About facts, fiction and forces in Human Resource Management

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When building competitive advantage the actions of successful firms influence and actually change market demands. This complex interaction between firms and markets leads to an evolutionary process, during which companies – by a process of organizational learning – pass through evolutionary phases of efficiency, quality, flexibility and innovativeness, in that order. Just as technology is the driving force in the evolution, customers are the deciding force and, last but not least, employees are the decisive force. Fundamental strategic changes, effecting structure as well as culture of organizations, and which have taken place at practically all major organizations, are characteristic of the evolutionary process. This paper shows that the disappointing results of many such strategic changes must be sought in insufficient involvement of, and insufficient changes in Human Resource Management. Also, the challenges posed to both top-management and HRM to remedy such failures are described.

Keywords: Competitive advantage, market demands, evolution, Human Resource Management, management philosophy, quality, flexibility, innovativeness

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1. Introduction

Intensifying international competition has forced many a Western company, including the largest multinationals, into large-scale reorganizations and revitalizing programs touching upon all parts of the organization. Experience shows that most actions have but limited success, especially with respect to obtaining a stronger competitive position vis-à-vis the major competitors. Following is a 'good' illustration of the effects of many reorganizations:

Heavy losses forced company X several years ago to embark on a massive restructuring program – including substantial downsizing – aimed at substantially improving productivity, market responsiveness and customer orientation. Subsequently, company figures are in the black again, mainly due to massive cost-cutting and focusing on core activities. Still, the effects of all restructuring measures have not lived up to expectations. Restructuring the company along product lines has not really led to more entrepreneurship, despite decimation of centralized staff. Customer orientation still leaves much to be desired, as shown by such aspects as insufficient involvement of marketing in R&D activities, automation projects not clearly geared towards customer

added value, and the lack of customer surveys being part of the everyday operation.

It is frequently reported that especially the so-called soft aspects of the changes required do not really get off the ground. Our research and experience points to several, mutually reinforcing, factors causing the problems mentioned, to wit:

- insufficient insight by top management of the relationship between changes in the environment, leading to changing market demands, and the resulting necessary changes in the internal properties of the organization;
- insufficient involvement of HRM; and
- insufficient changes in the HRM-function itself.

In the following we will clarify why these factors play such a crucial role. This will also throw some light upon the question whether or not HRM in practice is a fantasy of the real world [10,18,19,25,26] and which new, often radical, ideas HRM must start to force into line management [6]. This paper is based on our own consultancy practice in both national and international companies, as well as on relevant literature from academic and business sources.

2. Evolution of large-scale industry

We have done extensive research on the way successful industrial organizations have developed over the past decades, leading to the development of an evolutionary model [8]. Based upon this model, main elements for successfully managing the change processes associated with the evolution can be derived. Earlier publications focused on why manufacturing needs to be upgraded and on the changing role of R&D during the evolution [9,27]. This paper highlights the crucial role HRM plays in effectively realizing the fundamental changes large industrial organizations have to undergo in order to be able to meet the challenges of the nineties. To do this, we first present a short outline of our evolution model.

2.1. Starting points

The three key variables determining the functioning of organizations are markets, competitors and technology.

2.1.1. Markets

Of these three variables, the market has first priority. Changing market demands can hardly be influenced by individual companies, and often call for large (strategic) reorientations. We know that a so-called lowest-cost position asks for different management instruments when compared to a top-quality position. Striving for top quality in its turn requires a different approach than striving for product differentiation or very short delivery times. If market demands with respect to price, quality and assortment change – and in the following we will see how this has happened – then structure and culture of organizations must adapt themselves in accordance with these changes.

2.1.2. Competition

Companies are – in principle – free to choose their competitive position and in doing so are in a continuous process of looking for new market opportunities, of trying to set themselves apart from their competitors. Their collective actions also actively influence customers and change market demands, making for an unstable, often radically changing environment.

2.1.3. Technology

Technology is the driving force enabling leading companies to develop new businesses, often forcing others to follow. It has become clear, though, that successful companies view technology as a means (for improving customer value) and never as an end in itself. People, better said, employees, are still a decisive competitive strength. This means that profit generating capacities are to a large degree determined by the quality of leadership, customer orientation and, in general, people management, rather than by systems, procedures and technology.

2.2. The phase model

By and large, several periods can be distinguished for most industrial business sectors, as shown in Fig. 1 ([8], see also [40]).

In the 1960s markets were characterized by the pursuit of quantitative growth. The main effort of industrial companies was directed toward increasing and managing large-scale mass production of standard goods. Price was the most important criterion for success in the market.

