic conquests.

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6. REVIEW OF RESEARCH ON THE FINANCIAL IMPACT OF ORGANIZATION-LEVEL PSYCHOSOCIAL INTERVENTION PROGRAMS: 2000-2005

Jenni Ervasti and Anna-Liisa Elo

ABSTRACT

This review describes the financial benefit of organization-level psychosocial interventions and programs in evaluation studies published in 2000-2005. In addition, we propose some ways to measure that financial benefit. There is strong epidemiological evidence on the health and well-being effects of psychosocial work environment and of the organization of work. The financial impact of employee health and well-being has also been verified. However, there is little research on the financial impact of organization-level interventions aiming at better psychosocial work environment and employee health, despite the fact that individual-level stress, health, safety, and ergonomic interventions' financial benefit has been verified. The measurement of the financial impact has proven difficult. There is a lack of "good-enough" measurement instruments. Costs of sickness absenteeism are relatively easy to measure, but the absenteeism does not fully cover the financial impact of an intervention when the outcomes are diverse. We found a need for both specific and wide measures. The challenge for the organization-level intervention research is to further develop the theoretical basis of the interventions, to solve the problems in study designs related to the flexibility of modern organizations, and to improve the measurement of the outcomes to also cover financial aspects as a part of the evaluation study.

INTRODUCTION

Epidemiological Evidence on the Financial Impact of Psychosocial Work Environment and Work Organization

Epidemiological research has shown the adverse health effects of poor organization of work and of poor psychosocial work environment. On one hand, job strain and lack of social support have shown to increase sickness absenteeism (Vahtera et al. 2000), thoughts of retirement (Elovainio et al 2005) and even mortality (Amick et al. 2002, Kivimäki et al. 2002). Passive and monotonous work has been shown to increase the risk work occupational accidents (Salminen et al. 2003). Feelings of organizational injustice and imbalance of efforts and rewards increase the risk for cardiovascular disease, depression, alcohol dependence (Siegrist 2005), sickness absenteeism, minor psychiatric morbidity, and poorer self-rated health (Kivimäki et al. 2003).

On the other hand, active jobs with high demands and high control have been shown to increase self-rated productivity (Dollard et al. 2000). In addition, a wide (n = 16.000) study by Donald et al (2005) showed that psychological well-being, organization's commitment to the employee, and resources predicted self-rated productivity.

Evaluation of Financial Benefit of Interventions

Bad working conditions and morbidity of employees cause significant costs to the individuals, organizations, and societies. It is estimated that direct annual costs of sickness absenteeism in Finland are over 5 billion euros. Workplace health promotion programs and psychosocial interventions can have financial impacts for both business economics and public economics. Especially in welfare states where social insurance system covers a large proportion of the costs of sickness and ill-being, the impact can be substantial. According to the statistics of the

Social Insurance Institution of Finland (SII), the costs of occupational health care were 375 million in 2003. The SII compensates 50% of the costs of occupational health care to the employer. However, compensation is 60% of the cost of preventive actions, such as occupational health care strategies, OH visits to workplaces, or meetings of industrial safety commissions. In 2003, SII compensations to employers were 167 million euros, of which 67 million were of the costs of preventive actions. Average cost of occupational health care to the employer was 118 euros per employee (+SII compensation 95 euros). In addition, sickness absenteeism (morbidity) has indirect costs to the individuals, employers, and to society.

There is evidence about the financial benefit of workplace health promotion (WHP) programs targeted at the individual level. Interventions that aim at decreasing e.g. obesity, cholesterol level, alcohol abuse, smoking, and individual stress management interventions have demonstrated their effectiveness in decreasing the costs of sickness absenteeism and occupational health care (Aldana 2001, van der Klink et al 2001, Pelletier 2001). Reviews of the 21st century (e.g. Aldana 2001, Anderson 2001, Pelletier 2001, Aldana et al. 2005) conclude that well-designed and well-implemented WHP-programs clearly exceed the cost of the program, i.e., they have demonstrated a positive return-on-investment (ROI) ratio. Interventions that target on the physical work environment or to ergonomic improvements have also demonstrated their effectiveness in decreasing the costs of occupational accidents and occupational illness. However, ROI ratios are seldom reported (Niven 2002, Tompa et al. 2006).

Health Promotion at the Organization-Level

Health and well-being are defined here through the concept of work ability (Ilmarinen et al. 1995). This is because we do not want to focus on individual morbidity, but to view health and well-being as compatibility between individual's resources and work. Work ability builds on employee, work and work conditions, work organization, and competence interaction (figure 1). Individual resources consist of health, functioning, competence, values, attitudes, and motivation. Working conditions consist of working community, work environment, work demands, and work exposures. Leadership is a central variable of work conditions.

In organization-level interventions, it is recognized that the worsening of work ability can be due to other reasons than individual morbidity. These other reasons can be poor organization of work, a conflict between job demands and job control (Karasek & Theorell 1990), or imbalance of efforts and rewards (Siegrist 1996). It is estimated that about 2/3 of the costs of ill-health are due to organizational factors (University of Tampere, press release 29.8.2002). Work ability can be affected by work reorganization and better psychosocial working conditions.

Psychosocial Interventions in Organizations

Psychosocial interventions at workplaces and in organizations are defined here as follows:
1. Stress management interventions that target the working community and the organization (not individual stress management programs)
2. Development of HR-policies and leadership training interventions (not all training; only when targeted at better psychosocial working conditions)
3. Work redesign interventions (e.g. flexible time arrangements; not physical or ergonomic redesigns, new machinery etc.)

These are interventions that target the working communities and organizational context. The aim is to improve the psychosocial work environment and the organization of work. Participative approach in the planning and implementation is a common characteristic of psychosocial interventions.

Figure 1. Components and levels of workplace health promotion in Finland (Peltomäki et al. 2002)
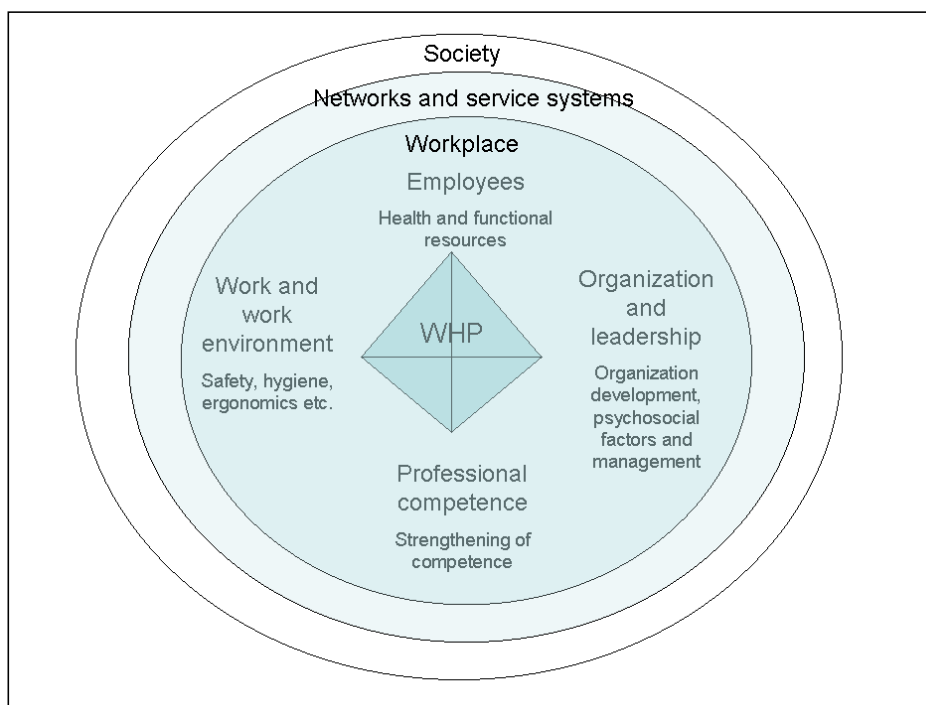
OUTLINE OF THE REVIEW

The aim of this review was to explore the published and peer-reviewed studies that evaluated financial impact of organization-level interventions. We limited the search to 2000-2005, because reviews about this subject had been published in the early 2000's in Finland (e.g. Ahonen et al. 2001, Elo et al. 2001). However, we found very few organization-level intervention studies, and even fewer studies with financial evaluation. Thus, we decided also to review the measurement of the financial impact of organization-level interventions.
Work ability was conceptualized as in figure 1. We do not examine individual-level stress and health interventions, in-company-training (competence development), occupational safety interventions, or occupational hygiene interventions. We concentrate on the impact on economic performance, not on the impact on public economy. We sought to answer to the following questions:

1. How could we measure the impact of psychosocial interventions on economic performance?
2. a) What kind of research has been published in 2000-2005 about the financial impact of organization-level interventions?
   b) What are the results of these studies concerning the financial impact of organization-level interventions?

Aldana (2001, also Kristensen 2005) emphasizes the importance of intervention studies in the study of causal inference and the significance of randomized field-experiments in intervention studies. However, as randomization may be impossible in real organizations, well-designed

quasi-experiments, and even studies that either lack control group or post-measurement, also provide useful information about the effects of organization-level interventions (Shadish et al. 2002). Thus, we follow the often used protocol to evaluate intervention studies (Murphy 1996); 5-star (*****) rating for randomized controlled trials; 4-star (****) rating for quasi-experiments with control group but without randomization; and 3-star (***) rating for field-experiments that either lack control group or post-measurement. Studies that receive less than *** were not included. Review articles received ratings depending on the studies they reviewed and study description accuracy.

DATA COLLECTION

This review is based on systematic search of literature. Searches were conducted in the following databases: PsychInfo of psychology, Sociological Abstracts of sociology, PubMed and Embase of medicine, Econlit of economic sciences, CISDOC and HSELINE of occupational health and safety, and multidisciplinary databases ProQuest and Web of Science. We used scholar.google.com of the internet, and the electronic collections of ELSEVIER ScienceDirect and Ebsco Online. In addition, we have used Finnish publications, which were not found from previously mentioned databases.

Primary words were: psychosocial; intervention; workplace/ worksite health promotion; work ability promotion; stress management; program evaluation. We combined them with concepts describing their potential effects (health, well-being, wellness, work ability, working capacity, sickness absenteeism, sick leave, burnout, mental health) and to concepts describing financial impact (financial impact, performance, effectiveness, efficacy, profitability, productivity, economic evaluation).

RESULTS

Description of the Data

Mossink (2002) describes the economic assessment of workplace health promotion programs at the company level. We found one article describing measurement of productivity (Kemppilä & Lönnqvist 2003). Lönnqvist (2004) has studied the measurement of intangible success factors. In addition, the subject of measurement of financial impact was discussed in several other articles.

We found very few field-experimental studies regarding the effectiveness of organization-level interventions. A total of 4 psychosocial intervention studies were found (Landstad et al. 2001, Elo et al. 2004, Michie et al. 2004, Anderzén & Arnetz 2005). A total of 3 review articles were found on organizational stress management interventions (Kompier et al. 2000a, Kompier et al. 2000b, van der Klink 2001). In addition, we found one review article about German Health Circles (Aust & Ducki 2004), which evaluated financial impact as well as impacts on heath and well-being. Other organization-level intervention studies were 4 leadership training interventions (Theorell et al. 2001, Zohar 2002, Kawakami et al. 2005, Greenberg 2006); 3 work reorganization interventions (Bond & Bunce 2001, Mikkelsen 2005), and one review article on work-family programs and interventions to change organizational culture or climate (Murphy & Sauter 2004). In all, we included 10 original intervention studies and 4 reviews, in which a total of 47 studies were evaluated.

The Measurement of the Financial Benefits of Organization-Level Interventions

In the evaluation of financial impacts, the causal inference must be established according to the traditional scientific rules. Other factors besides the intervention must be controlled for, so

that we can say that the intervention itself, not some other input factor caused the positive effect.

Direct and objective measures of organizational performance are for example figures or numbers describing productivity, efficiency or profitability of the organization. They can however be somewhat distant measures of the financial impact of an intervention program and other intervening variables are hard to control for. There are several measures related to organizational performance. A well-known example is Balanced Scorecard (Kaplan & Norton 1996).

Financial impact of poor work ability and ill-being can also be measured by their *indirect, but objective costs*. Thus, costs of occupational health care, sickness absenteeism, occupational accidents, retirement, and employee turnover could be followed up during an intervention (Mossink 2002). These kinds of costs can usually be calculated from employers' registers. When using employers' registers, confidentiality, privacy, and legislation must be taken into account. In addition, problems may occur with retrieving the information, because all employers still do not have detailed registers about sick leaves or of occupational accidents (Andersson et al. 2001). A typical problem in using sickness absence registers is overlapping sickness absences. For example, an employee may have been in a self-reported sick leave for 3 days of which a doctor has also signed a certificate for the last day. Different kinds of breaks in employment (maternity leaves, leaves of absence) must also be taken into account. Thus, it may take some time to get the data to a usable format. Registering of occupational accidents is regulated by Finnish legislation. Thus, insurance companies have registers about all occupational accidents, from which employee has had compensation. Nevertheless, minor accidents or "close calls" are not in those registers. In all, direct costs do not cover all the costs of poor work ability or ill-being.

Indirect costs could also be measured with presenteeism. Presenteeism was defined as: *"situations, where a person goes to work despite judging one's current state of health as such that sick leave should be taken"* (Aronsson & Gustaffson 2005) or as: *"the measurable extent to which health symptoms, conditions and diseases adversely affect the work productivity of individuals who choose to remain at work"* (Chapman 2005). Reasons for presenteeism can relate to physical or mental illness, or to work-life imbalance (Aronsson & Gustaffson 2005). The financial impact of presenteeism was estimated even higher than the impact of sickness absenteeism (Goetzel et al. 2004).

One way to measure the financial impact of interventions was to use *subjective indicators and evaluations*. Subjective productivity measurement means that productivity is measured with the views of employees, supervisors, shareholders, and other interest groups (Kemppilä & Lönnqvist 2003). With subjective measures the research paradigm is different and the study design does not have to be experimental. Subjective measurement is one possible method that can be used if objective measurement is not possible.

Other measures of indirect and/or intangible costs are: diminished efficiency and productivity due to poor organization of work, bad quality, or lost innovations. To some of these, it is hard to find a direct and objective measurement instrument, but indirect and subjective measurements have been done (Lönnqvist 2004). Organization-level psychosocial interventions may have beneficial effects also through company image. Good company image helps in recruiting and maintaining good employees. It also motivates employees and has an impact to customers. Thus, it has an effect to company's competitive advantage. (Andersson et al. 2001).

Research on the Financial Impact of Organization-Level Psychosocial Interventions

We found a growing body of evidence about the well-being impact of organization-level psychosocial interventions (table 1). However, only Anderzén and Arnetz (2005) as well as Bond and Bunce (2001) evaluated the financial impact with more than one indicator (sickness absenteeism and perceived productivity/performance). Elo et al. (2004), Michie et al. (2004) and Landstad et al. (2001) reported that sickness absenteeism had decreased. They did not however estimate the financial impact of that decline. Aust and Ducki (2004) reported that the results of German "Health Circles" gave an indicative positive financial effect, but because the designs of the reviewed studies were rather poor, the results must interpreted with slight caution.

According to the meta-analysis by van der Klink et al. (2001), the effect size for organization-level stress management interventions was non-significant. It is possible that because all outcomes (except absenteeism) were assessed at individual level, it may take some time to produce measurable effects. In addition, organization-level interventions lack an individually tailored focus. Many of them aim at enhancing job control. Individual perception and coping skills may be necessary, if one is to use this increased control and make it profitable (van der Klink et al. 2001). Kompier et al. (2000a and 2000b) reviewed European organization level stress management interventions (2000a) and natural experiments (2000b). The evaluation of financial impact (cost-benefit analysis) was conducted in two of the cases. At least one case showed a positive cost-benefit ratio (Kompier et al. 2000a). In many of the cases there were indications that the projects were successful from a financial point of view also (Kompier et al. 2000a and 2000b).

There was no evaluation of financial impact in the review by Murphy and Sauter (2004) and neither in the evaluation of two interventions by Mikkelsen (2005) nor in the evaluations of leadership training interventions by Theorell et al. (2001), Zohar (2002), Kawakami et al. (2005) and Greenberg (2006). However, because evaluations of these interventions indicate beneficial effects to safety, health and well-being, financial benefits are probable. For detailed information about the well-being and financial impacts of organization-level psychosocial interventions, see table 1.

Table 1. Organization-level psychosocial interventions. Their impacts on health and well-being and their financial impact.

Description of Intervention	Impact on Health and Well-being	Financial Impact	Author(s)	Study Design [1]
Stress management on organization-level				
Psychosocial intervention program at Swedish Internal Revenue Service (22 work units). Managers of each work unit together with the employees made their own action and implementation plan based on pre-intervention survey. Development areas were leadership, participatory management, employeeship, management performance feedback, and work-related exhaustion. Units met twice a month to discuss and work with factors related to the action plan.	Employee well-being, exhaustion, performance feedback, participatory management, and employeeship improved in 1-year follow-up. Testosterone-level increased, and the increase correlated with overall organizational well-being.	Absenteeism decreased and productivity increased.	Anderzén & Arnetz 2005	Quasi-experimental design without control group (***), n= 383
Organizational psychosocial intervention program in municipal public works (Helsinki, Finland). The program consisted of several interventions: work conferences, psychodynamic leadership training and traditional leadership training and some smaller interventions	Pre- and post intervention surveys (2 year follow-up) showed improvement in psychosocial work environment and emotional exhaustion decreased. Clarity of goals, job control, information flow, and leadership improved. Active participation to any of the interventions improved clarity of goals and work ability (index).	Sickness absenteeism decreased slightly with blue-collar employees.	Elo et al 2004	Quasi-experimental designs with control groups (****), follow-up data, n= 993 and sickness absence records, n= 1525

Intervention	Outcome measures	Results	Reference	Design
German "Health Circles". The aim was to re-organize and change working conditions so that harmful aspects are decreased while health-supporting aspects of work are increased. Participation and empowerment are crucial aspects of "Health Circles".	The available data suggested that Health Circles are an effective tool for improving physical and psychosocial work environment. Both subjective and objective health indicators, job satisfaction, and work climate improved.	Studies indicated financial benefit also. There were decreases in sickness absenteeism and cost-benefit analysis showed positive cost-benefit ratio.	Aust & Ducki 2004	Review article: 11 studies, where total of 81 "Health Circles" were introduced (***). The authors note that the designs in many studies were rather poor and the results should be taken with slight caution.
Intervention aimed at decreasing sickness absences of hospital cleaning staff. Methods were individual rehabilitation, work environment program was launched, collaboration between employees and supervisors was improved, better cleaning methods were introduced, and a training program for physical and psychological well-being.	The only outcome measure was sickness absenteeism; psychosocial work environment factors were not measured.	Intervention was the most effective among employees < 42 years old. Among them, sickness absenteeism decreased especially with those employees that had had high sickness absenteeism before the intervention. Among employees >42, short-term absenteeism decreased but long-term absenteeism increased especially among those who had had high sickness absenteeism rates before.	Landstad et al 2001	Quasi-experimental design with control group (****), n= 97, sickness absence records
Intervention to decrease sickness absenteeism of hospital cleaning staff by decreasing job strain (Karasek & Theorell 1990).	The only outcome measure was sickness absenteeism; psychosocial work environment factors were not measured.	Sickness absenteeism decreased 6 months after the intervention but was not maintained at 12 months.	Michie et al 2004	Quasi-experimental design with control group (****), n= 221, sickness absence records

Intervention	Results		Reference	Notes
Organizational stress management interventions; aim was to chance the organizational context by work re-organization and by workplace development. Investigated outcomes were: quality of work, psychological responses and resources, physiology, complaints (anxiety, depression), and absenteeism.	Meta-analysis showed no significant effect size for organization-focused interventions with the exception of outcome variable psychological responses and resources (self-esteem, mastery, beliefs and coping skills).	Complaints category (stress, burnout rates, somatic symptoms, and mental health status) and sickness absence category did not achieve significant effect size.	van der Klink et al 2001	Review (*****); number of organizational stress intervention studies was 5.
Organizational stress management interventions in Europe; cases of "Good Practises". Interventions were work directed (work redesign, time schedules, social support, ergonomics, technology, small staff increase, interior climate), person directed (HRM, training, performance appraisal, coping skills).	Several positive effects on health, stress, working conditions, work climate, job satisfaction, job control, and social support. In one case, the perceived workload increased.	Sickness absenteeism decreased in those 4 cases, where it was measured. One case study had undergone full cost-benefit analysis with positive result.	Kompier et al 2000a	Review (***); multiple case study approach. Nine (9) cases.
Natural interventions with bus drivers. Interventions were organization directed (work redesign, ergonomic improvements, improvement in social climate and in leadership), person directed and technical (bus lanes).	One case indicated based on psycho-physiological measurement that stress had decreased. Other effects were improvements of self-rated health, job satisfaction, satisfaction with the intervention, and decreased work load	Sickness absenteeism decreased in those 8 cases, where it was measured. Significance testing was done in 3 cases, and one of those was significant. In one case, work disability had decreased (no numbers), and in another case turnover had strongly decreased. One case study had undergone cost-benefit analysis, but the results have	Kompier et al 2000b	Review (***), 13 cases

Development of HR-policies and leadership training

Intervention	Results		Reference	Design
Leadership-based intervention designed to modify supervisor's ability to monitor and reward subordinates' safety performance. They were also trained to provide feedback to subordinates.	Group safety climate improved, the use of earplugs increased	Occupational injury rate decreased	Zohar 2002	Quasi-experimental design with control group (****), n= 381 employees and 36 supervisors
Supervisor training in interactional justice. 4 hour training over 2 workdays.	Supervisors demonstrated higher degrees of interactional justice. The degree of insomnia was significantly lower for those employees whose supervisors were trained.	Financial impact was not specified. Because the degree of insomnia was lower, sickness absenteeism may have decreased and performance may have improved.	Greenberg 2006	Quasi-experimental design with control group (****), n= 467
Web-based supervisor training on worksite mental health	Supervisor support decreased in the control group but remained the same in the intervention group. Especially the extent to which supervisor listens to personal problems of subordinate workers had a significant intervention effect. No intervention effect was found for the score measuring co-worker support, psychological distress, or other job stressors among subordinates.	Financial impact was not specified. Supervisor support however affects employee health (sickness absenteeism) and productivity.	Kawakami et al 2005	Randomized controlled trial (*****), n= 167
Educational program for managers to improve their psychosocial competence.	Lowered serum cortisol and improved authority over decisions of employees. No intervention	Financial impact was not specified. Better health may result decrease of sickness	Theorell et al 2001	Quasi-experimental design with control group (****),

	Effects	Impact	Reference	Study design
	effects in intellectual discretion, psychological demands, social climate, or alcohol consumption.	absenteeism, and better decision authority may increase job satisfaction and performance.		questionnaire, n= 251, blood sampling, n= 299

Work redesign

Description	Effects	Impact	Reference	Study design
Review article about work/family interventions and interventions aiming to change organizational culture.	Evaluation studies about work/family interventions have produced mixed results about their impact on job satisfaction. Interventions aiming to change organizational culture have had wide benefits.	Impact on organizational performance (no numerical estimates).	Murphy & Sauter 2004	Review, references to 4 work/family intervention studies and to 5 organizational culture interventions (***).
Work re-organization intervention with British administrative employees. The aim was to increase the extent to which employees had discretion and choice in their work.	The intervention improved employees mental health and job control. Physical symptoms did not decrease and job satisfaction did not increase.	Sickness absenteeism decreased and self-rated performance increased at 1-year follow-up.	Bond & Bunce 2001	Quasi-experimental design with control group (****), n= 97
Interventions relating to organizational structures and to work re-organizations at electric energy sector and at postal services in Norway	The interventions had positive moderating effect on work characteristics (skill discretion, commitment, management style, participation, and health and safety climate) and they did not have any negative effects. In both sectors, the overall trend was an increase in occupational health problems. Interventions succeeded in buffering these problems, but their overall effects were modest.	Financial impacts were not specified. Because the interventions were successful in buffering health problems, financial benefits are probable.	Mikkelsen 2005	Natural intervention in electric energy sector (***), n= 2453 and quasi-experiment with control group in postal services (****), n= ?

[1] Stars (*) in study design indicate the classification by Murphy (1996) on page 6.

DISCUSSION

About the Measurement

The most typical way of demonstrating financial impacts of organization-level psychosocial interventions was decrease in sickness absenteeism. In addition to the direct costs, sickness absenteeism has also indirect costs due to lost sales, hiring of substitutes, and diminished performance and productivity (Mossink 2002). However, sickness absenteeism records can be problematic in small enterprises. It is estimated that the size of organization has to be larger than 100 employees when using sickness absenteeism records. Even so, evaluation studies have been conducted with smaller groups than this (for example Landstad et al. 2001). In small organizations, individuals with long sick leaves (outlier values) or with no sick leaves (zero values) can skew the data.

Sickness absenteeism as the only measure of financial benefit is also problematic because they can not be compared internationally. For example, the costs of sickness absenteeism are significantly higher to employer in the US than in Finland, where society compensates a large proportion of those costs. Thus, when comparing the financial impact of an intervention based on the diminished absenteeism in the US and in Finland, the Finnish intervention seems ineffective in comparison.

In addition, decrease in sickness absenteeism rates does not always mean healthier employees. In Finland, during the economic depression in the 1990's, there was a decrease in sickness absenteeism. Thus, the conclusion was drawn that the inputs made to workplace health promotion had been beneficial. After the economic depression however the sickness absenteeism has increased to pre-depression level. Economic situation and insecurity may cause people to go to work even when sick and presenteeism increases (Theorell et al. 2003, Aronsson & Gustafsson 2005).

Organization-level interventions can also improve productivity by improving co-operation, motivation, and initiative of employees. Thus, they may have a direct effect on performance, even when no decrease in sickness absenteeism rates can be demonstrated. There is a need for wide-scope measurement instrument for reliable evaluation of intervention inputs and outputs. Another important aspect in evaluation intervention efficiency is the attitudes of management and employees towards health promotion and psychosocial interventions. Longer follow-up periods are also needed (Pelletier 2001).

Empirical Evidence

Although we found more evidence that organization-level psychosocial intervention have an impact on psychosocial factors at work, economic evaluations were rare. Decrease of sickness absenteeism and perceived improvement in performance/productivity brought some financial benefit. Cost-benefit ratio was calculated in only one study (Lourjisen et al. 1999, cited by Kompier et al. 2000a). A reason for such a few economic evaluations may be the fact that organization-level psychosocial interventions themselves are rather infrequent. In Finland, physical fitness exercises are still the most common health and work ability promotion activities (Peltomäki et al. 2002).

When evaluation methods are diverse, it is hard to compare different kinds of interventions. This may be the reason why knowledge about the financial impacts of interventions does not

accumulate. There is a need for standardized approach to measurement of financial impact of interventions (Tompa et al. 2006).

A Need for Triangulation and for Multidisciplinary Research

It seems that when the evaluation design is strict (experimental designs), the results are fewer. This observation can be interpreted to support the notion of Kristensen (2005) about experimental design as the Golden Standard in effect studies. On the other hand, research conducted in multiform and flexible organizations may produce so much random variation to the data that the "real" effect is hidden. If this is true, the effects of interventions may be larger than the traditional positivistic paradigm has been able to demonstrate. We conclude that triangulation and multi-method approach is needed to fully understand and evaluate organization-level psychosocial interventions.

Another important aspect is econometrics (Anderson et al. 2001). Tompa et al. (2006) found several problems relating to calculations about financial impact of ergonomic interventions. They emphasize economical knowledge and multidisciplinary research groups when estimating the financial impact of interventions. Otherwise, calculations may be misleading.

Financial Impact is a Part of Outcome Evaluation of Interventions

Some people have had the view that human, social, and economic issues should not be mixed and that economic evaluations are not relevant when studying social issues, such as promotion of health and well-being (Mossink 1999). The promoters of this view think that health, welfare, and the avoidance of pain and suffering should not be measured with financial terms. However, it is clear that these evaluations are needed to justify the costs of workplace health promotion. In addition, employers need them to make decisions between different kinds of health promotion activities (Mossink 1999).

Economic evaluation concentrates on the outcomes or on the effects of an intervention. Thus, it is only a part of larger evaluation ensemble. Economic evaluations should not be used independently but as a part of broader evaluation package, where process evaluation and other outcomes of the intervention contribute to the results and the results of economic evaluation are placed in context.

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PART II:

HR PRACTICES

7. HR PROCESSES IN MANAGERIAL WORK

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ABSTRACT

Nowadays more HR activities have been transferred to managers, especially to line managers. This paper covers the HR processes (e.g., Vanhala et al. 1997) of three different levels of managers (top, middle, low) from different organizations. Altogether nine managers were interviewed, three managers per each managerial level. The managers were asked whether the HR processes were visible in their managerial work and in what way. It was expected that the top-level managers are more oriented to a conceptual level of the HR processes than low-level managers, and that low-level managers are more oriented to a practical level of the HR-processes than top-level managers (e.g., Northouse 2004). The results indicated that the work of low and middle levels of management is performed actively among the employees. The low-level managers are mainly by themselves responsible for most of the HR processes from beginning to end but also as their own supervisors for advice. The role of the middle-managerial level is more intertwined: they carry out some of the HR processes by themselves but use more help from the HR department or the top level. Even though top-level managers had delegated many of the HR-processes to the lower managerial levels, they have retained some of the HR processes themselves including part of recruitment (e.g. acceptance of recruitment), management of change, communication (systems), human resource development and rewarding. The top managers are especially focused on the rewarding, communication and the human resource development processes, which can be seen as critical to the success of the organization. As expected, the top-level managers were more involved in HR processes as a strategic process and in being responsible whereas lower level managers did most of the daily work.

INTRODUCTION

The aim of this study is to find out whether the HR processes are visible in managerial work and in what way. Three managerial levels will be covered: top, middle and low level of management.

Organizations are increasingly seeking means for leveraging the value of their human resources to gain competitive advantage (Becker & Huselid 1998). One of the central features of the recent HRM debate is the importance given to the integration of HRM into the business and corporate strategy and the devolvement of HRM to line managers (e.g. Brewster & Larsen 1992, Ulrich 1997, Larsen & Brewster 2003). Integration has been defined by Brewster and Larsen (1992: 411-412) as " the degree to which HRM issues are considered as part of the formulation of the business strategy" and devolvement as " the degree to which HRM practices involve and give responsibility to line managers rather than personnel specialists".

The integration of HRM effectively encourages everyone in the organization to take responsibility for HRM, which ensures that HRM is given a much more central position in any decisions that are made at the strategic or operational level (Sheehan 2005). Thus frontline and first line managers and supervisors are seen to have a key role to play in day-to-day HRM (Storey 1992). Legge (1989: 27) has stated that HRM is "vested in line management as business managers responsible for co-ordinating and directing *all* resources in the business unit in pursuit of bottom line profits". While there can be some problems and

concerns (e.g., knowledge and skills) related to HRM and line managers, it is nevertheless maintained that these individuals are in the best position to adopt the most appropriate HRM practices (Sisson & Storey 2000). However, continuous and systematic support and training should be offered by HR specialists.

Line managers can be defined as middle or junior levels of managers that undertake general management work for their organization, and are not specialists in any functional area (Legge 1995), or being "middle managers" (Currie & Procter 1995). The four generic HR functions (or processes) in all organizations are selecting, appraising, rewarding, and developing (Devanna et al. 1984). Vanhala (in Vanhala et al. 1997) has presented the following HR processes: recruitment, orientation, human resource development, rewarding, communication, management of change and other personnel management (working time, safety etc.). These HR processes are used in this study as they probably represent the HR processes used especially in Finnish culture.

There is a vast literature on managers' jobs and managerial behavior (e.g., Nicholson & West 1988, Watson 1994). Besides HRM, managerial work consists of leadership and management. Nowadays management and leadership can be seen as overlapping functions, which are closely related yet distinguishable (Hughes et al. 1999). Leader behavior is articulation of a collective vision, infusing organizations and work with values by communicating and setting a personal example, taking personal risks in the interest of vision, as well as motivating and inspiring followers. Management has been defined by functions and by activities the managers participate in: Fayol (1949) outlined the key functions of management as planning, organizing, coordinating, commanding and controlling, whereas Minzberg (1973) defined management according to the following roles: interpersonal roles, informational roles, and decisional roles. As shown in figure 1, managerial work can also be distributed on three levels: the strategic, managerial, and operational level each of which has its own focus and objects related to business functions and HR functions. At the operational management level technical skills are important, at the middle management level especially human skills are required, and at the top management conceptual skills are emphasized (see e.g. Certo 2003).

Earlier studies have mainly focused on the practice of integration of HRM into the corporate strategy and devolvement of responsibility for HRM to line managers (Brewster & Hegewisch 1994, Brewster et al. 1997). Basically line managers have responsibility for HRM in their areas, but HR specialists have responsibility for HRM across the organization (Larsen & Brewster 2003). In most of cases, line managers and HR specialist share the partnership of HRM.

Several surveys indicate that line managers have far greater responsibility for HR issues, typically in conjunction with HR practitioners (Storey 1992, Hutchinson & Wood 1995, Hall & Torrington 1998). According to McGovern et al. (1997), line managers were directly involved in the selection, appraisal and development of their subordinates. CRANET research in Finland has been reported by Vanhala (2005). Line management is mainly responsible in consultation with HR specialists of all the other HRM processes except industrial relations: pay and reward, recruitment and selection, training and development, and workforce expansion or reduction. As compared to devolvement of HRM in some other countries in Europe (Larsen & Brewster 2003), it seems that in Finland line managers take more responsibility for HR processes than their colleges in some other countries, for example, in the UK. Larsen and Brewster (2003) stressed that "line management" may include many levels of the hierarchy, which are not covered in their study. Thus the results do not indicate who is in receipt of the devolved responsibilities (e.g. junior line managers or top line managers).

Figure 1. Three managerial levels of activity for business functions and human resource functions (modified version of Devanna et al. 1984).
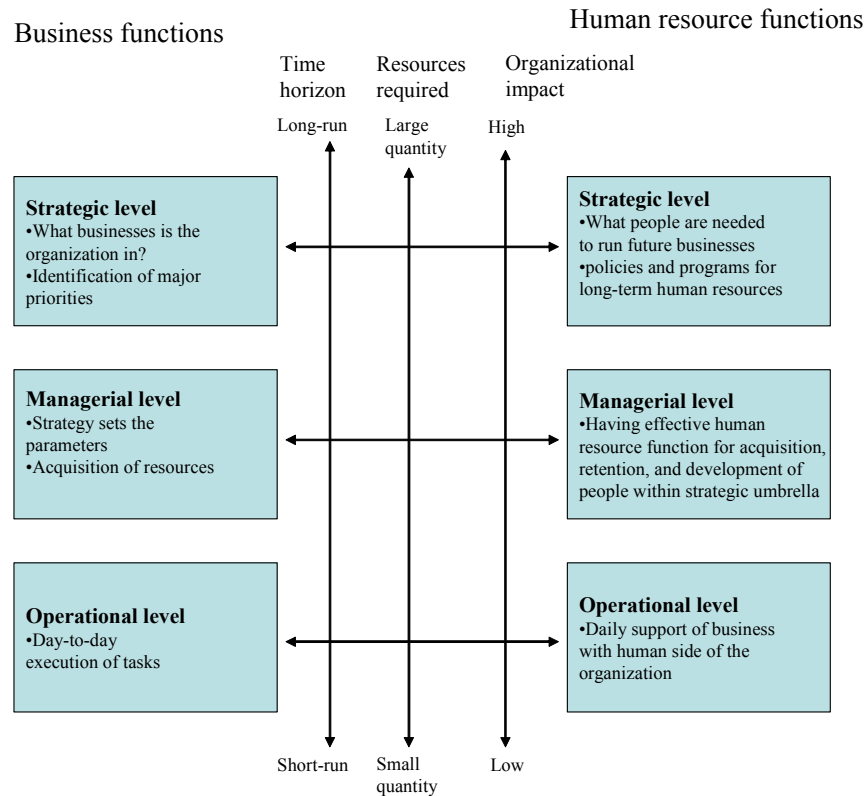
METHODOLOGY

Sample. The sample consisted of three different levels of managers from different organizations. Altogether nine managers were interviewed, three managers per each managerial level (top, middle and low). The sample of managers is presented in table 1.

Table 1. The background information of the managers

Top level managers:

Branch	Title	Education	Sex	Age
Electric power and automation technologies	Communication Director	Master of Science	F	55
Chemical industry	Director	Master of Science in Technology	M	50
Electric power and automation technologies	Motors/Production Director Engineer	Engineer	M	34

Middle managers:

Branch	Title	Education	Sex	Age
Electric power and automation technologies	Processes/Process owner	Master of Science in Technology	M	44
Guarding	Field Director	Guard	M	43
Chemical industry	Selling/Business Area Director	Master of Science in Technology	M	33

Low managers:

Branch	Title	Education	Sex	Age
Food industry	Foreman in packing dept.	Industrial Technician	M	50
Hardware store	Warehouse Manager	Commercial spec. degree	M	30
Hardware store	Shop Manager	Commercial degree	M	44

Research method. The empirical research was made as a qualitative theme interview. Interview themes related to human resource (HR) processes in managers' own daily work, and the way HR processes were visible in their work. The HR processes, based on Vanhala, Laukkanen & Koskinen (1997) were: recruitment, orientation, human resource development, rewarding, communication, management of change and other personnel management (working time, safety etc.). The managers were chosen from different organizations in order to get general information and in order to avoid special features of some organizations being emphasized in the research. Altogether nine managers (three managers per each managerial level) were interviewed according to a structured model in order to make sure that all the needed information could be received. The managers were mostly from different organizations. Each interview took about 30 minutes.

Procedure. Most of the interviews were made in face-to-face meetings, but some of them were made by telephone using loudspeaker or by computer using the Skype program. All the interviews were recorded at once and transcripted afterwards. Each manager was free to tell about his or her work according to the themes. The received data was first divided into three different managerial levels. After that each managerial level was summarized. Inside each level the data was divided into seven given themes, HR processes or activities. Finally the managerial levels were compared to each other on the grounds of the visibility and volume of the HR activities.

RESULTS

The results showed as expected (Ulrich 1997, Northouse 2004), that the chosen HR activities played a remarkable role in the daily work of the managers. The lower managers were very active in recruitment. They got help and support for it either from their supervisors or from HR professionals. The low level managers were active also in orientation. All of the lower level managers thought that orientation was one of the managers' most important tasks. They often started the orientation by telling the new employees about the organization. In their orientation work the managers got help and support from the older employees, the company's data support, HR professionals or others. The interviewed low-level managers were working actively in human resource development. They had face-to-face conversations with their employees regularly. The lower managers found it important to reward, motivate and

encourage their employees. In doing so they had a possibility of giving and getting feedback and setting a good example to the employees. The line managers were all active in communicating. They preferred to communicate face to face. They held small meetings, where it was possible to ask and answer questions and to explain. The line managers had however several information channels, for example e-mail, internal channel intranet and bulletin boards. However they mostly used face-to-face communication. The low managers did not get experience from management change. They had faced only little change matters, e.g. the change of computer systems or change of suppliers in their work. On those occasions they used to emphasize the positive points of the change. Generally they found it important to support open and true discussion in the organization.

The middle managers were also active in recruitment, but not in all details of it. They got more support in the recruitment process than the low level managers. All of the middle managers made sure that the new employees got good orientation. They had the responsibility for and control of it, but they did not do practical orientation work themselves. Middle-level managers took care of human resource development and rewarding. They looked to it that the employees had a good level of know-how and they also had a possibility of educating themselves. Also, the middle level managers found it of utmost importance to motivate and reward employees. The middle-level managers were active in communicating. They preferred for example intranet or personnel newspapers instead of face-to-face communicating. All this level of managers had faced management of change in their work. They found it important to communicate, give right information and engage employees in that situation.

The top managers had delegated many of the HR processes to lower managerial levels. However, the top managers had themselves retained the acceptance of recruitment, management of change, communication, human resource development and rewarding. They were specially focused on rewarding, communication and human resource development processes.   In communication the top-level managers used more often one-way communication and big meetings than the lower level managers. However, if needed, the top level managers were prepared for face-to-face communication, discussions and explaining things as many times as needed.

Summary of results

Low-level managers. The lower managers were very active in most of the HR processes: recruitment, orientation, human resource development, rewarding and communication. They performed many of the HR processes by themselves from beginning to end. However, part of the interviewed low-level managers got help and support from their supervisors, from HR professionals or other professionals in the organization.   The daily work of low-level managers was very practical-level work.

Middle level managers. The middle managers were also active in many of the HR processes: recruitment, orientation, human resource development, rewarding, communication and management of change. However they got and used more support in performing the HR processes than the low-level managers.

High-level managers. The top managers had delegated many of the HR processes to lower managerial levels.   However they had kept for themselves acceptance of recruitment, management of change, communication, human resource development and rewarding. The top-level managers were specially focused on rewarding, communication and human resource development processes.   The work of the top-level managers included a lot of conceptual level tasks.

Table 2. Summary of the HR processes at different managerial levels.

	Recruiting	Orientation	Human resource development	Rewarding	Communicating	Management of change	Personnel administration
Top Management	Supported and accepted	Did not engage, but supported, took responsibility	Yes, on strategic and systems' level	- Of their own subordinates - responsibility for working processes	As a process	As a process and large lines	Did not engage
Middle Management	Joined most of the steps	Started the process, took the responsibility	Joined on practical level	On practical level for their own subordinates	Face-to-face	Yes, on practical level for their own subordinates	Mainly did not engage
Low Management	In all or nearly all steps	At least in starting, has the responsibility	Joined on practical level	On practical level for their own subordinates	Face-to-face	Joined on practical level	Did the most of it

DISCUSSION

The research showed clearly as expected (Ulrich 1997, Northouse 2004), that all the mentioned HR processes were strongly represented in managers' daily work. The work of the top managers included more conceptual things than the low and middle managers and the top managers handled HR processes as a strategic process and had the final responsibility for the processes.

The low and middle level managers were working actively among employees and doing more practical work. The role of the line managers has changed in such a way, that more HR activities have been transferred to their work from HR professionals (Thornhill & Saunders 1998: 464-465). That is one reason why the line managers' role is nowadays essential in performing HR processes successfully. The line managers worked among employees and took care of their needs, day-to-day problems and concerns in order to help the employees to do good work and to get them committed to the organization. According to the empirical research the line managers themselves performed most of the HR processes from beginning to end. It is very practical work with a lot of day-to-day business.

The middle level managers used more support, (e.g. from their own bosses or HR professionals) in performing the HR processes than the low level managers. The middle-level managers also engaged in many HR activities themselves, but, as mentioned above, they got and used more assistance and support from their own supervisors, HR professionals and other professionals of the organization. Additionally the middle-level managers had more conceptual-level tasks in their work than the low-level managers.

According to the empirical research the role of the top-level managers in HR processes was a strategic role, and included the role of final responsibility. Because the top-level managers were specially focused on rewarding, communication and human resource development, these HR processes can be seen to be critical to the success of the organization.

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8. EMPLOYEE PERFORMANCE MANAGEMENT IN BELGIAN ORGANISATIONS: EMPIRICAL EVIDENCE FROM AN HR-PRACTIONERS PERSPECTIVE

Koen Dewettinck

ABSTRACT

The objective of this study is threefold: (1) to examine PM systems in depth and collect evidence on which kind of employee performance enhancing practices (Belgian) organisations actually use; (2) to examine the relationship between the appearance of PM systems and organisational context factors and (3) to investigate the drivers of an effective PM system in terms of its ability to increase performance levels and employee motivation levels. A webbased survey was developed that was filled out by 319 Belgian HR professionals. Our findings indicate that PM systems are customized towards the employee population they are aimed to. Substantial differences exist in terms of review process, performance appraisal and appraisal implications between systems for management, technical staff, administrative staff and blue-collar workers. Our findins also show that there is quite a lot of variance in the underlying purposes of a PM system, and that those PM orientations relate to environmental characteristics such as competitive pressure and technological turbulence. When linking PM orientations to PM effectiveness evaluations, our study indicates that a result-oriented PM system leads to a greater performance increase. This is a mixed blessing however, because this orientation also leads to a decrease in development and motivational enhancement. We also found that PM systems that mainly aim to inform employees are more effective in improving employee development and motivation. A stronger development improvement can also be found in companies where the PM system stresses collaboration among employees rather than internal competition. Theoretical and managerial implications are discussed.

INTRODUCTION

Increasing the effective use of human capital in organisations is one of the crucial challenges the HR function is confronted with. Employee performance management, which has become a core theme within strategic HRM (Boselie et al. 2004), is an important tool in dealing with this challenge. Latham, Almost, Mann and Moore (2005), in their review of recent developments in performance management, argued that "The primary purpose of appraising and coaching employees is to instill in them the desire for continuous improvement. Yet the outcome of many performance appraisals is frequently a decrease rather than an increase in performance". Because of massive investments in developing, implementing and optimising PM and appraisal systems, this is at least a surprising conclusion. Though performance management is more than just appraising employees, Latham et al.'s conclusion triggered us to investigate this issue more in depth and to collect empirical research findings on performance management systems, their use and evaluation. There is however relatively limited systematic research on this topic and rigorous empirical investigations are quite scarce (for a notable exception see e.g. Armstrong & Baron 1998).

The objective of this study was therefore to examine PM systems in depth and collect evidence on which kind of employee performance enhancing practices (Belgian) organisations actually use. Furthermore, we examine the relationship between the appearance of PM systems and organisational context factors. We also investigate the drivers of an

effective PM system in terms of its ability to increase performance levels and employee motivation levels.

Thus, recognizing that limited empirical evidence exists on PM practices, this study contributes to the existing body of knowledge on HR systems in different ways. First, this is the first study that systematically collects extensive data on PM systems as they are developed and used in Belgian organisations. Second, as far as we know, this is the first study that aims to investigate how industry characteristics, such as the degree of competitive pressure and technological turbulence, influence PM orientations. Finally, by linking PM orientations to PM system effectiveness evaluations, we provide practical insights that might be useful in optimizing PM systems as they are currently used in organisations.

Before elaborating on the design of our study and presenting and discussing our findings, we define performance management and explain the underlying framework that guided our research.

PERFORMANCE MANAGEMENT: A DEFINITION

Several definitions of performance management exist. This is not surprising because performance management relates to distinct management domains such as strategic management, management control and human resources management.

In this study we focus on performance management systems that primarily aim to influence performance levels at the employee level. While the ultimate aim is to improve organisational effectiveness by managing performance at the employee level (Heinrich 2002), we do not focus on systems for managing organisational performance as such (Williams1998). This approach is in line with DeNisi's (2000) notion of performance management. He links performance management to a range of activities, engaged in by an organisation to enhance the performance of a target person or group, with the ultimate purpose of improving organisational effectiveness. Processes that fit within this definition are for example policy deployment (i.e. setting of corporate, departmental, team, and individual objectives); the use of performance appraisal systems, appropriate reward strategies and schemes; training and development strategies; feedback, communication and coaching; individual career planning etc. (Roberts 2001).

CONCEPTUAL FRAMEWORK AND RESEARCH QUESTIONS

Figure 1 shows the conceptual framework that guided this research. The central box refers to activities and processes within the performance review cycle. The main research questions related to the performance review process are: How is the performance review process structured for different employee categories (i.e. management, professional/technical staff, administrative staff, blue collar workers)? What is discussed during performance interviews? Which elements are taken into account for employee appraisal? What are the performance appraisal implications and how does performance appraisal relate to other HR activities within the organisation?

Next to the performance review cycle, we also assess PM orientations. They refer to the underlying purposes of the PM system as a whole. Armstrong and Baron's (1998) findings on PM practices in the UK suggest that there is no unique application of PM in practice. While some systems emphasize the so-called soft steering (through e.g. training and development), other systems emphasize the so-called hard side (e.g. emphasis on quantitative performance targets and performance related pay). There is however no empirical data that show the kind

of PM that is used in Belgian organisations. Consequently, our fifth research question is: What are the underlying purposes of PM systems in Belgian organisations and how strongly do they emphasize the soft versus hard PM orientation?

Figure 1. Conceptual framework
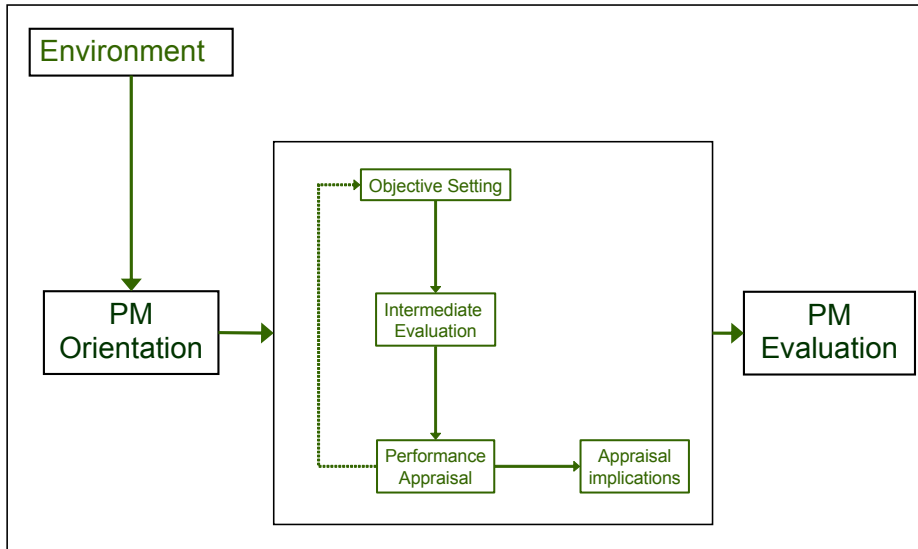
Boselie et al. (2004) suggest that PM orientations might relate to the specific organisational context. Organisations operating in a highly competitive environment would be inclined to put more emphasis on the hard side. Building on those suggestions, our sixth research question is: How do industry characteristics (such as competitive pressure and technological turbulence) relate to PM orientations in Belgian organisations?

A final box in our conceptual model is called PM evaluation. It refers to the effectiveness of several PM system objectives as evaluated by HR professionals. Next to assessing how well different aspects of PM are evaluated, another objective is to exploring the relationship between PM evaluation and PM system orientation. Thus, our two final research questions are: How well are different aspects of PM system effectiveness evaluated by Belgian HR professionals and how do PM orientations relate to PM system effectiveness?

METHOD

Data collection and sample characteristics

A web based survey was distributed among Belgian HR managers through a banner on the website of a Belgian magazine for HR professionals. Respondents were encouraged to fill out the survey by promising them a benchmark report based on the study results. 2000 HR professionals received the invitation to collaborate. After deletion of received surveys with substantial missing values, 319 cases were used in the analysis. This represents a response rate of 16%. The largest proportion of the sample is made up of private organisations (85.1% of the sample), while 10.7% of the responses came from public companies. Mixed organisations provided 2.6% of the sample and 1.6% described themselves as being in some

other category. From the private companies, 37.2% are quoted on the stock exchange. The majority of the sample represents the services industry (76%), while 24% is mainly engaged in production activities. Looking at the headquarters of the organisations involved, 56.2% reported their headquarter to be in Belgium. 26.1% have headquarters in another European country (than Belgium). Of the other continents, North America ranks highest (12.4%).

The sample also shows quite wide a variance in number of employees. Ten per cent of the responses were from companies with more than 5000 employees, 15.4% from those 1000 and 5000 employees and 29% from between 250 and 1000 employees. 16.3% were medium-sized organisations (50-250 employees) and 21.7% were small companies.

The sample also covers a fair distribution of industries. There are however some industries more present than others. The highest ranking are: Business services (28.3%); Telecommunication, ICT and internet (9.1%); Metal and mechanics (5.3%); Public administration (5%); and Chemistry (5%).

Measures

An eight page survey was developed mapping employee performance management practices and processes, including sections of organisational and industry characteristics, PM system orientation; the performance review process, the performance appraisal process, appraisal implications, evaluation of various components of the system and future challenges.

Industry characteristics. An 11-item scale, developed by Jaworski and Kohli (1993) was used to assess industry characteristics. A five point Likert scale was used with scale points ranging from 'Totally not agree' to 'Totally Agree'. Exploratory factor analysis revealed two underlying factors, reflecting competitive pressure (5 items, Cronbach alpha = .70) and technological turbulence (2 items; Cronbach alpha = .82). Because of substantial cross-loadings, 4 items were deleted. Table A-1 in the appendix shows the items included in this study.

PM practices. Several descriptive measures were developed to map the actual use of certain PM practices. In this paper we focus on the performance review cycle, performance appraisal and performance review implications. A list of several practices and processes was developed in collaboration with ten HR professionals from various industries and five performance management experts to ensure that major PM topics were included, taking into account new developments within this domain. Table A-2 in the appendix shows a sample of those descriptive measures. Respondents were asked to indicate, whether they used a certain practice or not. For some questions respondents were asked to give percentages.

PM orientation. In order to get an insight into the underlying objectives of various PM systems, we developed 5 bipolar items indicating whether the PM system mainly aims at increasing performance and result orientation versus increasing employee motivation and development or both to the same degree (rated on a five point scale). The items are presented in table A-3 in the appendix.

PM effectiveness evaluation. A 9-item scale was developed to assess the effectiveness of various components of the PM system. Five point rating scales ranging from 'Totally not' to 'To a strong degree' were used. Exploratory factor analyses showed two main underlying factors, namely the effectiveness to increase an organisation's result orientation and performance at various levels (4 items, cronbach alpha = .89) and the effectiveness to improve

employee motivation, development and collaboration (5 items, Cronbach alpha = .88). The items of these scales are provided in table A-4 in the appendix.

Analyses

In order to map the PM practices, we computed the percentages of organisations using various components of the system. In order to assess relationships between industry characteristics and PM system orientation we used 'compare means' analyses distinguishing between the 40% of organisations operating in a very competitive or technologically turbulent environment and the 40% of organisations operating in an environment with low competition or technological turbulence. To assess relationships between PM orientation and practices on the one hand and PM effectiveness on the other hand, we executed compare means analyses distinguishing between the 40% most effective and the 40% least effective systems on the two effectiveness criteria (i.e., the performance improvement criterion and the development and motivation improvement criterion).

RESULTS

PM system orientation

Figures 2 to 5 illustrate Belgian organisations' PM orientations. Though each of the items consistently load on the overall bipolar scale reflecting a performance orientation versus a development orientation, we present the items separately because they allow us to get a more fine grained insight.

Figure 2 and 3 show that, in general, the hard side of PM (result orientation, focus on what needs to be achieved) is more emphasized than the soft side (employee development, focus on how). About 40% of the respondents indicate that both orientations are equally important.

Figure 4 shows that there are quite strong differences in PM orientation regarding which party the system aims to inform. About 50% of all respondents indicate that their PM system aims at informing both management and employees to the same degree. About one quarter mainly at informing management, while the other quarter mainly aims at informing employees.

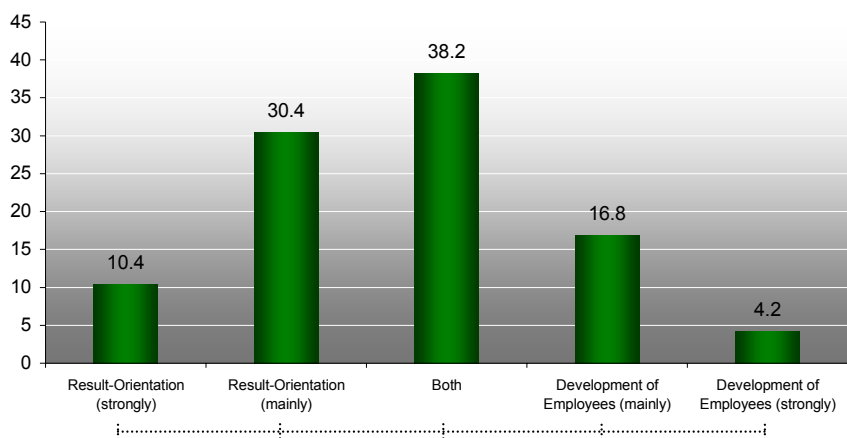Figure 2. PM orientation: Results versus development (percentages)

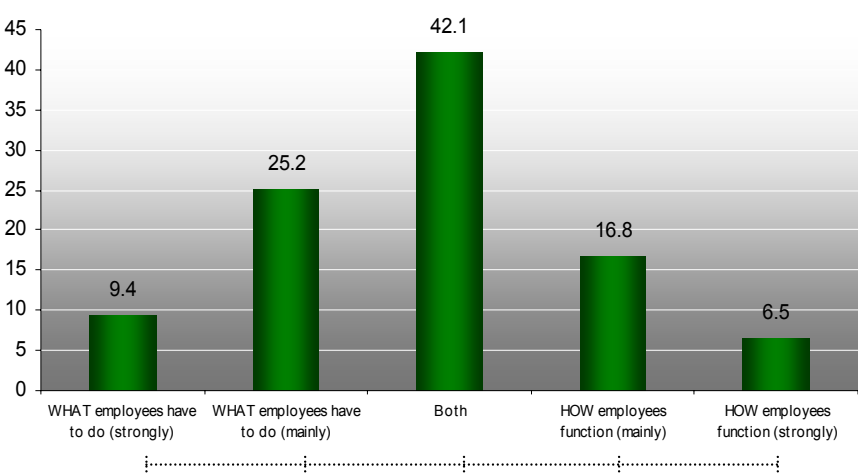Figure 3. PM orientation: 'What?' versus 'How?'(percentages)

Figure 4. PM orientation: info for management versus employees (percentages)

Figure 5. PM orientation: Internal competition versus Collaboration (percentages)
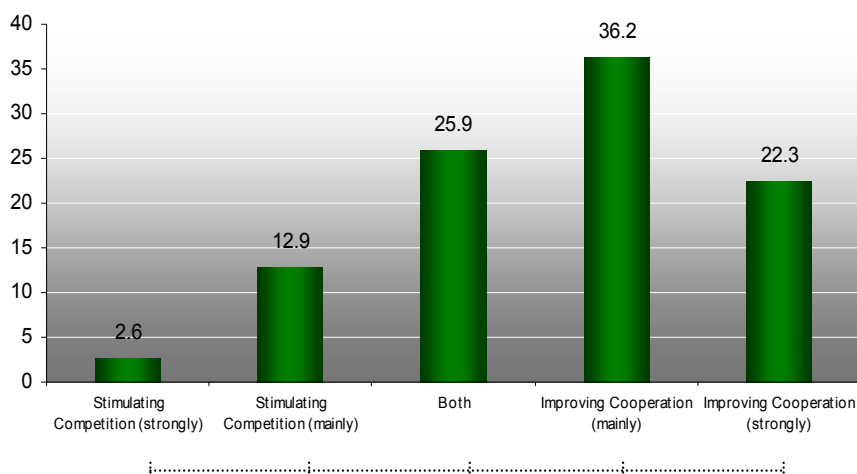

Figure 5 shows the extent to which fostering internal competition versus fostering collaboration is important underlying purpose of the PM system. Here we see a clear shift to the softer side of PM. 58,5% indicate that fostering collaboration is more important than fostering internal competition. About 1 out of 4 respondents state that both are equally important. About 15% of respondents indicate that increasing internal competition is a more important purpose fo PM system.

Used PM practices and processes

In presenting our research findings on used PM practices and processes, we focus on three pivotal PM aspects, namely performance review; performance appraisal and their implications. Table 1 shows how the performance reviews process takes shape within Belgian organisations. Though about 90 percent of respondents state that they have some kind of a formal evaluation process, table 1 indicates that less than half have a process in which performance objectives are both set and formally evaluated. For administrative staff and blue collar workers, focus is more on development interviews rather than on setting and evaluating objectives. Formal intermediate follow-up is only foreseen in about one third of the cases. These findings indicate that performance review is not really designed to be a continuous process in a majority of the organisations involved.

Table 1. Performance review process components

|	Goal setting + formal evaluation	Development interview	Intermediate Follow-up 1	Intermediate Follow-up 2
Management	48.2	45.6	29.6	24.8
Prof. / technical staff	42.3	43.3	31.3	25.4
Administrative staff	37.5	44.0	35.5	20.6
Blue collar	24.8	57.7	25.1	17.3

Table 2 provides a more detailed look into the content of conversations that take place within the performance review cycle and the degree to which these elements are taken into account in evaluating employee performance. The results show that emphasis is placed more on *result areas* than on *task objectives* among management and professional/technical staff (respectively 63.0% versus 36.0% among the first and 56.6% versus 41.2% among the latter), whereas this is the opposite among administrative and to a lesser degree blue collar employees (respectively 42.4% versus 49.2% and 38.6% versus 37.9%).

Table 2. Items discussed in performance review process (percentages)

		Mgt.	Prof./tech	Admin	Blue collar
Values	Discussed	52.4	39.2	37.3	28.0
	Evaluation criterion	48.9	38.3	36.0	27.0
Generic competences	Discussed	52.7	48.6	43.7	30.9
	Evaluation criterion	46.0	42.8	37.0	26.0
Job specific competences	Discussed	53.1	51.8	51.4	40.2
	Evaluation criterion	46.3	46.9	42.4	33.4
Quantitative targets	Discussed	63.0	41.8	23.2	19.3
	Evaluation criterion	56.6	40.5	22.5	19.0
Team objectives	Discussed	42.8	38.3	28.0	23.8
	Evaluation criterion	40.8	35.0	24.4	21.9
Result areas	Discussed	63.0	56.6	42.4	32.8
	Evaluation criterion	59.5	55.0	44.1	30.5
Task objectives	Discussed	36.0	41.2	49.2	38.6
	Evaluation criterion	36.3	39.2	46.3	37.9
KPI's	Discussed	46.6	34.7	22.2	17.0
	Evaluation criterion	41.5	30.2	18.6	16.1
Agreements on training	Discussed	58.2	62.7	57.6	41.8
Career expectations	Discussed	46.3	47.3	41.8	28.3

Targets have a greater chance of being *quantified* for management and professional/technical staff (63.0% and 56.6%) than for administrative and blue collar staff (23.2% and 19.3%). *Values and competences* are dealt with in around half of the interviews, but with a diminishing attention the more we move away from management levels towards blue collar employees. Agreements on training are discussed in about 60 % of the cases for management, professional/technical staff and administrative functions and in about 40 % of the cases for blue collar workers. Career expectations are discussed in less than half of the cases and only for about a quarter of blue collar workers. Though the topics are more discussed than they are taken into account for appraisal purposes, a significant correlation between the percentages exist. Consequently, similar conclusions to the ones above can be formulated on the performance appraisal criteria applied.

Figure 6. Performance Review implications (percentages)
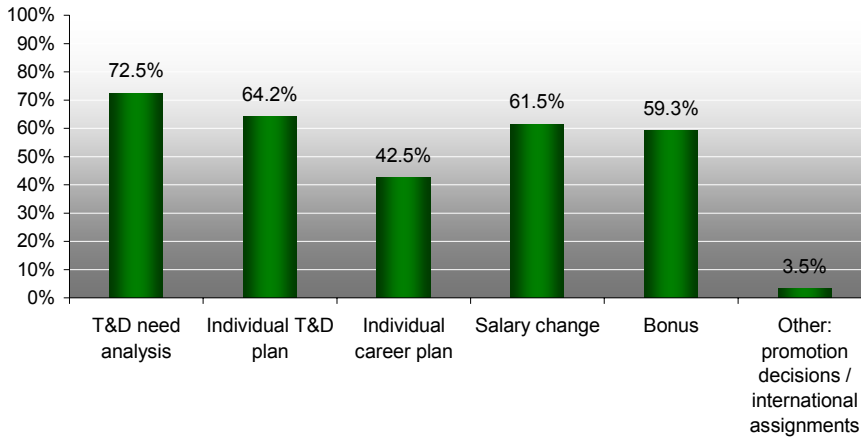
In presenting our findings on performance review and appraisal implications, we distinguish between two types of implications. First, we examine how the performance review process relates to other HR activities. Figure 6 shows that there is quite a solid link with Training and Development (T&D). In 72.5% of the organisations, the review process is used as input to executing a T&D need analysis, while in 64.2% of the cases the review is used to design an individual T&D plan. There is also a strong link to remuneration. In 61.5% of organizations, the review process serves as a source to make salary decisions. 59.3% of the organisations state that they use a performance related bonus system. PM also seems to be linked to career management practices, as about one third of the organisations take performance ratings into account to develop individual employee career plans (42.5%). Among other implications, some respondents (3.5%) reported promotion decisions or international assignments.

Table 3 shows different criteria used to decide on performance related pay. One conclusion we can draw is that performance related pay is used quite extensively. Even among administrative staff and blue collar workers, about 70 % gets some form of performance related pay. Individual performance levels are most often used as pay criterion. Target realization is only used for a small percentage of employees (in all categories). Organisation profit levels are an important pay criterion for managerial positions, but not for all other employee categories.

Table 3. Performance related pay criteria

	Individual perform.	Team perform.	Skills	Profit	Target realization	Not used
Mgt	58.4	44.7	24.3	42.0	5	15.0
Prof./Tech	51.3	32.7	21.2	20.4	2.7	24.3
Admin	42.5	23.0	18.1	15.9	2.2	31.0
Blue collar	32.3	16.8	13.7	12.8	2.2	30.5

PM system effectiveness evaluation

In assessing HR professionals' perception on the effectiveness of the PM system, we distinguish between two main effectiveness dimensions. The first dimension involves the performance-oriented effectiveness and relates to the following PM objectives: strengthening performance culture; increasing result orientation; increasing individual performance; and increasing company performance. This dimension got an average scoring of 3.52 on a five-point scale. The second dimension involves the development oriented effectiveness and relates to the following PM objectives: stimulating employee development; strengthening employee competences; fostering collaboration; increasing employee support; and increasing employee motivation. This dimension got an average scoring of 3.29 on a five-point scale. Even though both criteria are scored quite modestly and significantly correlated ($r = 61$, $p < .001$), we can still see that the PM system is more highly evaluated when it comes to strengthening the performance orientation rather than employee development or motivation.

Linking industry characteristics to PM system orientation

Figures 7 and 8 provide some insights on how industry characteristics influence PM system orientation. Figure 7 indicates that organisations operating in a highly competitive environment put more emphasis in their PM system on 'result to be obtained' rather than on 'competencies to be developed'. Organisations operating in industries with low competition put almost equal emphasis on results and competencies (average scoring on this bipolar dimension for the strong competition group = 2.50; average scoring for the weak competition group = 3.03; $F = 15.25$; $p < .001$).

Figure 7. Results versus competences for different competitive environments
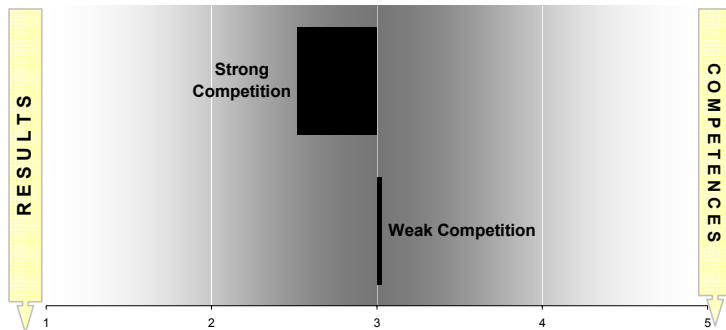
Figure 8 indicates that organisations operating in technologically highly turbulent environments put more emphasis in their PM system on informing employees rather than management. The opposite is true for organisations operating in technologically stable industries. They put more emphasis on informing management rather than employees. (average scoring on this bipolar dimension for the strong turbulence group = 3.14; average scoring for the weak turbulence group = 2.08; $F = 7.67$; $p < .01$).

Figure 8. Info to management versus employees for different levels of technological turbulence.
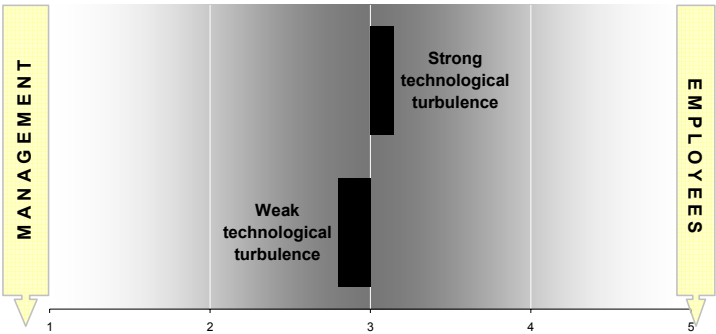
Linking PM orientation and PM effectiveness

In linking PM orientation to PM effectiveness, we distinguish between the two effectiveness dimensions mentioned before (i.e. effectiveness to improve performance and effectiveness to enhance employee development and motivation). Looking at the performance enhancement criterion, only one of the performance orientation dimensions seems to be of relevance. Figure 9 shows the difference in PM results versus competencies orientation between the most and least effective PM systems.

Figure 9. Result versus competencies orientation for highest and least effective Pm systems (in terms of performance improvement)
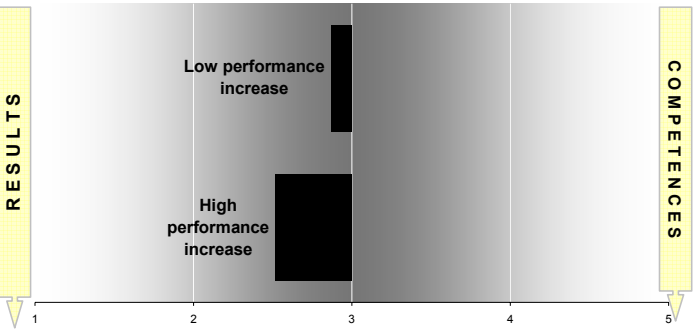
The compare means analysis between the most effective and the least effective PM systems shows that the first puts more emphasis on 'results to be obtained' versus 'competencies to be developed' than the latter (average scoring for most effective PM systems = 2.52; average scoring for least effective PM systems = 2.87; $F = 7.5$; $p < .01$).

Looking at the effectiveness in terms of enhancing employee development and motivation, several dimensions seem to be relevant. First, figure 10 shows that systems that are most effective in stimulating employee development balance between 'increasing the result orientation' versus 'stimulating employee development'. In contrast, PM systems that put more emphasis on increasing the result orientation rather than on stimulating employee

development seem least effective in improving employee motivation and development (average scoring for most effective PM systems = 2.99; average scoring for least effective PM systems = 2.52; F = 14.63; p < .001).

Figure 10. Result orientation versus employee development for most and least effective PM systems (in terms of development improvement)
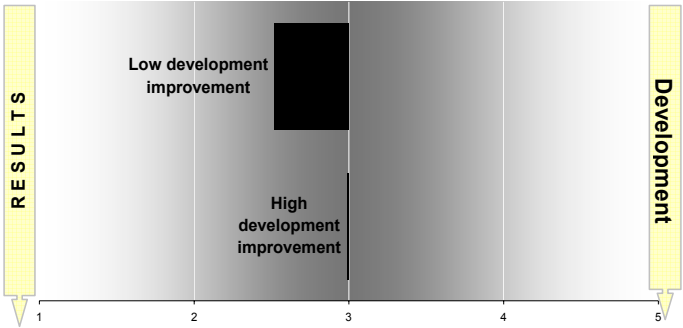
Second, figure 11 shows that systems that are most effective in stimulating employee development aim more towards informing employees rather than management. Systems that are least effective in stimulating employee development attach more importance to informing management rather than employees (average scoring for most effective PM systems = 3.07; average scoring for least effective PM systems = 2.78; F = 7.21; p < .01).

Figure 11. Info relevant for management versus employees for most and least effective PM systems (in terms of development improvement)
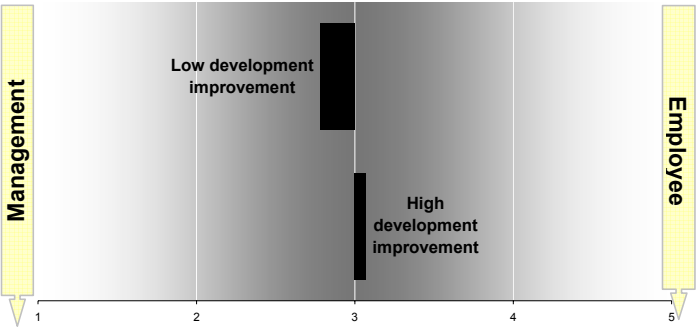
Third and finally, figure 12 shows that systems that are most effective in stimulating employee development aim more towards fostering collaboration rather than increasing internal competition than systems that are least effective in stimulating employee development (average scoring for most effective PM systems = 3.89; average scoring for least effective PM systems = 3.35; F = 17.09; p < .001).

Figure 12. Internal competition versus fostering collaboration for most and least effective PM systems (in terms of development improvement)
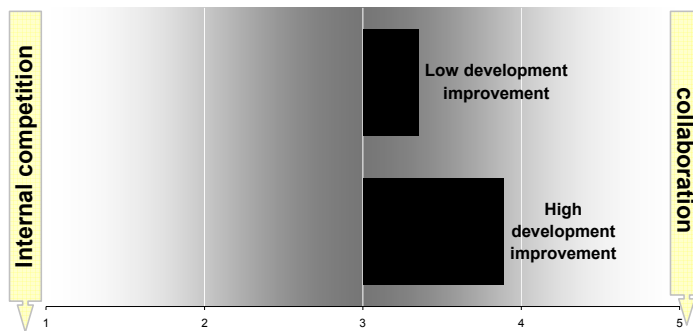

DISCUSSION

The objective of this study was to examine PM systems in depth and collect evidence on which kind of employee performance enhancing practices (Belgian) organisations actually use. Furthermore, we aimed to examine the relationship between PM orientations and organisational context factors and we investigated the drivers of an effective PM system in terms of its ability to increase performance levels and employee development and motivation levels. Below, the major conclusions drawn from this study are discussed.

Because no reliable empirical data on the use of PM in Belgian organisations is available, our first research objective was to collect evidence on which kind of employee performance enhancing practices (Belgian) organisations actually use. We focused on three key elements of a PM process: performance review, performance appraisal and their implications. We found that even though goal setting and formal evaluation interviews are common, formal intermediate follow-up is less practiced. This indicates the performance interview is not designed to be a continuous process. As a general conclusion concerning the appraisal, we found that for management and professional staff, the goals on which they are evaluated are broader (result areas) and more often quantified. For administrative staff and blue collar workers, more specific task objectives are used, albeit less quantified. Values and competences are present in approximately half of the interviews. When researching the implications, we found that there is a solid link between PM and training & development. There is also a strong link between PM and remuneration. PM is to a lesser degree linked to employees' personal career plan. Based on further exploration on the remuneration aspect, we found that performance-related pay is used quite extensively. Among the contributing factors to variable pay, personal performance is the most important. Company based variables such as stock value and profit, are more used as a pay criterion at the management level.

A second research objective was to examine PM orientations and their relationship with organisational context factors. By doing so, we build on Boselie et al.'s (2004) suggestion to collect further empirical data on the appearance and underlying objectives of PM systems and how these are influenced by the environment organisations are operating in. Regarding PM orientations as such, Armstrong and Baron (1998) found that the emphasis in UK PM systems is more on the soft side rather than on the hard side. Though we did not use exactly the same items to tap into this issue, a different picture emerges in our study. It seems that in Belgian

companies or subsidiaries of multinationals, PM's hard side is more emphasized than the soft, developmental side. This is also reflected in the PM effectiveness evaluation. PM is better evaluated in terms of increasing performance levels, rather than in terms of enhancing employee development and motivation.

We also found that competitive pressure leads to a more result-oriented PM system, while low competitive pressure resulted in a more balanced orientation (results versus competencies). Our study findings also suggest that strong technological turbulence leads to a PM system in which informing employees (rather than management or the HR department) is an important PM objective.

Finally, we investigated the key factors contributing to an increase in performance at various levels and to an improvement of employee development and motivation. When linking PM orientations to PM effectiveness evaluations, we found that a result-oriented PM system leads to a greater performance increase. This is a mixed blessing however, because this orientation also leads to a decrease in development and motivational enhancement. We also found that PM systems that mainly aim to inform employees are more effective in improving employee development and motivation. A stronger development improvement can also be found in companies where the PM system stresses collaboration among employees rather than internal competition.

Study limitations and further research

Our study has several limitations. First, we used a single source cross-sectional research design. We drew our conclusions based solely on the input of HR professionals. Because most of the respondents are directly involved in the development and implementation of PM systems in their organisation, our research findings may be biased. It is therefore important that in future research data are also collected from other sources, such as management (the appraisers in the PM process) and employees (appraisees in the PM process). Such studies may shed another and richer light on how PM is actually perceived and received in organisations. Secondly, because of the cross-sectional nature of our study, we are not able to give insights on how PM practices and processes evolve over time. Longitudinal research would enable us to extend the current body of knowledge on PM systems and more specifically on the issue of how PM systems evolve over time. Finally, as proposed by DeNisi (2000), both theory development and empirical research may benefit from multi-level analyses, where information at different levels (such as organisational, management, individual employee) is combined to get a broader and more reliable picture of PM systems.

Implications for PM in practice

Though our findings should be treated with care, they at least indicate that PM orientations do have an impact on various PM effectiveness measures. Our findings suggest that emphasizing both the hard (result orientation) and soft side of PM are important in improving performance in the short and long run. Furthermore, our study suggest that systems that mainly aim at informing employees rather than management or HR departments are most effective, both in terms of increasing performance and fostering employee development. Because the effectiveness of PM systems to increase employee development and motivation is scored less positively than the effectiveness to increase performance, it indicates that the major challenge is to develop PM systems that increase performance in the long run. Our findings suggest that systems that emphasize collaboration, that aim at informing employees rather than management and that balance between goal setting and competence development are most succesful in realising this.

Table A-1. Measurement items Industry Characteristics

Industry characteristics	
Competition	- In our kind of business, customers' product preferences change quite a bit over time
	- Our customers tend to look for new products all the time
	- Competition in our industry is cutthroat
	- Anything that one competitor can offer, others can match readily
	- There are many promotion wars in our industry
Technological turbulence	- The technology in our industry is changing rapidly
	- A large number of new product ideas have been made possible throug technological breakthroughs in our industry

Table A-2. Sample items PM practices and processes

Please state which of the following conversations between employees and managers are organised with regard to PM systems				
Mgt	Prof	Adm.	Blue	
□	□	□	□	- Goalsetting
□	□	□	□	- Performance review
□	□	□	□	- First intermediate follow-up objectives
□	□	□	□	- Second intermediate follow-up objectives
□	□	□	□	- Formal evaluation review
□	□	□	□	- Other…

Please indicate which elements are covered in PM related conversations and documents				
Mgt	Prof	Adm.	Blue	
□	□	□	□	- Values
□	□	□	□	- Formal generic comepetencies
□	□	□	□	- Formal job specific competencies
□	□	□	□	- Quantitative business targets
□	□	□	□	- Objectives on a team-level
□	□	□	□	- Result-based objectives
□	□	□	□	- Job description based objectives
□	□	□	□	- KPI's
□	□	□	□	- Training and development arrangements
□	□	□	□	- Careerexpectations
□	□	□	□	- Other…

Is your PM system systematically used as input for the following?		
yes	no	
□	□	- Analysis of training and development needs
□	□	- Individual development plans (12-18 months)
□	□	- Individual career plans (2-5 years)
□	□	- Salary increases
□	□	- Bonus
□	□	- Other…

Tabel A-3. PM orientations

The emphasis in our PM system is on						
Emphasis on…			Equally important			Emphasis on…
Improving result orientation	☐	☐	☐	☐	☐	Improving employee development
Focus on results to obtain	☐	☐	☐	☐	☐	Focus on competencies to develop
Info relavnt for management / HR	☐	☐	☐	☐	☐	Info relevant for employees
What employees should do	☐	☐	☐	☐	☐	How employees do their jobs
Stimulating (internal) competition	☐	☐	☐	☐	☐	Stimulating collaboration

Table A-4. Effectiveness to increase performance and employee development

To what extent do you believe that your PM systems succeed in…	
Performance	- Enhancing the performance culture within the organisation
	- Improving result orientation
	- Improving individual performance
	- Improving organisational performance
Development	- Stimulating employee development
	- Strengthening employee competencies
	- Stimulating collaboration
	- Enhancing employee support
	- Motivating employees

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9. ITINERANT EXPERTISE IN THE HR PRACTICES OF AN ENGINEERING CONSULTING FIRM

Antti Ainamo

ABSTRACT

Classic questions in human resources management include what are the possibilities of flexibility/new arrangements of organization and employment and other HR practices to affect the performance of employees and that of the organization in which they work. While both the classic contours HR practices and their various critiques have begun to be discussed, new HR practice and, especially, the crossroads of such new practices and their critiques have still remained largely unsolved.

To address these research gaps, I combine in the paper three elements: (a) a literature review of new HR practices, (b) a critique of these new HR practices in what is generally called critical management theory, and (c) a case study to inquire into the new HR practices in an engineering consulting firm.

The literature review builds on the de-agglomeration of the workforce, and takes this understanding to the micro-level of professional management services firm. In turn, the critique builds on neo-Marxist findings regarding how the de-agglomeration or individualization of the economy is but a hegemonic project of the capitalist class.

The methodology to bridge across the two literatures in this paper is the ethnographic method. This method was used to study the engineering consulting firm in an engineering consulting firm known for its itinerant experts, a study where the fieldwork lasted for a period of 22 months.

The paper concludes with findings that enhance understanding of when, why, and how engineering consultants in the firm under study appeared to combine the advantages of both itinerant and permanent workers both for the consulting firm that employed them and for the clients that hired them, as well as when such synergies appeared not to be reached. The paper contextualizes these findings by spelling out limits to the research carried out. Finally, the paper provides implications for further research to understand the itinerant expert economy, for critical management theory, and for the research on the new human resources practices.

INTRODUCTION

Classic questions in human resources management include what are the possibilities of flexibility/new arrangements of organization and employment and other HR practices to affect the performance of employees and that of the organization in which they work. While both the classic contours HR practices and their various critiques have begun to be discussed, new HR practice and, especially, the crossroads of such new practices and their critiques have still remained largely unsolved (Barley & Kunda 2006).

To address these research gaps, we combine in the paper three elements: (a) a literature review of new HR practices, (b) a critique of these new HR practices in what is generally called critical management theory, and (c) a case study to inquire into the new HR practices in an engineering consulting firm.

The literature review builds on the de-agglomeration of the workforce, as shown by Barley and Kunda (2001) and takes this understanding to the micro-level a professional management services firm. In turn, the critique builds on neo-Marxist findings regarding how the de-agglomeration or individualization of the economy identified by Barley and Kunda is but a hegemonic project of the capitalist class (Gramsci 1971).

The methodology to bridge across the two literatures in this paper is the ethnographic method. This method was used to study the engineering consulting firm in an engineering consulting firm known for its itinerant experts, a study where the fieldwork lasted for a period of 22 months.

The paper concludes with findings that enhance understanding of when, why, and how engineering consultants in the firm under study appeared to combine the advantages of both itinerant and permanent workers both for the consulting firm that employed them and for the clients that hired them, as well as when such synergies appeared not to be reached. The paper contextualizes these findings by spelling out limits to the research carried out. Finally, the paper provides implications for further research to understand the itinerant expert economy, for critical management theory, and for the research on the new human resources practices.

NEW WAYS OF WORK AND PERFORMANCE

Traditionally, human resource management was considered the part of a business or company that is concerned with how the business recruited, developed and utilized personnel in the way which would benefit the firm's objectives. HRM was considered both an academic theory and a business practice, which address the theoretical and practical techniques of managing the business's workforce. The theoretical discipline was based primarily on the assumption that employees are individuals with varying goals and needs, and as such are more complex than other basic business resources, such as delivery trucks or filing cabinets. The field took a positive view of workers, assuming that virtually all wish to contribute to the enterprise productively, and that the main obstacles to their endeavors are such elements as failures of process, insufficient training, or lack of knowledge or motivation (Mayo 1933).

The field, within this traditional context, encompassed the sometimes arcane details of what has traditionally been referred to as personnel management. Personnel management as a term describes those activities that are necessary in the recruiting of a workforce, providing its members with payroll and benefits, and administrating their work-life needs. In many locales, these activities long required a considerable amount of regulatory knowledge and effort, and many enterprises benefited from the recruitment and development of personnel with these specialized skills.

Creating alignment between an organization's HRM strategy and the core objectives of a business was seen essential. Human Resource Management (HRM) in this view was the process through which a human and social capital were considered a main property of the business or organization. In the economy of the 1950s and 1960s when smokestack industries predominated the global economy, layoffs were cyclical among blue collar workers, a pattern that went hand in hand with the economic cycles. This was what was called the "labor contract" (Barley & Kunda 2006).

Recently, the above or traditional view of HRM has come under attack from two main directions: from accumulating evidence those organizations are increasingly organizing their tasks through new and innovative ways of work (Barley & Kunda 2001, 2006) and from critical management theory (Gramsci 1971).

New and innovative ways of work

In the 1980s, with the growth of the finance and other service industries this changed so that also white collar workers were laid off. What was also new was that jobs were being "downsized" or "rightsized" also during economic upturns. There was a continuous push to lay off all kinds of workers and reduce the workforce. With the traditional labor contract between economic cycles and employment thus broken, also many related elements in human resources management that had been dominant earlier became to a large extent less relevant. In the Silicon Valley, for example, when Barley and Kunda (2001, 2006) conducted their study, the share of contingent labor was about 30 percent.

Now, individuals that comprise the white-collar workforce, in particular, can be considered "contractors" who sell their services to one or another kind of a firm. Many of the individuals are "independent contractors" who negotiate and work directly with their employers. The second kind is what Barley and Kunda call "W2", according to a slang term that comes from the U.S. tax format. This second kind does not contract directly with their employer but operate through a third party, such as "Manpower". This second kind of a third party acts as an agent for a commission of the salary paid to a temporary worker.

Finally, there is a third kind that Barley and Kunda do not properly discuss; that is, the consulting company, such as "Accenture"; that is, a third party that retains the temporary worker on its pay roll through periods when the consulting firm's need the services of the worker and when they do not. The consulting company makes its return not only through acting as an agent but also by not disclosing the salary or workload of the consultant to the client. In other words, there are at least ways by which these third parties have specialized, by either default or choice: the independent contractor, W2, and the consultant. This paper focuses on technical contractors who are consultants, who contract themselves in the name of their employer and receive their salary from that employer.

Barley and Kunda's study of itinerant labor revealed that there would appear to be at least three kinds of consultants. The first one is the kind that mesmerizes engineer-clients who buy services or what. Barley and Kunda call "sales oriented" itinerant labor. This kind of a culture revolves around such artifacts as web-based seminars, and building data bases that included not only "not only the Silicon Valley, but the whole of the U.S." Once inside the client organization, this kind of a consultant is a "hired gun", and works almost like a permanent worker within that organization.