In the 1970s customers started to select more critically and pay more attention to product quality. This

Period	Characteristic	Competitive factor
1960s	Up to mass production	Efficiency
1970s	Quality revolution	Quality
1980s	Rise of time pressure	Flexibility
1990s	Innovation drive	Innovativeness

Fig. 1. Change of competitive factors.

was enhanced by companies that made a clear-cut strategic choice to bring out high quality, but sharply-priced products. Quality became an important factor for market success, in addition to price.

In the 1980s markets turned from sellers' markets into buyers' markets in which production capacity exceeded demand. Companies broadened their product lines, shortened delivery times, and offered more customized products. More fragmented markets, shorter product life cycles and greater product diversity called for shortening throughput times and time to market. Speed and flexibility were now factors for market success, in addition to quality and price.

In the 1990s companies try to stay ahead of competition by putting more innovation into their products. New technologies play a key role in these changes. Success in the market depends on the ability to renew quickly and to offer unique products.

The foregoing shows that market demands have evolved by the appearance of the market demands costs, quality, speed and assortment to uniqueness in that order. In the same order, the corresponding internal performance criteria for companies are efficiency, quality, flexibility and innovativeness.

Successful companies are able to adequately react on newly appearing market demands. We should notice that new market demands do not replace existing ones, but rather, are added onto them. As a consequence, companies are forced to simultaneously meet an increasing number of demands. This is not a question of making the right trade-offs, as it has become apparent that meeting new market demands – when done properly – enables companies to also better meet existing demands. It is possible to describe ideal-type organizations for each period, leading to an evolutionary growth model for large industrial organizations, as shown in Fig. 2.

2.3. Lessons

Lacking recognition of the relation between external market demands and internal performance criteria will lead to insufficient changes taking place, necessary to meet new market demands. As shown by the description of the ideal-type organizations, both structure and culture show marked differences when comparing the organizations belonging to the various periods. So it should be borne in mind that the appearance of a new market demand calls for fundamental changes – carefully geared to meeting that demand – in the organizations operating on the market concerned.

A good understanding of the relation mentioned is also important because the specific order in which the various market demands appeared did not come by chance, but was caused by relations existing between the internal performance criteria, which show that the evolutionary process can and should, in fact, be viewed as a learning process. Capabilities developed during one phase sooner or later enable organizations to develop new capabilities, enabling them to meet the demands of the new period. As such it can be shown that mastering quality is a necessary precondition for mastering flexibility, which in its turn is a prerequisite for mastering innovativeness. Hence it is not possible for organizations to skip phases, i.e., to take a short cut, which is why it proves so difficult to recover when landing in the rear in the competitive race.

More often than not, there is a considerable time-lag between occurrence and recognition of major external changes. The ensuing diminishing returns put companies under great pressure and often lead to viewing the changes as threats, rather than challenges

Fig. 2. Evolution of ideal-type firms, in which HRM plays a crucial role.

or new opportunities. We have seen such defensive reactions upon the appearance of quality as a major market demand, again upon the appearance of assortment/choice and variety, and we can see them today in the reactions with respect to offering more unique, innovative products.

Even today, many a company is not *a total quality company*, although quality as a major market demand has been with us for some twenty years now. Many still believe that efficiency and flexibility are contradictory demands, calling for difficult trade-offs. In practice then, many organizations develop at a much slower pace than shown by the time periods mentioned in Fig. 1.

When analyzing the characteristics of ideal-type organizations we notice that during the evolution process changes focusing on structure take turns with changes focusing on culture, notwithstanding the interaction existing between structure and culture. This explains why companies have such difficulties with becoming true quality or true innovative organizations, as quality and innovation primarily involve cultural aspects of organizations. Analysis also reveals the crucial role of HRM during the evolution process. As stated before, the evolution can be seen as an organizational process of learning, involving major cultural changes and, as we shall see, being heavily dependent on all aspects of people management. In the following, we will examine in detail the HRM policy areas human resource flow, reward systems, employee influence and work systems [2] for each phase of the evolution. Each phase begins with a short description of the ideal-type organization [8].

3. The efficient firm

The successful firm in the 1960s is the efficient firm, having a hierarchic, bureaucratic and rational organization. All efforts are directed at reducing costs in these companies: make it cheaper. The efficient firm produces a narrow range of products, tuned as it is towards the mass production of standard goods. Organizational design is based on the creation of simple, repetitive tasks, deemed necessary for the production of fairly complex products using cheap labor.