Another kind of a temporary worker is to be an individual who has written books (cf. Huczynski 1993). She/he is a developer consultant, a "guru". She/he is usually hired to take responsibility for a significant project, to conceptualize a firm's web presence for example, and is usually older and experienced. She/he is typically youthful, technical, and usually male. She/he has a career trajectory and interest in unix systems, for example. She/he is interested in working in more than a laboratory to learn how to have different systems working with unix. In addition, she/he tells her/his clients what these ought to do, because she/he knows better.

Finally, there is the individual in the middle. She/he is the experienced technician, who also uses sales techniques. In this view, there is what can be called a 'class structure'. The challenge is that both the technical advisers and the representatives of their client organizations work on technical projects, requiring them to work together. So what is a HR manager to do? According to Barley and Kunda (2006): "'You have to walk a fine line…

'you're not all part of the same company'… So the most difficult thinking is to create and maintain an *espirit de corps*, and at the same time maintain differences…" (project manager)'

The focus is on integration by HR strategies such as locating contractors near full-timers; allowing contractors to attend social events but ask them to pay for themselves; and arranging meetings with sensitive material discussed last. While much of the class structure remains, the fact is that the temporary workers are compensated so that they are paid more than the workers of their clients. The employees can go and say, "You're paying him more" but… 'worse working conditions'" (Barley and Kunda 2006).

All of these kinds of consultants can develop dependence on the part of their client. A good technical adviser can become irreplaceable. The client cannot get rid of him, but neither are they able to make him permanent because he is too valuable. That temporary worker is in the center of a dense 'referral clique', which pulls in others from the 'occupational circle' or network of practice which, in turn, pulls in people from the broader environment. This ought to result in a bubbling of all sorts of new structural arrangements, such as cooperatives and firms like the unix staffing agency but so far Barley and Kunda, for example, have found few such arrangements. One of the reasons found is that there is such little documented knowledge on what engineers actually do. Engineers, in their view, are not handmaidens of management but neither are they an evil force from the perspective of anyone else.

What Barley and Kunda do conclude, however, is that contractors represent a different set of institutions and culture from those of permanent workers. These people have a different definition of what is security. Some call it neoconservatisim, some call it neoliberalism, businesses and corporations are making inroads into Congress. On the other hand, sometimes a spouse, for example, forces a contractor back to permanent employment.

Critical management theory

In contrast to the above research on Barley and Kunda (2001, 2006) and others on innovative ways of work, what is generally called "*critical management theory*" has proposed an alternative project. Within that project, fields such as psychology, industrial and organizational psychology and sociology are subordinated under the project of critical management theory to find what is at fault with 'the established system'. Critics who superordinate HRM to their own ends have noted that HRM suffers the problem of the connotation of its own name; treating humans as a resource.

Critical management theorists have taken three routes by which to attack traditional HRM. In the first instance, critical management theorists have argued that it is important to distinguish between the aspects of HRM which are human and those that are inhuman (Steyaert & Janssens 1999). Critical management theory has also identified a distinction between rhetoric and realities in HRM (Legge 2005). Finally, such views as "postmodernism" and "post-structuralism" are sometimes considered more important than the struggle toward any HRM that would be new and improved. In the following, we will address each of these routes in turn.

Humans and inhuman. The basic premise of the critical management theory of HRM is that humans are not machines. Critical management students of HRM practices have been noted as hiding the demarcation line of what is human and what is inhuman. Wilkinson (1998) considers call centers Orwellian in that employers "*decreasingly*" know when behavioral rules are generated by cultural agency and when by computational algorithms. Repeated exposure to messages in favor of one or the other view takes the form of attitudinal shaping

through repetition and agenda setting, similarly to the role of mass media in political campaigns and propaganda.

Critical students of HRM argue that "*gurus*" and "*rationalism*" have recently moved academic theory about human resources into a rational and sellable products, which management gurus and consultants can sell to business leaders. Within this view, empowerment as a HRM practice is but "*pseudo-empowerment*" on the basis, again, of attitudinal shaping (Wilkinson 1998). It is not "*reality*" but "rhetoric".

"Rhetorical*" (de-)shaping of what is human and what not.* The word "*rhetoric*" has in "*critical management theory*" developed a pejorative or dismissive sense or meaning, as when someone wants to distinguish between "*empty*" words and action, or between true or accurate information and misinformation, propaganda, or "*spin*," or to denigrate specific forms of verbal reasoning as spurious.

"Postmodern*" and "***poststructuralist***" views of the rhetoric of new HR practices.* While earlier rhetoric, as the general art of persuasion, played an important function in contemporary neoliberal world society, the concept of rhetoric has shifted widely in the few last "*critical management theory*" decades of the 2,500-year history of the word. While "*rhetoric*" today may have a pejorative meaning, rhetoric in its classical meaning was described broadly as the art or practice of persuasion through any symbolic system, but especially through language. Or, rhetoric can be described as the persuasive or "suasory" function of all human action, including symbolic action like language use. When rhetoric (from Greek ῥήτωρ, *rhêtôr*, orator, teacher) originally was one of the *trivium* or the three original liberal arts of ancient Greece and Rome, with the other two arts being dialectic and grammar, the postmodern and poststructuralist meaning of "*rhetoric*" is that it has become the opposite. It no longer affords citizens in open and democratic societies with rights of free speech, free assembly, and political enfranchisement for some portion of the population as it did in classic times. Thus, through their use of the trivium, postmodernism and post-structuralism theories here play important roles because they showcase the importance of understanding and contemplating the power of language**.**

In sum, "*critical management theorists*" 'teach' us that new techniques force the managers of an enterprise to express their goals with both specificity and ambiguity so that they can be understood and undertaken by the workforce, and to provide the resources needed for them to successfully accomplish their assignments. HR techniques, when improperly practiced, are more expressive of the societal constraints and opportunities that exist than the goals and operating practices of the enterprise overall.

The framework of the study

The various kinds of innovative and critical ways of looking at HRM can be considered 'ideal states' that probably seldom appear in practice in their pure form. Events and developments in HRM are often uneven and 'lumpy'. On the one hand, humans have natural propensities for social interaction and collective achievements that could not have been impossible for any single person (Abell 2003). Modern information technology can amplify the propensities through enabling distributed learning and efficient knowledge creation and sharing to penetrate or by-pass individuals who are bottlenecks (Davenport & Prusak 1993, Kukko & Ainamo 2004).

Within this context, some researchers of new HR practices have found that some organizations are able to create "an attitude of wisdom" (Brooking 1999: 109). This kind of

culture appears to facilitate the transfer of knowledge and experience, including both old and new valuable practices (Sutton & Hargadon 1996). When accomplished in this way, HR practices simultaneously provide benefits to the individual, to the organization as a whole, and to key stakeholders (Kukko & Ainamo 2004). Many HRM scholars find that exemplary firms have what can be called an itinerant *expertise culture*, that is, a cycle of "hired guns", "gurus", and "experienced advisers" that feed each other, providing "food" for HRM.

On the other hand, people can be selfish and not let others benefit from the knowledge without some form of exchange (Abell 2003). Many men and women will not ask others for help, especially if the costs of such help appear greater than the benefits. Previously successful firms have been found to begin to perform poorly or sub-optimally, when mechanisms and HRM systems that earlier were successful break down in terms of fitness with the task environment (Pfeffer & Sutton 2000). The more competition is diluted in hierarchical organizations, "the greater the necessity for formal rules and elaborate monitoring devices to measure performance" (McCraw 1995). In turn, given such rules, critical individuals and small groups have been found to become "bottlenecks" that hamper optimal knowledge flows (Thompson 1967, Pfeffer & Salancik 1978). There is no optimal flow of HR: various kinds of intermediate pools and slack in between the phases of the cycle continually appear, even in very successful cycles (Fiol 1996).

A research gap in and around these two kinds of expertise cycles is that some individual firms appear to be far more optimal in developing and exploiting human resources over the long term than available benchmarks would suggest. This paper argues that this dynamic may be related to how expertise cycles are initially triggered into existence and how they change over time.

When ideas are objects of trade, *personalized exchange* includes repetitive dealings and personal contacts, "minimizes the need for formal rules and compliance procedures since reciprocity and consensus ideology constrain behavior" (McGraw, 1995, p. iv). As argued by McCraw (1995), taken to the extreme, transformative change does not require organizations or networks as such, but individuals who have the energy, will, purpose and capacity for strenuous toil to propel extremely tightly knit networks into processes of variation or recombine existing ideas and create solutions for the creation of prosperity for themselves and for others (see North, 1982). While research has begun to forge links between brokers and other innovative groups or individuals and the systems or fields that they change (Hargadon & Douglas 2000), these studies have not been directly linked with HRM.

METHODOLOGY

The methodology to bridge across HRM, innovative ways of work, and "*critical management theories*" literatures in this paper is the ethnographic method. This method was used to study the engineering consulting firm in an engineering consulting firm known for its itinerant experts, a study where the fieldwork lasted for a period of 22 months. The researcher carried out ethnographies of three countries and three divisions of the global engineering consulting firm.

Work-life histories with several contractors (i.e. the individual contingent workers) included client managers who hire contractors in other firms, large and small. There were interviews with permanent employees who worked with contractors on project teams. The case was carried out as ´what Glazer and Strauss call theoretical sampling, looking for patterns across cases.

The researcher continuously wrote field notes. These included things he saw and things he heard. He abstained from insertion of notes about his own emotions. If these were included in the data, the data would have been contaminated. The name of the game was that what was needed was a sound empirical basis, things one saw over and repeatedly. In this way, the methodology took the form of logical positivism. At the same time, he took the responsibility of an ethnographer, the agenda of an anthropologist to present the story as faithfully as possible to the original source, so that the reader can go back to that source. Everybody subscribes to a methodology, and this happens to be the methodology which drove this research project.

Sometimes this took two hours for every hour spent in collecting data. However, the advantage was that when one has written one's notes the same day, these notes would trigger memory. Who are the contractors interviewed? They were typically in between 24 and 79 years of age, typically male. Almost all of them had a Master's degree. In a few instances, there was an MBA on top of an M.Sc. in engineering. They had worked at the engineering consultancy anything from a day to 45 years (the founder).

What was the research question posed to these interviewees? To describe how their world and life worked. No-one had worked through these kinds of arrangements of their prestige, pay, etc. This study was intended to explain what really goes on in an engineering consultancy, in the spirit of Barley and Kunda. In their research tradition, the particular emphasis in historical research is on *mentalities* rather than ideologies, with a focus on what historians have called "people with politics left out" (Trevelyan 1942: vii). The typical design matrix in this research tradition is to study social mobility in a quantification of "inflow, outflow and total flow" (Haapala 1989: 68-69, see also Kaelble 1981). "Inflow" explains the formation of a new social group, "outflow" focuses on the migration away from this group, and "total flow" examines mobility," the generalizability of the change process. The approach is based on the collection, analysis, and interpretation of various narratives by informants who were present and participated in the events and processes under inquiry (Thompson 1978, Stone 1979).

The researcher's methodology in this paper is not fully empiricist in the Barley and Kunda tradition, but it is also driven by the theory and the idea that thought and action are embedded in "certain economic and social conditions which [have] either prepared or facilitated its progress" (Braudel 1982: 600). The researcher in this research direction will blend "descriptions, narratives, images, developments, regular patterns and breaks in those patters... but... refrain from the urge to describe everything" (Braudel 1982: 17).

A case study is a form of qualitative research where a focal phenomenon is studied in a situation where the boundaries of the phenomenon and its context are not clear, and where many kinds of sources of data are utilized (Yin 1989). A qualitative study attempts to describe life as it is "in reality." Participant observation is a method often used in case research, with the researcher, in one-way or another, participating in the activities of the organization or community where the phenomenon is embedded (Kukko & Ainamo 2004).

Scholars of history in explaining social mobility often use oral history. In the present study, in addition to observation and participation, the researcher also carried out systematic interviews with members of the contingent client relationships ranging from 24 years to 79 years of age. The majority of the interviewees were male, as was also the case for the JPG as a whole. However, the share of female employees was increasing. All of the respondents had a minimum of a college-level education, with most having a master's degree in engineering or economics. All of the interviews were done in JPG's offices in Helsinki, London, and New York. The distribution of interviews was skewed toward JPG's forest industry practice and

top management. The interviews helped to collect data on events preceding the period of ethnographic study.

For purposes of collecting key documents about JPG's history, the researcher became an inside participant in the firm's operations in August 2002 in Forest Industry Consulting, one of the company's four business groups. As a member within that JP Management Consulting (Europe) Ltd. unit, the researcher was given access to archival material and permission to study and systematically record project management practices and organizational and management cultures, both within the business group and the JPG as a whole. They provided the researcher with access to personnel, historical documents, archives, and the firm's databanks. Building on Braudel's (1982) methodology, the researcher embraced the subjective – the role of the individual and the interaction of the firm and its members to study JPG's history. The research design was to begin with historical description and analysis, attempting to capture the social reality of the firm, and proceed to an elaboration of the model or a crystallization of that reality, developing a tool for comparison, thought, and control (see Bourdieu 1980: 45).

The paper is thus based on unique access to oral history, ethnographic research (Van Maanen, 1988), and archival material from the Jaakko Pöyry Group. When there was evidence that the ideas for a new product or service came from another country, as was the case of JPG, the "country of origin" and its related dynamics became complex issues, worthy of investigation as both a separate entity as well as in unison wit JPG. Alternative research choices would have allowed for studies of such important issues as service design and development, organizational networks, and global project management, but the quality of the historical record would have been "spotty" and fragmented.

The way the archives were organized at JPG encouraged the researcher to focus on the role of entrepreneurial capabilities in terms of creating and exploiting social networks in the process of internationalization, focusing on knowledge management in this global engineering and consulting firm. The story of JPG begins with how Jaakko Pöyry, the founder, imported ideas and practices into Finland from abroad, and recombined them, adding his own insights. The analysis traces how he founded the engineering company, gradually diversifying the company's client- and service-base internationally, and growing the firm, today known as the Jaakko Pöyry Group, into a global market leader by 1980. The historical account begins with a description of the historical and geopolitical context in which Jaakko Pöyry, the founder, was embedded.

The ethnographic phase of the study (from 2002 to 2004) consisted of participant observation and taking notes *in situ* in an iterative and continuous process (see Confer 1992, Hargadon & Sutton 1997, Sutton & Hargadon 1996). Special emphasis was placed on following events and processes related to knowledge management. Apart from the appearance of individuals being critical in the process of creating, sharing and exploiting knowledge, no other major themes surfaced, even when the researcher maintained openness and sensitivity to such possibilities.

In sum, the research process took the form of an ethnographic case study, informed by historical analysis where oral history (interview data) played an important role over alternative sources of historical evidence. In analyzing the data, the researcher performed triangulation of the available sources of evidence (comparisons across interviews, across documents, and across interviews and documents). As agreed with the founder of the firm, Dr. Jaakko Pöyry, he did not comment on the manuscript. Other key informants, including Teuvo Salminen, the number two man in JPG, and Jukka Nyrölä, the head of the Forest Industry business group, made useful comments on the manuscript. Partly based on their

comments, the researcher chose not to undertake a direct comparative analysis of the complementarities and tensions between models of production, marketing, and finance originating from countries in Sweden, the United States and Finland. Instead, the focus was on the role of individuals and social networks working with complementarities and around tensions. the researcher made a choice to leave developments from the 1980s to the 1990s and JPG's diversification into energy, infrastructure and environment for future research.

CASE STUDY

The fact that a Finnish engineering consulting firm could both emerge as one the world's leading providers of contingent labor in its chosen field of engineering in the 1970s and maintain that position in the field of professional management services is an interesting phenemenon. Yet, such an engineering and consulting firm was thus nonetheless successful. Competences developed in a knowledge-based engineering firm during this period should have lost their value with the growing globalization of the world economy and world society (Djelic and Quack 2003, Drori et al. 2006). Equally in a way that is interesting, this has not proved the case.

The study was designed to capture the subjective interpretations of the actors and to compile a systemic interpretation. To examine the processes behind this development, the paper analyzes the dynamics of the engineering consulting HR practices and focuses on (1) how the firm's experts could function as a global itinerant labor force in a country otherwise largely isolated from an international process of convergence, (2) the insights this kind of a unique situation contains, and (3) the extent that new HR practices will generally be based on an imprinting first experience in the field.

THE EVOLUTION OF THE JAAKKO PÖYRY GROUP

In 1946, at the Helsinki University of Technology, Jaakko Pöyry, age 20, was writing his Master's thesis on a radically new kind of diesel engine. Ever since he had been a young boy, he had been interested in the global state-of-the-art technology. After the Second World War, a friend of this late father secured him a job as a summer trainee at SCA's sulphite pulp mill in Svartvik, Sweden. Jaakko Pöyry did not hesitate. He did not want to miss the opportunity – technology in Sweden was much more advanced than in Finland. He became enthralled with the pulping process and interested in the pulp and paper industry as a whole. Ever since the word "*fun*" has been an integral part of the vocabulary of the people working with him, on a permanent or temporary basis.

In 1948, he started to work in Wärtsilä's Pulp and Paper Machinery department in Finland. Quickly showing his competence, he was put in charge of the department by the time he was 25. In 1953, his superiors at Wärtsilä gave him a mission to visit sixty factories in America and Canada, where he had an ideal opportunity to explore the most advanced technologies of the industry. The Second World War had never interrupted industrial and technological development in the U.S. and Canada, and their technology and operations in the pulp and paper industry were well ahead of even Sweden. In 1954, when Jaakko Pöyry returned home, he was full of ideas on how to develop Finland's domestic forest industry – from wood handling and storage to pulping processes and papermaking. His plans, however, were seen by others at the company as too radical and initially failed to attract or mobilize support. The engineering consultancy that was to carry his name would not become known and respected for their radical advice but for the serious study and years of accumulated experience on which technical advice was based.

Just as he was disillusioned by this state of affairs, two Swedes, father and son, contracted the founder before he had ever set up his consutancy. The father was a leading scientific expert with many patents in his name and his son was a technical director at a Swedish pulp and paper mill. They asked Pöyry to show them around Finnish pulp and paper mills, and to explain to them how they worked. The contract was lucrative and he soon resigned from Wärtsilä. As advisor to the Swedes and representative of a Swedish engineering solutions provider for the forest industry, he sold more than 70 cleaner-installation solutions to Finnish pulp and paper mills. In essence, he controlled the Finnish cleaner-installation market in the industry. The drive for market dominance and little regard of "*novice*" rivals would characterize the rhetoric of the engineering consultancy management and sales people.

By 1958, Pöyry had established a successful track record in the industry. At that point, the Finnish Forest Owners' Association asked him and Jaakko Murto, a paper technology professor at the Helsinki University of Technology, to design and supervise the basic engineering work for a new sulphate pulp mill at Äänekoski in central Finland. The two Jaakkos had expertise and good knowledge of recent advances in paper and pulp technology. They were also endowed with solid backgrounds in mechanical engineering and hands-on experience in the machine and equipment supply business. Ever since, the company would become known for the breadth of its human competences in its chosen technical fields.

Leveraging the Äänekoski Experience

Before the Äänekoski project was completed, Murto and Pöyry started to work on another project in Sweden, at Fiskeby, where Sven Spangenberg worked. Äänekoski represented the pilot project that was to be replicated. This kind of entrepreneurial drive for designing and implementing new technical solutions and learning from these developments would set the pace for the success of the coming decades. Increasingly over the decades, the consultancy would become known for having "*talent*" to carry out a consulting task for any client within its chosen field of technical specialization.

Jaakko Murto, however, did not share Pöyry's cosmopolitan readiness to operate in the Swedish market. For Murto, Swedes were also "rivals" and not simply clients. Based on interview data, it was clear that Murto was also an engineer and an "artist," who preferred to plan alone, rather than as part of a planning team. Given this development, Pöyry took over full ownership of the Murto & Pöyry business, re-naming it as Jaakko Pöyry & Co. The engineering consultancy would become known for quickly and ruthlessly ridding itself of any competences that were found "*not to fit*" chosen the (HRM) strategy.

Very quickly, Jaakko Pöyry & Co. became known for its ability to quickly grasp the nature of a problem, recruit highly competent individuals, and delegate the power to them. The 1960s were a period of great expansion for the Nordic forest industry, and Pöyry's timing to extend the business beyond Finland could not have been better. The services of all independent engineering and consulting services firms were in high demand. Among these firms, Jaakko Pöyry & Co established itself as a significant competitor to the other engineering consultancies with a more international base of clientele and operations. Uniquely for a firm of its time, the engineering consultancy would already at that time accept foreign nationals on its payroll and top management, as long as they moved to Finland and learned the local culture. Othrwise the foreigners would long remain outside the hierarchy of the consultancy's labor force.

In the mid-1960s, Borregaard, a Norwegian forest industry firm, approached Pöyry, because it was interested in a pre-feasibility study on harvesting trees in Brazil. The interest

developed to include a proposition to build an unbleached-pulp mill. Pöyry visited Brazil personally in 1966, "to see how it looks like in that part of Brazil." Jaakko Pöyry & Co's share of the workload grew in comparison to other firms in Borregaard and the other Norwegian and Brazilian subcontractors. With such growth in scale and scope, there was a need to develop new competence in how knowledge was systematized and codified. This also included changes in HRM practices.

Developing Process Knowledge

With the experience of the myriad projects already underway in many countries and the possibility of more international projects to follow, Pöyry hired Risto Eklund, who had worked on assignments in Rome for twenty years for the Food and Agricultural Organization (FAO) of the United Nations on African Affairs. Eklund began to systematically build data banks out of technical knowledge gained during the company's assignments, integrating any knowledge that could also be gained on assignments performed by competitors. In essence, this also enabled the depersonalization of many key dimensions of the technical knowledge that at the heart of the consultancy's value proposal to its clients.

Pöyry and Eklund felt that an important key to success for their engineering firm was the capacity for decision-making and support across national borders: "From engineers to business advisors… an engineering organization… [must be able] to contribute to the client's strategic planning and support their decision-making process" (Jaakko Pöyry Group 2002). When Pöyry & Co. set up operations in Brazil, Per Gundersby and a team of 15 Finnish engineers with their families, were sent to the site to take care of three things:1) "project management at the site" (that would later be called Riocell), 2) "the actual start-up" of the project, and 3) "so forth." Gundersby and the engineers worked closely with the local Brazilian engineers and workers, familiarizing themselves with the Brazilian culture and learning at least elementary Portuguese. In terms of non-technical issues that were less at the core of the firm's value proposal, personalized relationships remained allowed, even promoted in the HRM practices of the consultancy.

When Gundersby returned to Finland in 1972, SIDA, the Swedish development-aid agency, was experiencing major problems with a large development aid project in Baibang, Vietnam. Gundersby was able to transfer the "Brazilian experience" to the SIDA project, providing the agency with a "new spin," successfully arguing that development-aid experts had to be paid salaries equal to at least what the industry would pay. Soon, Gundersby had the previously disagreeing firms in the project "around a common table" and, one by one, critical problems were solved. The combination of technical knowledge codified in data bases and personalized relationships in selling value proposals became crystallized as the key in the consultancy's HRM.

At this point, a decision was made at JPG about an information technology system that would be installed to support the idea of being able to combine the advantages of globalization and local presence. By 1981, Pöyry's engineers began to use e-mail in their correspondence and exchange of technical information. By 1982, telefaxes came into use. A computer-aided design system was also installed by 1983 (Revel 1984). The firm expanded in the 1980s, reorganizing its new subsidiaries in the United States, Asia, Australia, and southern Africa on the basis of its company-wide slogan, "Local Presence – Global Resources." The era of rapid internationalization was over and the company was established as a truly global firm, with a global reach in knowledge management and sales of its human competences and system resources. With a large part of his insight and knowledge integrated into the firm, Pöyry began a gradual withdrawal from day to day management in the 1980s that was completed in

the 21st century. The slow pace of this withdrawal served to further testify that no core-technical changes in client relationships were to be made lightly or carelessly.

ITINERANT EXPERTISE IN THE FIRM

In this paper, we have combined three elements: (a) a literature review of changes in HR practices, (b) a critiqe of these new HR practice in what is typically called "*critical management theory*", and (c) a case study to inquire into the new HR practices and their "*critique*" in an engineering consulting firm. In the last of these three instances, reflecting on the history of the Jaakko Pöyry Group, there appear to be a number of trends that have implications for the development of knowledge management at the company. The event history, and conjectures about the long term are summed up in table 1

Table 1. Event History of JAAKKO PÖYRY and the JAAKKO PÖYRY GROUP from 1948 to 1980

Year   Key Events

1948   Jaakko Pöyry works in SCA's pulp mill in Svartvik, Sweden.
1953-1954 Jaakko Pöyry visits the United States
1958   Murto & Pöyry is established
1959   First project abroad: Fiskeby, Sweden
1961   Murto & Pöyry is transformed into Jaakko Pöyry & Co.
1963   Nordenfjelske treforening, Norway; Portucel, Portugal
1966   Risto Eklund joins Jaakko Pöyry & Co; Riocell, Brazil
1972   Baibang. Vietnam; Aracruz project begins, Brazil
1979   Mondi, South Africa
1980   Global reorganization: "Local Presence – Global Resources".

In the first of these three instances, we touched upon the role of HR professionals vs. line management in employee well-being. JPG embraced the idea of translating technical engineering into business advice, while still keeping the firm's original core competences in technical engineering. These contradictory and complementary sides of the firm – development and patience with the rapid succession of first-mover diversification – helped JPG's clients to forge the forest industry into a globally thriving industry, capable of exploring diversification beyond the industry's traditional boundaries, during a period when many other similarly resource-based industries have declined.

Finally, in the middle one of these three instances, we also touched upon the role of rhetorics in HRM-performance debate. Expertise is largely meaningless "*raw data*" without the ability to be meaningfully contextualized. JPG's experience shows how expertise can eventually be refined into experience and process knowledge. It also shows how such human resources must be socially embedded in order to be useful. Those who possess both expertise and experiential knowledge of the array of contexts in which the expertise has been successfully applied in earlier projects will have an advantage over those who do not possess such a combination of expertise and experience. Given that there is also an ability to develop processes by which to efficiently and continuously recombine expertise and experience, a substantial first-mover advantage may be gained.

The limitations of this study include that we did not explicitly focus on issues such as the extent the company performance and employee well-being are related to each other. We did not specify what might be the mediating factors between HRM and employee-level performance and employee well-being. Is there a place for ethics in HRM - performance

debate? What are the theoretical challenges of HRM - company performance research? There are also a large number of methodological approaches contributing to the main topic of the conference related to, e.g. international comparisons, different types of organizations (private, public, the third sector), individual vs. corporate-level designs, etc. Also other topics related to the theme are welcome.

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10. CAREER COUNSELING WITHIN ORGANISATIONS: INTEGRATION OR ISOLATION?

Nele Soens and Ans de Vos

ABSTRACT

The purpose of this research was to explore how organizations give shape to career counseling. The shift from lifelong employment to lifelong employability has made career counseling an important instrument in the light of assistance to individuals in their process of self reflection and in outlining a career path that matches their aspirations and competencies (Bollen et al. 2006). This study aims to examine HR-practices relating to career counseling as part of the broader career management policy. Starting from existing career typologies (e.g. Baruch 2004), we aim to explore which processes underlie the implementation of career counseling. More specifically, we investigate whether career counseling concerns an isolated process within organizational career management, or is integrated in the overall human resource management. Using a qualitative case-study approach, this study looked at 10 organizations defined as 'best practices' in organizational career management, based on a prior quantitative study (Bollen et al. 2006). Semi-structured interviews were held with the HR, career or talent manager of each organization in order to explore in-depth the career counseling process. Based on our findings we built a model of showing how different career management practices in existing typologies are integrated into a consistent approach to career counseling. Moreover, we found that the core of the career counseling process is its interrelatedness with the performance management cycle. Our findings also revealed that career counseling within organizations is a shared responsibility between HR, line management and employees. The added value of this study lies in uncovering how career management and performance management are interwoven in reality. The implications for practioners of this best practices analysis, the limitations of the study and suggestions for future research are discussed.

INTRODUCTION

Much of the contemporary research on careers is based on the assumption that careers can no longer be defined within the confines of one company (Mirvis & Hall 1994). The traditional model of fulltime employment with a single employer and the hierarchical progress up the corporate ladder has given way to 'portable' (Kanter 1989), 'boundaryless' (Arthur & Rousseau 1996) or 'protean' (Hall & Mirvis 1996) careers. Even though recent research that has attempted to explore the reality of the shift from traditional towards 'new' career patterns has not yet found clear evidence of this transformational change (Sturges et al. 2000, Forrier et al. 2004, Soens et al. 2005), the influences of the new career concept on organizations' and individuals' attitudes have to be researched (Adamson et al. 1998). For instance, central to the notion of the new career is the decline in job security, by which the psychological contract no longer reflects mutual promises of lifelong employment but those of lifelong employability (Tsui et al. 1997). As a consequence, people can no longer count on their employer for job security. Instead, they have to rely on their own employability and take responsibility in furthering their own career and development. Scholars have described this self-reliance as "career-self-management" (Sturges et al. 2000, Boom & Metselaer 2001, Forrier & Sels 2005).

Recent studies have paid considerable attention to individual career management and have studied the impact of activities such as setting personal career goals and devising appropriate strategies to achieve them, on employee performance, career mobility and the perception of career success (Noe 1996, Sturges et al. 2000, Eby et al. 2003, De Schamphelaere et al. 2004, Arthur et al. 2005, Sturges et al. 2005). However, despite the prevailing rhetoric of career-self-management, current research points out the need to put things in perspective. Firstly, true proactive behavior on behalf of individuals has not yet found considerable empirical confirmation in reality (Bollen et al. 2006). Secondly, practicing career-self-management does not appear to be too easy a task. Some people have a very clear idea of what they want to achieve in their careers, but many others need help in identifying their strengths and weaknesses, and in planning their own development in a structured manner (Verbruggen et al. 2005).

For this reason, many scholars go back to Orpen's (1994) argumentation for a 'joint responsibility', where career management is shared between the individual and the employing organization. Careers are usually made within organizations and therefore career dynamics are influenced to a considerable degree by organizational factors. As the organization constitutes the middle ground where careers are played out, it has to take its responsibility in stimulating and supporting employees' careers in order to avoid career development becoming exclusively reserved for those employees who actively manage their careers themselves. In this regard, career counseling has become an extremely important instrument in enhancing employees' employability and in stimulating their career-self-management (Diekmeijer 1998, Boom & Metselaer 2001). In particular, career counseling assists the person in the process of self-reflection on personal strengths and weaknesses and in outlining a career path that matches his or her individual aspirations and competencies (Verbruggen et al. 2005, Bollen et al. 2006). To receive such career assistance, individuals can appeal to external, officially acknowledged centers, or turn to their own employer. A significant body of literature has dealt with assisting the former with interventions to facilitate clients' career behaviors (e.g. Flores et al. 2003, Dagley & Salter 2004, Guindon & Richmond 2005). Yet few studies have investigated career counseling within organizational settings. As Sturges et al. (2000) have stated in this regard, the way to actually facilitate individual career management is frequently overlooked.

The aim of this research is to investigate how career counseling takes shape within organizations. More specifically, we seek to examine what constitutes career counseling as part of the broader career management policy. Applying a case study approach, we investigate the practices that the organization adopts to work out an internally consistent career counseling approach. This article begins by pointing out the need to take an integrated perspective to do so. The empirical findings allow us to draw up a comprehensive model that integrates career counseling on the one hand with other aspects of career management, and with other HR area practices on the other. Finally, based on a detailed study of a number of state-of-the-art career counseling systems, we will outline the critical success factors for effective in-company career counseling as well as the obstacles that practioners may need to prepare for.

CAREER COUNSELING WITHIN ORGANIZATIONS: THE NEED FOR AN INTEGRATIVE MODEL

Before painting an accurate picture of the practice of career counseling within organizations, we need to set the context by situating it within the broader career and human resource management policies. Within the careers literature, several scholars have addressed organizational career management practices and have developed typologies based on their

research (e.g. Gutteridge et al. 1993a, Baruch 1996, Baruch 1999, Baruch & Peiperl 2000, Baruch 2004). Empirical evidence shows that traditional career management practices such as job matching and development, continue to dominate the organizational career support provided in many organizations (Gutteridge et al. 1993b, Bollen et al. 2006). In particular, internal job posting, funding of participation in external training or in workshops, and internal training and development programs constitute the top 3 of the most common practices (Bollen et al. 2006). With regard to career practices more particularly relating to career counseling, Bollen et al. (2006) found that more than 80% of the Flemish respondent organizations in their sample, provided career discussions with the direct manager and HR, and nearly 70% had or were launching personal development plan systems. However, more specialized career counseling instruments are not prevalent at all. The majority of organizations do not have career workshops, an internal career counseling centre or career discussions with internal or external specialized career counselors. Furthermore, specialized career counseling mainly targets fast-track management candidates or the upper hierarchical levels, but does not cover the bulk of non-high potential employees (Bollen et al. 2006). Apparently, what constitutes career counseling in today's organizations is not the provision of isolated services as those offered by external providers, but rather a specific integration of diverse career and performance management practices.

As to date, much of the literature on careers has generated wide lists of career management practices and separately elaborated on each practice in turn, whereas there is an acute lack of theoretical and empirical work that integrates the separate practices into a comprehensive framework. Baruch (1999) points out the need to combine the sets of unrelated or disassociated career management practices into a well-integrated, comprehensive career management system. Moreover, linkage between career management and the initiatives in HR areas other than careers cannot be ignored. After all, career studies are by its very nature at the intersection of different HR fields. The need for a close connection between the performance appraisal system and career development for instance, is emphasized by many scholars (e.g. Hall et al. 1989, Boswell & Boudreau 1999). However, many studies restrict themselves to merely conceptual discussions and lack empirical evidence (Baruch 1999). In addition, in the field of career counseling outcome studies have been far more common than process studies (Guindon & Richmond 2005). Gutteridge et al. (1993b) conducted one of the few true process studies on career counseling within organizations that are available. However, given the latest trends and changes in the career landscape, it needs a reality check and update.

This study seeks to fill the above-mentioned gaps in existing research. Investigating what constitutes career counseling within organizations allows us both to unravel the process and to provide empirical evidence for the interconnection with other career management practices on one hand, and performance and development practices on the other, anchored in the reality of organizations.

METHOD

A qualitative approach

The research is based on ten case studies conducted in large corporations operating in four sectors, i.e. banking and finance, consulting, chemistry and pharmacy. The use of a qualitative procedure was appropriate for three reasons. First, the case study method is the preferred research strategy when the research question refers to 'how' and 'why'. Second, when the investigator has little control over the events and third, when a contemporary phenomenon needs to be studied within a real-life context, a qualitative methodology is the most appropriate method to adopt (Yin 2003).

A quantitative study would have restricted the research findings to what we already know and be less helpful in gaining an understanding of how specifically career counseling is given shape and integrated with the broader career management. Furthermore, the design of this study is inductive and open-ended in order to allow themes to emerge from the data (Ibarra 1999). In this regard, case studies are a particularly adequate method to investigate causes, processes and consequences of behavior (Yin 2003).

Data collection

In view of our particular research interest, i.e. a study of the process and forms of career counseling within organizations and its integration within the broader organizational career management system, large-sized organizations that are considered to be 'best practices' in the field, were selected. The reason for this is that organizational size impacts positively on career opportunities and support. Compared to small or medium-sized organizations, large organizations can offer a broad range of opportunities for career development and are hence confronted with more diverging issues of careers and career policies. As a consequence, they tend to have a well-elaborated talent or career management system and a high prevalence rate of different career management practices. Working with large-sized organizations opened up the possibility of basing our integrative model on a broad scrutiny of practices and drawing a full picture of career counseling, since the majority of potential instruments are present. For this reason, the cases consisted of ten large, state-of-the-art organizations operating in 4 sectors i.e. banking and finance, consultancy, chemistry, and pharmacy.

The choice of participating organizations is grounded in the quantitative research of Bollen et al. (2006). Using a questionnaire among 70 companies in the four above-mentioned sectors, Bollen et al. (2006) assessed how prevalent 38 components of career management are in these companies, how extensively they are applied across the organization, who takes the initiative to make use of them and how consistently they are applied to different employee groups. Based on their findings, we selected 10 organizations that appeared to be very active in the field of career management and had implemented a wide range of practices accessible to the majority of employees. In order to take into account sector-related variations, we approached both service and manufacturing companies.

To conduct the case studies, we drew upon two sources of data: interviews and written materials. The primary method of data collection involved semi-structured interviews with the talent, career or HR manager of each company. Regarding this approach, Baruch (1999) argues that HR professionals are judged to be best acquainted with career management practices, and are therefore the most appropriate level of analysis when studying career management practices. We asked the HR professionals about the purpose of career counseling within the organization, the different persons involved, the process itself and the evaluation of the process. Interviews were tape-recorded and transcribed verbatim. Furthermore, field notes were made. As an important part of the research, interview reports were sent to the interviewees for verification and feedback. In addition to the interviews, internal written documents with regard to career counseling were collected. In particular, these documents concerned flow charts and overviews of talent and performance management cycles, self-analysis instruments like questionnaires, evaluation sheets to be filled out by line manager and employee during the evaluation/career discussion, the blueprint of personal development plans etc.

Data analysis

Data analysis was an inductive, iterative process following the constant comparative method (Eisenhardt 1989, Strauss & Corbin 1990, Bogdan & Biklen 1998). Through constant comparison, common themes, stories and clusters of information were derived inductively. An integrative model describing career counseling and its interrelatedness with career and other HR practices, was derived from the analysis and is described in the next section.

FINDINGS

To achieve the purpose of drawing a full picture of what constitutes career counseling within organizations, we elaborate in turn on the purpose of career counseling, the parties involved, the process and the way in which career counseling is integrated with the broader career and human resource management, and the evaluation of the systems applied.

Purpose

The purpose of career counseling within organizations is to provide an alignment between the abilities, ambitions and motivations of employees, and the personnel requirements of the organization, the latter being dictated by business needs. Baruch (1999) refers in this respect, to the need for "external integration", i.e. the fit between career systems and the organizational culture and strategy.

From the point of view of the organization, career counseling is an instrument of human resources planning that helps to assure steady succession and anticipate future personnel planning needs. By means of career counseling, organizations seek to orient their employees towards the job or position that delivers the greatest added value to the company. However, at the same time, organizations need to strike a balance between individual and organizational objectives. Bringing the issue of employee motivation and its impact on employee performance into the picture, the job has to be aligned with the career aspirations and abilities of the person, and mutually satisfactory solutions have to be found. Hence the key motivation to invest in career counseling is a better individual performance and therefore improved business outcomes. In short, career counseling allows having the right person in the right place, which is in the interest of both the individual and the organization. Finally, career counseling serves the organization as a retention tool, in the sense that investment in people's careers ties them to the company and increases the likelihood of return on investment in career development.

Parties involved

Responsibility for career counseling is shared by three parties: employee, line manager and HR. Regarding the employee there is a clear consensus emerging from the career-self-management literature indicating that employees are expected to take responsibility for their own career development. The keyword that prevailed in each of the interviews was individual initiative. However, as careers are not formed in a vacuum but within organizations, employees can rely on a supporting framework of advice, guidance and information provided by the employer. From our cases we derived a variety of ways in which the organization can promote self-responsibility and encourage initiative, ranging from single, narrative injections in socialization programs that are free of engagement, to signing a deal that makes explicit both the employer's and the employee's responsibilities and obligations with regard to career management. It is obvious that the latter is more effective and stimulating.

As noted earlier, whereas the employee is expected to take the lead, the majority of employees do not appear to be very proactive. For this reason, in all but one of the cases, it is the line manager who is considered to be in the driving seat of career counseling. The advantages of line managers as career counselors are many. Since their relationship with the employee is very close, they can stay in touch with the employee's development and career aspirations, and are in the best position to have an accurate perception of individual performance and potential. Furthermore, the frequent interaction between employee and manager allows informal career discussions to become a regular feature of career counseling. Finally, line managers have adequate information about the opportunities in the organization, which helps to avoid unrealistic expectations and undeliverable promises. However, in these same strengths lie the weaknesses. First, employees may be reluctant to be completely open with their manager and may avoid revealing their long-term aspirations for fear of seeming uncommitted. Managers on their behalf, often feel uneasy about engaging in career discussions that may need to dig deep into personal matters, since they often do not have the skills to talk about complicated career issues. According to our HR respondents, the key success factor of career counseling within organizations is hence the training and education of line management in supporting employees in identifying their career goals, strengths and weaknesses. Whereas many of them strongly acknowledge this need, the equipment of line management to be able to do so often remains the weak spot in the system. In addition, the term training covers many overtones. Many companies restrict these trainings to a general education in holding performance and career development reviews, whereas true career guidance goes far beyond that, in terms of in-depth support in self-reflection and analysis. Time is a second problem respondents come across with when putting their line managers in the role of career counselor. In reality, career discussions between line manager and employee are often constrained by day-to-day demands and work pressures. Line managers often perceive career counseling as a distraction from running their business, and informal career discussions can be skipped because of lack of time. In operational environments, this problem can be solved by giving resources to cover the absence of both first-line supervisor and operator. Another way to stimulate management commitment for their responsibility as career counselor that was revealed by our cases, is to include managers' ability to provide career counseling as a criterion in their own performance evaluation. To make this work, managers' objectives need to reflect this responsibility, their performance appraisals need to deal with it and management training needs to equip them with the right skills to be able to do it.

Finally, we elaborate on the responsibility of HR. Based on our findings, we assign a dual function to HR. First, HR needs to put in place systems and processes, and provide managers as well as employees with access to relevant sources like career workshops, development centers, training, external coaching etc. Second, HR serves as a point of contact for both line managers and employees. Regarding the former, the HR role is one of actively supporting line managers in their role of career counselor. In particular, this means equipping managers with the right skills, training them to use tools like personal development plans or self-analysis questionnaires in an appropriate way, and providing them with the necessary information on development and progression opportunities within the organization. As far as employees are concerned, they can also turn to the HR or talent manager to discuss career issues, either on the advice of the direct supervisor or not. For instance, when the line manager lacks the skills or information required to answer the employee's career question, he or she may refer the employee to HR. On the other hand, employees can also bypass their direct supervisor and directly address HR themselves. Reasons for doing so are a lack of trust between employee and supervisor or reluctance or inability on behalf of the employee to be completely open to the manager.

To conclude, career counseling involves a three-way partnership between employee, line manager and HR professional. The key relationship is that between employee and manager, assisted by HR as facilitator and back-up.

Process

Recalling our research question, the present study views career counseling not just as a single career management practice, but instead as an integrated process. In this section we consider the range of practices, processes and techniques that constitute this career counseling process and unravel the way they are designed to be internally consistent and aligned with one another. Moreover, the findings of our case study research allow us to develop an integrative model.

The core of career counseling

The cases brought out that the essence of career counseling within organizations lies in a yearly, formal appraisal or development review between manager and employee. As this formal review is obligatory, all employees are involved. Whereas this formal, yearly discussion occupies the central place in organizational career counseling, it does not mean that career counseling is being reduced to one yearly recurring moment. As noted earlier, the role of the line manager as career counselor also incorporates informal career support and developmental feedback, which turns career counseling into an ongoing communication. Next to formal and informal discussions with the manager, informal career discussions with a human resources professional take a prominent place within organizational career counseling. Contrary to the formal reviews that automatically cover the entire workforce, the employee has to take the initiative in this case.

As the content of the formal appraisal or review regards, organizations face the dilemma of combining versus separating the evaluative and developmental component. In our study, both options appear to be a mixed blessing. On the one hand, combining evaluation of past performance and future career development may prevent manager and employee to have the discussion in an open way. Employees may be reluctant to be honest about weaknesses and areas for development if they think this will damage their manager's perception of their performance. Furthermore, as many people do not have a clear idea of what they want to achieve in their career and managers tend to avoid talking about complicated career issues, the career part may be overshadowed by the discussion about performance and reward. Hence the formal appraisal review cannot be considered as a true opportunity for career discussion. These arguments against integrating career counseling with the appraisal review stand in contrast to its benefit of providing a reality check. Future career development needs to be linked to past and current performance in order to set realistic objectives and make deliverable promises. The main finding with regard to our research question is, that the majority of organizations tend to combine both reviews, for reasons of (lack of) time and the inability to schedule more than one formal meeting a year between manager and employee. Evidence shows thus that career counseling within organizations is incorporated as part of the appraisal process.

For the formal appraisal reviews to be considered as true career counseling, the manager has to go beyond merely 'listening' to the outcome of the employee's self-reflection. In the role of career counselor, line management truly has to 'assist' and 'guide' employees in the self-analysis. In this regard, our case studies illustrate that assistance to prepare the formal review ranges from requiring the employee to glance at the evaluation form to be filled out, to providing employees with all kinds of vehicles for career assistance like career planner

exercises, self-help questionnaires, workshops, external counseling etc., with several variants between these extremes. Organizations that restrict themselves to the first extreme provide the employee with the least guidance possible. They run the risk that employees only prepare the evaluation part of the discussion and skip the career issues, for reasons of not being able to manage on their own, or not believing in the necessity of defining career expectations. It is clear that organizations extending career advice with the tools mentioned above, reach high-quality career counseling and closely approach the type of career guidance provided by specialized, external career counselors. However, this extensive approach does not appear to be of frequent occurrence in practice.

Having discussed the antecedents of the formal appraisal or development review, i.e. the preparation of the discussion both on behalf of the employee and the manager, we now turn to its outcome: the personal development plan (PDP). From the reality of the numerical data we see that the use of PDP's is rising sharply (Bollen et al., 2006). However, our quality research poses major questions regarding the concrete implementation of PDP's and forces us to reflect on this. The concrete implementation of PDP's encounters obstructions in two main areas: quality and follow-up. One of the major problems associated with PDP's is the narrow-mindedness of line managers regarding development. When drawing a development plan, they tend to think in terms of traditional, classical training courses, without addressing on-the-job development initiatives such as job rotation, job enrichment, participation in projects, cross-functional or -departmental experiences etc., which may be more appropriate in view of an individual's development needs. Furthermore, line managers report to HR about having problems with defining these development needs exactly. Yet, the more precise the development need can be identified, the better the proposed training or development initiatives can target that need. The second painful area that emerged from our cases is the implementation of the development plan. Whereas in some organizations people realize at the next performance review that no concrete actions have been undertaken, elsewhere the follow-up of PDP's is formalized by quantitative measures like an 80% rate of contracted development initiatives required to be realized, or building in check points during the course of the year. In sum, the concrete implementation of PDP's as part of career counseling within organizations occurs with different levels of maturity. The role of HR in informing both managers and employees on the purpose and application of PDP's by means of info sessions, workshops, trainings etc. constitutes a crucial precondition for the PDP to be a successful career counseling tool in practice.

The periphery of career counseling

The above-mentioned formal and informal career discussions between manager or HR and employee, are at the core of career counseling within organizations and are available to all employees. But the set of instruments that organizations dispose of with regard to career counseling is larger than that. We now bring career management practices that are situated on the periphery of career counseling into our integrative model.

First, within the scope of career management, in many organizations assessment tools like development centers, 360°feedback, self-evaluation tools etc., are additionally provided to measure employee potential. Our case studies reveal that these assessment tools can be used either before or after the formal appraisal review. In preparation to the review, it can help employees in their self-analysis. In addition to the PDP, it can help to measure the employee's abilities more precisely and identify the needs for development more sharply.

Assessment of the employee's career expectations on the one hand (self-analysis guidance and career discussions) and the employee's capabilities and potential on the other (assessment

tools and development plan), is a necessary but not a sufficient condition for career counseling. Instruments within the scope of job matching and development should also be considered as components of organizational career support for employees, since preoccupation with careers needs to recognize both the opportunities for vertical movement and the career development support (Kraimer et al. 2006). This can also be observed in our case studies.

First, to fulfill employees' promotional expectations discussed with HR or line management, the organization needs to shape its internal labor market. Especially in a career landscape where individual career management is being promoted, our HR respondents strongly recognize the need to offer challenging prospects for advancement in order to prevent employees from leaving the company and to prevent the company from loosing the return on career investment. To make clear what future positions are available, organizations rely on internal job posting and/or succession planning. However, one HR manager warned to be cautious about implementing both instruments at the same time. Succession planning may be perceived as a hidden agenda on the part of management, contradictory to the philosophy of career-self-management encouraged through internal job posting. For this reason, organizations must be careful to design internally consistent career practices and communicate consistent messages.

Second, career counseling appears to be closely tied to the HR domain of training and development, in order to equip employees with the necessary skills and abilities to make the desired career move. Development can occur in various ways. Next to traditional training courses, on-the-job-learning is gaining importance. Furthermore, career growth 'in place' serves more and more as a valid alternative to hierarchical moves. The HR managers in our study report however, that employees still adhere closely to the idea of upward progression in terms of career success. For this reason, managing lateral or temporary moves and changing the mindset of employees, is considered to be essential for the proper functioning of career counseling.

Figure 1 displays our case study findings as an integrative model. This model reflects what constitutes career counseling within organizations, how it is integrated with the broader organizational career management and how it is intertwined with other HR domains.

As depicted in figure 1, career discussions with line management and/or HR are at the core of in-company career counseling. Career workshops, external counseling, self-analysis tools etc. support the individual preparation of the discussion. The outcome of the formal appraisal is a personal development plan. As the formal career discussion is integrated as a component of this yearly review, career counseling and performance management cannot be seen as separate HR practices. Hence, career counseling does not involve an isolated activity. Moreover, these career discussions are integrated with a broad range of career management practices. Assessment tools are introduced into our integrative model both in preparation of and in addition to formal career reviews. Finally, initiatives within the scope of job matching and development are essential to turn the career review outcomes into concrete actions.

Figure 1. An integrative model for career counseling within organizations

PREPARATION   **CORE**   **IMPLEMENTATION**

Development
- Formal training courses
- On-the-job-learning
- Job rotation
- Job enrichment
- Horizontal/lateral moves
- Project assignments

Self-analysis Employee
- Career planner exercices
- Self-help questionnaires
- Career workshops
- External career counseling

Preparation Line Manager

Assessment of potential
- Development Center
- 360°feedback

Career discussions
- Formal appraisal or development review with line manager
↓
Personal development plan

- Informal career discussions
- With line manager
- With HR
- With mentor

Assessment of potential
- Development Center
- 360°feedback

Job matching
- Internal job posting
- Career paths
- Succession planning

Process evaluation

Finally, we investigated how organizations evaluate their career counseling systems. Changing organizational and individual needs require career management to be permanently adjusted (Gutteridge et al. 1993b). Our findings reveal that HR relies both on line management and employees for evaluating their career counseling policies and practices. First, HR turns to line management to collect information about their experiences with career discussions, personal development plans etc. Second, several organizations investigate the impact of their career systems by means of an employee satisfaction survey. As in the majority of the cases career counseling is given shape within the performance management cycle, issues relating to career counseling are questioned under the performance review component. Among the respondent organizations, the performance indicators range from general, quantitative evaluation ("how often is the section on career aspirations filled out", "how often are career aspirations discussed in the performance review"), to detailed, qualitative analysis of each particular component of career counseling ("openness and skills of the line manager, clarity and accurateness of the objectives set, quality of the PDP, quality of the feedback and action plans, satisfaction with progression and development opportunities etc."). However, in the majority of organizations evaluation is limited to the general way, whereas a thorough, qualitative evaluation is the essential key to complete monitoring and successful improvement and adjustment of the systems. In addition, a proper process evaluation apart from employee satisfaction surveys is not prevalent at all. So far, despite numerous studies that emphasize the importance of process evaluation (e.g. Gutteridge et al. 1993b), the evaluation of career counseling systems appears to be underdeveloped in reality.

Furthermore, since career counseling is integrated with the broader career and human resource management policies within the organization, its performance evaluation does not concern an isolated activity either, but comes under a general employee satisfaction survey.

DISCUSSION

Determining how to manage careers as a joint responsibility of employer and employee has become a critical issue for organizations (Orpen 1994). The organization's ability to promote personal reflection and greater self-insight with regard to one's career is an important yet understudied area in the careers literature. An extensive body of literature has been devoted to career counseling in the context of specialized, external counseling providers (e.g. Flores et al. 2003, Dagley & Salter 2004, Guindon & Richmond 2005), but the amount of empirical research into the practices adopted by organizations to support individual's career development and self-management initiatives by active counseling is limited. It was the objective of this study to acquire insight into what constitutes career counseling within organizations. In doing so, we adopted an integrative perspective, as advocated by Baruch (1999). As a consequence, this study goes beyond a one-sided focus on career counseling as a separate type of career management practices by both exploring how career management practices are internally consistent and aligned with one another, and looking at career counseling in conjunction with other HR practices.

Our results reveal that the core of career counseling within organizations is a formal, yearly appraisal or development review between manager and employee, complemented with informal career discussions with manager or HR professional (see figure 1). These core career-counseling practices are open to all staff. In the periphery of career counseling we found, on the one hand, instruments that support employees in self-analysis of career expectations and abilities, like career workshops, self-help questionnaires, external counseling, development centers etc. On the other hand, we link career counseling to job matching and development practices that should facilitate the concrete implementation of personal development plans. Contrary to what constitutes the core of career counseling, peripheral practices are not available to all staff. For instance in many companies, external career counseling or development centers are reserved for the highest management levels or high potentials. These findings are in line with the empirical findings of Bollen et al. (2006) we referred to earlier.

In short, whereas many organizations claim that they have an elaborate career counseling system available to all employees, our research shows that this 'universal' access is limited to formal or informal career discussions with manager or HR. Peripheral practices have not yet penetrated through to all employee levels. However, these are the practices that play a crucial role in determining the quality and impact of organizational career counseling and that are most closely related to the set of instruments and expertise provided by external, specialized career counselors. In view of the fact that the high cost of external experts prevents many organizations from providing access to external, specialized career guidance to all staff, organizations have to be equipped with a high-quality set of career counseling instruments themselves if they want to offer a valid alternative to external counseling.

In addition, even though we studied organizations that could be considered as best practices in the field of career counseling, also in these cases the core of the career counseling process revealed to have weak spots too. Problems in this regard encompass lack of skills and buy-in on behalf of line management to properly support employees in outlining their careers, low quality and neglected follow-up of personal development plans, and lack of individual initiative whereas organizations take career-self-management for granted and base their career

systems on it. This observation brings us to the consideration of guidelines for improvement. The most pressing one is motivating line management and providing them with sufficient support in order to properly play their role of career counselor. Gutteridge et al. (1993b) note in this regard, that managers must be held accountable for career development and be strongly supported in this process. From the cases in our qualitative research, we derived concrete suggestions to realize this. Secondly, as far as initiative taking is concerned, organizations should be cautious about relying on their employees. Career counseling practices that leave the initiative to the employee, such as informal career discussions with manager or HR, run the risk of not being appealed to at all. If in addition, the line manager fails to properly address the issue of career development and advancement in the formal review, a great majority of (non-proactive) employees are at risk to be forgotten. For this reason, organizations must be cautious about building their career counseling system on individual initiative. Many organizations however, are not aware of this problem, or do not recognize it and focus merely on their talents and managerial profiles. The added value of our study lies not only in uncovering this blind spot, but also in offering concrete ways to promote proactive behavior. We can conclude that in the current career landscape, where responsibility for career management is shared by employee and employer, organizations are going to need to dedicate more resources to career counseling to upgrade the quality of the guidance and to widen its access to all employees, with a final view to achieve the best fit between individual and organizational needs.

Managerial implications, limitations and implications for future research

Baruch (1999) stressed the need for management guidelines to help both line and HR management in facing the practical task of managing people's careers in the current boundaryless career landscape: "They need guidelines to indicate what practices can be useful and under which circumstances" (Baruch 1999: 433). By conducting an in-depth qualitative study in 10 state-of-the-art, large organizations, our research aims to answer this request by offering practioners a suitable framework for career counseling rooted in different HR disciplines by warning about potential pitfalls and by discussing the conditions that optimize concrete implementation. Thus for practitioners, the benefits of our study stem from disposing of an integrative framework as well as best practices when launching career counseling.

However, at the same time, our particular research design contains limitations that provide areas for future research. First, the findings of our study should be considered in view of the characteristics of our research sample. We studied large, state-of-the-art organizations in four sectors that appear to be 'best practices' in the field of career management. This approach urges the need to study the appearance of career counseling within other sectors, and within smaller-sized organizations having a less diverse set of career management instruments. Second, we only involved one of the three parties concerned in career counseling, i.e. HR management. Future research should also incorporate employees and line management to complete our picture of career counseling within organizations. In a next step, quantitative research could develop and test for models relating career-counseling practices to outcomes at both the individual and organizational level.

Altogether, this paper has provided a basis for integrating different perspectives on careers, rooted both in career management and other HR disciplines, like performance management and training and development. We hope our findings will trigger further research on related issues.

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11. YOUNG MEN AND WOMEN BETWEEN EMPLOYERS' DEMANDS AND PARENTHOOD

Aleksandra Kanjuo Mrčela and Nevenka Černigoj Sadar

ABSTRACT

Reconciliation of work and family/private life has for decades been successfully supported in Slovenia by generous statutory regulations concerning paid parental leaves and the provision of publicly subsidised child-care services. Employers have been only exceptionally involved in providing childcare services and additional family friendly policies/programmes.

Analysis of current trends in working/employment arrangements and practices show that changes since the 90s are less in favour of higher quality of working life and easier balance of work and private life and increasingly in direction of intensification of work and insecure employment arrangements, especially for younger generations. More then one third (37%) of young employees aged between 15 and 29 years are in part-time and fixed–term jobs (Kanjuo-Mrčela & Ignjatović 2005). Young people also report negative experiences at the workplaces due to their potential or actual parental roles.

The aim of our paper it to present the experiences of young people in balancing work and out-of-work life and the employers' provision of programmes and policies oriented towards the reconciliation of work and private life. We will stress the problems connected to their roles as parents or as potential parents. The data that will be presented were obtained from an empirical study (a part of EQUAL project 'Young mothers/families friendly employment') and from CRANET surveys (2000 and 2004). The empirical study within the EQUAL project was conducted at the Faculty of Social Sciences – Institute of Social Sciences in 2005/06 and it included telephone interviews with 882 persons from 22 to 35 years and case studies in seven private and public organisations in the service sector and industry in Slovenia.

The paper will discuss the following issues related to the problems of young people in reconciling work and life: problems in negotiating working contracts, job insecurity, working time autonomy, experience of parents/potential parents in relation to work intensification, career promotion/demotion, relationships with colleagues, and relationships with their superiors/employers; and the main sources of support for young people for their participation on the labour market.

INTRODUCTION

Coping with multiple societal and organisational changes is especially difficult for parents with young children. During the second half of the 20th century public policies that enabled parents to balance their work and family lives were successfully developed in Slovenia. Thus, there is a long tradition of national regulation of paid parental leaves and provision of publicly subsidised child-care services that has been seen as a way of helping parents (especially mothers) in combining work and family obligations. On the other hand, Slovene employers were only exceptionally involved in providing childcare services or other types of support to parents. Slovene companies were in the past relatively well endowed with staff and various social support services that created employees friendly environment, but parents' needs were never explicitly on the management agenda.

Due to the development of market economy in the 80s and the 90s, increased flexibility at the labour market and precarious work experienced mostly by the young generation the problems of young parents have increased. Unlike in other post-communist countries, Slovene statutory regulation concerning parental leaves and the provision of public child-care services did not deteriorate. Some measures have even been improved. Institutional child-care is thus still available and affordable through dense network of public/ publicly subsidized private providers and generous statutory regulations concerning paid parental leaves are in place (maternity leave, paternity leave, parental leave and adoption leave). Analysis of the take-up rates show that parental leaves are mostly used by women. The most prevalent individual strategy of reconciliation of work and family life for women is staying at home for one year after birth and returning to full time work after that. Fathers' involvement in child-care is considerably lower. To contribute to a better balance in distribution of parental obligations among mothers and fathers the paternal leave was introduced in 2001 as a non-transferable right of fathers. Majority of fathers use the paid part of that leave, but still do not participate in other forms of parental leaves or in child-care in similar terms as the mothers.

Some additional benefits regarding parenthood are (but very rarely) introduced in collective agreements at the sector level or defined at the organisational level as a part of informal/formal family friendly policies/programmes. However, market pressures influence employment and organisational practices that make reconciliation of work and family life in Slovenia more difficult, especially for young people.

THE POSITION OF YOUNG MEN AND WOMEN IN THE LABOUR MARKET

The data on contractual and working diversity show that in Slovenia 26.5% of persons in working life are employees in part-time and/or fixed-term contracts or are self-employed. That is below the EU average, but while the share of part-time and self-employed employees is considerably below the EU average, the share of employees in fixed-term employment is above the EU average (European Commission 2006).

Analysis show that young people are in worse position than the population in general. More than one third (37%) of young employees aged between 15 and 29 years are in part-time and fixed-term jobs (Kanjuo Mrčela & Ignjatović 2005). Fixed-term contracts remain the main part of new employments in Slovenia: fixed-term contracts represented 75.1% of all new employments in 2005; that was more than 73.7% in 2004 (ESS 2005). The share of fixed-term employments among active population in the age group of 15 – 24 year-olds amounts to 41.9% and is considerably higher than in other age groups (12.4% in age group of 25-49; 3.2% in age group 50-64 and 11.5% in age group of 65+) (SORS; LFS 2005, 2nd quarter, in Ignjatovic 2006).

There are gender differences in types of contractual and working arrangements: in fixed-term employment the difference is only 0.2%, but while men are more often self-employed (13.6%) than women (5.8%), a greater share of women (3.4%) than of men [(1.5%)][13] employees work part time (European Commission 2006).

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[13] [ ] indicates that figure is uncertain due to low sample size.

Graph 1. Shares of persons in employment in certain flexible forms of employment in Slovenia in the 1991-2006 period (Ignjatović 2006)
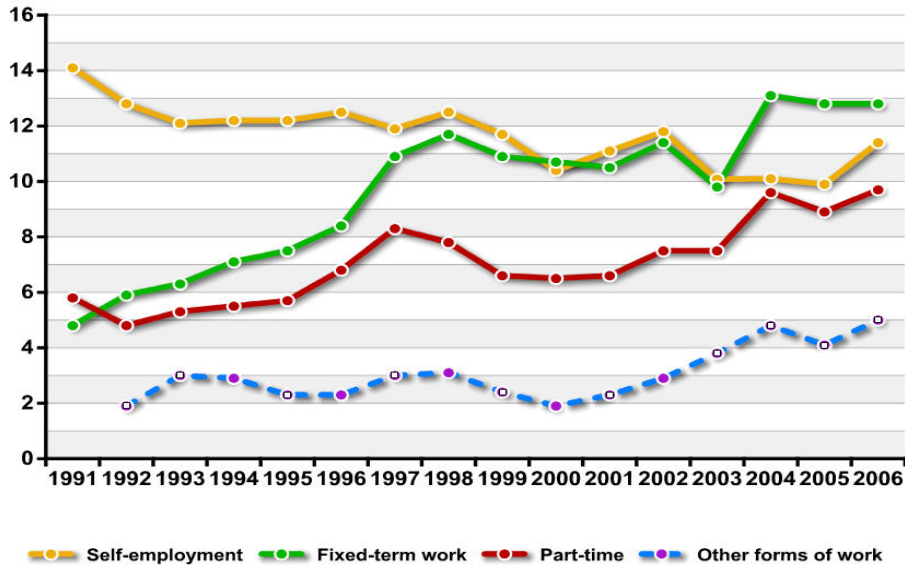
SORS data show that the share of employed women working part-time is increasing (from 10.3% in 2004/4 to 12.5% v 2005/4) and is higher than the share of men (from 7.6% in 2004/4 to 7.2% in 2005/4;). The share of employees with part-time work in 2005 was 9.0%. (7.2% for men and 11.1 % for women) (SORS 2006).

The LFS 2005 unemployment rate was the highest among young persons between 15 and 24 years. It was 16.0% and there was a gap in favour of men (3.2%): the unemployment rate in this age group was 14.6% for men and 17.8% for women (SORS 2006). Even ever-higher professional attainment of young people is not a guarantee for better employment opportunities. On the contrary, there is a trend of increase of number of unemployed young people with university degrees – from 826 in 1998, 1,305 in 2001 to 2,499 in 2003 (Ignatović 2006).

Among long-term unemployed first-time job-seekers there are more women than men, and among newcomers of the labour market, more women are temporarily employed compared to men while highly qualified women have greater problems getting their first job then their male counterparts (Černigoj Sadar & Verša 2003, Kanjuo Mrčela & Černigoj Sadar 2006).

CRANET data in 2004 revealed that the commonly used reduction methods of labour force in Slovene companies are also not in favour of young people (who are more often employed in fixed terms contracts). In 2004 the most often used methods of reducing labour force in organisations having over 200 employees were closing fixed-term employment contracts (used in 82% of the organisations).

**RECONCILIATION OF WORK AND PRIVATE LIFE IN SLOVENE COMPANIES:
RECENT TRENDS AND INTERNATIONAL COMPARISON**

Analysis of current trends in working/employment arrangements and practices show that the changes since the 90s are less in favour of higher quality of working life and of easier balance between work and private life and increasingly directing towards intensification of work and insecure employment arrangements, especially for the younger generation.

Recently, especially in smaller private organisations in Slovenia, management frequently does not respond to normative pressures in relation to parental rights due to the very weak monitoring of the implementation of public policy measures. There are also cases of blunt disrespect of laws that rarely become publicly known, because parents are afraid to lose their jobs. Besides, in most organisations parents with small children are a minority and do not act as a relevant pressure group. Therefore the management of the organisations has not yet received any decisive push to introduce additional family-friendly measures. Taking care of customers and employees is not yet ranking as high at managers' agendas in terms of increasing shareholder value. To understand the process of changes in Slovenian organisations it is important to know that 'employees are on the side track with respect to participation in HR and other decisions and primarily carry out managers' instructions' (Svetlik 2005: 19).

According to the latest comparative research (Ignjatović & Svetlik 2005) Slovene organisations have a non-intensive human resources management model, which indicates that policies, which are crucial for improving parents' quality of life are weak or even absent. Human resources management mainly serves to give administrative support to (top) management, while decision-making is highly centralised (Ignjatović & Svetlik 2005: 42-43).

Analysis of the CRANET data for Slovenian companies in 2001 revealed a large extent of the forms of work and employment that are unfriendly to individuals and families (work intensification, insecurity of employment) and the rare use of family- and employee-friendly forms of work (Kanjuo Mrčela & Ignjatović 2004). The comparison of two CRANET surveys (2001, 2004) showed just a slight decline in the utilisation of majority of forms of flexible employment (flexi-time, temporary work, annual hours contracts and home based work), while the order of forms used remain the same. The use of only some forms increased (part-time, job-sharing, tele-work). Compared to other countries in the European Union, organisations in Slovenia are 'ahead of others in terms of flexible work arrangements with potentially negative impacts on employees and are behind others in work arrangements with potentially positive impacts on employees' (Černigoj Sadar & Vladimirov 2004).

Table 1. Negative flexible work practices with potentially negative impacts on employees - % of organisations applying them (Černigoj Sadar 2005)

	Slovenia	Sweden	Netherlands	United Kingdom	Portugal
Weekend work	82.6	85.7	78.7	89.7	72.0
Shift work	85.2	68.1	65.0	80.8	81.9
Overtime work	96.0	100.0	97.7	96.5	92.6
Temporary/ casual work	72.1	95.9	95.5	94.0	64.9
Fixed-term contract	99.0	91.8	95.6	77.4	94.4

On average, organisations practice fewer positive flexible work forms than negative ones while the variations between countries are even greater. While the Netherlands and Sweden are in the best position, Slovenia and Portugal are found at the bottom.

Table 2. Positive flexible work practices - % of organisation applying them (Černigoj Sadar 2005)

	Slovenia	Sweden	Netherlands	United Kingdom	Portugal
Part-time work	54.0	99.1	99.6	94.4	30.7
Job-sharing	25.9	39.8	59.6	61.4	55.1
Flexi-time	77.3	90.6	93.0	49.6	73.1
Home-based work	13.6	59.8	44.8	35.6	3.4
Tele-working	5.5	80.7	38.4	15.5	2.7

Organisations are primarily increasing part-time work, the exceptions being Slovenia and Portugal, where flexi-time prevails. However, part-time work could not always be included in the category of work practices that have potentially positive effects on employees. Besides, in all countries it is highly gendered. The greatest increase in flexi-time can been seen with the Swedish and Dutch organisations while home-based work and tele-working are the least common practices everywhere, except for Sweden. In Sweden, many organisations support these two practices, especially tele-working (80.7%).

> "Positive flexible work practices have not been decreasing in the last three years. Organisations in Sweden reveal the greatest increase in this kind of work practice especially with regard to tele-working while organisations in the United Kingdom and the Netherlands have primarily been increasing part-time work. Most organisations in Slovenia and Portugal have introduced very few positive work practices but one-tenth of organisations have still found it important to increase them, especially flexi-time arrangements. The relationship between the growth of positive and negative work practices is 1:3 in Slovenia and Portugal, 1:2 in the Netherlands and there is a balanced situation in Sweden and the United Kingdom. Slovenia and Portugal have the greatest proportion of organisations which choose not to practice work forms with potentially positive impacts (about two-thirds of organisations)." (Černigoj Sadar 2005)

Results of CRANET survey in 2001 revealed the extent and forms of family arrangements and other policies and practices at the organisational level that could positively influence the reconciliation of work and family life in Slovenia (Černigoj Sadar & Vladimirov 2004).

The highest share of organisations report on existence of both unwritten and written policies regarding flexible working practices, less than a third of organisations report on informal policies regarding equal opportunities, and less than a quarter on informal policies regarding work/family coordination policies while formal (written) policies regarding both equal opportunities/diversity and work/family coordination are present only in a small minority of organisations (6.6% and 5.5% respectively). The prevalence of informal policies indicate that employees are "highly dependent on management discretion" in the attempts to reconcile work and family obligations (Černigoj Sadar and Vladimirov 2004). The introduction of equal opportunity/diversity policies and flexible forms of work is related to the size of

organisations: in bigger organisations more family friendly policies are introduced, while the proportion of women below the age of 45 has no influence on the introduction of family-friendly practices (Černigoj Sadar & Vladimirov 2004).

Table 3. Family friendly organisational policies (Černigoj Sadar & Vladimirov 2004: 270)

	(% of positive answers)
Equal opportunities/diversity	
Unwritten	31.5
Written	6.6
Flexible working practices	
Unwritten	36.0
Written	20.4
Work/family coordination	
Unwritten	22.2
Written	5.3

Results presented in table 4 show that policies specifically related to childcare and parenthood outside of the statutory requirements seldom exist only exceptionally at the company level.

Table 4. Policies related to child-care and parenthood (Černigoj Sadar & Vladimirov 2004: 275)

	(% of positive answers)
Care for children[1]	1.5
1 programme	1.5
2 programmes	0
Career breaks	9.4
Maternity leave[2]	6.7
Paternity leave[3]	3.6

1 Kindergarten in the organisation; childcare benefits
2, 3 Outside of the statutory requirements

BALANCING WORK AND OUT OF WORK LIFE: EXPERIENCES AND ATTITUDES OF YOUNG PEOPLE AND MANAGERS

Our most recent research on young parents/potential parents give us more insight to their position regarding employment and work practices and reconciliation policies/practices in organisations in Slovenia.

In the research we applied a combination of quantitative and qualitative research methods. We conducted a telephone survey on a sample of young people between 22 and 35 years (n=882) and we did case studies in 7 organisations in Slovenia (verying in size, type of activity both in private and public sectors). In this paper we will present the results of the telephone survey

with some illustrative examples from the case studies that will help to better understand the situation that young (potential) parents are facing. In the telephone survey we used a questionnaire that had 43 questions on the following topics:

a) demographic data on respondents and their partners as well as their employment and family situation;
b) the use of paternity leave and sick leave because of children;
c) problems in the reconciliation of parental/private and work obligations;
d) the organisation and intensity of work; and
e) negative experiences in employment or at work due to (potential) parenthood.

The telephone survey was conducted in November 2005. The initial sampling pool consisted of 6,600 telephone numbers of private individuals in Slovenia (proportionally in all parts of the telephone network). The sampling was random ensuring a representative sample of telephone numbers. 1,592 of the dialed numbers suited the survey criteria, namely the age of the respondent being between 22 and 35. We conducted 882 telephone interviews. Thus, the response rate was 55.4%. The average length of an interview was 10 minutes.

Out of the 882 people we interviewed, 554 were women (63%) and 328 men (37%). Most respondents (37%) belonged to the 31-35 age group. Another two-thirds belonged to 22 - 25 (31%) and 26 - 30 (32%) age groups. Almost half of the respondents had a secondary education (49%); almost a third had a higher or university degree (32%), while those with a vocational (12%) or primary school (5%) education were minority. The smallest share of respondents (2%) had a postgraduate degree. More men than women had a secondary, vocational or postgraduate education while more women had a higher or university degree.

Almost a third of our respondents (30%) were married, 26% were single, 22% had partners with whom they do not live and 21% lived unmarried with their partners. The majority of respondents (59%) had children.

Employment situation of respondents and its influence on parenthood

Our research revealed a statistically significant relationship between age and a fixed-term employment contract: the younger the survey respondents were the higher was the percentage of those with a fixed-term contract. Almost half the respondents (46.6%) with the age of less than 25 years had a fixed-term contract; a majority of them were women. The type of employment contract was also related to parenthood; among those with an employment contract for an unlimited period the majority (60.0%) had children, while among those with a fixed-term employment contract the majority (66%) had no children. The majority (74%) of parents had an employment contract for an unlimited period, while only 17% had a fixed-term contract. Young people reported the following conditions as being necessary for a positive decision to have a child: a permanent employment contract, no housing problem and reasonable financial resources. A permanent employment contract, as the first key condition for the decision to have a first child, not only means permanent financial resources but also the possibility for credits and access to the advantages of social policy benefits and other measures related to parenthood. About a third of the employed respondents were anxious about losing their jobs; this illustrates the current situation of continuous economic and political changes and enhanced labour market flexibilisation in Slovenia. The relatively high level of insecurity experienced and the high standards regarding the quality of life are discouraging young people from entering parenthood or having children.

The organisation and intensity of work

On average, our survey respondents worked 47 hours per week (including work done at work, at home, business trips etc). Almost a third of the sampled young people estimated that employers are too demanding. Only 13% of respondents have complete autonomy over their working time arrangements, while the start and end work times of almost half (48%) of the respondents is decided upon by the employer. Both young people without children and young parents in the focus groups reported a permanent and critical lack of personal time, but they consider that to be a matter of course:

> "*Work must be done…mostly you put work first, other things are further back'*"(father, employed in retail, 34);

> "*Work must be done, it is your problem how much time you need for it*" (woman without children employed in the computer industry, 28).

In some organisations, due to the nature of work (e.g. long working hours and shift work in catering, health services or retail) such problems of reconciliation are quite severe for working parents and young people without children:

> "*When I work in the afternoons, I leave home around 11:00, after I prepare something for lunch, and I come back at 8:30 in the evening and we see each other very little, only on the weekends*' (women employed in retail, 27).

In some companies the possibilities of flexible working practices such as working at home or arranging working time according to one's own needs often lead to even longer working hours and extra reconciliation problems:

> "*When you are at home, you actually work more and longer. I wake up at 7:00 and sit down in my pyjamas in front of the computer; at 10:00 I put on a pullover and forget …*" (mother employed in the computer industry, 31)

> "*...and it happens that you are in the same pyjamas at 7:00 in the evening*" (father, employed in the computer industry, 34)

> "*only have to change when I go to the kindergarten…*" (mother employed in the computer industry, 31)

> "*...then you put the kids to sleep around 8:00 and check your inbox and work to ensure you have a clean inbox in the morning*" (mother employed in the computer industry, 33).

The majority of respondents work full-time and would like to continue working full-time in the future. However, almost a fifth (18%) of the respondents would like to work part-time (10.8% of men and 21.6% of women). In the majority of the analysed organisations overtime work is regular and improves the otherwise low wages of the less educated workforce, while many highly educated young employees work many extra hours, which are not paid for. This sometimes has serious consequences for reconciliation practices:

> "*A year ago we moved from my parents, because before I worked regularly until 7:00 or 8:00 p.m. … I lost contact with my older daughter and the younger one was already in bed when I came home, my mother took care of her and she started to call me granny, as I was never there … then I decided to do something for me and my family … it is true that now I have the computer every day at home, and I always work during the weekends…*'"(mother employed in the computer industry).

More than two-fifths of the surveyed parents (43%) reported that they did not use any forms of leave connected to their children in the past year. 13% of the parents ended such leave prematurely. The most important reasons for that were for fathers financial reasons and for mothers the negative attitudes of employers. These differences indicate gender-related specifics in both experiences of and reactions to different pressures in the work environment.

Fathers who did not use (their entire) paternity leave stated the reasons for that being a combination of own decisions and environmental pressures (work environment, financial pressures). It is evident that those fathers who decide to take up a more active parental role face discrimination at work as they differ from the expectations connected to the traditional male role:

> "*They frowned at me even when I took just those two days after birth, so I did not take any more… I do not think I will take leave in the future either … my wife usually does so when the child gets sick*" (father employed in retail, 34).

The results indicate that promoting paternity leave should focus on empowerment and on raising one's personal awareness, the development of a supportive organisational climate and better financial support for this form of parental leave.

Problems in reconciling parenthood/private and work obligations

The young employees' evaluations regarding their employers' demands were quite contradictory. Most respondents experienced the act of balancing work and family life as being burdensome to large extent, in fact, navigating between these two spheres of life was not found to be a burden by just 38% of the respondents. On the other hand, a good share of the respondents (58%) evaluated their employers as being understanding regarding the needs of parents with young children. Respondents with no children were more critical towards their employers compared to those who were parents. The data indicated that our young respondents were not very critical and had relatively low expectations in relation to their employers.

It does not seem that public services are responding well to the new work demands of working parents, as two-thirds of the respondents would like the public childcare centres to remain open after 4 p.m., and a good third also over the weekend. In order to make everyday life more manageable for young people the opening hours of such public services must thus be adapted to the changes in work schedules.

Negative experiences in job seeking or in the work place due to potential or actual parenthood

Women reported more frequently having had problems due to potential or actual parenthood while looking for a job. Mothers also more frequently reported having problems in the work place after the birth of the child, such as unwanted increased workload, not getting a job position they wanted, hindered promotion, demotion, worse social relations in the work place and the employer's termination of their job contract.

> "*Whenever I take sick leave for my children they give me such looks … and I have done all my work …, but not being there, not throwing your children who have a high temperature to be cared for by someone else is a big minus at work*" (mother employed in retail, 33).

Fathers more frequently than mothers reported about a "bianco" contract for the termination of employment, unwanted long work hours (over 8 hours per day) and the termination of a job contract at their own initiative due to unbearable problems at work. Respondents who had no children reported fewer problems in the workplace and in this group there were no gender differences in negative experiences at work.

Managers'/employers' and young (parents) attitudes towards parenthood and the reconciliation of work and private life

The results of our research show that parenthood is not on the employers' or managers' agenda. Managers had quite mixed attitudes towards (young) parents ranging from a blunt disregard of the needs of parents:

> *"...the logic of capital does not allow us to help,... that should be dealt with by the state, legislation..." (manager in catering)*

to a consideration of parents' needs due to the belief that such an orientation helps to boost employees' commitment:

> *"... this is always a give-and-take game – we are trying to comply with employees' needs – if they want to go home early or to be home the whole day, but on the condition that they are responsive when we need them to be – when we have a lot of work, we must work 10 hours per day, Saturdays,..." (manager in the textile industry).*

The attitudes of managers depended on their age and parenthood experience: managers who are themselves younger and have small children are more open to the problems and needs of young parents.

Very often, even if managers' attitudes and declared organisational policies are positive, the actual practices concerning employment, presence at work, rules of rewarding and promotions are not in accordance with them and from this it is clear that caring for parents is not high on the list of organisational values and priorities. This becomes evident in managers' clearly expressed preferences topwards certain groups of job candidates (about whom it may be expected to not have parental obligations, e.g. very young people or men), the practice of employing young people on fixed-term contracts and in organisational practices that harshly sanction lateness and highly value and reward one's presence in the workplace (sometimes regardless of the actual results).

On the other hand, our respondents were not very critical towards their employers, despite their negative experiences, high intensity of work and difficulties in the reconciliation of work and private life. Young people perceive their (potential) parenthood as a private matter that they alone should deal with:

> *"It is not my employers' duty to care if I decided to become a mum" (mother employed in retail, 33).*

Young people would appreciate if employers showed more understanding:

> *"If they could only see you, understand and put themselves in your shoes, not only take care of their own interests" (father employed in retail, 34).*

In the reconciliation of work and private life young people and especially young parents count on their own parents to help them. They also expect the state to take some responsibility and aid young parents.

Young people acknowledge that there are gender differences among parental roles and some of them (mostly men and those with a lower education) support the traditionally defined roles of mother and father (namely, that most parental care is taken on by mothers). More women and better educated participants support (and plan for themselves) a more egalitarian division of parental care responsibilities.

CONCLUSION

Reconciliation policies at the national level in Slovenia (parental leave and child care arrangements) are useful for employers as they provide them with a broader pool of potential employees since all parents can then work full-time, while paid parental leave is provided by social insurance. There is neither an internal incentive for employers (to see family-friendly policies as a recruitment device, for motivating and retaining workers) nor external pressure (via demands put forward by employees themselves or their representatives, e.g. trade unions in collective bargaining) to introduce any additional family-friendly policies/programmes (Kanjuo Mrčela 2005). This might be different in the future due to the changing needs of companies that will depend ever more on well-educated workforce and due to the new bargaining strategies of trade unions.

The analysis of the current trends shows that the changes seen since the 1990s are not in favour of a higher quality of working life and an easier balance between one's work and private life. These trends are increasingly directed to the intensification of work and precarious employment. That is even more characteristic for the younger generation. Our results show that young people face difficulties both in finding employment as well as at work regarding their potential or actual parenthood. Without more positive changes at the level of organisations, the current negative changes in employment and work practices cannot be efficiently resolved only at the macro level (through social policies and suitable legislation) or the micro level (social support networks).

Work represents an important part of life of young people (both in terms of time and values). Young people report on high workloads and few organisational practices that would ease the reconciliation. Parenthood is still often seen as the mothers' responsibility and that causes gender-specific consequences of parenthood on employment and the work experiences of men and women. Women more often than men report on negative experiences because of parental/care leaves and on problems in finding jobs related to (potential) motherhood. Mothers more often than fathers report on problems in getting a desired job or promotion, career deterioration, worsening of relations at work and termination of work contracts on the employers' initiative. Fathers more often report on signing of "bianco" work contracts, undesired daily working hours longer than 8 hours and termination of work contracts on their initiative because of unbearable working conditions. Those fathers who would like to play a more active parental role report on facing similar - and sometimes even more - difficulties than mothers as their parental involvement is traditionally not expected and they are perceived as a more reliable working force as opposed to those who could focus exclusively on work.

The results of our research indicate that in order to improve the possibilities for reconciliation of work and parenthood for young people in Slovenia it would be necessary to change the expectations and practices of young parents as well as employment and work policies and practices in organisations. As the research results show that expectations of young people towards employers are quite low, young people should be informed about their rights; their awareness regarding employers' role in easing reconciliation should be raised and they should be empowered for realisation of successful reconciliation. On the other hand, the following organisational practices and dimensions of organisational culture should be taken into

consideration in organisations in order to improve the possibilities for reconciliation: non-discriminatory employment, time and space flexibility (part-time work, abandoning unnecessary rigidity and the equalisation of one's presence at work with actual efficiency, work at home), the development of a culture of caring for employees and understanding and adapting to the needs of parents, long-term and non-discriminatory career plans. The culturally-defined reconciliation practices mostly put women into the role of the main provider of care for children/family members, leading to the marginalisation of women in the labour market and making the emancipation of men in the private sphere impossible. Consequently, a special consideration should be paid to the gender-specific experiences of parents and that development of practices that would enable the equal inclusion of both men and women in care responsibilities.

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12. WORK-BASED LEARNING UNDER TIME PRESSURE

Marja Leppänen

ABSTRACT

Time pressure is one of the most disturbing elements of the present working life in western societies. Haste can result in increased levels of stress, inadequately weighed decisions, and decrease in creativity. On the other hand, working life also continuously develops and requires its participants to engage in continuous learning. In the context of haste, however, individuals tend to encounter learning challenges. There is an obvious paradox: in-depth learning requires time, but there is only a limited amount of time even for basic work. Despite of prevalence of the problem there is not much research on this paradox.

This study focuses on investigating how the learning process and learning results are affected by limited time. It seeks to contribute to our understanding of learning in the context of time pressure and change. The study adopts a qualitative approach, focusing on the data collected in the fields of management, development, and consulting. To answer the research question the phenomenological-hermeneutic method is adopted. On the grounds of theory and preliminary results it is shown that there is no simple connection between time and learning results. On the contrary, it seems that time is more or less an indirect resource and the challenge is to direct this resource correctly. On the basis of the interviews, it seems that interaction between colleagues and supervisors, one of the most essential elements of work-based learning, suffers most in time pressure. However, because the research process is still going on, only approximate guidelines can be presented.

INTRODUCTION

Changes in market conditions, technological development, and growing customer demands require organizations in modern working life to learn quickly. The ability to adopt rapid changes is critically important to organizations of today. The faster organizations can adapt to changing situations the better they can secure successful future. From the individual standpoint change is learning (e.g. Billett 2004). In-depth-learning always implies change in individual's thinking or action. He has to learn to give up the old ways of doing or thinking and try to adopt the new ways brought by change. The key to success is the capability to learn, both to individual and to organization. According to Styhre (2006) organizational learning and learning at work is always a matter in time and within specific temporal horizons. Learning takes advantage of previous experience, the past, and tries to prepare for the challenges of the future. Therefore, organizational learning theories and work-based learning theories need to be examined from the standpoint of temporality. In organizational change process, the time for learning is often determined by the change process schedule. This can be problematic, because learning at individual and organizational level takes its own, undefined time.

Haste is a distinctive feature in modern work learning environments. However, haste is not something new: researchers have done observations of haste in working life for almost thirty years (Lehto & Sutela 2004). The actual point is that haste has extended itself to every field. Additionally, the pace of work has increased even further on already fast-paced fields. The culture of speed is predominant: decreasing delivery times, quarterly financial statements, the fragmentation of working time, and Just On Time (JOT) -thinking are all signs of hectic

speed. The development of working life can be characterized with the word *escalation.* Time and work pressure research brings a new view into organizational development research, which has almost forgotten the view of the individual (Lehto 1998a). Well-intentioned development processes can even increase employees' work pressures (Lindström 2000, Lehto 1998).

On the basis of learning theories in-depth-learning, which understands meanings, takes a lot of time. The process cannot be sped up, because demanding learning entities require careful thinking. If there is not enough processing time for learning or if there is a very limited amount of time, it will be hard to accomplish real change. With limited time resources reflection can be inadequate and learning results superficial. The situation nowadays is paradoxical: learning requires time, but time is limited even for basic work!