The efficient firm separates line from staff, operation from control, planning from execution and individual jobs are split up to yield repetitive tasks. Within the growing organization, there is a mushrooming of even more specialized staff functions. Thus, growth is accompanied by, and made possible through, horizontal and vertical differentiation. The resulting complex organization is controlled efficiently by a multitude of rules, procedures and regulations. Managing is mainly planning and control. The organization resembles a well-oiled, smoothly running machine. The efficient firm can be characterized as a specialized hierarchy.

3.1. HRM in the efficiency phase

HRM – a term hardly used in the 1960s – mainly consists of first-line personnel management tasks: hiring, assessing, rewarding and firing employees. Personnel management is primarily a matter of control and adaptation, focused on adapting employees to the task required. Detailed job descriptions, together with specialized functional training schemes and careful

screening procedures result in employees fit for the specialized functions in the Tayloristic organization. Employees are mainly seen as replaceable parts of the production process and as cost factors [33]. It is recognized that a well-trained workforce is needed to sustain growth [22]. Functional specialization is not limited to blue collar work, but also extends to white collar and managerial functions.

In line with the high functional barriers existing in the efficient firm, personnel management, mainly acting as a social engineer, functions separate from other functions. Sharp distinctions generally exist between personnel management activities for 'thinkers' and 'do-ers', as well as for blue and white collars, for line and staff, for 'high' and 'low'. Relationships between employers and employees are mainly based on mutual feelings of distrust [19]. Keeping by the book is a golden rule of the efficient firm, leading to loyalty as a major characteristic of management.

During this period, many experiments with new forms of work organizations and leadership styles were carried out both in Europe and the US, e.g., employee participation, semi-autonomous groups, socio-technical organizations, etc. [2,15]. These experiments did not take place as a result of external pressure and they did not really take root in the organizations involved. Most experiments were short-lived and died early in the 1970s without having made a lasting impact on the efficient firm.

4. The quality firm

All efforts in the ideal-type quality firm are directed at the pursuit of quality as well as recognizing the always needed efficiency improvements. Quality is recognized as a strategic issue, for which top management's involvement and commitment are necessary. The whole of the company is involved in a long-term process of continuous improvement, encompassing both products and processes, top management, factory workers and other employees. Everybody is convinced there is money to be made through quality. The many changes needed to achieve this goal amount to nothing less than a cultural shock for the efficient firm. Close coordination exists between product development and engineering as well as between the technical and commercial sectors. Dedication and precision, so essential for achieving perfection, calls for motivated employees, enabling people to inspect and test their work. All employees are, at

the same time, customer as well as supplier. There is a spirit of cooperation, in which people are assessed on results and much attention is paid to horizontal and vertical communication. Negative sanctions have largely given way to positive ones, getting people to really put their hearts into their work. The spirit of quality which permeates the firm, also extends to its suppliers. As for customers, "the customer is always right" simply is not up for discussion anymore. So prime parking spaces are for customers, and satisfying a customer is really more important than pleasing the boss.

Main characteristics of the quality firm are communication and cooperation. The rising demand for quality in the market therefore amounts a cultural change for organizations. The quality of the organization, translated in aspects as continuous improvement of one's own work, being customer oriented, daring to report mistakes, improving cooperation between various departments or disciplines, etc., does not concern the structure of the organization, but primarily its culture; the values and behavior of its employees.

4.1. HRM in the quality phase

HRM contributes to having all employees, from top to bottom, undergo extensive quality programs, often including on-the-spot training. Focus is on customer orientation, stressing the fact that *everybody* has customers. In connection with this, much attention is given to improving communicative and listening skills, especially concerning management. Also, much time is spent on the leadership style of first-line managers, as shown in the way they handle mistakes made by their workforce, or solve internal conflicts. Managers are assessed not only on meeting targets, but also on the basis of input given by internal and/or external customers. HRM contributes to promoting job rotations between functions within specific business areas, instead of having people within a specific function moved around in various businesses having hardly any or no relation to each other. The HRM functions itself change by becoming much more receptive to specific needs from parts of the organization. HRM also plays a major part in improving communication and teamwork, as well as in projects aimed at job enrichment. In doing so, HRM activities are not confined to personnel management anymore, but also include organizational topics.

The changes in reward systems, necessary to realize a true quality firm, are one of the most impor-

tant aspects belonging to the often-missed points by HRM during this phase. Customers, be they internal or external ones, hardly get a chance influencing management performance ratings. Management development, especially concerning higher ranks, stays a secluded, internal top-down affair not moved by major characteristics of the quality firm such as formal consultations of subordinates that can greatly improve manager-employee relations [3,14,31].