Change requires learning and learning makes change possible. Learning requires time and time enables learning. Change requires time and time makes change possible. Time, learning, and change are strictly bound together: change means learning to individual, learning means change in thinking or acting, and time makes change and learning possible. The figure 1 by the researcher illustrates the connections between time, learning, and change.

Figure 1. The connections between time, learning, and change.
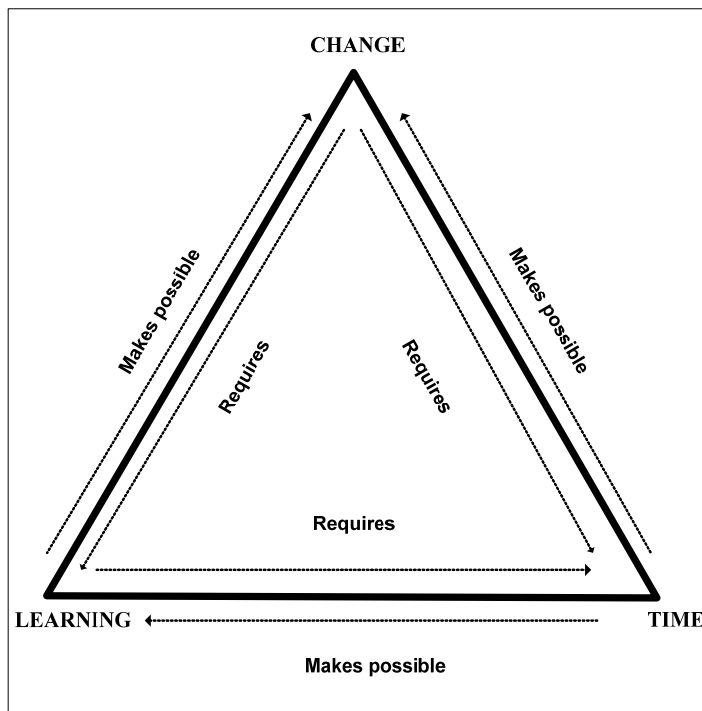
Concerning work-based learning, time and temporality are the major elements to be taken into account. Until now, there is little and rather ambiguous literature on work-based learning, and it has concentrated mostly on the mechanic use of time. One explanation for this may be the

abstract language and difficult vocabulary used by some philosophers, Henri Bergson, for instance. (Styhre 2006.)

According to Illeris (2004), it is important to understand the dialectics between individual and social environment in work-based learning. Economical rationales which often form the basis of organizational and management theory are inadequate when studying work-based learning. That is because they are unable to connect individual and social circumstances, which is critical when investigating learning and working life.

The structure of this paper is the following: first I will present work-based learning research and research on time pressure. After that I discuss the meaning of time in learning. Finally, I present preliminary results and consider the subsequent stages of research.

UNDERSTANDING LEARNING AT WORK

Work-based learning occurs in working life within the working individual (Varila & Rekola 2003). During the last decades we have strongly experienced the need for learning at work and also the need to integrate work and learning (Ellström 2001). According to Sköld (1993), everyday learning at work develops knowledge in individuals most actively.

Several directions of work-based learning have aroused interest in researchers. One aspect is lifelong learning, which expects an employee to learn through his life. Organizations and employers have a practical point of view here, for employee's learning at work develops one's knowledge and professional skills. Organizations also wish to take advantage of learning results in the form of better productivity and competitiveness. (Collin 2005, Varila & Rekola 2003). Naturally, employee's work-based learning is also the precondition for organizational learning (Ellström 2001).

Until recently, there has been quite little research on work-based learning in comparison to the research concerning learning at school. The research on learning at work is still in its infancy: for example the context of work-based learning, the structure, and the process of learning are quite unfamiliar. The situation is the same with the vocabulary concerning work-based learning. (Ellström 2001, Collin 2005.) Basically, working life and learning are complex phenomena, which can be studied from several points of view (Illeris 2004). The literature on work-based learning sees the learning process as a stagnated x-ray picture. The learning process is also assumed to occur quite fast. This view is different from individual learner's perspective, which emphasizes the need of time (weeks, months). Although it is known that learning takes time, it is impossible to determine the exact time for the learning process. This is because learning can take place even when the learning process is formally finished. (Varila & Rekola 2003.)

According to Billett (2004), learning can be understood as a permanent or semi-permanent change in individual's thinking or behaving. Sköld (1993), Illeris (2004), and Varila (1992) determine learning as interaction between individual and his environment. According to Illeris (2004), learning at work is a fusion between the classical learning psychology and the social constructivism. The traditional perspective emphasizes the inner psychological processes of individual, and the social-constructionist view sees learning as a result of social interaction. Learning can be seen as process and as result (Jarvis 1987). In the research of Pirkkalainen (2003) learners determined their learning through working results. In Varila's och Rekola's research (2003) learners determined learning as a change in their previous way of thinking.

According to Collin (2005), workplaces as learning environments can be seen informal, random, and practice-bound environments. Experiences are essential, and learning and working are inseparable. The orientation is on working, not on learning as such. Learning in workplace includes social and communal dimension and sharing. According to Pirkkalainen (2003), learning situation began, because the learner sought it, learning was a necessity, or the learner had a need to learn. Because the learner has to confront the limits of his knowledge, the learning situation can awake anxiety. If the learner can stand these uncomfortable feelings, work-based learning can go on. (Varila & Rekola 2003.)

Work-based learning includes focus, goals and rules of work, and tacit knowledge. Very common, yet incorrect thought is that people who do the same work and same assignment have same kinds of conceptions of work. This assumption is false, because learning in adulthood takes advantage of personal experience, and very few people have a similar history of experiences. (Illeris 2004, Pirkkalainen 2004.) The role of reflection in work-based learning is controversial. On one hand, Pirkkalainen (2003), Varila and Rekola (2003), Heikkilä (2006), and Collin (2005) emphasize the meaning of different types of learning, which do not include reflection. This means learning by practice and repetition, without conscious consideration. On the other hand, e.g. Tuomivaara et al. (2005) notice that 'the core of adult learning lies in reflection and conscious contemplation of one's own activity and learning from it afterwards.

There are several ways to learn. One major way of learning is through trial and error: the worse the mistake, the better the learning results. Also learning by doing is an important learning method. The difference between these two is that the former includes some type of mistake in the performance and the latter emphasizes avoiding mistakes. (Pirkkalainen 2003.) Varila and Rekola (2003) see learning through trial and error as instrumental learning. Learning by doing includes feedback, autonomous learning, and cooperation. (Pirkkalainen 2003.) In Collin's (2005) research the most often mentioned type of learning was learning with cooperation and interaction, where the meaning of experience was critical. Other types of learning included for instance participating in something new and participating in training. One major restrain to learning is haste (Pirkkalainen 2003, Heikkilä 2006).

On the whole, learning at work is accomplished in different ways and is very complex phenomenon (Varila & Rekola 2003). The rallying point of practically all learning methods is interaction in its different forms (Heikkilä 2006). This is important, for literature in work-based learning has ignored the meaning of emotions. Interaction between people requires trust and trust has a lot to do with feeling or feelings (Lämsä & Sintonen 2006).

UNDERSTANDING TIME PRESSURE

In 1780s clocks were started to use to measure time. In 1850 every village and town had their own time: uniform time came with the railway (Julkunen 1989). This concept of time can be seen as cyclic, for at that time the son continued his father's work and the next day was similar to the day before (Toivonen & Kauppi 1999). The new time is independent, abstract, and with relation only to itself (Julkunen 1989). Activity in work communities is organized practically by linear time, although individual's mind and emotions do not necessarily adjust to this concept of time (Ahonen 2004).

Research on time pressure has concentrated on decision making under time constraint. The method of these studies has been quantitative. Perlow's (1996, 1999) ethnographical research is more or less an exception to this. In other studies haste has been either an interpretative factor or a result rather than an independent research object (Launis & Niemelä 1999). In

Finland Työolotutkimus and Työolobarometri have paid attention to haste in quantitative research, and Järnefelt and Lehto (2002) have interviewed employees concerning their experience of haste. According to Lehto (1998a) time and work pressure research needs a more understanding view than traditional inquiry forms are able to convey.

Haste can be determined as limited time, hurry, or rush, and in second meaning as urgent work (MOT Kielitoimiston sanakirja). Time pressure or time constraint is defined as lesser time than what is needed to do the work properly (Smith et al. 1982). Time pressure appears as tight schedules, overtimes, and interruptions (Järnefelt & Lehto 2002, Tétard 2002). Time pressure and its impacts are included in psychosocial risks. It is difficult to assess these types of risks, because there are experiential: someone can experience time pressure in situations where the other does not. (Martimo 2003.) In situations where there is a fixed time to make decisions, increased cognitive activity can increase the feeling of 'time is passing by'. Multiplicity of cognitive functions creates time-pressured -feeling. (MacGregor 1993.) According to Wright (1974), information load is information to be covered in a given time. Information overload follows from increased amount of information or decreased time. According to Lehto & Sutela (2004) the increase in work-related emotional burden goes together with the escalation of work pace. That is because the emotional burden correlates very clearly with the time pressure experiences.

Time pressure is the most increased disadvantage in the working environment. It has been increasing from 1984 to 1997 and been stable or slightly decreased after that. When looking at different fields, the accommodation and restaurant business was the busiest: 64 percent of respondents experienced time pressure quite often or often. Financing was also in time pressure: half of the respondents reported time pressure experiences. Busy occupations were found also in commerce (49 percent), administration (47 percent), and social and health work (46 percent). In year 1977 time pressure was a major disadvantage in industry: now only 25 percent of respondents in industry experience much or quite much time pressure. Municipalities and governments were the busiest employers (47 and 45 percent), although time pressure has decreased here during the last six years. (Elo 2003, Lehto & Sutela 2004.) However, it must be noticed that according to Forma, Väänänen & Elo (2003), only a couple of percent of municipalities have taken actions to decrease time pressure. It must be noticed, however, that quite many employees are able to influence their work. For example, 39 percent of the respondents of Työolobarometri are able of influence their pace of work. This number has decreased a little since 2001 (43 percent). (Ylöstalo 2005.) According to Lindström & Leppänen (2002), traditional education for work community has not removed or relieved time pressure and its problems.

Several studies have clearly and undisputedly shown that time pressure has negative effects on work, work community, and well being at work. For example, Tuomivaara's (2005) research shows that professional workers suffer between the demands of time pressure and creativity. According to Mäntylä (2006), there is willingness but not time to develop managerial work. Time pressure reduces creativity (Amabile et al. 2002) and ability to judge and make decisions (e.g Wright 1974, Edland & Svenson 1993, Mann & Tan 1993, Maule et al. 2000).

Interruptions and fragmentation of work time disturb working. Interruption can be determined as a separate event, which comes from outside the situation, takes place at random, and requires some type of decision in order to be cleared. Interruption must be dealt with immediately or later. After an interruption individual needs recovery time to return to original work. Causes for working time fragmentation are several: too many projects at the same time cause difficulties in concentrating properly to any of the projects, and virtual organizations

can make the assessment of work load difficult. Mobile phones and e-mail are easy ways to make contact and interrupt other's work. Information load today is enormous. (Tétard 2002.) According to Perlow (1996) 97 percent of interruptions are useful at least to either party, but, still, only 24 percent of the reasons for interrupting were urgent in nature. Interruptions decreased when working time was divided to so-called quiet time and interaction time, which alternated during the day. (Perlow 1999.)

It is natural to think that proper decision-making takes time and good decisions have been shaped over night. (MacGregor 1993: 73-74.) Peter Wright (1974) can be seen as a classic researcher on decision-making and time pressure with his article 'The Harassed Decision Maker: Time Pressures, Distractions, and the Use of Evidence' (e.g Svenson, Edland & Slovic 1990: 153, Maule et al. 2000: 285, Edland & Svenson 1993: 28). According to Wright's (1974) research, in time pressure decision maker takes into consideration fewer attributes than without time pressure, and, furthermore, concentrates more on the negative aspects of the matter at hand. In contrast, in Svenson et al. (1990) study the decision maker emphasized more the positive information and the most important attributes. Also in Maule et al. (2000) research the time used to assess negative information decreased in time pressure.

Janis & Mann (1977) describe the hassled decision maker: in time pressure decision maker seeks information illogically and impulsively, is stressed and wavering, and his information processing is poor. Figure 2 illustrates the relationship between time pressure and decision-making.

Figure 2. Time pressure and performance (Mann & Tan 1993).
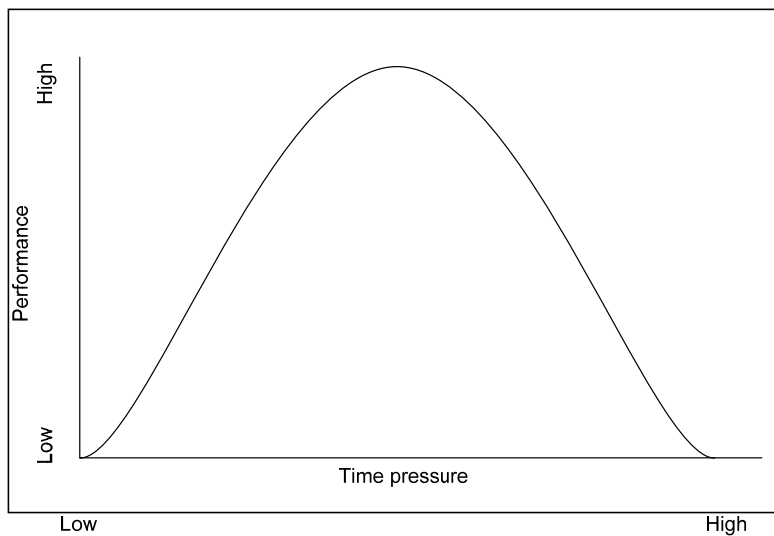
When time pressure increases from modest to moderate, performance and decision-making improves. This is because the decision maker can accelerate his cognitive processes to a certain level, but if time pressure still increases, his performance deteriorates. (Mann & Tan 1993.)

Edland & Svenson (1993) sum up the effects of time pressure on judgment and decision-making: information screening increases. This means that decision maker uses only few information sources. Important attributes get more weight and non-compensating decision

rules are used. Errors in judgment accuracy increase. It is worth noticing that motivation and reward can moderate the effects of time pressure. When it comes to creativity, in time pressure creativity usually decreases, unless individual has an opportunity to work without interruptions (Amabile et al. 2002).

UNDERSTANDING LEARNING AND TIME

The first step to understand time pressure and learning is to study the relationship between time and learning. It natural to think that time used in learning has effects on learning results (Connelly & Clandinin 1993). The research between time and learning has concentrated on school learning in reading, mathematics, and language studies. A considerable amount of research originates from 1980's or before. (e.g Carroll 1963, Fredrick & Walberg 1980, Caldwell et al. 1981, Huit & Graeber 1982, Johnston & Aldridge 1985.) Generally speaking, time seems to correlate with student's study success. The correlation is the stronger the better the use of time corresponds to the student's real work in class. The time, which measures student's authentic study time when his concentration is high, correlates best with the learning results. (Caldwell et al. 1982.)

Carroll's (1963) famous model of school learning stresses that the degree of learning consists of time used for studying divided by time needed for studying. Exploring only the other element of time use is not enough, but both, the used and the needed time, must be examined. The time that a student needs consists of student's ability to learn and understand teaching and the quality of teaching. Some students suffer more of the poor quality of teaching. The time that a student uses consists of his perseverance and the time which given for learning.

Workload can be used as a term to explore the time needed for studying. Entwistle & Tait (1990) include in workload also the pace of learning material and the degree of difficulty. Lawless (2000) defines workload as the time, which is needed to study the course material. According to Chambers (1992) a modest workload is an important prerequisite to good studying and learning. Time is needed for thinking, studying, and forming one's own opinion. This is called in-depth learning. Also an understanding of one's own studying methods and techniques needs time and a teacher.

By the year 1993, over a hundred studies revealed that the more student studies (and when other factors stay the same), the more he/she will learn. Further, in a research, which covered 35 studies on learning (1980), it appeared that 86% of research results proved that time is a positive factor in learning results. A similar type of study from 1992 proved that in 86% of studies time had had a significant meaning to learning. The effect of increased learning time was about same as the effect of excellent teaching compared to moderate teaching. (Walberg & Anderson 1993, Walberg 1993.)

According to Fredrick and Walberg (1980) there is, when measured in years, a correlation between time and learning results. Different areas of performance, for example knowledge, intelligence, skills, openness to different cultures, and language skills correlate with study time. When time is measured in days, the effects of time on learning results are inconsistent. Some studies have not found the correlation between time and learning results, or findings have been weak. On the other hand, some studies have revealed quite a strong correlation. Study days are probably more directly correlated with the *increase* in learning achievement than with the absolute learning results as such. The time measured in minutes has a modest but a coherent effect on learning results. (Fredrick & Walberg 1980.) Gettinger (1985) believes this is because the studies of time and learning results do not pay attention to the time needed, but concentrate on the time used on studying.

How can these findings be beneficiary to the understanding on work-based learning and time? When comparing school to work, the context of learning is different and also the learning orientation differs. Firstly, according to Carroll (1963), it is logical to think that the degree of learning consists of time used / time needed, where time used stems from the work context and time needed from an individual basis. Secondly, the quality and form of time are crucial: Caldwell et al. (1982) note that concentrated and active learning time is important less like overall time. Overall time means here all time used to studying. Thirdly, it reasonable to think that the more months and years one works within a certain work, the more he will gain experience and learning.

DATA COLLECTION AND ANALYSIS

The research material is collected by interviews, and analysis is done by hermeneutic-phenomenological method. Interviews are used, because according to Niemelä (2006) perceiving haste by outsider (researcher) is difficult. The researcher has planned to do three interview rounds with an idea of gaining more and more understanding of the phenomenon after each round. The purpose is to move on in a hermeneutical spiral. The first round, seven interviews, has been done, and analysis is under way. The respondents have been professionals such as HR-managers and change consultants. Hermeneutic-phenomenological method is used to understand the phenomenon (phenomenology) and on the other hand hermeneutic spiral directs the researcher to a broader understanding between the interview rounds. The next interview round will be performed in an actual change context, where a fusion between two large-scale enterprises is under progress.

PRELIMINARY RESULTS AND DISCUSSION

Time in learning is a very complex phenomenon and has many dimensions. First there is the sufficiency of time for learning: there has to be time to practice, to think, and to reflect. If this time is inadequate, learning suffers.

> *"...this thinking of ours can be called superficial thinking... There isn't a decent chance to learn anything in this quickened time. ...you can't be creative in this huge pressure. ... When you become more and more efficient, you are doing more repetition which becomes routine. That isn't learning, that's routine." (R2)*

It is possible to quicken this process by having good, open, and reflective conversations with one's colleagues, superiors or work community in general.

> *"... it's a very powerful feeling and learning experience when it (reflection) happens in a group. It's so rewarding when someone gives you feedback or ask questions. Your understanding will fly." (R6)*

Secondly, important experiences like being dismissed or promoted, which can lead to more in-depth-learning, occur in time and on time and can't be quickened.

> *"When you are for example working as a superior, your work is to serve others. And you can't truly understand the meaning of that word unless you have had some deep crises, like your parents death, in your life. And these kinds of crises can't be reached until they appear in real life." (R2)*

Thirdly, time can be seen as indirect resource for learning. Using time for discussion, conversations, and e.g. development discussions can promote trust and caring and reduce fears that for its part promotes learning.

> "It doesn't work the way that I give you this manual and time and you have to learn it. Not that way, giving merely time is not enough. It's the way of communicating, listening, trying to understand the other person, working together. ... You have to show to the person that he is important." (R3)

Learning can become more effective in time pressure, but only to a certain point: the effect of time pressure on learning is curvilinear.

> "I belong to that group of people which time pressure stimulates. If there isn't any pressure, productivity will fall down. I become much more rational, and when I can make decisions and prioritize, projects will also go forward better. (R7)

Time and space go hand in hand. Troubling and difficult things require more cognitive space, which means that more time will pass.

> "... I have so many incomplete and difficult things to think about. Their meaning or space they take in your mind is much more when it (thing, though) isn't handled. And that's why you feel time pressured." (R6)

In teamwork, the performance of the team will suddenly weaken, if everyone in the team suffers from time pressure and there is not time for learning.

> "If you can't update your knowledge, you can neither help nor share knowledge in your team. And if everyone in your team is busy, the performance of the team will fall down eventually."(R7)

There will be several questions to consider when research continues. Firstly, are there other indirect roles for time in learning? Or more direct roles? Secondly, what is the relationship between linear and cyclical time and how do these different time dimensions appear? Thirdly, and probably most importantly, what happens, if there is not enough time? Can it be that learning results deteriorate, or is it possible to learn, how to learn in time pressure? This question can be answered only after more understanding on the role of time in learning has been reached.

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13. PRELIMINARY DEFINITIONS OF SUFFICIENT AND GOOD SUPERIOR WORK WITH RESPECT TO LEGISLATION

Liisa Huusko

ABSTRACT

In modern day organizations, supervisors have gone from acting as close foremen to facilitators. In comparison with earlier decades, organizations make use of different kinds of substitutes for management and leadership. This paper is focused on defining 'sufficient and good superior work' in a team organization with very few supervisors who act from a distance. The aim is to begin creating a comprehensive framework that covers both juridical requirements and means of management. The central Finnish labor legislation is used as a normative basis for the concept of 'sufficient and good superior work'. A management point of view is formed by working with the management-leadership division constructed by Kotter (1990) as well as the concept of substitutes for leadership (following Howell et al. 1986, Howell et al. 1990, Schrieshiem 1997, Jermier & Kerr 1997). Preliminary results of some empirical research will be introduced to provide evidence of employees' views and definitions of sufficient and good superior work and to promote discussion for further investigation.

Keywords: HRM issues, definitions of supervisory tasks, labor legislation, leadership, management, substitutes for leadership, sufficient and good superior work

INTRODUCTION

In modern day organizations, supervisors have gone from acting as close foremen to facilitators. The aim of this paper is to make use of both juridical premises and means of management and leadership to constitute the background for defining sufficient and good superior work. Hence, an employer's general obligation as set by the Finnish Employment Contracts Act and the orders set in the Finnish Occupational Safety and Health Act concerning an employer's substitute are used as a normative basis for exploring the concepts of 'sufficient and good superior work'.

A historical review of changes in supervisory duties will be offered as support for discussing the issue in question. Theories that address substitutes for leadership include the idea of moderators that have different kinds of effects on the actions of leaders and leaders' substitutes. Research on leadership substitutes contributes to a legal approach as it "focuses on whether subordinates are receiving needed task guidance and incentives without taking it for granted that the formal leader is the primary supplier" (Howell et al. 1990: 23). The division of Kotter (1990), in its turn, opens up the complexity by identifying the contents of management and leadership. Team organization is included in this investigation as an example of modern day means of arranging work. From an organization theory point of view, this paper preliminarily takes into consideration that the legislative background lies on quite Tayloristic suppositions, while the theories of substitutes for leadership and ideas of teams include rather symbolic-interpretative elements (Hatch 1997).

From an empirical side, this paper is focused on workers' views and definitions of sufficient and good superior work. Hence, preliminary results of one part of a research project concerning changes in superior work are introduced, where some clear patterns of responses can be pointed out. The data collection notes from these responses were gathered in

accordance with Kotter's division and three of four notes referred to leadership. The respondents regard personal contacts, incentives, feedback and moderate targets as elements of sufficient and good superior work. The data included only a few mentions of teams or teams' meanings as a source of support or feedback. Hence, teams do not comprehensively act as substitutes for leadership. Both the preliminary theoretical framework and empirical results demonstrate that it is useful to continue with the question of sufficient and good superior work. The challenge is to develop proper means for both theoretical and empirical investigations.

LEGISLATIVE BACKGROUND

The Employment Contracts Act (55/2001) Chapter 2 states the following about an employer's general obligations:

> The employer shall in all respects work to improve employer/employee relations and relations among the employees. The employer shall ensure that employees are able to carry out their work even when the enterprise's operations, the work carried out or the work methods are changed or developed. The employer shall strive to further the employees' opportunities to develop themselves according to their abilities so that they can advance in their careers.

In addition, the Occupational Safety and Health Act orders workplaces to take care of delegation procedures and, within them, also the skills and premises of supervisors at all stages. A section of law 16 states:

> Employer's substitute
> The employer may place another person to represent him or her (employer's substitute) and take care of the duties imposed on employers in this Act. The duties of the employer's substitute shall be defined accurately enough taking into account the employer's line of business, the nature of the work or activities and the size of the workplace. The employer shall ensure that the substitute is sufficiently competent, he or she has received an adequate orientation to the duties and that he or she also otherwise has appropriate capabilities for attending to the duties referred to here.

This paper is based on the supposition that the orders mentioned above include a normative basis for the concepts of sufficient and good superior work. The supposition means that an employer cannot avoid the demands that are defined in legislation. As an employer or an employer's substitute aims to use new means of management and leadership, he or she has to assure that these means are suitable and sufficient. In addition, the skills needed in new positions must be ensured (Huusko 2006a). In this paper, superior work is understood as the duties that are at least partly addressed by the person who represents the employer. In this sense, the definition matches with the legislative concept of 'employer's substitute'. In fact, the Employment Contracts Act (1st paragraph) uses the phrase "under consideration of employer". That is, a person must be found behind decisions within personnel management if some other instruments than people are planned to be used. Evaluating the chosen definition of superior work by organization theories, it is seen to belong to a modern paradigm as it addresses employer and employees in quite a Tayloristic way (Hatch 1997).

The main aspect for further consideration comes from a legislative background; exploring a requisite, skilled person who makes plans for arrangements concerning employees and delegations as well as a requisite, skilled person who acts with employees.

HISTORICAL REVIEW OF CHANGES IN SUPERVISORS' WORK

A historical review of the duties of supervisors reveals that the relation between supervisors and workers has changed during the last five decades. According to several researchers (Mintzberg 1975, Nilakant 1991, Routamaa et al. 1992, Lowe 1993, Jackson & Humble 1994, McKenna 1994, House 1996, Appelbaum, Abdallah & Shapiro 1999, Bunning 2000, Benders, Huijgen & Pekruhl 2001, MacNeil 2001, Holden & Roberts 2004), the main duties of supervisors can be highlighted by decade:
- during the 1960s: to declare the rules of work, to plan, organize and supervise the work of subordinates;
- during the 1970s: to declare the duties, to take care of implementation, to motivate, to activate workers;
- during the 1980s: to encourage, to create the necessary resources for action, to develop a positive atmosphere and possibilities for growth;
- during the 1990s: to clarify the objectives and working approaches, to plan, timetable and organize work, to build, support and manage teams;
- during the 2000s: to support and develop HRM actions, to act as a coach and a supporter, to manage from a distance, to implement quality systems, to carry out development discussions as part of a reward system.

A couple of distinctive features are evident from this review. Firstly, the main duties of supervisors have changed from giving direct orders and supervising to taking care of common circumstances of workers. Secondly, and resulting from the first, the review reveals that relations between supervisors and subordinates have become more distant. Managers work more with systems than with workers. This supports the argument that different kinds of systems – e.g. control, quality or reward systems – are 'sub-supervisors' (Howell et al. 2000, Huusko 2006b). Is this phenomenon even more noteworthy as teams are used? This question will be preliminarily answered here by addressing the functions and emphases of management and leadership.

The main elements for further consideration are: a change from close foreman to facilitators, the distance between superiors and subordinates, and systems as sub-supervisors.

SUBSTITUTES FOR LEADERSHIP THEORIES

As an organizational issue from a management point of view, concepts of 'substitutes for management or leadership' do not completely match the legislative ones. In this paper, there is an assumption that these concepts have the same subject: workers. The aim to outline a comprehensive framework requires one to address both managerial and leaderly aspects of changes in supervisors' work (Huusko 2006b). Because of this, the managerial point of view must be considered even if (only) the word 'leadership' is used.

A couple of emphases in particular can be recognized within research and theories on substitutes. Early on, the phrase 'substitutes for leadership' referred to certain situational determinants that have the potential for rendering the leaders incapable of influencing subordinate satisfaction very much. For example Kerr et al. (1974 according to Schriesheim 1997: 104) stated:

> *There are many instances where substitutes for leadership exist, which act to reduce subordinate dependency upon the leader, and consequently impair the leader's ability to influence criteria relationships very much for either better or worse. Thus, the existence of extensive government contracts, or rigid bureaucratic rules and regulations, can reduce subordinates' structuring-information needs almost to zero.*

In other instances the task may be totally specified by technology, or 'professional standards' and methodology may render the leader superfluous. In such cases attempts by the leaders to impose structure would tend to be viewed by subordinates as redundant, or merely as unnecessary to clarify the requirement that subordinates were expected to meet.

Theories on substitutes have also contributed to leadership literature, as noted by Schriesheim and Kerr (1977: 44, according to Schriesheim 1997) in the following quote:

The Path-Goal Theory does recognize that under some circumstances both goals and paths to goals may be clear, and attempts by the leader to provide clarification will be redundant and unnecessary. Even in such instances, however, the theory predicts specific consequences for subordinate satisfaction, morale, motivation, and acceptance of the leader. While certain leader behaviors are therefore recognized by the theory to be redundant and unnecessary in particular situations, in no situation are they explicitly hypothesized to be irrelevant. However, data from numerous studies collectively demonstrate that in many instances leader behaviors (as operationalized) are irrelevant. A potentially useful area for research, then, concerns the identification of those individual, task and organizational characteristics which may act as substitutes for leadership in their ability to negate the leader's ability to influence subordinate performance, satisfaction, etc. regardless of the leadership style employed.

Furthermore, Howell et al. (1990) extended the taxonomy underlying the substitutes for leadership theory and developed a set of statistical criteria for determining whether neutralizers, enhancers, supplements, and/or substitutes for leadership are operative in a particular situation (Schriesheim 1997). Howell et al. (1986, 1990) present a typology of moderators and mechanisms by which they operate. Schriesheim (1997: 104) explains the four types of moderators – neutralizers, enhancers, supplements and substitutes for leadership.

Neutralizers are variables which make it impossible for leaders to influence outcome criteria. Neutralizers do not directly correlate with criteria but serve to reduce, block, or cancel leadership-outcome relationships. Enhancers, in contrast, are variables which also are not directly associated with outcomes but which augment or serve to strengthen leadership-criteria relationships. On the other hand, supplements have their own relationships with criteria and do not neutralize or enhance leadership effects. Finally, substitutes for leadership are variables that make leadership impossible or unnecessary. Substitutes are directly related to subordinate outcome criteria and they block or cancel leadership-outcome relationships; they are therefore like neutralizers but have criterion relationships of their own.

Howell et al. (1990: 30) note that physical distance is an example of neutralizers since it does not "replace the leader's impact over subordinates" but rather creates "an 'influence vacuum' that can have serious negative consequences…and many recommended leadership practices have limited usefulness or are nearly impossible to perform". Other examples are reward systems and bypassing management structures. Leadership enhancers are "attributes of employees, tasks, and organizations that amplify a leader's impact on the employees. For example, cohesive work groups with strong norms in support of cooperation with management can crystallize ambiguous goals and role definitions, argument overly subtle leader-provided feedback, and otherwise increase the power of weak, inconsistent leaders – for better or worse" (Howell et al. 1990: 30, 32). A strong leadership substitute can spring up from a degree of intrinsic satisfaction that employees derive from their work task (Howell et al. 1990).

Referring to earlier achievements on this area of research (and partly also to the ideas of Howell et al. 1986), Jermier and Kerr (1997: 97) state:

> *...the greater importance of the substitutes framework lies in its emphasis on individual, group, task, and organizational processes outside the reach of formal, hierarchical leadership understood as 'superior—subordinate interactions'. This is what differentiates it from other models of leadership and is what can stimulate in the way of more sociologically inclined analysis of organizational behavior.*

These remarks refer to several suppositions and expectations that are easily connected with teams and team organizations, which will be discussed later. If teams are seen as a means of management, their use must be seen as a strategic solution that includes a decision to arrange supervision in new ways (Huusko 2006a). Furthermore, it seems obvious that enhancers in particular but other moderators as well are necessary considerations in situations where subordinates or team members have experienced significant changes in their superior-subordinate relations during their working years (Huusko 2006b).

To specify further, the main elements of a 'substitutes for leadership' theory point of view are:
- different kinds of arrangements have different kinds of impacts on superior work;
- the idea of moderators may reveal expectations that are contradictory; and
- diverging impacts may become more obvious as several changes take place one after another or even simultaneously (e.g. in a team organization).

LEADERSHIP ALONGSIDE MANAGEMENT

The aims to recognize substitutes for leadership and attempts to define features or duties of management and leadership sectors do not overlap. According to Higgs (2003), Kotter's (1990) work has opened up the nature of leadership. In this paper, management and leadership are both used for several reasons. The aim of this paper – an attempt to define 'sufficient and good superior work' – has both structural and functional backgrounds. The employer is allowed to arrange work as he/she wants, yet, at the same time, the employer has obligations to his/her employees. Personal action versus decisions concerning the whole staff must be organized according to legislation (Employment Contracts Act (55/2001) Chapter 2). Everyone's thoughts and perspectives of superior work are of interest due to compliance with the law and present-day understandings of organization theory (Hatch 1997).

Kotter (1990) addressed different kinds of managerial duties in organizations by dividing them into two groups: management and leadership. This division is shown in table 1, which was developed by Northouse (2004) following Kotter (1990).

Leadership has been described as complementing management, not replacing it. Both aspects are essential. Cooperation between management and leadership can be emphasized concisely by stating that management offers the structure to be utilized by leadership or management is interested in getting systems to work and leadership is interested in getting people to work (Kotter 1990, Huusko 2005). Theories of substitutes for leadership are based on an assumption that the implementation of leadership is more or less influenced by managerial decisions and arrangements. For example, detailed work rules, guidelines, politics and procedures can serve as substitutes, or computer-integrated manufacturing and networked computer systems may rely on technology to take over many of the supervisor's leadership functions (Howell et al. 2000). In this sense, management acts as a substitute, enhancer, neutralizer or supplement for leadership. Hence, Kotter's division can be a useful tool to explore how certain structural arrangements act as moderators, as Howell et al. (1986) argue.

Table 1. Functions of management versus leadership (Adapted from Kotter 1990: 3-8)

MANAGEMENT	LEADERSHIP
Produces Order and Consistency	Produces Change and Movement
Planning/Budgeting	Establishing Direction
> Establish agendas	> Create a vision
> Set timetables	> Clarify big picture
> Allocate resources	> Set strategies
Organizing/Staffing	Aligning people
> Provide structure	> Communicate goals
> Make job placements	> Seek commitment
> Establish rules and procedures	> Build teams and coalitions
Controlling/Problem Solving	Motivating and Inspiring
> Develop incentives	> Inspire and energize
> Generate creative solutions	> Empower subordinates
> Take corrective action	> Satisfy unmet needs

What is important for the focus of this article is the versatile nature of management and leadership.

TEAM ORGANIZATION AS A CONTEXT

This paper makes use of a definition of a team that is based on the idea of complementary skills and committed goals: "A team is a small number of people with complementary skills who are committed to a common purpose, performance goals, and working approach for which they hold themselves accountable" (Katzenbach & Smith 1998: 59). This definition involves an assumption that using teams results in clear changes in the organization of work. Reorganizing means going through the trouble to clarify the skills needed in new positions. Shifts in the positions between actors depend on the depth of the changes in the decision structure and how the top management sees and wants to see teams and their authority (Hamde 2000, Huusko 2003). Van der Vegt, Van de Vliert & Oosterhof (2003) have argued that creating the right match between task and goal interdependence is a big and important challenge for superiors.

Using teams is based on many assumptions, expectations and results that dovetail with discussions about substitutes for leadership. If the team structure is a strategic choice in an organization, what results is a transfer of responsibilities from supervisors to team members. These shifts of responsibilities include some kind of stance regarding the skills needed at different levels and different posts of an organization (Van Amelsvoort & Benders 1996, Katzenbach & Smith 1998, Hamde 2000, Huusko 2003, 2006a,b,c). As using teams concerns both supervisors and middle managers, it would be useful to remember what Katz (1955) wrote over 50 years ago. Katz argued that technical, human and conceptual skills are needed at every level of an organization. An additional point is offered by Sinclair (1992), who brings attention to team members' experiences of being abandoned.

Teams can be seen as means of broadening duties, enriching work, enabling feedback by interaction, using rotation of work and providing feelings of complete work and common goals. These elements refer to the feelings of satisfaction in work and partly to interaction in groups and teams (Bacon & Blyton 2005, Conno 2005, Kuipers & Witte 2005). Many of

these features refer to moderators within substitutes for leadership theories and to the premises of Path-Goal Theory as well.

It is useful to notice that the points of view briefly discussed above work at least partly against each other. Feelings of complete work and common goals may also cause "feelings of erased job classifications and un-defined positions" (Morgan 1989: 131). In addition "the whole notion of job enrichment and job enlightenment has probably been somewhat oversold. As somebody said recently, it really isn't much of an enrichment of the job if what you do is wash the spoons on Monday and wash the glassware on Tuesday" (Morgan 1989: 131).

Large amounts of earlier research concerning groups and stages in the movement from groups to teams emphasize internal relations that can both advance or hinder teamwork (Tuckman 1965, Sinclair 1992, Chen & Klimonski 2003). These findings hint at the moderators found by Howell et al. (1986). Teams are also used as means of lowering hierarchies. In such cases, supervisors are often let go with the notion that their duties can be covered within teams. If such situations are examined using Kotter's (1990) division, attention must be given to change processes. The planning and implementation of change processes should provide team members with sufficient means and capabilities to copy with broadening tasks. Different kinds of enhancers, neutralizers, substitutes and supplements of leadership must be recognized. Ouchi (1990) offers an interesting idea with his work on clans, which can be seen as one method of taking care of supervisory duties. Huusko (2006c) has questioned whether clans can be understood as teams.

In this paper, a team organization is explored as both a remedy for satisfying the challenges of modern work life and with respect to legislation. Therefore, the imaginable substitutes for leadership include a need for personal measures and activities but also possibilities for enhancers or neutralizers. Hence, internal supervision and feedback, feelings of working toward a common goal, job satisfaction and feelings of being left aside must be taken into consideration.

THE ELEMENTS FOR THE FRAMEWORK OF SUFFICIENT AND GOOD SUPERIOR WORK

The elements discussed above form the preliminary construction of a definition of sufficient and good superior work, which will now be empirically supported. To summarize, the aspects are:
1) A legislative background that includes a requisite skilled person who makes plans for arrangements concerning employees and delegation, as well as a requisite skilled person who acts with employees.
2) Change from close foreman to facilitators, distance between superior-subordinates, and systems as sub-supervisors.
3) Different kinds of arrangements have different kinds of impacts in superior work.
   - the idea of moderators may reveal expectations that are contradictory,
   - diverging impacts may become more obvious as several changes take place one after another or even simultaneously (e.g. in team organizations).
   - Path-Goal Theory (PGT)
4) The versatile nature of management and leadership: planning, organizing, controlling (POC) and establishing, aligning and motivating (EAM).
5) Internal supervision and feedback, feelings of having common goals, job satisfaction and feelings of being left aside must be taken into consideration.

The elements behind sufficient and good superior work are gathered together in table 2, which forms the preliminary arrangement for empirical examination.

Table 2. Preliminary elements behind sufficient and good superior work

1. Legislative conditions	2. Changes in superior work	3. Substitutes for leadership theories and Path-Goal Theory	4. Management and leadership	5. Team organization
person as a planner or an implementor, requisite skills	from close supervising to supervising from afar	enhancers, neutralizers, supplements, substitutes, PGT	POC, EAM	job satisfaction, internal feedback and supervision, common goals, being left aside

MATERIAL AND ANALYSIS

The material was collected for a larger investigation by asking workers to answer an open-ended question: "What kinds of things do you see as being sufficient and good work by your superior?[14]" The total number of responses for this question was 103 while the total number of respondents was 136. There was one respondent who could not provide an answer to this question and 33 respondents who declined to answer this question. There were 9 women and 93 men within the respondents. The age groups of the respondents are depicted in table 3.

Table 3. The age groups of respondents

Age group	Number	Percent
24-29	9	8,8
30-39	14	13,6
40-49	38	36,9
50-59	30	29,1
60 -	11	10,7
not indicated	1	0,9
total	103	100

The responses were read several times to identify and check the elements and contents of sufficient and good superior work. Both quantitative and qualitative preliminary results will be reported in this paper. The responses were analyzed by using the division by Kotter (1990) as a basis. The response notes (total 187[15]) were qualified by themes raised from the division. table 4 shows that the majority of notes are situated in the leadership area. Almost a quarter of the notes referred to management elements and contents.

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[14] The question in Finnish was: Mitä asioita mielestäsi kuuluu riittävään ja hyvään esimiestyöhön?
[15] Many respondents gave several responses.

Table 4. Absolute and percentage values of main groups of Kotter

MANAGEMENT	45 / 24%	LEADERSHIP	142 / 76%
Produces Order and Consistency		*Produces Change and Movement*	
1 Planning/Budgeting	15 / 8%	4. Establishing Direction	3 / 1,6%
2. Organizing/Staffing	23 / 12,3%	5. Aligning People	69 / 36,9%
3. Controlling/Problem solving	7 / 3,7%	6. Motivating and Inspiring	70 / 37,5%

The notes that belong to the management field refer to arrangements and elements such as structures, tasks and resources. Hence, they refer to those factors that, in theories of substitutes for leadership, are identified as moderators. According to Howell et al. (1986, 1990), different kinds of moderators can act as neutralizers, enhancers, supplements and substitutes. In addition, it is argued in Path-Goal Theory (Schriesheim & Kerr 1977, according to Schriesheim 1997) that both the goal and the path to the goal must be clear. These elements can be recognized in various combinations within the response notes. Three different kinds of examples can be given to demonstrate this.

> "Sufficient and good superior work includes the superior knowing the possibilities of his subordinates, their capabilities and skills to carry out their duties by moderate exertions. The superior ensures that work skills correspond to the level demanded, tools and other resources are in good condition and rewards are given at an appropriate level. The employer follows the well-being of his subordinates as well as encourages them." (man, 59 years old)

> "I guess today, it's more about keeping up-to-date. In the forest industry, one superior (such as us) has such a large amount of subordinates in a large area that personal contacts are minimal. It would be good if we met once in three months. I would consider a good superior to be supportive and one who supports people in the field by giving clear advice." (man, 30 years)

> "Adequate contact so that the superior knows how it's going and knows the circumstances in which the subordinate works." (woman, 42 years)

The emphasis of leadership activities sharpens as the notes are put under more specific topics. Elements and contents of sufficient and good superior work in team members´ responses are shown in table 5. As a result in them, the nature of leadership is opened, as Higgs (2003) argues. The question "What kinds of things do you see as being sufficient and good work by your superior?" encouraged certain kinds of responses from the respondents. In any case, the notes revealed the need for personal contact, highlighted from a legislative point of view.

Respondents consider sufficient and good superior work to include certain planning, organizing and controlling duties as well as establishing direction but especially aligning people and motivating and inspiring duties. As most of the notes fall under 5a. 'communicating goals' and 6a. 'inspiring and energizing', the content of these categories will be further explored.

Table 5. Elements and contents of sufficient and good superior work in team members´ responses

MANAGEMENT	45	LEADERSHIP	142
Produces Order and Consistency		*Produces Change and Movement*	
1. Planning/Budgeting	**15**	**4. Establishing direction**	**3**
a. Establish agendas	2	a. Create a vision	1
b. Set timetables	9	b. Clarify big picture	2
c. Allocate resources	4	c. Set strategies	0
2. Organizing/Staffing	**23**	**5. Aligning people**	**69**
a. Provide structure	3	a. Communicate goals	62
b. Make job placements	2	b. Seek commitment	1
c. Establish rules and procedures	18	c. Build teams and coalitions	6
3. Controlling/problem solving	**7**	**6. Motivating and Inspiring**	**70**
a. Develop incentives	0	a. Inspire and energize	41
b. Generate creative solutions	0	b. Empower subordinates	4
c. Take corrective action	7	c. Satisfy unmet needs	25

The 'communicate goals' category includes different kinds of statements that refer to a need for personal contact. The responses were put into this category box if they included words that referred to aligning a person/people and/or references to communication or contact. Some examples of key words relevant for this group are: "(sufficient) communicating with subordinates (man 46, man 25, man 41)", "open discussion about issues" (man 49), "attainable as the need arises" (woman 29), "flow of information and information is most important" (man 57), "easy to approach" (man 47), "(more) appointments with superior" (man 54), "continuous personal contact" (man 48), and "listen sufficiently to his subordinate" (man 62).

The full response notes are shown below.

> "A superior is accessible as the need arises, he listens to his subordinates and his issue ...He has time for his subordinates. The physical distance is not a problem as far as there are no bigger problems. But if problems arise, the distance from the superior causes a large amount of responsibility to be placed onto the team and onto the closest co-workers. ... How does a man act if the problems are due to co-workers and the team (for example, discriminating, tormenting, etc.)? Then you do not have a superior to pay attention to or to intervene in the situation, then the one who is tormented has to tell on his co-workers to the superior." (man 30)

"Personal contact. A superior should know what a subordinate generally does and how well. Discussions of development." (man 52)

"Also, personal meetings, listening and individual treatment. Feedback. Correct intervening in issues, not marked in minutes. Solutions." (woman 27)

The lack of notes referring to teams as a source of feedback, support or supervision is clear. For this reason, the need for personal contact and interaction with a hierarchical superior is emphasized. Some responses seem to be realistic with the prevailing situation while some seem to have hope for more intensive action from supervisors.

The other distinguishing group of responses was for category 6a. 'inspire and energize', which got 70 notes. Most of them were short impressions about "feedback" (man 56, man 26, man 29, man 53, man 60), "feedback always it is grounded" (man 46) and "clear and continuous feedback" (man 45). When addressed as a whole, 'inspire and energize' included responses such as the following.

"A supervisor has to be equitable to everybody and understand different kinds of people. Goal setting must be proportioned to an employee's mental and physical capabilities to work. Encouragement in a suitable situation can save the day." (man 39)

"Good manners and requisite quick and firm feedback as needed. Good motivating skill." (man 40)

"Matter-of-fact feedback. Also, pointing out what needs development." (man 50)

"Knows and is familiar with the strengths and weaknesses of subordinates. Gives praise for success and feedback on things that they are doing poorly." (man 64)

Subordinates need feedback and incentives. They seem to be very important elements of sufficient and good supervisory duties. What seems almost totally lacking in box 6a. are comments concerning teams or the intrinsic satisfaction that employees derive from their work, as discussed earlier. In addition, none of the respondents mention computer-aided systems, networks or ability combined with experience, which are suggested as supplements or substitutes for leadership, as feedback or incentives methods (Howell et al. 1990, Huusko 2006c).

CONCLUSIONS AND DISCUSSION

Legislative demands were included in this discussion to provide a normative background for the concept of sufficient and good superior work. Basic labor laws address the need for personal contact, at least to some extent. The phrase "under employer's consideration" appears in respondents' comments in a similar way as in earlier investigations (Huusko 2006b). This element, together with feedback and encouragement, gets very strong support within preliminary empirical investigations in a team organization. Hence, Tayloristic settings persist even in modern day organizations, although they aim to offer possibilities for satisfaction in work, intrinsic feedback within interesting duties or self-directed teams.

Also, other theoretical frameworks raise interesting perspectives. By combining theories concerning substitutes for leadership that identify moderators (Howell et al. 1986) and create substitutes (Howell et al. 1990) with Kotter's division and suppositions concerning teams, the

whole reveals contradictory elements. This may indicate a lack of understanding of legal requirements, a lack of skills in new positions (Huusko 2006a), a lack of requisite support in developing norms and structures that consistently produce feedback (Howell et al. 1990) or a lack of understanding about distances between parties. More and detailed investigations are needed to find out how these contradictory elements work. Computer-aided management systems have been offered to substitute supervisory duties in many organizations. In precisely defined, every-day duties, this may work, but these systems are not suitable to personal feedback (Huusko 2006c). Neither systems nor elements of a team organization appear to "provide task guidance or incentives to perform to such a degree that they virtually negate the leader's ability to either improve or impair subordinate performance" (Howell et al. 1990).

IDEAS FOR FURTHER RESEARCH

Both the preliminary theoretical framework and the empirical results demonstrate that it is useful to continue with the question of sufficient and good superior work. The combination of substitutes for leadership theories and the management-leadership division by Kotter looks promising. Furthermore, the legislative point of view contributes to the entirety. The idea of moderators and especially their contradictory nature could also contribute to team research. The preliminary empirical investigations provide reference to possible factor analyses in the future. In addition, international cooperation could help to determine new elements of sufficient and good superior work in a changing workplace.

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PART III:

HRM, EMPLOYEE ATTITUDES AND ORGANIZATIONAL BEHAVIOR

14. COMMITMENT BETWEEN EMPLOYEE AND ORGANIZATION EXAMINED IN FINNISH ICT AND PAPER BUSINESS SECTORS

Pia Heilmann

ABSTRACT

Commitment between employee and organization is an important factor when considering employee well-being and his/her willingness to maintain the membership in an organization. In this paper commitment is examined in Finnish ICT and paper organizations. What are the factors that commit person to an organization? Commitment is a two-way contract between the employee and the organization. From the employee side it is the willingness to maintain membership in an organization, trust in and acceptance of the values and goals of the organization, and willingness to struggle harder to bring benefit to the organization. (Curtis and Wright 2001) From the employer side commitment is valuating and treating employees as valuable associates in business. The organization wants the best employees to stay, grow and prosper as the business succeeds, and there is a need to show signs of commitment to attract and hold on to workers. (Bragg 2002)

The research concerns two sectors of business: pulp- and paper industry (paper sector) and information and communication technology industry, especially software industry (ICT sector). These two sectors represent the most important business sectors in Finnish economy. The research data were gathered in 2002 by interviews in Finnish ICT and paper companies where 30 managers were interviewed.

The most important thing that contributed to the commitment of the ICT managers to the sector and to the company was the competence that they had developed through education and experience. After that came interesting tasks, good workmates and loyalty towards the organization. Important factors at work are social contacts with colleagues and interesting tasks where development of intellectual abilities is a great joy. The managers interviewed expected their employers to maintain their side of the psychological contract; the managers wanted to trust that if they did their tasks carefully, the employer would keep them employed. In committing to the ICT sector good relationships with one's colleagues and a collegial view seemed to be essential.

An emphasis on commitment appeared to occur in the paper sector mainly in the beginning of the employment contract. Employees were acquainted with their new tasks and the organization, but less importance seemed to be placed on the continuous commitment of a person than in the ICT companies. Commitment was seen to happen once, alongside the occasion of entry and socialization and it occurred in the form of education. The most important commitment factor among the paper managers was locality. The work of the spouse, schools, summer cottages and redidence kept the managers in the present place. Competence, development possibilities and workmates came next. Earning potential as a commitment factor seemed to be important when choosing the area of studies. Income was more often a hygiene factor (see Brooks 1999, 57) in the career. The managers thought that compensation should be reasonable but it was not the reason for committing to the organization.

Keywords: commitment, manager, ICT and paper business sector

INTRODUCTION

Commitment is a two-way contract between the employee and the organization. From the employee side it is willingness to maintain membership in an organization, trust in and acceptance of the values and goals of an organization, and the willingness to struggle harder to bring benefit to the organization. (Curtis & Wright 2001) From the employer side commitment is valuating and treating employees as valuable associates in business. Organization wants the best employees to stay, grow and prosper as the business succeeds, and there is a need to show signs of commitment to attract and hold on to workers. (Bragg 2002)

This research concerns two sectors of business: pulp- and paper industry (paper sector) and information and communication technology industry, especially software industry (ICT sector). These two sectors represent the most important sectors of business in Finnish economy. ICT and paper sectors are very different fields of business. Paper sector has a long history, old employees; and it is not influenced by rapid changes in economy. ICT sector is a newcomer among Finnish labour market, has young employees and is more vulnerable to changing economic conditions.

COMMITMENT

Organizational commitment is commonly conceptualized as an affective attachment to an organization characterized by shared values, a desire to remain in the organization, and a willingness to exert effort on its behalf (Mowday et al. 1979). Reichers (1985) conceptualizes commitment as side-belts (the rewards and costs of organizational membership), attributions (the "binding" of the individual to behaviour over a period of time) and goal congruence between the employee and the organization. Most theorists agree that organizational commitment can be seen in terms of two dominant dimensions: affective and calculative, or continuance commitment. Affective commitment is an attitudinal phenomenon related to personality traits and job-related factors, and leads to the willingness of an employee to support organizational goals. Calculative or continuance commitment is the result of an employee's perception that organizational membership will serve his/her self-interest and results in the continued participation of the individual in the organization. Commitment to an organization and its goals as well as the intent to stay with the organization are seen as desirable outcomes promoting positive organizational citizenship behaviour, reduced turnover, increased productivity and job satisfaction (Mir et al. 2002: 189).

Employees have begun to understand that hardly anybody has a lifelong career in one company. The employee cannot trust that if he/she serves the employer well the salary will continue to be paid every month. Loyalty between the employer and the employee is changing. The psychological contract, the informal unwritten understandings between the employer and the employee have changed (See also Arnold 1997: 39 and Lindstöm 1999: 51). The concept of the psychological contract can be defined as an exchange agreement of promises and contributions between two parties, the employee and the employer (Janssens et al. 2003: 1350). Chris Argyris (1960) is originally responsible for the concept of psychological contract. Psychological contracting between an individual and an organization is the process, which holds the whole organizational enterprise together. It is the invisible glue, which binds individuals to the organization over time.

The psychological contract between the employer and the employee seems to be changing. Employers can no longer offer job security and long-term career opportunities but they are responsible for providing their employees with an environment for growth and learning so

that the employees gain the experience and training needed to be employable in the organization or elsewhere (Janssens et al. 2003: 1350). Traditionally the psychological contract embodied values of mutuality and reciprocity. However there is movement towards contracts that represent a more calculative and instrumental relationship between employees and their work organizations. One effect of this new contract has been that traditional onwards-and-upwards planned, accessible, and secure careers are being replaced by an 'over-to-you' philosophy where ownership and responsibility for career management are transferred or delegated to the individual employee (McDougall & Vaughan 1996, McCarthy & Hall 2000). Mir et al. (2002) assume that the dominant paradigm of the employee-organization relationship has begun to shift from a psychological contract to a model of economic exchange, where individual self becomes responsible for his/her own career (McDougall & Vaughan 1996, McCarthy &Hall 2000).

The Finnish Ministry of Labour has predicted that in the next 10 to 15 years the labour markets will face labour shortages because of the retirement of the baby boomers and the high turnover of labour. The shortage will concern both basic labour and those of top know-how (Ministery of Labour, 2002). In a situation of labour shortage the employees will have more possibilities to choose between employers. Organizations will then face a core question of how to keep the personnel in the organization? Labour shortage will be the reality in both business sectors of the present study in the near future. The ICT sector already suffers from a lack of qualified personnel and the paper sector will be confronted with labour shortage when the generations will retire. However, the labour shortage will affect the paper sector's professional fields differentially.

Employer Commitment, Organizational Willingness to Keep Employees

Commitment has an important role in organizations. Whitener (2001) has stated that organizations with committed personnel have achieved higher degrees of production, as well as better profits and effectiveness compared with organizations where the turnover of workers is higher (see also Bragg 2002). King (1997) has presented a reaction chain where the efficacy of commitment leads the employee to improve the quality of his/her work, which enhances productivity in the organization. High productivity lowers costs and enriches the quality of working life. From the savings based on productivity it is possible to pay better wages and offer more training for personnel. This loop increases commitment.

Employer commitment comes in four types: want to, have to, ought to and non-committed. Employers who want to be committed to their employees do what is necessary to create an attractive working environment. They value employees and treat them as valuable associates in the business. They want the best employees to stay, grow and prosper as the business succeeds. Other employers are committed to their employees only because they have to show some signs of commitment to attract and keep workers. These employers satisfy the legal requirements for compensation and safety and do what is necessary to stay competitive. Most employers fall into this category. Because the competition for employees is hard, employers often feel trapped by legal obligations for treating workers well. Some employers are committed to their employees because they think they ought to. They feel obliged or they believe that commitment is the right thing to do. A fourth category is employers that are non-committed. These employers run sweatshop operations where the employees are treated as pieces of equipment necessary to get the job done. Although many factors affect employee commitment to employers, three contributors stand out as primary drivers: fairness, trust and concern for employees. They are also prerequisites for employee commitment and loyalty (Bragg 2002: 19 – 20).

The goal of HRM is to ensure that the quantity and quality of personnel meets the needs of the organization and that the personnel is motivated and strives towards the company's goals (Vanhala et al. 1997: 210 – 211). The HRM function has the responsibility for finding and developing new ways of attracting, retaining, motivating and developing skilled knowledge workers (Despres & Hiltrop 1995). In order to gain the contribution of an employee, he/she should be willing to deliver it to the organization. Pardon and Kleiner (2000) state that the right way to commit personnel is recruiting the right persons, training the existing personnel and making necessary adjustments. Open communication and sympathy are the keys to the whole process. In order to get an employee committed to an organization he/she should be emotionally attached to the organization and feel that departing will be a personal sacrifice and that he/she has a responsibility to stay in the organization (Curtis & Wright, 2001). Maybe the oldest way to improve commitment is to offer an adequate reward, but this seems to be losing its effect. Payment is only one hygiene or extrinsic factor in motivating people, the real motivators are a sense of achievement, recognition, work itself, responsibility, advancement and personal growth (Brooks 1999: 57).

The type of employment, whether it is permanent or fixed term work, may have an effect on the person's commitment towards the organization. In the present study all of the managers had permanent contracts so this dimension is not evaluated. The organization can help the employee in the beginning of the employment by using a sort of induction process in order to familiarize the person with the organization. By increasing the employee's self-esteem and offering a motivating environment the organization can provide the birth of strong commitment (Allen & Meyer 1997: 72 – 73).

In this study employer commitment is understood as a way an employer value employees. The manner of treating employees, particularly entry level employees, is assumed to be important in determining eventual employee commitment. Are employees treated as valuable associates in the business from the beginning of the employment?

Employee Commitment, Personal Willingness to Stay in an Organization

There are several definitions of commitment. According to Buchanan (1974), commitment to an organization is
1) identifying, adopting the goals and values of an organization
2) internalizing, understanding and adopting the tasks of the employer
3) loyalty, attachment to an organization and the feeling of belonging

Porter et al. (1974) define commitment as follows:
1) strong belief in and acceptance of the organization's goals and values
2) a willingness to exert considerable effort on behalf of the organization
3) a definite desire to maintain organizational membership

Curtis and Wright (2001) have cited Mowday et al. and divided commitment to three parts:
1) willingness to maintain membership in an organization
2) trust and acceptance in the values and goals of the organization
3) willingness to struggle harder, benefiting the organization

Bragg (2002) states that employee commitment, like employer commitment comes in four types: want to, have to, ought to and non-committed. The best type is "want to" commitment. In the extreme, these are the truly dedicated and loyal employees. "Have to" commitment is another type of employee commitment. People who have to work for their employer are trapped employees. They stay for many reasons. Some stay because they cannot find other

jobs or because they are not employable elsewhere. Trapped employees would leave if they could, but they feel they cannot. The third type is "ought to" commitment. These are the people who stay because they feel obliged to their employer. Perhaps their employer gave them a job when they badly needed one or they have a value system that says staying with their employer is the right thing to do. The non-committed are not committed to staying and are actively looking for other employment. These workers are halfway out of the door. In today's market, they make up about 25 to 30 % of the workforce (Bragg 2002: 19).

Allen and Meyer (1997) have identified common features in the different definitions of commitment to an organization. They define commitment as a psychological condition that describes the employee's relation towards an organization. This condition has an impact on the decision to maintain membership in the organization. Allen and Meyer have presented a three-dimensional model of commitment. The three components of the model are affective commitment, which represents a person's emotional attachment to the organization, normative commitment, which is based on a person's obligation to the employer organization, and continuance commitment, which refers to transactional costs of leaving the organization.

Factors that affect the commitment of a person are personal characteristics (e.g. gender, age, marital status, education, duration of stay in organization, character, values, expectations), working experience (e.g. fulfilment of expectations, reward system, career progression possibilities, personal relations in the organization, personal ranking in the organization), work role (wide and challenging tasks, interest, autonomy, significance, responsibility and power in the organization, clarity of work role) and organizational structure (organization's age, managerial traditions, size of the organization, control system) (see e.g. Allen & Meyer 1997).

Curtis and Wright (2001) have defined different factors influencing commitment. Group cohesion is important because a person wants to be a team member. The most common reason for leaving an organization is a conflicting situation between the employee and the supervisor. Therefore the supervisor should have leadership education and training in resolving conflicts. The employee should know his/her responsibilities and should receive feedback and appreciation. Employees should be allowed to take part in organizational work, when their ideas appreciated they will express them more willingly. Creating self-managed teams and allowing employees to answer for decisions creates responsibility within the employees. Certainty of employment is one signal of an employer's commitment to employees. Recruitment increases commitment by informing personnel that only the best applicants will be selected. Incentives and relatively high rewards connected to organizational performance assist in a person's commitment to the organization. Organizations that invest in education improve the commitment of personnel. Decrease of status differences will increase the commitment level in the lowest level of the hierarchy, but it can also decrease it on the higher level. Open communication will enhance organizational commitment. Better pay and career opportunities can enhance commitment to the organization. Loyalty to the employing organization appears to be also highly dependent on professionals' opportunities for career advancement and the criteria used in the distribution of rewards, such as pay and promotions. Being a professional typically involves a life-long career, and if the employing organization does not facilitate the advancement of one's professional career, then professionals are less loyal to the organization (Wallace 1995). Viljanen (2001) divided organizational commitment into three parts: commitment to career, work or work community. Career commitment reflects people's expectations and demands towards their careers as well as intentions to live up to those expectations (Chang 1999).

Mir et al. (2002) have examined changing employee-organization relations. According to them "the new age employees" have substantially different expectations from organizations – stemming from their own articulateness about their career needs, as well as mistrust of organizational loyalty in the aftermath of the recent waves of organizational downsizing. New age employees are expecting more equitable treatment in the workplace and have the potential to transform the workplace landscape for the better. Such employees want to be responsible for their work and the results produced, they want acknowledgement for their contributions and they want their tasks to be matched to their strengths. Employees now require training on a continual basis, information on how the organization is performing, constant feedback on their progress, proper tools to assist them in achieving their goals, and reward systems that are commensurate with the tasks they are performing. They also demand and receive higher compensation for their work. However, entry level professionals are increasingly prepared to settle for lower wages in favour of a quality social life. The new age employee will quickly become disenchanted if the employer does not keep recruiting promises; they expect honesty and understanding of their values. In addition the new age employee will be self-motivated to develop a career path. The new workforce is quite articulate about their needs and expectations in the workplace, focusing on dependable childcare, health and retirement benefits, opportunities for advancement and fair compensation. At the same time they display scepticism about their expectations regarding employer commitment (Mir et al. 2002: 187 – 188).

Retention and loyalty have often been used to mean commitment. Here commitment is used to explain both the employee's commitment, the appropriate loyalty towards an organization, i.e. commitment on personal level and employer commitment, how an organization keeps and commits personnel. In this study employee commitment is understood as willingness to maintain membership in an organization. An important question is: are employees truly dedicated and loyal to organizations? Also, what makes employee to commit to organization?

ICT AND PAPER BUSINESS SECTORS IN FINLAND

Kivistö and Kalimo (2002) have analysed work, resources and well-being of ICT professionals. The work in ICT sector was experienced demanding but also quite secure. The most affecting things to person's well-being are personal resources, good self-esteem, skill of balancing work and home matters and good education. From external resources the security of work, satisfactory content of work, and developing and influencing possibilities in work were named. In this research the ICT managers worked in software development projects.

The paper companies in this research produce pulp, paper and paperboard. Personnel of paper companies are experienced and aging. The average age of the personnel is high and many will retire in the near future. Finnish forest companies have experienced a radical transformation during the last two decades. Companies have been purchased, there have been mergers, operations have become more international and companies have renounced some business areas (Alajoutsijärvi and Lilja 1998, 18-19). Technical development has caused growing demands for competence and training. Because of this development the number of employees has decreased in the forest sector, but because of aging the need for recruitment is rapidly increasing (Metsäteollisuus ry. 2000: 57).

RESEARCH DATA

The research data were gathered in 2002 by interviews in Finnish ICT and paper companies where 30 managers were interviewed. In every interview also a short questionnaire was used concerning career anchors.

FINDINGS

Togetherness

Work communities are unique and permanent social combinations created by individuals. Communities are socially unique combinations of people. It is possible for communities to create original cultures with their own values, norms, attitudes, habits etc. Cultural characteristics arise collectively from joint experiences. Culture arises on the basis of the socialization process (Aaltio-Marjosola 1992: 39, 46 - 47). According to Kanter (1972), commitment leans on the feeling of uniqueness typical of one's own work community and not common in other work communities. When a person is socialized into the organization, he/she will not change the work place on impulse. In this research, the sense of *togetherness* inside the ICT companies is eye-catching. The ICT personnel create a tight community, almost like a family, inside the company. There were many factors common to all the ICT managers interviewed. A majority of them worked in the software development process; content of their work was quite similar. They were quite homogenous in terms of their educational background, age and gender. In addition to the kind of strong culture (see Aaltio-Marjosola 1992: 42) inside the company, the managers' life course was in the same phase: the ICT managers shared the same situations in their private lives. Each of them had finished their studies, bought homes, gotten married and created families. They knew each other well, shared collective leisure time activities and associated with each other in their free time. At work these people shared the same values, corporate vision and mission. They all knew in what direction the company was going and why. Commitment rose from doing work together, people were interested in what they did and how they wanted to develop. The company had made a commitment to group by giving them freedom to develop and by informing them about the strategy of the company. In addition to that the camaraderie with their colleagues and the communal feeling inside the company had also a great impact on the commitment of the individual. Yet there might be questions about the one-sidedness of the group's social intercourses: that is, is it good for you if you associate with the same people both at work and in leisure time? Answers to this question were not found within this research data.

The feeling of togetherness identified among the ICT managers did not surface among the paper managers in the same way. Paper managers accomplished their tasks at work but spent their leisure time outside the work community.

Commitment Factors in the ICT Industry

The most important thing that contributed to the commitment of the ICT managers to the sector and to the company was the competence that they had developed through education and experience. After that came interesting tasks, good workmates and loyalty towards the organization. Here the connection to the Law of Linus can easily be observed (Torvalds 2001, Lampikoski 2003), i.e. important factors at work are social contacts with colleagues and interesting tasks where development of intellectual abilities is a great joy. The managers interviewed expected their employers to maintain their side of the psychological contract; the managers wanted to trust that if they did their tasks carefully, the employer would keep them employed. In committing to the ICT sector good relationships with one's colleagues and a collegial view seemed to be essential.

> *"I can't do anything else! Such a basic competence has developed, some understanding and know-how about this kind of software. It would be frightful to change to another business area." (ICT manager)*

"The most important thing is that all my friends work here. Maybe I have been living life through work or almost all of my friends have chosen the same place of work. The fact that commits me to the sector is that I am not able to do anything else." (ICT manager)

"Employment contract. Loyalty. Particularly that it is two-sided. I do not want to be the only giving side of the contract." (ICT manager)

"Interesting work. Everybody does not have a possibility to do this kind of work in the ICT sector." (ICT manager)

"The work itself, it is meaningful and interesting. We have a very nice crew here." (ICT manager)

A question concerning stock options was not directly asked in the interview, but in the ICT sector options are used and were mentioned when commitment was discussed. However, options seemed to be more like extra income to employees than stimulus for commitment. In the paper sector stock options were not brought up in the interviews. In the ICT sector also visions, missions, values and strategies were mentioned as important to building commitment among personnel. These things were marketed and widely communicated to the entire work force. Commitment in the ICT sector seemed to be both reactive, based on factors on employee-side such as collegiality and shared leisure time, and proactive from the part of the company including the offering of challenging work, development opportunities, and the encouragement of- a shared culture.

In the ICT organizations the importance of continuous commitment seemed to be taken more seriously than in the paper sector. This may arise from the insufficiency of a competent labour force in the ICT sector. In all the ICT companies studied a prepared induction system was used at the beginning of employment. In the ICT sector continuous commitment was taken care of by informing and involving the managers in business actions and company development, by giving them challenges and education. The ICT companies were much smaller than the paper companies and maybe the sense of solidarity and togetherness was easier to construct and maintain in smaller companies.

Commitment Factors in the Paper Industry

An emphasis on commitment appeared to happen in the paper sector mainly in the beginning of the employment contract. Employees were acquainted with their new tasks and the organization, but less importance seemed to be placed on the continuous commitment of a person than in the ICT companies. Commitment was seen to happen once, in the occasion of entry and socialization and occurred in a form of education.

The most important commitment factor among the paper managers was locality. The work of the spouse, schools, summer cottages and residence kept the managers in the present place. Competence, development possibilities and workmates came next. Earning potential as a commitment factor seemed to be important when choosing the area of studies. Income was more often a hygiene factor (see Brooks 1999: 57) in career. The managers thought that compensation should be reasonable but it was not the reason for committing to the organization. Laurila (1997) has mentioned the tradition of locality among paper managers, the managers begin their career on the mill-level of the organization and build their career inside the company. Younger managers are more directed to cosmopolitanism, however.

In the paper sector companies the feelings of togetherness feeling was not visible like in the ICT companies. The paper companies were larger than the ICT companies and the structure of the personnel was more diverse. Employees interviewed in the paper sector structured their existence as being a part of a large and safe company with a long history. Their commitment was not based on similar work tasks, congruent education, same life phase, gender, age or common leisure time activities as it was in the ICT sector.

The concept of a psychological contract in transition also came up among the paper managers. It was possible to identify growing thoughts of a new career among managers (see Arthur and Rousseau 1996: 370 – 380). Some paper managers followed the job markets outside the company. These thoughts may arise from a mistrust of organizational loyalty in the aftermath of the recent waves of organizational downsizing (Mir et al. 2002). There seemed to be mistrust and uncertainty towards the employer. The psychological contract between the employer and the employee was not necessarily certain anymore. This came up when some managers described how they were following what was happening in the world outside the company and taking care to make sure their competences were up to date. One manager found it dangerous to be completely committed to one company because in such a case the company has the possibility to do almost anything it likes to the employee. Many managers also indicated that they had not made an employment contract for life with their present employer, that "everything was on sale". The paper managers appeared to trust their own competences and also were concentrating on maintaining their employability (see Gratton and Hope Hailey 1999: 81) by continuous learning. They did not feel uncertain about the future: something will come up and their competencies will be needed also in the future.

> "The company has a good profile. My spouse works here and it commits me to this place. And schools for children, cottages, houses." (Paper manager)

> "Living here makes it hard to change place and firm." (Paper manager)

> "In fact, it represents dangerous thinking if you should say that you are completely committed to some company. In that case the company could do anything it wants to the employee. Good working possibilities, this is a large company and it gives possibilities to follow one's own aspirations and desires." (Paper manager)

> "Everything is on sale, I haven't made a life-time contract with the company. Maybe it is typical for younger generation not to have such strong values, the person working for a certain company from childhood. Feeling some kind of penchant for the company, finding it impossible to leave the firm." (Paper manager)

In only one company in the paper sector did a manager mention a controlled familiarizing system of new employees. In that particular company commitment was something that was emphasized mostly at the beginning of employment. While employees were given suitable education in most cases, the importance of continuous commitment did not rise in the discussions in the paper organizations.

CONCLUSIONS

The conditions in business have become more crude, the role of an enterprise is often solely to bring profit to the owners. There is no need to take so much care of continuing employment contracts. Uncertainty about secure contracts makes people develop their competencies continually. Younger employees have accepted this change more easily than older ones.

ICT managers leaned on their own gained competence. Also interesting tasks, good workmates and loyalty towards the organization were mentioned as committing factors. ICT managers wanted to trust that if they did their tasks carefully, the employer would keep them employed. As Curtis and Wright (2001) stated the group cohesion is an important factor in connecting people to organization. Good relationships with one's colleagues and a sort of togetherness between colleagues were important especially to ICT managers. Stock options were not mentioned as an important stimulus for commitment. Commitment was created in ICT organizations by informing the personnel about the company visions, missions, values and strategies. ICT companies took seriously the importance of continuous commitment of personnel.

Commitment in the ICT sector seemed to be both reactive, based on factors on employee-side such as collegiality and shared leisure time, and proactive from the part of the company including the offering of challenging work, development opportunities, and the encouragement a shared culture.

In the paper sector commitment seem to be synonymous to familiarizing. Less importance was placed on the continuous commitiot of a person than in ICT companies. Most important commitment factors in paper sector were locality, work of the spouse, schools, summer cottages and residence. Competence, development possibilities and workmates came next. In the paper sector the feeling of togetherness was not as visible as in the ICT companies.

Paper managers mentioned that the psychological contract between a person and organization is in transition. Managers took care that their own competences were up to date and followed what was happening in the world outside the company. They that trusted their competence will protect them against possible changes in their work. They were more self-made men than fully committed to their present organizations.

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15. EMPLOYEE WELLBEING IN KNOWLEDGE WORK – BETWEEN HUMAN RESOURCE MANAGEMENT AND INNOVATIVENESS

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ABSTRACT

In knowledge intensive organisations, innovation is an important measure of organisational performance. Yet HRM literature has paid limited attention to how to support the innovativeness of individual employees, in particular in relation to wellbeing. Applying the Job-Demands and Resources Model, this theoretical paper examines the linkages between HRM, employee wellbeing and innovativeness. We argue that in the context of knowledge work, employee wellbeing is a central factor in influencing employee willingness to produce continuous innovative improvements. Consequently, by building on the resources and buffering against the demands inherent in every job, the role of HRM is increasingly about supporting employee wellbeing in order to create conditions in which creativity can flourish and employees are innovative. The implications of the proposed model for future research are discussed.

Key words: employee wellbeing, innovation, innovativeness, HRM, Job Demands-Resources Model

INTRODUCTION

In the context of knowledge work, organisational performance increasingly equals to continuous innovation. At the heart of all organisational innovation lie creative ideas and it is individual employees who, alone or in groups, generate, promote, discuss, modify and realize these ideas (Scott & Bruce 1994). It is therefore not surprising that the question of how to promote employees' innovativeness presents a key HRM challenge that both academics and managers are facing. Although researchers have accumulated a significant body of literature about the antecedents to organisational innovation at individual, group and organisational levels (see e.g. Shalley & Gilson 2003, Anderson et al. 2004 for reviews), to date our knowledge about how HRM can support the innovativeness of an individual employee remains relatively scarce (Shipton et al. 2006). In particular, innovation research has paid little attention to the role that employee wellbeing may play in employees' innovative performance (Anderson et al. 2004, Länsisalmi 2004). In this paper, we consider 1) the role of employee wellbeing in influencing employee innovativeness and 2) how HRM can support the innovativeness of an individual employee.

Innovativeness, an individual's propensity to innovate, is about the employee harnessing his/her skills, knowledge, creativity and experience for the benefit of the work group and the organisation (West & Farr 1990). It is largely about commitment to continuous change, involving extra role behaviours that go beyond the formal job requirements. Innovativeness is also about risk-taking in conditions in which the benefits of innovative efforts are uncertain (West & Farr 1990, Wolfe 1994). An employee who evaluates his/her job and everyday work in negative terms is unlikely to be committed to constant development and renewal and to go the extra mile that innovativeness requires (Ramamoorthy et al. 2005). In our view, employee

wellbeing, which we define here as *work engagement,* capturing an enduring, positive and fulfilling affective-cognitive state of mind at work and *lack of exhaustion*, plays a central role in employee innovativeness (Schaufeli & Bakker 2004). Our main argument is that HRM should focus on supporting employee innovativeness through the promotion of employee wellbeing, in particular in conditions where corporate performance depends on innovation.

The structure of this paper is as follows. We will start by discussing what we understand by the concept of innovativeness and by reviewing the existing HRM literature that looks at innovativeness. We will then move on to examine the role of employee wellbeing (captured as work engagement and lack of exhaustion) in innovativeness and discuss its role as a mediator in the relationship between HRM and innovativeness. By applying the Job Demands and Resources model, we will then move on to propose a framework for how HRM can support employee wellbeing and innovativeness in the context of knowledge work. We conclude by discussing the implications of the proposed model for research.

HRM SUPPORTING EMPLOYEE INNOVATIVENESS

Defining Innovativeness

In the context of knowledge work, intellectual capital is the main asset and employee performance is increasingly about identification of new problems and production of novel solutions (Alvesson 2004). Central to knowledge work is innovation, which can be defined as the intentional *generation*, *promotion*, and *realization* of new ideas within a work role, group or organisation, in order to benefit the individuals involved in the process of innovation, the group, or the organisation (West & Farr 1990). Creativity is a part of innovativeness, but the concepts are not synonymous. Innovation can be seen as a successful and intentional implementation of creativity, which is more subjective and context specific by its nature (Miron et al. 2004). Creativity as such may be limited to idea generation alone but by definition innovation produces benefits for the people involved (Anderson et al. 2004).

Employee innovativeness in the workplace concerns employee's propensity to innovate. Following the definition of innovation, innovativeness can be conceived as complex behaviour consisting of three components: idea generation, idea promotion and idea realization (Kanter 1988, Scott & Bruce 1994). Innovativeness requires an internal force that keeps the person going until the challenges inherent in the innovation process are successfully overcome: it is about a positive tension and desire to excel (Huhtala 2004). Consequently, employees' initiative, flexibility, perseverance and willingness to go beyond their actual goal accomplishment in order to come up with novel and organisationally beneficial ideas characterise innovativeness (Georgsdottir & Getz 2004). Individuals undertake innovative activities with the intention to derive anticipated benefits from innovative change. Typically, 'simple' incremental innovations are developed on an individual basis whereas more complex innovations require team effort and a mix of knowledge, competence and work roles (Kanter 1988).

Although the three stage of innovation - *generation* stage, *promotion* stage and *realization* stage (Kanter 1988) may suggest a straightforward process, researchers of innovative processes are unanimous about one thing: innovative processes are non-linear, complex and involve several facets of the organisation, its members and environment (Thamhain 2003). By definition, the innovation process involves ambiguity and controversy, and one innovative course of action is often in competition with alternative courses of action (Kanter 1988). Consequently, innovativeness is about complex and situation specific attitudes and behaviours. There is seldom one single correct way of carrying out the work or solving a

problem. It disrupts existing patterns of routines, thought and life, thereby causing insecurity among persons who are affected by the innovation. Consequently, innovativeness is risky and may lead to unintended costs for the innovators involved despite the intentions to produce benefits (Janssen et al. 2004).

About HRM and Innovativeness

HRM can be defined as "simply a way of grouping together the range of activities associated with managing people that are variously categorised under employee relations, industrial/labour relations, personnel management, and organisational behaviour" (Heery & Noon 2001: 162). Employee innovativeness can be conceptualised as an HRM-related outcome, resulting from the implementation of various management practices. Although a large body of literature has been devoted to the study of antecedents to innovation at individual (Barron & Harrington 1981, Paterson 1999, George & Zhou 2001), group (e.g. Paulus 2000, De Dreu 2002) and organisational levels (e.g. Damanpour 1991), very few studies have explicitly looked at employee innovativeness as an HR outcome (de Leede & Looise 2005, Shipton et al 2006).

HRM literature typically identifies two approaches to conceptualise and evaluate HRM and its influence on outcome variables: the 'hard' and the 'soft' approaches (Storey 1999). Although this distinction simplifies the multitude of different HRM models presented in management literature, it is useful in capturing the general tendencies in HRM literature from the viewpoint of the employees. The hard version is typically business-focused and draws on the calculative aspects of rational management of the employees, who are to a great extent equalled to any other factor in the line of production. In line with the hard approach, some innovation studies have linked the use of certain HRM practices such as profit sharing and results-orientated appraisals to the financial performance of the organisation in contexts in which innovation can be seen as a central factor contributing to performance (Delaney & Huselid 1996, Delery & Doty 1996). A number of researchers have also looked at the interactive effects of bundles of HR practices on organisational performance from the innovation perspective. These studies indicate for example that the so-called high performance practices facilitate knowledge management and exchange of information (Laursen & Foss 2003) and that various HR practices aligned to promote learning are associated with higher levels of organisational innovation (Shipton et al. 2006).

As the soft HRM approach places more explicit importance on outcomes positive from the perspective of an individual employee, it is more appropriate for the theme of innovativeness central to this paper. In contrast to the hard approach, the soft approach emphasises employee commitment and the importance of winning over the hearts and minds of the employees, which are seen as critical to the eventual achievement of the corporate goals (Storey 1999). Research in the 'soft stream' has for example indicated that employees' satisfaction with HR practices is positively associated with their affective commitment to the organisation (Kinnie et al. 2005) and to their job satisfaction (Guest 2002). Due to its largely discretionary nature, employee innovativeness can be seen as a key 'soft' HRM outcome in the context of knowledge work. Further, as the expectations of knowledge workers regarding their work are rising and more and more emphasis is placed on the idiosyncratic deals between the employees and employers, the role of HRM in winning employees' commitment is crucial to organisational performance (Rousseau 2005). Yet our knowledge of how HRM can support and influence employee innovativeness and what employees regard as supportive HRM is scarce (Deery 2002, Guest 2002).

Summarising the above, regardless of the centrality of innovation to everyday work in knowledge intensive organisations, our knowledge regarding the relationship between HRM and employee innovativeness is limited (de Leede & Looise 2005, Shipton et al. 2006). As de Leede and Looise (2005) point out, the importance of innovation has been noted in HRM strategy and policy research, but there has been relatively little interest in developing ways to translate such strategies and policies into practices that benefit employees in their daily work. Consequently, we call for an HRM approach, which shifts its focus to the promotion of employee innovativeness. We argue that this can be achieved through supporting employee wellbeing.

EMPLOYEE WELLBEING: BETWEEN HRM AND INNOVATIVENESS

Defining Wellbeing

Employee wellbeing can be approached from two different perspectives, from a positive *wellbeing* and a negative *un-wellbeing* approach. Though the importance of mental health has been recognised for a long time (Jahoda 1958), the vast majority of studies focusing on employee wellbeing has focused on employee 'un-wellbeing', i.e. occupational stress or burnout, which refers to a serious stress syndrome. In the wake of the positive psychology movement, researchers have increasingly emphasised the importance of including positive wellbeing in the realm of organisational science: wellbeing is not only about the absence of un-wellbeing (Seligman & Csikszentmihalyi 2000). However, empirical research specifically addressing employee wellbeing is scarce and there is no consistent way of defining and operationalising wellbeing.

Work engagement, a concept coined by Schaufeli and Bakker (2004), is gaining popularity as an employee wellbeing measure. Work engagement refers to an enduring, positive and fulfilling affective-cognitive state of mind at work, characterized by *vigour, dedication* and *absorption* at work (Hakanen 2004, Schaufeli & Bakker 2004). The relevance of all these three characteristics to innovativeness is obvious. Vigour refers to a high level of positive energy at work and willingness to invest one's efforts in the job even in the face of difficulties. Dedication in turn is characterised by inspiration, a sense of significance and enthusiasm about one's work. Absorption captures a pleasant state of employees' full concentration, which may even lead to difficulties in detaching oneself from work.

A balance between work engagement and exhaustion can be considered an important contributor to the broad assessment of one's work and the consequent subjective experience of work-related wellbeing in knowledge work (Gonzáles-Romá et al. 2006). Namely, too high a level of involvement and engagement in one's work may in the long run occur at the expense of employee wellbeing. Many employees work and are expected to work long hours and to be reachable nearly 24/7. The general increase in working hours is often cited as a contributing factor to the escalation of conflict between competing work-life role demands (Duxbury & Higgins 2001). Time off work is also often spent on job-related activities: reading professional literature, preparing for meetings or presentations and networking. More time spent on work related activities unavoidably means less time for not only home-related responsibilities but also for relaxation. Therefore, we argue that exhaustion referring to work related fatigue is another important indicator of wellbeing, complementing the positive work engagement measure.

In conclusion, we understand employee wellbeing in a knowledge intensive organisation to encompass a positive affective-cognitive state captured by work engagement and to be complemented by the lack of exhaustion.

Wellbeing and Innovativeness

The concepts of work engagement and exhaustion are particularly relevant to the promotion and supporting of employee innovativeness in the context of knowledge work. When employees feel enthusiastic and positively aroused (i.e. high level of engagement) but not exhausted at work, they are in return likely to behave in a manner beneficial for the organisation as a whole (Organ 1988). A growing number of empirical studies point to the positive effects of work engagement. It has been found to predict self-assessed health, work ability, commitment, job satisfaction and performance, and to have negative associations, for example, with turnover intentions and early retirement (Bakker et al. 2004, Hakanen 2004, Schaufeli & Bakker 2004). Lyubomirsky et al. (2005) in turn demonstrate in their extensive review of research that happiness and positive affect lead to successful outcomes in all the major life domains (work, love and health). For example, the evidence presented by Lyubomirsky et al (2005) persuasively suggests that wellbeing boosts creativity and performance on complex mental tasks. Sometimes the experience of work engagement may itself even equal to high performance or it appears to occur simultaneously with innovativeness (Amabile Barsade et al., 2005Quinn 2005,). Amabile et al (2005) however demonstrate in their longitudinal study the causal link from positive mood to innovativeness. According to this study, the more positive the employee is about his or her work, the more likely is his or her creativity in a work setting. Similar to work engagement, the concept of flow, capturing an enjoyable peak experience at work, has been found to be positively associated with employee initiative and intrinsic motivation (Csikszentmihalyi 1996), which in turn are seen as prerequisites for innovative behaviour (Andersen et al. 2004).

Further evidence of the role of work engagement in innovativeness is provided by Eisenberger et al. (2005). Their study indicates that a perceived high level of challenge and the possibility to use skills predict employees' engagement in extra-role performance partially through creating a positive mood. In other words, if employees experience an appropriate level of challenge and can put their skills to full use, they are more likely to report a positive mood. Positive mood in turn promotes helping behaviours, creative thinking and suggestions that help the organisation to better fulfil its objectives (George & Brief 1992, Eisenberger et al. 2005). The evidence presented above leads us to propose that work engagement as a positive affective-cognitive state of mind functions as an antecedent to innovativeness.

While a certain level of stress and pressure can drive employees to excel, long-lasting exhaustion is bound to negatively influence employee creativity and innovativeness (Amabile et al. 2002). Employees who suffer from burnout and stress related symptoms are likely to be detached from their work and struggle to carry out the duties that are formally required of them (Bakker et al. 2004). Schaufeli and Enzmann (1998) in turn note that knowledge workers loose their concern for the organisation and become distrusting and hypercritical when burned-out. Consequently, they will not only be unwilling but most likely unable to innovate and invest their effort in something that is often seen as an additional requirement. Cropanzano et al. (2003) demonstrate that emotional exhaustion is negatively associated with organisational commitment and organisational citizenship behaviour. In line with this finding, workplaces where employees' stress levels are high have been found to be characterised by lower levels of commitment, excitement about work and motivation (Guest & Conway, 2004). Further, Länsisalmi (2004) found that high levels of individually experienced stress were related to a poor innovative climate in the organisation, suggesting that occupational stress inhibits innovation. Therefore we conclude that exhaustion, when enduring, negatively affects employee innovativeness.

THE ROLE OF HRM: SUPPORTING EMPLOYEE WELLBEING AND INNOVATIVENESS

The Job Demands and Resources Model

Having suggested that innovativeness can be regarded as a key HRM outcomes variable in knowledge intensive organisations and established that employee wellbeing is a central antecedent to innovation, we will now turn to examine how HRM can support employee wellbeing and innovativeness. We will do this by drawing on the Job Demands and Resources (JD-R) model on work engagement developed by Schaufeli and Bakker (2004). At the core of the JD-R model are the energetic process and the motivational process that stem from demands and resources inherent in every job (figure 1) (Bakker et al. 2003). The energetic process refers to the negative demanding aspects of work that employees sometimes find so strenuous and depleting that they lead to stress, and eventually to burnout (Demerouti et al. 2001). These demands can be any physical, psychological, social or organisational aspects of the job that require physiological or psychological effort on behalf of the employee. The demands, which are job and role specific, are hence associated with a certain level of costs. When these costs become too high and balancing resources are absent, employees can no longer cope and as a consequence, they wear out (Demerouti et al. 2001). This results in burnout and reduced work engagement.

In addition to the demands, every job has certain resources – whether physical, psychological, social and organisational - that aid employees in carrying out their work and that are intrinsically fulfilling and rewarding through a motivational process (Schaufeli & Bakker 2004). These resources counterbalance the job demands and help employees to cope with the occasionally consuming aspects of work, thereby buffering against the negative effect of demands on wellbeing and the costs associated with them. The resources also help employees to fulfil their work related goals and as such stimulate personal growth and intrinsic satisfaction with work. Empirical research suggests that job related resources are positively associated with employee work engagement and help prevent work-related exhaustion and burnout (Schaufeli & Bakker 2004, Hakanen et al. 2006).

Figure 1. The Role of HRM in Supporting Employee Wellbeing and Innovativeness.
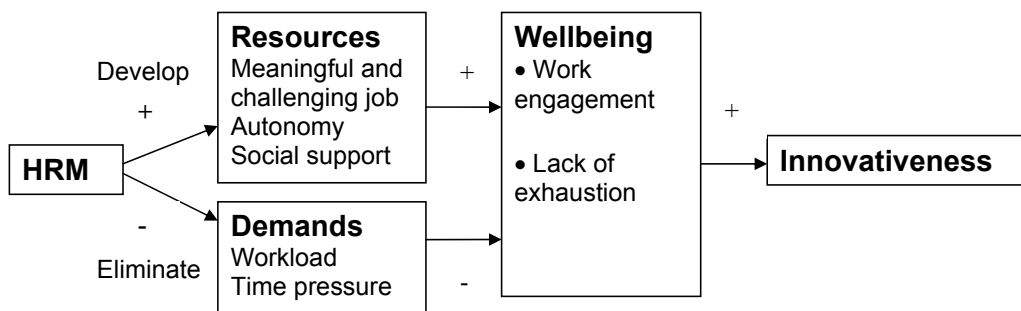
Following the JD-R model, effective HRM begins by identifying the demands and resources inherent in ever job. It is worth emphasising that job demands particularly predict exhaustion, whereas resources act as a stronger antecedent to work engagement (Maslach et al. 2001). The identification of key demands and resources allows for building on the resources of each job and correspondingly, for controlling the consuming aspects of work. Although the

demands and resources are specific to each job and role, we will in the following elaborate on general categories of key resources and demands central to knowledge work.

Key Resources in Knowledge Work

In terms of key resources in knowledge work, we argue that 1) autonomy, 2) meaningful and challenging work tasks and 3) social relations form the cornerstones for employee wellbeing at work. Ryan and Deci (2000) identify competence (success in optimally challenging and meaningful tasks), autonomy (experience of choice, initiative and control) and relatedness (mutual respect and reliance) as basic needs, which when satisfied, contribute towards health and wellbeing and motivate individuals to perform better. Empirical evidence is supportive: satisfaction with one's competence, autonomy and social relations related needs has been found to have a positive association with employee mental health and performance evaluation (Baard et al. 2004). In line with this finding, lack of autonomy at work is correlated with burnout symptoms (Maslach et al 2001). Optimally challenging tasks create a positive drive in particular when experienced meaningful. In comparison to routine tasks and simple jobs, non-routine tasks and jobs that are challenging require thinking and provide opportunities for learning and personal growth, which in turn promote innovativeness (see Van Der Vegt & Janssen 2003). However, balance is important: too much challenge may cause over-stimulation, exhaustion and stress, thereby overwhelming the employee and killing his/her creativity.

Employees' perceptions of an autonomy-supportive management style have been found to positively influence employees' reports of their needs fulfilment, highlighting the importance of work environment and management practices in contributing to the positive assessment of work. Further, Csikszentmihalyi (1996) suggests that autonomy is central to the experience of flow. Employees who have more control over the content of their work, methods of working and the use of time, are more likely to experience flow, a peak feeling at work. Autonomy should, however, not be taken to equate with being 'goal-less', or lack of direction. Rather, perceived meaningfulness of work tasks is of central importance to wellbeing at work. For example, a sense of coherence capturing confidence that one's life events are comprehensible and meaningful has been linked to lower levels of depression, anxiety, stress and higher levels of psychological and physical wellbeing (Flannery & Flannery 1990, Kivimäki et al. 2000, Suominen et al. 2001). When individuals experience their environment as meaningful, they are more likely to respond to potential stressors with adaptive strategies that help them cope with the situation.

Similarly, social relatedness and well functioning social relations play a central role in influencing mental health and wellbeing (Baard et al. 2004). Theoretically, social support helps individuals to cope with the negative effects caused by any stressors in the environment (Bliese & Britt 2001). Social support and a positive social environment are central to social identity, too. Moreover, in the context of creative and knowledge intensive work, humour, laughter, fun and enjoyment are perceived to be a central part of work and among the most frequently mentioned work-related expectations (Huhtala 2002). Having fun is essentially a socially shared experience, and the lateral networks comprised of colleagues and clients in which everyday work is largely carried out is the context in which employees expect to have an enjoyable time.

The Key Demands in Knowledge Work

Time pressure and workload are among the classical stressors in stress and burnout theories (Maslach et al. 2001) and characterise also much of the creative work done in knowledge intensive organisations. When employees work under constant pressure to produce more and faster, they are likely to feel angry towards their employer, to suffer from sleep disorders, to get easily annoyed with co-workers and to enjoy less their other domains of life. Simply put, they are exhausted (ibid). Employees in knowledge intensive organisations report being overloaded with work tasks and work under constant time pressure, which is connected to increased levels of reported stress (Blom et al. 2002, Alvesson 2004). Employees are too often constrained with time, causing them to feel overworked, fragmented and burnt out. New solutions need to be produced quickly, several projects run simultaneously and the distinction between work and personal life is blurred. In particular, when employees have no control over their working hours and workload, their effects are bound to be negative for employee wellbeing.

DISCUSSION

Although the needs for effective HRM arise from the strategic needs of the organisation, the solutions are to a large extent centred on individual employees (Coff 1997). As Ruona and Gibson posit (2004), the most significant force affecting organisations in the 21st century is the centrality of individual employees to organisational success. Innovativeness should, however, not be seen as a characteristic of a few select individuals. Rather, it is based on the general capacities and talents of every man to notice, remember, see, speak, hear, understand and recognise analogies between similar concepts or situations (Florida 2002). Therefore, creativity and innovativeness are something that we can all aspire to and that can be supported.

Consequently, HRM is as timely as ever. However, the conventional understanding of the role of HRM as that of controlling and managing human resources has perhaps become obsolete. As we have argued, in knowledge work the role of HRM is increasingly about creating conditions in which employees experience their work in positive terms and in which they can enjoy their work without working to the point of exhaustion. When employees are engaged in their work at an appropriate level, they are likely to produce innovations. The lack of attention to employee wellbeing that has until now characterised most of the innovation and HRM literature is surprising.

The new challenges HRM is facing require greater presence and involvement from HRM than before: understanding of employees' idiosyncratic experiences of work, tailoring specific practices towards individual needs and identifying job- specific and yet continuously evolving resources and demands that help to maintain the individual drive to excel for the benefit of the organisation. Consequently, HRM focus should be more on the individual employees rather than on the implementation of organisation-wide 'standard' HR practices (Alvesson 2004, Rousseau 2005). We agree with Alvesson (2004), who proposes that the starting point for HRM is to consider and understand 'the prototype' of the organisation's member, and create a strategy that is aimed at recruiting, developing, retaining and motivating that prototype member. Yet the actual practices should leave room for individual consideration in a given job with its specific characteristics.

In many organisations emphasising innovation, creating an organisation-specific and difficult-to-imitate work organisation that draws on social relationships, team-building, high levels of autonomy and a strong sense of organisational commitment is the most appropriate HRM

approach (Alvesson 2004). Within this approach, employee performance (innovativeness) is seen more as an *organisational outcome* than as input in terms of the knowledge, experience, brains and drive that individuals contribute. The actual HRM practices depend on and should be planned firm specific, depending on the prototype employee, the type of jobs in the organisation and the resources and demands inherent in the jobs. These will give direction on the specific practices to recruit, retain, develop and motivate the employees.

The model presented in this article naturally has its weaknesses. The key resources and demands are general and give little concrete guidance as to how HRM can build on the resources and eliminate the demands. At the same time, we argue that HRM practices and techniques can be used to achieve this, provided that they are tailored to support the wellbeing and innovativeness of individual employees.

We should also note that the role of HRM varies in different organisations, often depending on the size of the organisation. Small knowledge intensive organisations might not use traditional HRM practices at all (Huhtala 2004). In medium and large organisations the functions of HRM may vary from administration focused to development focused. Therefore, it might be relevant to bring the discussion to the level of techniques and practices when the organisational context is specified. Thus, how for example recruitment, training, pay and benefit systems take into account employee wellbeing and innovativeness and HRM's overall role in supporting them is dependent on the firm.

Research on HRM has at times been criticised for framing its questions from the managerial perspective, with emphasis on corporate outcomes (Wright & Wright 2000). We argue that the model put forward in this paper pays attention to outcomes relevant to both the organisation and the individual employees: wellbeing and innovativeness. The next step is to test the model empirically in order to investigate the plausibility of the proposed relationships and its overall applicability. This could be best achieved by using a longitudinal study design involving changes in key resources and demands after the initial evaluation of employee wellbeing and innovativeness. Ideally, innovativeness is measured not only by means of self-assessment, but in combination with other innovation measures appropriate to the context in question. A qualitative inquiry may be best suited for the identification of more context-specific job resources and demands than those put forward by our model. For example, an interview study of employees and HRM professionals in knowledge intensive organisations could provide useful insights on what the key resources and demands in a given context are.

Future empirical research should also carefully explore the relationship between employee wellbeing and innovativeness. Innovativeness may also have the potential of contributing to employee wellbeing, thereby suggesting a reciprocal relationship between the two variables. As Quinn (2005: 632) concludes on the basis of his study on flow and performance, "when people experience high performance, they also tend to derive more joy from their work, feel like they have more control over their work, and worry less." Further, from the employee perspective, the benefits of innovation go beyond economic benefits related to potential salary increases and bonuses and can include for example learning, personal growth, recognition, increased satisfaction, improved group cohesiveness and better interpersonal communication (Ford & Sullivan 2004, Andersen et al. 2004). Researchers have also noted that innovativeness can be seen as a coping strategy or an attempt to improve one's work environment and hence actually provides a mechanism to improve one's wellbeing (Janssen et al. 2004). Consequently, as Andersen et al. (2004) have argued, future researchers should not limit their study designs to view employee innovativeness solely as an outcome variable, but embrace its potential as an independent variable.

Conclusions

In this paper, we have considered the relationship between employee wellbeing and innovativeness and the role of HRM in supporting employee innovativeness through wellbeing. We have argued that the promotion of employee wellbeing is central to HRM, contributing to the achievement of organisational goals, particularly when everyday work is increasingly about innovation and when organisational performance depends on the willingness and readiness of individual employees to innovate. We conclude with the words of Tomkovick and Miller (2000: 419): "if you want to kill something, just squeeze all the joy out of it, and it will die. The reciprocal is also true. If we want innovation to flourish, we need to make work our play...or at least play at work".

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16. HUMAN RESOURCE MANAGEMENT OF INFORMATION PROFESSIONALS: PERSONAL GROWTH OR HIGH WAGES?

Maarit Viljanen

ABSTRACT

The importance of the competent workforce, together with the knowledge worker's distinctive working culture and the fact that voluntary labor turnover is one of the severest human resource risks, call for sophisticated human resource management (HRM) policies for information systems (IS) professionals. In this study, human resource practices that are enforced amongst IS personnel and the employees' satisfaction with these policies, as well as their turnover intentions are studied in nine Finnish case organizations. The findings of the study indicate that development, compensation and supervision policies are the most important parts of HRM in terms of retention of IS personnel.

INTRODUCTION

It has been stated that one way of achieving competitive advantage is to create superior human resource management (HRM) compared with other firms in the industry (e.g. Huselid 1995). Furthermore, superior HRM can be achieved through tailoring HRM according to the requirements derived from the specific needs of certain occupational groups (cf. Budhwar & Sparrow 2002). To quote Becker et al. (2001):

> *"Because enduring, superior performance now requires flexibility, innovation, and speed to market, competitive advantage today stems primarily from the internal resources and capabilities of individual organizations – including a firm's ability to develop and retain a capable and committed workforce."*

Contemporary knowledge-intensive organizations are highly dependent on their employees, who posses the organizational knowledge and generate new knowledge as well. Information systems (IS) profession, in turn, serves an interesting and challenging context to study the knowledge intensive occupations and working communities. The scarcity of talented professionals is one of the most critical personnel issues that information and communication (ICT) industry is struggling with (Kolehmainen 2004). Consequently, voluntary labor turnover constitutes one of the severest human resource risks for these organizations (e.g. Holbeche 2003).

IS professionals possess scarce and organization-specific knowledge and are therefore difficult to replace. Unplanned personnel losses are specifically problematic because the probability of leaving is greatest amongst the most talented and experienced employees. This is because the personnel that is most employable elsewhere – and probably most wanted to stay – may leave the company. In addition to the outflow of talent and expertise, the costs of recruitment and retraining, losses of valuable customer contacts and goodwill are the threats of high employee turnover. (Ivancevich et al. 1987, Cartwright & Cooper 1993 and1995.)

The importance of the competent and committed workforce, together with the knowledge worker's distinctive working culture call for sophisticated HR policies for IS professionals. The natural consequence of this is the intention to pay more attention to the HRM of IS personnel (Finnegan & Murray 1999, Cappelli 2001). Earlier research has mainly focused on studying the employees working in ICT industry companies. This study, in turn, concentrates

on IS professionals as an occupational group. The purpose of this study is to research HRM effectiveness amongst IS professionals in nine Finnish case organizations, which represent either ICT industry, so-called traditional industries or public sector. The results of the study are expected to provide occupation-specific knowledge on the HRM of information professionals. The study also seeks to contribute to the debate of strategic HRM by highlighting the questions of occupation-specific HRM activities.

HRM EFFECTIVENESS

Theoretical foundation of this study is based on the theories of strategic HRM and particularly on the theory of the relationship between HRM and organizational performance. The scholarly debate on the linkage between HRM and organizational performance suggests that HRM is one of the most influential sources of competitive advantage in contemporary organizations (Youndt et al. 1996, Smithey Fulmer et al. 2003). However, great uncertainty remains as to how the link between HRM practices and organizational outcomes is formed (Delaney & Huselid 1996, Guest 1997). The underlying idea in most HRM models is that some HRM actions are more effective than others and that they have positive effects on company performance. This is called best practice effect (e.g. Delaney & Huselid 1996, Guest 1997, Becker et al. 2001, Michie & Sheenan-Quinn 2001). Several studies have found evidence on behalf of the positive association between HRM and firm performance, but these results have been criticized of being too optimistic and suffering from methodological problems (Delaney & Huselid 1996).

Generally there are three main approaches to study the link between HRM and company performance (Delery & Doty 1996, Guest 1997). First, contingency approach begins with the assumption that HR practices are determined by the company's strategy. Fit is considered as strategic integration (external fit) and, thus, the company's HR practices are linked to the external context. Virtually this means that HRM adjusts itself to the business strategy. Superior performance is gained, when HRM practices match with strategy (Guest 1997). Second, according to the universalistic perspective, an identifiable set of best HRM practices has additive positive effects on organizational performance. This approach is originally inspired by the works of Pfeffer (1994, 1998), who strongly argued for the existence of best HRM practices that can increase company profits. Best practices can be benchmarked for the reason that they are not firm specific. The best practice approach perceives fit as an ideal set of practices, which causes the highest performance (e.g. Becker & Gerhart 1996, Guest 1997, Marchington & Grugulis 2000). Third, HRM bundle approach, in turn, is based on both internal and external fit. According to this approach there may be an ideal set of practices, but the individual practices must be internally consistent and also consistent with the company's HR architecture. Compared to the universalistic perspective the bundle approach expects that the best practice effect is multiplicative in nature rather than additive. This means that only an internally consistent, coherent and complementary set of HR practices gives the best results (MacDuffie 1995, Becker & Gerhart 1996, Guest 1997).

Best bundle approach takes the context into consideration when defining the HRM bundle. Therefore, it is extremely important to understand the significance of internal factors and external circumstances that affect the applicability and effectiveness of certain HRM practices. Thus, in order to be unique and effective HRM bundle must be a synergistic combination of HR practices. The bundle needs to be tied to the company's history as an employer as much as it needs to be vertically integrated to the strategy (Purcell 1999). Therefore, an effective HR system achieves both internal and external fit (Delery & Doty 1996). The combination of internal and external fit can be named configurational fit (Guest 1997). It is also assumed that the effectiveness of HRM is dependent on the fit between the

expectations of the occupational group determined by the labor market trends and the most often applied HR practices (Becker & Gerhart 1996, Delaney & Huselid 1996). In that case the individual factors and company factors as well as external circumstances have an effect on the applicability and effectiveness of certain HRM practices (e.g. MacDuffie 1995, Lähteenmäki 2000).

IS PROFESSION

It has been stated that today's knowledge worker's values and culture of working differ fundamentally from those prevailing among more traditional industry workers (Ruohonen et al. 2002). IS professionals have been described as passionate innovators, prolific inventors and technology-centered introverts, who are difficult to communicate with (Denning 2001). In spite of the fact that these often mentioned stereotypes of nerds with unconventional working times, careless outfits, diets including only pizzas and soft drinks etc. were in most cases largely overdriven, the management of information professionals calls for new fresh and novel human resource approaches (Ruohonen et al. 2002).

As the ICT industry is undergoing fast changes, the developmental needs of information professionals are constantly increasing (cf. Martinsons & Cheung 2001). Thus IS personnel is expected to develop continuously and under circumstances, where high expectations for the organizational productivity exist. However, it is typical for IS professionals to favor challenging work that allows the development of professional expertise over salary or working conditions (Viljanen & Lähteenmäki 2002). This arouses the need for creative career strategies if these well-rounded professionals are going to be tempted to stay with their organizations (Holbeche 2003: 47).

Although current recruitment problems in the ICT field are not that serious as, when the field was undergoing the most hectic times during the IT boom, companies still have difficulties in finding adequately skilled information professionals (cf. Ruohonen at al. 2002). In consequence of this, employees create pressures for employer organizations. They have high expectations about their work, and if not satisfied they easily leave the organization (Holbeche 2003: 47).

METHODOLOGY

Theoretical framework

The framework of Paauwe (2004: 60, see also Paauwe & Richardson 1997) integrates the earlier research on the link between HRM and performance. The framework illustrates the HRM activities, which influence the organizational performance directly or through certain HRM outcomes, such as employee satisfaction, motivation, retention and commitment. Thus, the framework depicts that effectiveness of HRM can be measured by determining, e.g. employees' satisfaction in relation to certain HRM policy areas and their intentions to leave the current employer. This approach is adapted to this study as well (see conceptual model of the study in 1).

This study was designed primarily to determine which are the most critical factors and also the most successful parts of HRM amongst IS professionals in terms of HRM effectiveness. Thus, the purpose of the study is to examine which parts of HRM are the most significant antecedents of IS professionals' turnover intentions. Further, the study aims to explore, if there is a direct linkage between HRM sophistication and employees' turnover intentions or do the career and job satisfaction mediate this linkage. This study examines HRM

sophistication at the system level and is, thus, based on the HRM bundle approach. The examination of the organizational and individual level controls is also included in the analysis.

Employees' satisfaction of the applied HRM activities and policies together with their turnover intentions were used as indicators of HRM effectiveness. HRM sophistication is predicted to have positive effect on the career and job satisfaction of IS professionals (e.g. Garrido et al. 2005). Further, both HRM sophistication as well as career and job satisfaction is predicted to reduce turnover intentions (e.g. Egan et al. 2004). Turnover intentions, in turn, are proposed to indicate organizational commitment of IS professionals (see Randall 1990). Finally, reduced turnover intentions and strengthened organizational commitment are assumed to effect positively on the organizational performance (Paauwe 2004) (see figure 1).

Figure 1. Conceptual model of the relationship between HRM sophistication and organizational performance
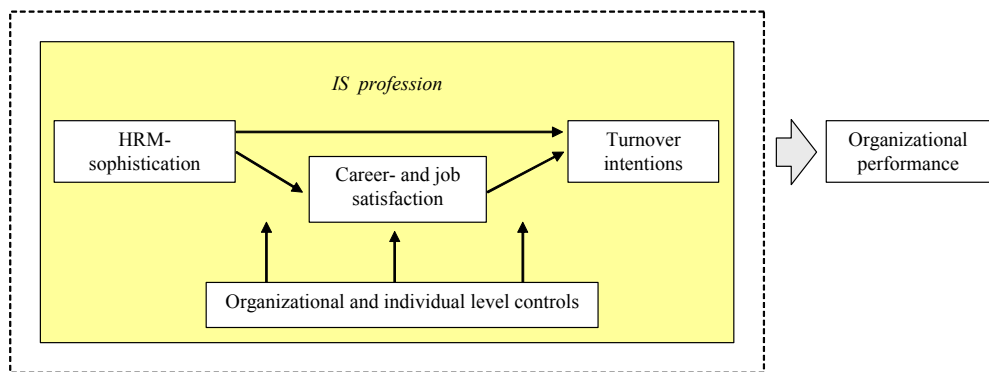
.
Sample

The focus of this study was on employees working in three ICT companies, IT departments in three traditional industry companies and IT departments in three public sector organizations. In whole, nine Finnish case organizations were involved in the study. In ICT companies, where information professionals represent the core competence of the company, the focus of the study was on the entire personnel of the company. Whereas, in public sector organizations and traditional industry companies only the personnel of the IT departments were studied. In organizations operating outside ICT industry the role of information professionals is central as well, but the main role of IS personnel is, however, to support the core function of the organization.

The empirical data consist of a job satisfaction survey amongst IS personnel. The survey was conducted as a Web-version in spring 2001. The survey consisted of individual level background questions and statements relating the HRM policy areas. Organizational level background information concerning the case organization, personnel as a whole and the applied HRM practices were gathered by a formal questionnaire, which yielded mainly numerical data about the background factors and the applied HRM practices. In order to get a more detailed and extensive picture of the HRM in each of the case organizations, both personnel and information systems managers as well as IS professionals were interviewed.

The population for the study was all IS professionals in the case organizations. In this study people who design, implement and maintain ICT systems for others are counted as

information professionals, e.g. employees involved with end-user computing are not included. 500 IS employees at the case organizations were invited to participate in the job satisfaction survey. 247 of them responded to the survey, and thus the sample represented a response rate of 49 percent. Almost half of the respondents worked at one of the ICT companies, 22 percent worked at the traditional industry companies and 29 percent represented public sector organizations.

Measures

HRM sophistication

In this study HRM activities were divided into ten classes including recruitment and selection, orientation, development, work organizing, compensation, superior support, promotion, empowerment, internal communication and work climate (Holbeche 2003: 76, Vanhala et al. 2002, Paauwe 2004, Guest 1997, Schuler & Jackson 1987, Storey 1995). The sophistication of the case organizations' HRM policies and practices was measured by 24 items, which were drawn from earlier research concerning so-called high performance work practices (HPWP's) (see e.g. Huselid 1995, MacDuffie 1995, Ichniowski et al. 1997, Godard 2001). HPWP's are systems of HRM practices, which are proposed to have positive effect on the organizational performance. The underlying idea is that it is not the application of a certain HRM practice but the way how the practice is applied that matters (Guest 1997). Thus, HRM sophistication was measured by determining how systematically and extensively the HRM practices were used, and how much money was invested in certain HRM areas. HRM sophistication index was created by using additive approach (see MacDuffie 1995). A low score for this measure indicates low sophistication of the applied practices and high score indicates high degree of sophistication.

Dependent variables

Career and job satisfaction
Career and job satisfaction measurement is based on the nine aspects of work including 1) supervision (supervisor activities), 2) internal communication, 3) training (development and education possibilities), 4) financial compensation (salary policies), 5) co-workers (work community), 6) job control (empowerment), 7) qualitative demands of work, 8) quantitative demands of work (workload), and 9) promotion (opportunity for internal promotion) (Spector 1997, Gaertner & Nollen 1989). The dimensions of IS personnel's job satisfaction were extracted by using factor analysis. For factor analysis, the principal component analysis with promax rotation and factor loadings greater than 0,4 were used. The Cronbach's alpha values for each aspect of job satisfaction ranged from 0,601 to 0,934 (see table 1). The measures of the facet satisfaction were created on the basis of the factor analysis by using mean method.

Table 1. Factor analysis results for the career and job satisfaction items.

FACTORS AND VARIABLES	Factor loading	Commu-nality	Eigen-value
1. Supervision			*8,665*
My superior tries to support my achievements in work by all means.	,977	,822	
My superior creates good conditions for my working.	,920	,822	
I can count on my superior.	,867	,724	
I get enough feedback on work from my superior.	,788	,563	
My superior values my work.	,566	,796	
My superior encourages me to advance my career.	,453	,686	
2. Communication			*6,539*
Communication is open in my unit.	,915	,831	
Communication between employees and employer works well.	,906	,832	
Information flows through our unit swiftly.	,894	,794	
Information about vacancies in our unit is open.	,579	,584	
3. Training			*7,746*
I can develop my professional capabilities in my work.	,961	,783	
My employer invests in the development of my professional skills.	,805	,744	
I am given enough time to maintain my professional skills.	,772	,748	
I have always a possibility to proceed to tasks that match my skills.	,637	,700	
My work is challenging enough.	,500	,638	
4. Compensation			*5,770*
The salary I get is in line with my accomplishments.	,992	,884	
I get paid in line with my professional capabilities.	,982	,909	
I'm satisfied with current methods of financial compensation.	,869	,832	
5. Coworkers			*4,660*
The working spirit is good in my unit.	,948	,869	
Personnel relationships are in order in my unit.	,921	,825	
My colleagues value my work.	,592	,594	
6. Job control			*5,868*
I can affect the goals of my work.	,811	,666	
I can decide where I discharge my work.	,791	,681	
I can affect the timetables of my work.	,725	,666	
Specific individual needs are taken into account when working times and conditions are agreed.	,923	,594	
My opinion is having an effect on the decisions on personnel issues in my unit.	,395	,468	
7. Qualitative demands			*2,250*
My work is too demanding.*	,820	,714	
I have too much responsibility in my work.*	,773	,632	
My work tasks are too diversified and fragmented.*	,869	,569	
8. Quantitative demands			*2,184*
There is enough staff in my unit.	,870	,730	
I have to hurry all the time in order to keep in time.*	-,668	,672	
9. Promotion			*4,493*
Employees are selected on a fair basis.	,661	,804	
Employees are promoted on a fair basis.	,540	,686	

*=The scale is permuted in order to build internally consistent aggregated measures.

Turnover intentions

Turnover intentions of IS professionals were assessed with a single questionnaire item: "I am ready to change employer if a suitable chance occurs" (Gaertner & Nollen 1989, Allen & Meyer 1992, McMurtrey et al. 2002, Egan et al. 2004). Responses were given on the 5-point Likert scale ranging from fully disagree (1) to fully agree (5). For logistic regression analysis a measure of turnover intentions was developed by recoding the item into two categories 0=yes and 1=no. Thus, this dummy variable denotes the organizational commitment of IS professionals. The means, standard deviations, and correlations among the measures are presented in table 2.

Control variables

The organization's size (estimated by the total number of employees) (Egan et al. 2004) and employer sector (ICT, traditional and public) (Delaney & Huselid 1996, Koch & McGrath 1996) were considered as organizational level control variables in this study. Gender, age and tenure, in turn, were included as individual level controls (Gaertner & Nollen 1989, Rode 2004).

RESULTS

As shown in table 2, IS professionals are clearly most satisfied with their co-workers. As a whole, the work community seems to generate satisfaction among IS professionals, for the spirit of the work community is evaluated to be fairly good. In addition, IS professionals do not find their job too demanding in terms of qualitative demands, which includes the diversification and fragmentation of work. Aspects related to the financial compensation and internal communication policies, in turn, have had the lowest evaluations from employees.

Table 2 indicates also that career and job satisfaction dimensions are fairly strongly intercorrelated (Pearson Correlation). Only work demands and particularly qualitative demands of work make an exception in this respect, because they appear to be relatively unconnected dimensions. Moreover, HRM sophistication is positively and statistically significantly correlated with IS professionals' satisfaction with training, compensation, supervision, communication and promotion related policies. In addition to this, HRM sophistication is negatively and statistically significantly correlated with turnover intentions. Turnover intentions are negatively and statistically significantly correlated with all the dimensions of career and job satisfaction excluding the qualitative demands of work.

Stepwise linear regression analyses were performed to test for the effect of HRM sophistication on the career and job satisfaction of IS professionals. Regression analyses revealed that when the organizational and individual level factors are controlled HRM sophistication has significant effect on the experienced opportunities of personal development and satisfaction of financial compensation policies (see table 3). In addition, regression analyses showed that age and gender as well as the employer sector are important factors determining the job satisfaction. Men are more satisfied with their jobs than women, younger employees are more satisfied than older, and employees working in ICT-companies are more satisfied than employees working in other employer sectors.

Table 2. Means, standard deviations, alphas and correlations between turnover intentions, HRM sophistication and satisfaction dimensions

	Range	Mean	SD	α	Number of items	1	2	3	4	5	6	7	8	9	10
1. Turnover intentions	1-5	3,000	1,266	-	1	-									
2. HRM sophistication	65-108	100	9,76	0,765	24	-,250**	-								
3. Supervision	1-5	3,643	0,903	0,907	6	-,432**	,147*	-							
4. Communication	1-5	3,085	0,970	0,862	4	-,331**	,145*	,541**	-						
5. Training	1-5	3,603	0,852	0,834	5	-,495**	,388**	,675**	,509**	-					
6. Compensation	1-5	3,020	1,197	0,934	3	-,328**	,281**	,431**	,440**	,472**	-				
7. Coworkers	1-5	3,966	0,774	0,826	3	-,286**	,063	,526**	,300**	,387**	,198**	-			
8. Job control	1-5	3,276	0,799	0,732	5	-,251**	,026	,539**	,384**	,512**	,331**	,367**	-		
9. Qualitative demands	1-5	3,813	0,800	0,717	3	-,085	-,035	,050	,087	,002	-,088	,178**	,088	-	
10. Quantitative demands	1-5	2,929	1,052	0,601	2	-,180**	,015	,077	,227**	,145*	,177**	,004	,149*	,312**	-
11. Promotion	1-5	3,689	0,920	0,833	2	-,312**	,162*	,636**	,525**	,637**	,512**	,420**	,471**	,100	,134*

**=Correlation coefficient is significant at the 0,01 level.
*=Correlation coefficient is significant at the 0,05 level.

Table 3. Linear regression results for career and job satisfaction.

	Regression coefficient B	Standardized coefficient β	t-value
Supervision (F=8,156, p<0,001, R²=0,094, Adjusted R²=0,082)			
Employer sector	0,287	0,161	2,241*
Gender	0,287	0,160	2,577*
Tenure	-0,014	-0,143	-1,990*
Communication (F=8,421, p<0,001, R²=0,097, Adjusted R²=0,085)			
Employer sector	-0,639	-,272	-4,240***
Gender	0,394	,202	3,139**
Organization's size[1]	-0,004	-,146	-2,208*
Training (F=21,339, p<0,001, R²=0,153, Adjusted R²=0,145)			
HRM sophistication	0,032	,364	6,082***
Age	-0,011	-,119	-1,982*
Compensation (F=19,591, p<0,001, R²=0,076, Adjusted R²=0,072)			
HRM sophistication	0,034	0,276	4,426***
Coworkers (F=10,282, p<0,001, R²=0,080, Adjusted R²=0,072)			
Age	-0,019	-,215	-3,406**
Gender	0,235	,151	2,391*
Job control (F=4,316, p<0,05, R²=0,018, Adjusted R²=0,014)			
Gender	0,214	,134	2,077*
Qualitative demands (F=7,269, p<0,01, R²=0,058, Adjusted R²=0,050)			
Age	-0,020	-,221	-3,338**
Employer sector	-0,291	-,182	-2,756**
Quantitative demands[2]			
	-	-	-
Promotion (F=10,755, p<0,001, R²=0,122, Adjusted R²=0,110)			
Age	-0,018	-,177	-2,727**
Gender	0,364	,200	3,210**
Employer sector	0,282	,155	2,418*

R²=Model R Square, Adjusted R²=model adjusted R Square,
F=Model significance F-test and t=regression coefficient significance t-test.
*** =Regression coefficient is significant at the 0,001 level.
** =Regression coefficient is significant at the 0,01 level .
* =Regression coefficient is significant at the 0,5 level.
[1] Total number of employees (in thousands).
[2] The model testing the effect of HRM sophistication on the quantitative demands of work did not estimated with stepwise method.

Binary logistic regression analysis with forward stepwise (Likelihood Ratio) method was conducted in order to test the effects of HRM sophistication as well as career and job satisfaction on the turnover intentions of IS professionals. Logistic analysis showed that satisfaction with the supervision, training and compensation related practices and employee's age have statistically significant effect on turnover intentions (see table 4).

Table 4. Logistics regression results for turnover intentions.

	Regression coefficient	P-value	Exp(B)
Supervision	0,767	0,008	2,153
Training	0,716	0,017	2,046
Compensation	0,387	0,022	1,472
Age	0,040	0,051	1,041

DISCUSSION

This research suggests that HRM sophistication has a positive effect on the employees' perceptions of the training and development opportunities and financial compensation policies. In addition to the satisfaction with the aforementioned HRM policy areas, satisfaction with superior activities reduce turnover intentions of IS professionals. Thus, the relationship between HRM sophistication and turnover intentions is mediated by the career and job satisfaction. The examination of the organizational and individual level antecedents revealed that employee's age and gender as well as employer sector are important factors determining the career and job satisfaction.

The results of this study support earlier findings stating that IS professionals have strong need for personal growth and development (Couger & Zawacki 1980). This can be assumed to emphasize the importance of the training and development practices, practices related to superior work as well as career development. In addition, in can be presumed that because of the rapid growth of the ICT field, IS professional have high expectations about their work (cf. Finnegan & Murray 1999, Cappelli 2001), which applies for financial rewards as well. In whole, it seems that actual HRM and career practices are the most important predictors of turnover intentions, whereas work practices such as communication and job control, do not have significant effect on turnover intentions after controlling the individual and organizational level background factors.

The relationship between job satisfaction and gender is a relatively widely studied subject, but the nature of the relationship has generally remained unclear (Brush et al. 1987, Witt & Nye 1992). The very recent study of Kuo and Chen (2004) revealed that IT personnel's job satisfaction was not influenced by their gender. This study, instead, shows that men are more satisfied with their work than women. The different kind of pattern that emerged for IS professionals in this study may stem from the fact that in this sample male employees are on average younger than females, and younger employees, in turn, are more satisfied with their work than older employees.

The findings of this study indicate that younger employees are more satisfied with their work than older ones. Equally, tenure is negatively correlated with career and job satisfaction. Both of these results are inconsistent with findings emerged from the earlier studies. Older employees are usually more satisfied with their work than younger employees, and this seems to apply also for other than IS occupations (Kuo & Chen 2004, Laschinger et al. 2004). The diverging results found in this study may be due to the sectoral age distribution of the sample.

Employees working in ICT companies are significantly younger than employees in traditional industry companies. On the other hand, men are on average younger than women in this sample. Therefore, relationship between job satisfaction and age or tenure may be caused by sector or gender. This is because it was found that men are more satisfied than women, and employees working in ICT companies are more satisfied than employees working in other sectors.

When the reasons for demographical differences are discussed, at least three types of mechanisms can be found. First, it can be proposed that younger IS professionals are enthusiastic and have positive expectations and experiences about their work and work-related aspects. The older employees, in turn, seem to have more negative experiences, and this may be due to the unfulfilled expectations of work. Second, perhaps the typical career paths in IS occupations do not provide enough challenges and meaningful work assignments as job experience increases. However, when this proposition is evaluated against the special features of the IS occupation (rapid technological development etc.), it does not seem to be that likely. On the contrary it is presumable that the work-related challenges increase along with the work experience and career advancement. Third, differences can be traced back to the sectoral differences. Therefore, different kinds of experiences amongst employees working in different employer sectors might be due to the distinct HRM policies. It seems to be likely that ICT firms have made more intensive investments into HRM policies and practices than traditional industry firms. This is not surprising, because it is a question of their core people.

CONCLUSIONS

Contemporary business and public sector organizations are highly dependent on their employees, who posses the critical organizational knowledge. The scarcity of talented and skilled IS professionals is one of the most focal personnel issues that the companies are struggling with (Kolehmainen 2004). Consequently, when both business and government organizations strive for effective operations, employees need to be motivated to perform their work tasks as well as they can, and committed to the achievement of the organizational goals. This study has tried to find out what kind of experiences IS professionals have of their work and work-related aspects and which of these aspects are the most important ones in terms of affecting IS professionals' turnover intentions. The findings of the study indicate that organizations need to invest particularly in training and development policies, superior activities and compensations policies in order to strengthen the organizational commitment of IS professionals. Thus, this study suggests that the HRM effectiveness of IS professionals is mainly comprised of these particular HRM policy areas.

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17. "VALUE PROCESSING – FROM FAD TO FACT? PERSONNEL'S EXPERIENCES IN THREE COMPANIES"

Merita Mattila

ABSTRACT

Values and value management are nowadays extremely important in companies. Each organization works better when what is essential is constantly kept in mind. Value can be viewed e.g. as "a type of belief, centrally located within one's total belief system, about how one ought or ought not to behave, or about some end-state of existence worth or not worth attaining" (Rokeach 1972: 124). Values are the connecting thought, which determine the direction of organization's actions: "who we are and were do we want to go - supported by our common values"

Values and value processes are needed in every organization nowadays. World is changing and companies have to have something to "keep it together". Organizational values, which are approved and used by every employee in a company, could be the crucial thread. The biggest and most crucial challenge is the feasibility of the value process. The main point in this research is to study how case-companies process their values, what is the management's role in the process, and especially how the personnel experience it.

In this research I study three different organizations (forest industry, banking and market) and their value processes: how people experience companies values, how values have been disseminated etc. The data are gathered by interviewing personnel in the head office and at the local level in companies with multiple managerial hierarchical levels. As happened, in all three companies there was an intention at the head office to determine the values of the local case-company and disseminate them "down" in the hierarchy. It is studied what kind of social constructive processes emerge while disseminating values from the head offices to the local levels. It is further studied especially how people experience companies` values in both places, at the head office and at the local level, how the "value makers" describe values and their values, and how management and personnel in different levels of the organization speak and experience values and value dissemination. The special focus is on the management: what is the role of management in value processing?

Keywords: values, value management, organizational culture

STUDYING VALUES

Ethical perspectives in organizations are "in fashion" at the moment. The economic situations and strong transitions in labour market have made ethics a crucial topic in conversations. (Kauppalehti 2.10.2002) Mahoney (1997) argues: "Business ethics is ultimately the ethics of power, of how to handle the power of business and how that power is acquired, increased and exercised. The need for ethics in business has never been greater, precisely because the power of business has never been so manifold and so extensive as it is today." (Mahoney 1997 in Mullins 1999) Crane & Matten (2004) suggest that knowledge of business ethics is vital in the contemporary business environment.

In the earlier research in business ethics there are several different research aspects. The main stream concentrates on the study of business ethics as "the study of business situations, activities and decisions where issues of right and wrong are addressed". Different aspects contextualize the business ethics e.g. from the view of shareholders, employees, consumers,

competitors and suppliers of the organization. One main aspect is the research in corporate social responsibility, CSR. (Crane & Matten 2004)

DESCRIPTIVE ETHICAL THEORY

In this study the theoretical frame includes descriptive ethical theories. The field of ethics is usually broken down into three different ways of thinking about ethics: descriptive, normative and analytic. It isn't unusual for disagreements in debates over ethics to arise because people are approaching the topic from a point of view of one of these three categories. Thus, learning what they are and how to recognize them might save you some grief later. The category of descriptive ethics is the easiest to understand - it simply involves describing how people behave and/or what sorts of moral standards they claim to follow. Descriptive ethics incorporates research from the fields of anthropology, psychology, sociology and history as part of the process of understanding what people do or have believed about moral norms. (Cline 2006.)

 "Descriptive business ethics theories seek to describe how ethics decisions are actually made in business, and what influences the process and outcomes of those decisions." Descriptive ethical theories provide an important addition to normative theories: rather than telling us what business people *should* do (which is the intention of normative theory), descriptive theories seek to tell us what business people *actually* do – and more importantly, *why* they do it. Obviously we need to know what shapes ethical decision-making before we can try and influence it. (Crane & Matten 2004: 111-112.)

In this study the aim is to describe individual experiences and reflections about values and value processing in organizations; from the top management level to the employee level.

VALUE PROCESSING IN CASE COMPANIES

This study is a multiple case-study which consists of three cases. The case companies were chosen from different business sectors. The aim was to get a more knowledge and understanding about values and value processing in companies.

Company A is a forest company. It has had a long history as a family business before several mergers and internationalization. The local mill has become dependent to the head office (in Helsinki) through several mergers. Nowadays it is an exchange-listed company and one of the world's leading producers of printing papers.

Company B operates in bank business. The head office is in Helsinki. This bank-group consists of several local banks and is cooperative.

Company C is also a cooperative company. The head office is in Helsinki and different local corporations operate in their own provinces. The Group consists of the cooperative societies with their subsidiaries. The purpose of the group is to provide services and benefits for committed customer-owners. (company's website 15.5.-06.)

Due the empirical part it can be said that company A takes values straight from the head office, company B takes also head office`s values, but works a lot during dissemination (with the staff), and company C makes own, local values keeping the head office`s values in the background.

The value process has many targets: e.g. ruling change, make customer relationships better, improving working environment, helping decision making, developing management culture

and adding value knowledge. In merger situations values are often considered, (Aaltonen & Junkkari 1999: 232-233) like in the forest case-company. Due to Mullins (1999), there is one more reason why companies act ethically: because people involved consider it simply the right thing to do- not because it is fashionable or profitable.

The company A: through mergers to a united organization

The company had "usual" reasons for starting value process: the top management wanted to create a common organizational culture after several mergers, internationalization and changes. Something had to be done "to keep it together". Values were made and given from the head office straight to the local level. The top management in the head office selected values and then informed the local units.

> " The reason (for valueprocessing) was of course the fast distention of the company… From Finnish forest company to an international corporation… there has to be some cornerstones. And with these values the cornerstone has been built." (Manager, local level)

The company expanded fast through mergers from a local family company to a unit of an international corporation. The situation created a need for common values in the company. Values are said to be the corner stone especially in new, surprising situations in organizations. "Wherever there is uncertainty, a common vision and shared values can allow commitment and unity to be sustained for longer than might otherwise be the case." (Coulson-Thomas 1992: 18.)

> "We were trying to create, and we still are trying to create a common organizational culture. That we could define who we are, how we work, how we behave in this company. The idea behind the values process was to keep the company together: values are like a glue which keeps us together. We can`t write down all the rules and orders. We have to trust our people" (Top manager, the head office)

Values were made be connective to the whole personnel. The top management wanted to create a common way of acting inside the company, "a glue" that would keep all together. Without organizational values organization members will, by default, follow their individual systems. These may or may not promote behaviour that the organization finds desirable. Therefore organizations establish values to provide their members guidelines for behaviour. Organizational values provide the framework for the organizational culture. (Bell 2005.)

> "In my opinion the thing behind our values is the sensible thought that the world is changing... We can`t live anymore in similar hierarchial organizations where the superior always knows everything and the exact advises always come from the top. We have to trust people and their intelligence and they have huge capacity to solve problems and act when they have the opportunity to do so." (Employee, head office)

Values are considered crucial in nowadays changing world. Corporations grow, merge and internalize all the time. For a larger organization, where desired behaviour is being encouraged by different individuals in different places with different sub-groups, where an articulated statement of values can draw the organization together (www.teal.org/uk 31.1.2005) there cannot be made enough strict orders how people should behave in different situations: by common (and working) value basis it is easier.

Top management in the head office started the process. What was the most crucial and important stage, was the dissemination to the local level. Despite differences in experiencing

values in different hierarcial levels (presented in further chapters), majority of interviewees, both in head office and at local level, agreed with the reasons behind the value process: the unity, togetherness, "we-spirit" etc. after the merger situation.

> *"It* was *the merger situations… Two different organizational cultures come one…"* *(Employee, head office)*

Company B: history supports in new challenges

The bank has a long history with its determined ethical principles. The corporate strategy has always included four ethical rules. Values were made and given from the head office, and processed locally with the personnel.

> *"The value process was started at the same time when we renewed our organizational strategy and management system… We renewed our strategic frames in connection with values." (Manager, head office)*

Companies' line of business, history, size and many other factors affect on how value process is carried out and for what values are needed. (Aaltonen & Junkkari 1999: 230) Very often value process is started when organizational changes occur; for example when organizational strategies and policies are reformed, as happened in the bank.

> *"At least in some level the reason for values process was that values became more and more like a household topic: people wrote about values, they spoke about values, there was literature… Values were "a must", every organization had to have them. I have never been in a bank were people would somehow been awakened to values." (Manager, local level)*

The "value fashion" was clearly recognized in the bank. One reason for the official value processing was the external pressure from the society, business world and business literature. The values were "in", and companies wanted to seem as updated as other companies: the value process seemed to be "the spirit on the times".

> *"These values have been in our policies long before they were clothed in words." (Manager, local level)*

The value basis in the bank seems to have a strong history. Values have "always" been there, in the ways of thinking and acting as bank employees. The organizational form, cooperativity, is also an important factor.

> *"In our traditions, our traditional culture we have this group unity, trust and humanity… Due to the research it is also obvious, that our bank differs from others in these things… We have a soft and reliable image, for a bank. We've had the same name for 100 years… reliability... Customers see us as a solid bank." (Manager, local level)*

The earlier history of the bank has created reliability. The traditional culture makes the bank more "softer" than its competitors. Humanity as a value creates trust.

> *"Our bank group has common value basis, so we haven't (at the local level) defined them, but they haven`t been dictated to us. We are committed to them, and we have*

processed them in our bank: what these values means as deeds, in our bank, in my job etc." (Manager, local level)

The bank processed the given values locally with its personnel. The values were "given" from the head office, but widely under discussion at the local level. This participation of the personnel created commitment, although the common history made the process also easier. Since the values were not dictated, the acceptance was easier: the resistance towards changes (values) was also low.

> *" Every individual and every company has to have the guiding star. The guiding star is the vision, which has to be so clear that it guides... Values are the leading marks which keep the company on the right track when there are no other rules to follow." (Manager, local level)*

Values are often considered as the thread through the whole organization, as this comment expresses. Values are seen as the basis for everything. There cannot be rules for each and every situation which occurs in everyday life; the values give the guidance.

> *"I think that the aim was to get a good image and profit, so that the bank would succeed. That`s the basis." (Employee, local level)*

As mentioned before, also the image is an important factor when dealing with values. Especially in big companies and corporations it`s seen as a vital tool to promote and improve the public image. Corporate image refers to impressions of the organization formed by others (Hatch 1997, 257).

> *"We are a big organization but everything should work fast and be flexible.... Humanity as a value is the one that suffers the most from this..." (Employee, local level)*

The inside/outside values are in contradiction. The official values raise some conflicts between the "inside" and "outside" values: e.g. humanity as a value seems to be more important outside than inside the company. Of course the customer comes first in a service-oriented company, but employees also need recognition.

> *"Cooperation is working together. The bank succeeds, the area succeeds." (Manager, in the process)*

The cooperation means unity: when the bank makes profit, it avails the local area. This synergy creates advantages to both parties.

> *"Value process always has the goal to finding the common spirit to the organization. They search for the values, they adopt the values, they understand the values, they understand the contents of values, and after that they commit to the values. The commitment is possible only by personnel participation. By participating they start to think issues by themselves." (Manager, in the process)*

Also the the organizational identity was emphasized. Identity refers to member`s experiences of and beliefs on the organization (Hatch 1997: 257), in this case the values. Values are seen as the rallying point to the bank, as long as they are carefully processed among the personnel. The participation of the personnel creates commitment.

"I think, that more important than the value headlines, is how the contents are understood. What each defined value means and how it is disseminated." (Manager, in the process)

The contents of the values were emphasized. More important than defining official values is the understanding of them among the personnel. Values should not be left as empty headlines, instead they should be processed through employees` own assignments: what each value means in their tasks.

Company C: own local values create commitment

The market company connected values with the company policy. The local top management generated and evaluated value alternatives, and took the employees in the process. The values were made and given from the head office, but the local company made in addition their own, local values.

" Behind the values is our business idea and vision and: to produce service and benefits to customers. There are some differences in the local level… they may have five or six values instead of out official four values. Still these four basic values are the basis. This kind of tailoring is acceptable in our company." (Manager, head office)

The variability of values in the local level is acceptable in the company. This makes the value process easier, if local units wants to tailor their own, local values.

"We needed to find the common foundation, which united our personnel." (Manager, local level)

Values were seen as a rallying point to the company and the personnel in the market company also. Values were processed because the company needed something to create togetherness inside the company.

"They were made as the basis for the action. And so that we would differ from our competitors and could offer better service to our customers. Those were the basic things." (Employee, local level)

The customer orientation in value processing is clear. The market is naturally service-oriented: customers come first. The aim was to achieve credibility both in the personnel's and in the outsiders´ eyes. Healthy business image requires kept promises. (Aaltonen & Junkkari 1999: 232-233). Naturally, values of the organization should support the mission of the organization (Bell 31.1.2005). Both organizational identity (inside the company) and corporate image (outside the company) were interlinked to the value process.

"We defined certain frames… People can`t be ordered to discuss values without telling them what it`s all about. We started from the background, history, values, vision and framed the references for value discussions." (Manager, head office)

The value discussion was emphasized. Values should not be declared without any reasoning to the personnel. Organizational values should provide a guide or a framework for the organization members in accomplishing their part of the organization`s mission (Bell 2005). The process itself should be well-grounded to the personnel: why this is done, what it means to each employee etc. It is the management`s task to set an example.

> *"The aim was to get the personnel aware of values. What we are going to do and why."* *(Employee, local level)*

Values were processed to support the personnel behaviour (in addition to the customer orientation). Organizational values define the acceptable standards which control the behaviour of individuals within the organization. Without such values, individuals would pursue behaviours that are in line with their own individual value systems, which may lead to unwanted behaviour from the company`s point of view. (www.teal.org.uk 31.1.2005.)

> *"The corporate image is the organizational culture which has been born by the values."* *(Manager, in the process)*

The corporate image, culture and values were seen interlinked: each component affects the others. Just like an organization`s structure can be used to achieve competitive advantage, an organization`s culture can be used to increase organizational effectiveness (Smircich 1983: 339-358 in Jones 2001).

The company employees feel that they represent the market all the time, at work and in their civilian lifes. Both the "inside identity" and the "outside image" has to be taken care of, as can be seen in the quotation below:

> *"We are a living advertisement to the market, that`s why it is important to contribute to the personnel significantly."* *(Employee, local level)*

ORGANIZATIONAL CULTURE AND THE MANAGEMENT`S ROLE

The role of managers in the implementation of a value process is vital, but when the success of a value process is evaluated, the "truth" more often comes from the mouth of the so-called ordinary employees. The values, rules and norms that define the organization`s ethical position are a part of the organization`s culture. The behaviour of managers strongly influences organizational culture. An ethical culture is most likely to emerge if the top management is ethical. (Jones 2001: 157.)

Company A: Management as an example, employees following

> *"It depends very much on the local top management, on the organizational culture and on the willingness to receive these kind of things.."* *(Manager, head office)*

Effective managers in all walks of life have to become skilled in the art of "reading" the situations they are attempting to manage or organize. (Morgan 1997: 3.) The local management has a central role in value processing.

> *"I believe in leadership, in real leadership with big L. The values can be processed through this leaderhip, not by orders. By being a manager, by being an example."* (*Manager, local level*)

Managers are the examples. Value management means that the superiors find the ways and the means, which follow or pay attention to as many person's values as possible. (www.kehitystaito.com/arvojohtaminen 25.2.2002.)

Rational activity is not necessarily the basis of the success of an organization, or even the most essential factor. Organizational success is also to a great extent a matter of the heart and a question of faith. This is why leaders must also have an understanding of values and

beliefs, the organization's deep structure, which can be sensed through its activity, but cannot be observed in e.g. its bookkeeping or balance sheet. (Nurmi 1992:16.) The manager's own behaviour is the best way to attain desired behaviour in the organization. This brings great challenges to the management:

> *"Managers have a big role in this… How they behave, what they emphasize… They can`t just go and give an order that people in the factory should behave like this and like this… It all starts from the top, by being an example. You can`t say `don`t do what I do, do what I tell you to do`. There are some conflicts in this, the feedback has been like that…"* (*Manager, local level*)

> *"People want to do the right things, something good. And it motivates people. When people are motivated, satisfied and happy etc., it does more good to everyone."* (*Manager, head office*)

The motivation of people is perceived as very important when values are processed. According to Crane (2004: 172) the management and organizational studies literatures have effectively demonstrated that the deliberate management of culture is a difficult, lengthy process, which is rarely successful exept at very superficial levels. Indeed, there has been precious little empirical evidence in the literature that provides wholesale support for the claim that culture can indeed be managed in the realm of ethical behaviour. Existing cultural beliefs and values about what is right or wrong tend to be very resistant to change (Crane 2001: 673-96). The management`s task is to make the culture responsive to values (by their own example):

> *"There are different organizational cultures, it`s very difficult… But it is the management`s job to create the way to make things work."* (*Manager, local level*)

According to Bennis and Nanus (1985: 48) all organizations depend on the existence of shared meanings and interpretations of reality, which facilitate coordinated action. "We can assume an organization to possess a healthy structure when it has a clear sense of what it is and what it is to do".

> *"Of course the management should act according to these values… If the management doesn`t, it`s like… Like the values didn`t even exist."* (*Manager, local level*)

Organization has to have a goal and boundaries within to achieve its goal. Organizations need certain principles in every action. The management has a special responsibility in solving the goals and principles. Solving doesn't mean dictating but learning together: discussions, negotiations and agreements. Agreements of the values, which direct all the actions. With value management the future will be provided. (www.paideia.fi/frames/arvojohtaminen2 5.2.2002.)

> *" In my opinion it is a management question. That`s why the values are brought here. If people behave according to the company values, it of course makes the management easier. I think this is purely a management question. Like an automatic management… as a beautiful basic idea.."* (*Manager, local level*)

Management's individual values affect strongly to the organizational value processing, because they are the key people in all actions concerning organization. Also the employees`s responsibilities should be emphasized: they have to be open to values so that values can

really be processed to the organization. In the head office people say that values really affect on the decision-making, and they also give examples of this:

> *"We are starting to consider this (values) more and more, e.g. when nominating people, it matters the persons` behaviour, not just his/her competencies and productivity. It (values) really affects the nominations. I have e.g. fired a top manager because he didn`t act according to our values, he wasn´t suitable for our company."* (Top manager, head office)

Values in organization culture are important shapers of members` behavior and responses to situations, and they increase the reliability of members`behavior (Weick 1984: 653-699). In this context, reliability does not necessarily mean consistently obedient or passive behavior; it may also means consistently innovative or creative behavior (Chatman & Barsade 1995: 423-443). Innovativity and creative behaviour can`t be ordered, only supported:

> *"This way we can succeed. If we let the people here flourish and work independently, use their own brain, eventually it shows in the last line that we are also successful"* (Employee, head office)

Company B: values belong to everybody

The values held by the members of an organization determine the organizational culture, which according to Simmerly (1978: 15) is the most powerful internal force affecting any organization. Safrit argued (1990) that before any organization begins to strategically plan change within the organization, the organizational values held by its members must be identified, clarified and validated (Seevers 2000: 71).

> *" Someone has to have the "puzzle" in his mind. And in my opinion it has to be the management." " The management and superiors have to be the first example."* (Top manager, local level)

Managers are the primary designers in personnel`s welfare and value processes. The need for an example is strong.

> *"We are aware that in this competition we can`t manage without competent and committed personnel. We do appreciate that we have a rewarding system, which reflects that it isn`t just a fad here nowadays."* (Manager, head office)

If a company can develop a set of commonly held values among its personnel, it is creating a specific corporate culture, which might differentiate it from its competitors, thus giving it competitive advantage. The machinery nowadays is similar to all companies; the main thing is the committed personnel.

Values are also seen as too soft of a thing, like the personnel wellbeing. Everything should be justified by calculations:

> *"As a manager I sometimes feel that… since these personnel issues are more like "soft" things, it may feel like just nonsense when speaking of personnel welfare and competence etc… But to the people who have really realized the connection between welfare and profit, it isn`t nonsense."* (Top manager, head office)

> *"The general manager`s role is huge in this (value process). He has been a great example and has drawn the value conversation very strongly here. Sometimes it even*

feels too much, like "hey we already know this." As a person he really operates according to the values, as an example." (*Employee, local level*)

Many cultural values derive from the personality and beliefs of the founder and the top management and are in a sense out of the control of the organization (Jones 2001: 140). This is correct when dealing with companies with strong binds to founders and managers. (e.g. Microsoft and Bill Gates)

"It is the basis for a professional company like this (the personnel as the most important resource). The personnel is an important intellectual capital that is the basis." (*Employee, local level*)

The connection between the personnel wellbeing and value-based actions is clearly recognizable in the interviews. Throughout the individual`s own responsibility of education and development is emphasized no manager can learn on behalf of the employees. Employees` willingness to learn and develop is their own responsibility too.

"We do appreciate people who want to develop themselves here. Someone might feel that she/he isn`t appreciated even she/he has worked here for 20 years… And haven`t been in any training course offered by the employer…" (*Manager, local level*)

Company C: management`s commitment first

Leadership as such is already a very complicated and challenging area. When organizational values are added to this, the aggregate becomes even more versatile. Managers have to be committed to the values before they can disseminate them further to their employees.

" I think they (top management) are committed to the values. My nearest supervisor and the managers I meet are supporting the values… Of course it depends on the person… " (*Employee, local level*)

It is obvious that values can't successfully be disseminated without management's commitment. The real value discussion and the greater level of commitment start from functioning values. Values are real values only when they are present in companies` performance. Value discussions and declarations are useless if nothing is shown as real action. (Kotilehto 2001: 42.)

"Values are a very important part of management behaviour… How the leaders and the managers experience values… Being an example is very important in management, values are reflected straight through the manager`s behaviour." (*Top manager, local level*)

The example of managers is seen very important in company C. Everyone who trains new employees creates new values, regardless of their organizational status. Those who create values not only add momentum to the corporate strategy and symbolism but also help newcomers understand how company-wide values affect employee performance. (Peters-Austin 1989: 377-378.)

"Being an example, I think that has a huge role, kind of an ethical question. How the manager acts, how a superior acts, how he makes decisions, how he deals with conflicts etc. When talking about manager`s or superior`s work, it is all the time about the own benefit, company benefit and personnel´ benefit." (*Top manager, local level*)

The management culture is seen as a crucial actor in value processing. Managers are the primary designers of the total organizational form employed - the combination of strategy, structure and internal mechanisms that provide the overall operating logic and resource allocation and governance mechanisms of the organizations. (Kramer & Tyler 1995: 19) Values are one of the most crucial determinants in defining organizational strategy. The transformal leadership is a key to value dissemination: the leader who "deeply penetrates the soul and psyche" (Crainer & Dearlove 2001: 552)

> " Top management has to take responsibility for the personnel and personnel well-being. Tools for management are related to this, and values are related to the tools." (Top manager, local level)

Since the management has greatest prerequisites in value processing, they have to be responsible for themselves as well as for their employees.

> "We have this practice… Whenever major changes occur, like changes in strategy or values, I go to the personnel. I talk about the issues with them, to the whole personnel in several meetings… It`s all about the management behaviour. " (Top manager, local level)

The communication with and providing information to the personnel is extremely important. When employees know about their organizations actions, they feel more secure since they don`t have to "guess what is going on" in their companies. As can be seen from the quotation above, the information is valued highly in the company.

> "If the management spoils things, if the superior spoils things, by their own example… Values are tools for management, for managerial behaviour." (Top manager, local level)

Values are seen a management tools, which demand good example from the management`s direction. (Chakraborty 1991: 188) Managers have responsibility for their employees and their actions. They have to keep control of different situations, motivate people and act as an example. Control in organization is exercised through individual, interpersonal influence, in which those in roles of authority motivate and direct others to act as they would like (Pfeffer 1997: 127). The managers' task is to explain what kind of behaviour is desirable in the company. After that they are entitled to demand the employees to act due to common values.

Ethical values and rules are an inseparable part of the organization's culture because they help shape the values that the members use in managing situations and in making decisions. (Jones 2001: 141)

> "The top management has a very central role, they can spoil these kind of things quickly." (Manager, head office)

The top management`s role and responsibility are strongly emphasized in the company. They have to be the first examples before processing values further in the organization.

> "Each individual interprets values differently… it is the main thread in responsible management, but each employee should be able to speak with their superior, what responsible management means. It comes through in the conversation, that it isn`t confined to one certain thing." (Employee, local level)

Values are heavily integrated into many other facets of people`s personality and behaviour (Griseri 1998: 9). They are personal and intricate. Every individual has his own opinion on what value "really" is, as was presented in the earlier chapters. The need for common understanding of each organizational value is demanded:

> *"If the top management follows the values, it disseminates to the culture, to the local level, to the units, the message goes correctly through the organization.."* (*Employee, local level*)

The role of top management in processing values is also emphasized in company C. The general manager is seen as a personification of organizational values: he is said to be both demanding and fair towards the personnel:

> *"I say that he (general manager) is a person, who demands much of his employees and these values are followed literally, but he is also a person, who rewards employees always when things go right."* (*Employee, local level*)

CONCLUSIONS

It can be said that value dissemination is always a long and demanding process. Managers are especially primary designers is the process. Due the empirical data it seems obvious that the top management (in the head office) seem to have clear and sincere vision about HOW the values can strengthen and support organizational culture and create better results. Values are the basis for well-organized performance (Kotilehto 2001: 42).The problem is the process itself: how to disseminate visions down to all hierarchial levels of organization.

Company A (forest) disseminated values straight from the head office to the local level. There are problems in value dissemination at the local level. The local mill has become dependent to the head office through several mergers: while analyzing interview data it is apparent that people on local level feel that organizational culture has changed radically. The value process has been taken as an order, which leads to resistance. Still, managers at the local level have crucial roles in value dissemination and they are acting as examples. According to the data both the head office and the local mill have people who experience the value process to be good, but part of them think it`s just a fad. It is important to emphasize that these different opinions often culminate to the relationships between employees and their managers.

Company B (bank) processed values from the head office to the local level by discussing them with personnel. The local management concentrated hard on the dissemination, which seems to keep the resistance towards values quite low among the personnel. Again it can be said that manager's role is crucial. Still, some employees feel that values are too much customer-oriented and that there should also be "inner" values among the personnel.

Company C (market) created locally own values with it`s personnel. Values from the head office lie therein. Participating in the company`s operations, including value process, seems very important. Many interviewees emphasize the importance of taking the staff into consideration when strategic decisions are made. Manager`s example is again a very important factor.

In short it could be said that people want to be taken into account. People feel connected to the company when they can participate in and influence the company`s strategies. Naturally objections towards renewals and values exist, but resistance seems to be much weaker when people can influence their own work. This "circle" of respect, trust, motivation and

participation makes people feel good in their organizations, and only through welfare of personnel the profit (in the long run) is possible.

> *"In my opinion, it`s all about the human. How a person thinks about other people."*
> *(Company B; manager, local level)*

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18. WORK-RELATED ATTITUDES AND CULTURAL PRACTISES AND VALUES IN FINNO-UGRIAN COUNTRIES

Ruth Alas, Vincent Edwards and Krista Tuulik

ABSTRACT

This paper analyses the work-related attitudes of Estonian, Finnish and Hungarian employees. The main research question is: how are differences in work-related attitudes connected with cultural values and institutional developments? According to an empirical study the three Finno-Ugrian countries, Estonia, Finland and Hungary, display significant differences in job-related attitudes. The comparison of societal values and practices in the three countries indicates that the societal values in these nations are closer than the societal practices. Authors apply institutionalism to explain the differences.

INTRODUCTION

As a result of the enlargement of the European Union (EU) on 1 May 2004 Europe's three Finno-Ugrian countries, Estonia, Finland and Hungary, are now members of the same political organisation. EU enlargement has also resulted in institutional changes not only in the new, but also in the existing members. A widely discussed topic is the free mobility of workers. According to EC Treaty EU citizens have the right to reside in a host country in order to seek employment there, to be joined by the family during work, and also to remain in that country after employment. Numerous forecasts have been made of possible labour mobility from new member countries after accession and in some existing EU countries there is considerable anxiety regarding the possible negative effects on their own labour markets (The Free Movement of Workers in the Context of Enlargement 2001).

According to an international attitude survey traditional capitalistic countries are mainly dealing with needs characteristic for the post-modern era, but former socialist countries are still struggling at the level of needs that were the main focus during the modernist era (Alas 2005). This difference of needs satisfaction has also influenced attitudes toward society and organisations.

At the same time a person's attitudes influence the person to act in a certain way instead of another (Cooper & Croyle 1984). Specially in an environment where multiple interacting changes have led to a highly complex, confusing and unpredictable state of being – chaos, where instead of planned change with focus on the effort involved in change and the overall change strategy, an emphasis on the process of change and on attitudes towards change predominates (Bergquist 1993). Research results in Estonian organisations indicate that aspects of organisational culture influencing organisational change have a differentiated impact on the formation of attitudes toward change (Alas & Vadi 2004) and on the formation of attitudes toward learning (Alas & Vadi 2003), depending on the level of institutional development. Attitudes toward both change and learning are crucial in continuously changing contemporary organisations, especially in a country undergoing considerable change. Sahlins (1985) argues that one cannot really understand certain social phenomena without understanding both the historical events and the cultural meanings attributed to these events by the actors involved.

This paper analyses the work-related attitudes of Estonian, Finnish and Hungarian employees. The main research question is: how are differences in work-related attitudes connected with

cultural values and institutional developments? This paper investigates employees' attitudes toward work, employer organisations and pay determinants in the three countries from a cultural and historical perspective. Authors compare the differences between the actual regional societal culture (cultural practices) and the desired regional societal culture (cultural values) in Finno-Ugrian countries.

The paper begins with a a short comparison of historical developments in Estonia, Finland and Hungary. This is followed by a theoretical overview of the connections between attitudes and culture. Finally data collected from two empirical studies in the three countries are analysed and the results discussed.

HISTORICAL DEVELOPMENTS IN FINNO-UGRIAN COUNTRIES

All three countries share the heritage of Finno-Ugrian nations. The languages share a distant, common origin, with Estonian and Finnish being particularly similar. Two-thirds of the genetic heritage of Estonians and Finns is shared (Nurmi & Üksvärav 1994:26). Finns and Hungarians also share the same proportion of European to Uralic genes (Cavalli-Sforza et al. 1994).

Histories of three countries had many similarities until 1940. During this period both Estonia and Finland were even parts of the same state on two occasions: from 1629-1710 under Swedish rule and from 1809-1917 under Russian rule (Nurmi & Üksvärav 1994: 10). In contrast, Hungary had been an independent kingdom until the 16th century and achieved a certain parity with Austria in the Habsburg Empire after the 1867 compromise. All three countries became independent in the aftermath of the First World War. Estonia and Finland progressed through a period of swift development and industrialisation during the decades of independence between the World Wars. During independence Western values relating to attitudes to work, individualism and free enterprise were adopted and institutions common to a market economy established. Estonia and Finland had relatively close cultural ties during this period (Raun 1987:16).

The period after 1940 was strongly influenced by the respective country's relationship with the Soviet Union. In spite of hostilities between Finland and the Soviet Union (1939-40) Finland maintained its independence although Finnish foreign policy was dictated by the need to accommodate its powerful neighbour (Wandycz 1992).

Since 1944 Hungarian regimes were dominated by Hungarian communists who pursued a policy based on the Soviet model of nationalisation of private property, central planning of the economy, collectivisation of agriculture and industrialisation. Following the uprising of 1956, however, a Hungarian version of communism emerged (so-called 'goulash communism') which took particularily into account the material needs of the population (Bögel et al. 1997). By the end of the 1980s, moreover, the Hungarian communists were introducing increasingly liberal policies which contributed to the collapse of the Soviet system in Central and East Europe (CEE).

Since 1940 the Soviet Union started rapid sovietisation in Estonia, involving the pursuit of two goals: state socialism and russification (Taagepera 1993: 106).

Hungary after 1989 and Estonia after 1991 experienced a transition from centrally planned economic system to free marcet economy. The institutions of the socialist system were dismantled and alternative institutions were rebuilt or established.

These changes in the Estonian and Hungarian societies during economic transition resulted in the collapse of structures, systems, rules and principles that had made human behaviour and

social life understandable for over 50 years. There was now a vacuum of meaning, which had an impact on people's attitudes. These experiences in Estonia and Hungary were very different from those of Finland.

ATTITUDES AND CULTURE

Values influence attitudes and the strength of attitudes (Boninger et al. 1995). Culture and the social world influence the values upheld by individuals. These values, in turn, affect attitudes and behaviour (Bowditch & Buono 2001). Values have been defined as principles or standards that people use, individually or collectively, to make judgments about what is important or valuable in their lives (McEwan 2001). Values exist and are communicated through social connections and may vary in different cultures and different countries (Fisher & Lovell 2003). A small number of core ideas or cognitions are present in every society about desirable end-states (Rokeach 1973).

Culture represents the culmination of a range of historical experiences that have shaped an existing pattern (Forbes and Wield 2002). For example, studies of leadership also suggest a different pattern of leadership behaviour in Eastern Europe from that of Western or Northern Europe, and this has been explained by the heritage of the communist era (Lang et al. 2006).

THE GLOBE RESERCH PROJECT

There is no universal definition among social scientists for the term culture. For the GLOBE Project, culture is defined as shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives that are transmitted across generations (House & Javidan 2004: 15). The most parsimonious operationalizations of societal culture consist of commonly experienced language, ideological belief systems (including religion and political belief systems), ethnic heritage and history.

Culture matters because it is a powerful, latent, and often unconscious set of forces that determine both our individual and collective behaviour, ways of perceiving, thought patterns and values. Globalization opens up many opportunities for business, but it also creates many challenges. One of the most important challenges is acknowledging and appreciating cultural values, practices, and subtleties in different parts of the world. All the experts in international business agree that to succeed in global business, managers need flexibility to respond positively and effectively to practices and values that may be drastically different from what they are accustomed to (House et al. 2004).

The GLOBE Project has differentiated attributes of societal and organizational cultures. To address this issue, 735 questionnaire items were developed on the basis of prior literature and the theories of the GLOBE Project. Responses to these questions by middle managers in two pilot studies were analyzed by conventional psychometric procedures. These analyses resulted in the identification of nine major attributes of culture (House & Javidan 2004: 11).

The nine cultural dimensions are Uncertainty Avoidance, Power Distance, Institutional Collectivism, In Group Collectivism, Gender Egalitarianism, Assertiveness, Future Orientation, Performance Orientation and Humane Orientation. Original scales were developed by the GLOBE Project for each of these dimensions. There are two forms of questions for each dimension, one for measuring actual practices in the societies and a second for values — the way people would like things to be.

The definitions of the core GLOBE cultural dimensions are as follows (House & Javidan 2004: 11):

Uncertainty Avoidance is the extent to which members of an organization or society strive to avoid uncertainty by relying on established social norms, rituals, and bureaucratic practices. People in high uncertainty avoidance cultures actively seek to decrease the probability of unpredictable future events that could adversely affect the operation of an organization or society and remedy the success of such adverse effects.

Power Distance is the degree to which members of an organization or society expect and agree that power should be stratified and concentrated at higher levels of an organization or government.

Institutional Collectivism, Collectivism I, is the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.

In-Group Collectivism, Collectivism II, is the degree to which individuals express pride, loyalty and cohesiveness in their organizations or families.

Gender Egalitarianism is the degree to which an organization or a society minimizes gender role differences while promoting gender equality.

Assertiveness is the degree to which individuals in organizations or societies are assertive, confrontational and aggressive in social relationships.

Future Orientation is the degree to which individuals in organizations or societies engage in future-oriented behaviours such as planning, investing in the future and delaying individual or collective gratification.

Performance Orientation is the degree to which an organization or society encourages and rewards group members for performance improvement and excellence.

Humane Orientation is the degree to which an organization or society encourages and rewards individuals for being fair, altruistic, generous, caring and kind to others.

EMPIRICAL RESULTS

Two surveys were conducted in three countries. An attitude survey was conducted in two plants of the electronics industry in Estonia, Hungary and Finland: one produces telecommunications equipment and the other electrical goods for household use. A standardised questionnaire was developed by the Denki Ringo research group (Ishikawa et al. 2006) and translated from English into Estonian, Finnish and Hungarian. The questionnaire was administered in all three countries. The questions in the survey addressed job satisfaction, feelings toward organisations, pay determinants, meaning of work and some other issues. There were 545 respondents from Estonia, 517 from Hungary and 339 respondents from Finland in the sample.

Estonia joined the GLOBE research project in 2001, and research about societal practices and values was carried out in 2003. In Estonia a total of 170 questionnaires were completed. The respondents had to evaluate the current cultural practices and the desirable culture. These were measured on a seven-point scale, where '1' indicated 'strongly disagree' and '7' 'strongly agree'.

The results from Estonia have then been compared with practices and values in Hungary and Finland. The data for these countries were taken from House et al. 2004. Data from the three countries were compared by means of the ANOVA-Test. The factors affecting job satisfaction and organisational commitment were identified by using Linear Regression analysis.

RESULTS

Satisfaction and commitment to the company

The results in table 1 indicate statistically significant differences between countries in general satisfaction and in commitment to the company. The general satisfaction with work life and commitment to the company were both highest among Finnish and lowest among Estonian employees.

Table 1. Employee feelings toward their organization and general satisfaction with work life

Country		General satisfaction	Commitment to the company
Finland	Mean	2,12	1,29
N=340	SD	,73	,52
Hungary	Mean	2,43	1,80
N=511	SD	,73	,71
Estonia	Mean	2,91	1,95
N=525	SD	,98	,69
Total N=1376	Mean	2,54	1,75

Satisfaction was evaluated on a 5-point scale, where '1' signifies 'very satisfied' and '5'very dissatisfied'.
'Feelings towards the company' were evaluated on a 4-point scale, where:
1 – I would like to put my best effort towards the company's success
2 – I would like to give as much effort to the company as the company gives to me as reward
3 – I do not have much feeling towards the company
4 – I am indifferent to any matters concerning the company.
All indicators hold statistically significant difference between countries, $p < .05$.

Attitude to pay determinants

Table 2 shows the opinions on pay determinants in the three countries. The greatest differences in the ranking concern company performance, level of education and working conditions. Finnish respondents found company performance the most important pay determinant, whereas Hungarians ranked company performance third after the level of education and the achievement of tasks. At the same time Estonian respondents put company performance in only the 9th place. The level of education was ranked only at 7th in Estonia and Finland compared to Hungary, where it was ranked number one. For Estonian respondents unpleasant working conditions were the second most important factor; this was not the case in Finland and Hungary. Finnish and Estonian respondents ranked physical load higher than Hungarian respondents, Estonians ranked mental load higher than the others. Special personal characteristics required for the job were more important to Hungarians than for the other two groups.

However, there are also similarities. Skills and results ranked high in each country. At the same time socio-demographic characteristics such as gender, age and family size were not considered particularly important. The same is true about length of service.

Table 2. The opinions of workers about determinants of pay

Country	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Finland	1,88	1,73	1,37	2,91	1,28	2,07	2,72	3,00	1,25	1,57	1,97	1,63	2,00	2,25
N=340	,60	,67	,52	,55	,49	,64	,57	,35	,45	,66	,73	,68	,67	,80
Hungary	1,59	2,25	1,67	2,78	1,73	1,91	2,32	2,76	1,70	2,27	2,10	1,81	2,12	1,89
N=511	,74	,97	,78	1,16	,84	,91	1,00	1,05	,82	,92	,86	,85	1,12	,90
Estonia	1,75	1,29	1,29	2,61	1,24	2,22	3,29	3,56	2,02	1,63	1,62	1,34	1,87	2,27
N=525	,74	,59	,53	1,14	,50	1,00	,93	,82	1,01	,80	,74	,57	,81	1,00
Total	1,72	1,75	1,45	2,75	1,43	2,07	2,80	3,13	1,71	1,85	1,88	1,58	1,99	2,13
N=1376	,72	,87	,65	1,04	,68	,90	,98	,91	,88	,87	,81	,74	,91	,93

1 - Level of education
2 - Unpleasant working conditions
3 - Achievement of tasks
4 - Size of family the employee supports
5 - Skills required for the job
6 - Length of service
7 - Age
8 - Gender
9 - Company performance
10 - Physical load
11 - Mental load
12 - Responsibility for the job
13 - Language skills
14 - Special personal characteristics required for the job
Note: a 4-point scale was used, where '1' means 'very important' and '4' 'not important'.
Statistically all indicators, except for the 9[th]are significantly different between countries,
p< .05.

Meaning of work

Data in table 3 indicate similarities and differences between the three countries in respect of
the meaning of work. Respondents from Finland found work more significant to themselves
than respondents from Estonia and Hungary. All three countries agree that work provides
people with an income and keeps them occupied. The main difference is that Estonians do not
see work as a way to serve society. They ranked this item last. At the same time Finns and
Hungarians ranked this item third and fourth together with 'Work permits you to have
interesting contacts with other people'. In Estonia work gives more status and prestige than in
Hungary and Finland. Finns consider work more interesting than respondents from the other
two countries.

Table 3. The opinions of workers about the meaning of work

Country		1	2	3	4	5	6	S
Finland	Mean	3,31	4,42	4,01	3,82	3,82	3,83	6,01
N=340	SD	1,05	,84	,93	,95	,99	1,01	,98
Hungary	Mean	3,80	4,14	4,14	3,96	3,95	3,56	5,56
N=511	SD	,91	1,06	,87	,88	,97	,93	1,33
Estonia	Mean	3,34	3,38	3,85	3,67	3,16	3,20	5,53
N=525	SD	1,33	1,42	1,22	1,18	1,29	1,15	1,55
Total	Mean	3,50	3,91	3,99	3,81	3,61	3,49	5,66
N=1376	SD	1,15	1,25	1,04	1,03	1,16	1,07	1,36

1 - Work gives us status and prestige
2 - Work provides you with an income that is needed
3 - Work keeps you occupied
4 - Work permits you to have interesting contacts with other people
5 - Work is a useful way to serve the society
6 - Work itself is basically interesting and satisfactory
A 5-point scale was used, where '1' signifies 'entirely disagree' and '5' 'completely agree'.
S - The significance of work was evaluated on a 7-point scale, where '1' signifies 'one of the least important things in my life' and '7' 'one of the most important things in my life'.
All indicators hold statistically significant difference between countries, p< .05.

Cultural practices and values

In figures 1 and 2, cultural values and practices in the three countries are compared according to the GLOBE data. The analysis indicates some differences in *societal values* among Estonians, Hungarians and Finns. Performance orientation value is ranked highest among Finnish respondents and lowest in Estonia. Hungarians value uncertainty avoidance, future orientation and institutional collectivism more than others. Estonians rank lowest in in-group collectivism.

There are more differences in *societal practices*. Estonian and Hungarian practices are more similar in human orientation and institutional collectivism. Both practices are in these former socialist countries lower than in Finland.

Some Estonian practices are closer to Finnish practices than to Hungarian practices. Performance orientation and future orientation are more common in Estonian and Finnish practices than in Hungarian. Gender egalitarianism and assertiveness practices are highest in Hungary and the other two countries have equally lower scores.

To conclude, this comparison of societal values and practices in three countries indicates that the societal values in these nations are closer than the societal practices.

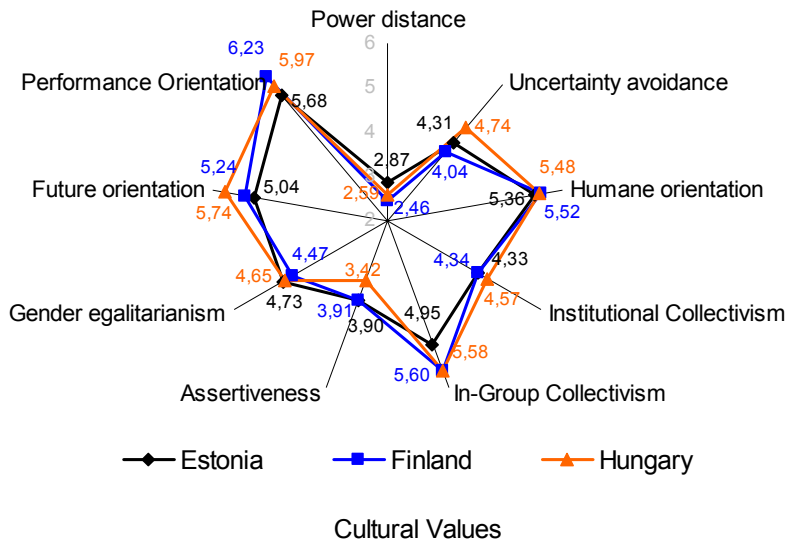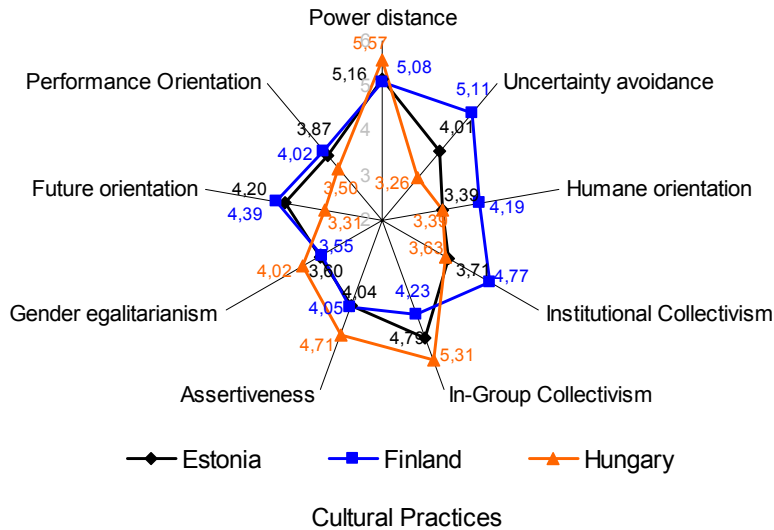Figure 1. Comparison of cultural values in three countries

Cultural Values

Figure 2. Comparison of cultural practices in three countries

Cultural Practices

CONCLUSIONS

Despite the similar genetic background of Estonia, Hungary and Finland the survey revealed significant differences in attitudes toward work and organisation in these countries:

- The general satisfaction with work life and commitment to the company were both highest among Finnish and lowest among Estonian employees.
- The greatest differences in opinions on pay determinants concern company performance, level of education and working conditions.
- Respondents from Finland found work more significant for themselves than respondents from Estonia and Hungary.
- Unlike the other two countries Estonians do not see work as a way to serve the society.
- Finns consider work more interesting than respondents from the other two countries.

Mead (1994) argues that national culture is the essential determinant of values and behaviour within the organization. The GLOBE study of cultural values and practices in the three countries indicates that the values of these nations are closer than societal practices. In other words, the ways people like things to be (figure 1) are more similar than the reality (figure 2). This finding supports the first part of Mead's statement, similarities in values. The second part, similarities in behaviours, is not supported. The authors assume that not only national culture has had an impact on actual practices but also institutional arrangements in history.

Institutionalists stress the importance of the institutional environment in order to understand behaviour (North 1990). Institutions can be seen from both a structural and a social perspective. In the structural view institutions exist as institutionalised forms of 'external social constraints'. From the social perspective institutions can be understood as operating as behavioural definitions, which may take the form of either 'cultural accounts' or 'cultural rules'. This means that institutions provide an account of how the social world works and embody normative principles and social values (Meyer et al. 1994: 24).

The reasons for the differences in attitudes may stem from the different developmental stages of the respective market economies. Finland underwent comparatively stable, capitalist economic growth, whereas Estonia and Hungary were subjected to 50 years of the Soviet system and major system upheavals in the 1940s and 1989/1991. Estonia was a constituent republic of the Soviet Union, whereas Hungary, although a part of the Soviet bloc, was able to implement relatively distinctive and economically liberal policies since the late 1960s. The consequence is, that countries with a socialist past have to deal with the satisfaction of needs at a lower level than traditional capitalist countries and this consequently influences attitudes and expectations toward organisations and work.

Estonians do not see work as a way to serve society probably because of the very liberal approach to economic development. At the same time Finns and Hungarians ranked this item higher. Estonians, unlike the others, see working as a prestigious activity. This, however, cannot be explained by institutionalism alone. On one hand, it could be connected to individual achievement, with high individualism among Estonians. On the other hand it brings us to cultural roots, especially religion. In order to explain work related attitudes, culture with religious traditions could also be brought in: Estonia and Finland have Lutheran traditions, Hungary is mainly Catholic. Lutheran people tend to have more individualistic and Catholics more collective attitudes.

The results indicate that some cultural dimensions could be more easily influenced by economical, political and social developments in a particular country. The Socialist regime

has had a negative impact on performance orientation practices, human orientation practices and institutional collectivism practices.

To conclude, similarities of these three Finno-Ugrian nations stem from the shared genetic background and appear in societal values. The different histories and Soviet heritage have resulted in different societal practices. Despite their common cultural roots, 50 years under widely different economic and ideological systems have influenced both material resources and human beings.

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