Although negative sanctions have largely given way to positive ones, reward systems tend to focus on quantitative targets, neglecting 'soft' aspects as work systems or quality of work, which are still viewed as superfluous luxury rather than a necessity [15]. Employee influence stays limited to non-binding advice concerning operational issues. The contribution of HRM to realize more democratic organizations and more participative leadership, or improve vertical communication shows more in articles and books than in real practice. And in those instances where HRM activities do include these aspects, they are looked upon as sociological experiments and do not succeed in becoming part of management's culture (e.g., [17]). Consequently, (top)management is not really involved in quality measures and commitment to quality remains a lip service: *"The essence of quality is often overlooked and many managers do not realize the implications of quality for their own function"* [36]. But successful organizations do show the importance of leading by example for attaining quality.

5. The flexible firm

In addition to cost reduction and quality improvement, efforts in the ideal-type flexible firm are directed at increasing speed: minimize the time needed from 'ore to customer store'. This also holds true for developing and introducing new generations of products. The organizational design is based upon the creation of fast feedback loops, enabling processes to react quickly to changes while retaining their reliability. The functional organization of the former efficient and quality firms has largely given way to product-oriented organizations, consisting of relatively autonomous product-market combinations, business units, in which all primary and directly supporting functions are present. Communication lines are short, the number of hierarchical levels is limited and central staff groups are kept to a minimum. Short

manufacturing throughput times are achieved by continuous flow production and most manual work is carried out in groups, employing multi-skilled employees, responsible for day-to-day operations. The inflexible mechanizations of the past have given way to flexible, often computer-aided, automation. At all levels extensive use is made of temporary groups, such as task forces and problem solving teams, to deal with unforeseen events.

Main characteristics of the flexible firm are integration and decentralization. The increasing flexibility demands made on organizations are primarily met by changes in structure, such as focusing on core activities, organizing along the value chain, decentralization into semi-autonomous business units, flattening organizations, etc.

5.1. HRM in the flexibility phase

HRM certainly plays its part in realizing the necessary organizational changes. HRM expertise is used to getting entrepreneurs in line management positions. More generally, management selection and reward systems are tuned toward taking initiatives and showing a willingness to take risks, instead of the former focus on adherence to rules. The differences in personnel management based upon function and position, as mentioned in the efficiency phase, disappear to a large extent. There is a concerted effort by HRM to getting more multi-skilled employees and realizing operational work teams that are responsible for a multitude of tasks, operational as well as tasks formerly done by staff and supporting departments. In all, during this phase many HRM activities concern aspects of socio-technical system design, leading to organizations behaving much less inflexible, bureaucratic and hierarchical than their well-known Tayloristic predecessors. Such changes also lead to HRM activities with respect to related issues as teamwork, style of management, as well as flexibilization of work. Finally, HRM plays an important part in internal moves of employees which are the result of many of the changes mentioned, i.e., decentralization of staff, flattening of organizations, downsizing of organizations or management buy-outs of non-core businesses.

During this phase HRM frequently misses the boat, however, in achieving true decentralization of authority and a more coaching and supporting style of management. More often than not, the pressure on getting results on short notice leads to true macho management in the decentralized business units, making

social renewal even more difficult than before. This trend is intensified by declining profits, due to ever increasing international competition, which lead to a business culture characterized by business-like internal relations and no-nonsense management with little or no affinity to the 'soft' aspects of management.

In but a few organizations HRM succeeds in realizing the (necessary) flexibilization of work by internal flexibilization measures. As a rule, such flexibilization is achieved by external measures, such as substantial downsizing of the organization and replacing former employees by workers on a temporary basis, which in fact constitutes a choice for efficiency and against quality [32]. Semi-autonomous work groups being responsible not only for operational tasks but also for directly supporting ones as planning, measuring and testing or maintenance, hardly get off the ground; and the well-known change from control to commitment often remains a theoretical one [21,28]. The Japanization of many an industry, caused by copying allegedly superior Japanese forms of organization without taking into account the specific cultural aspects belonging to such organizations, leads to more human control instead of contributing to more involvement and participation [5,6,13,38]. Careful selection and indoctrination procedures by HRM generally form one of the first steps in realizing such organizations.

The HRM function itself also changes. In accordance to the culture present, it too operates in a more business-like manner and loses some of its socio-psychological image. By and large, however, HRM lacks management know-how and has little affinity to technical matters. This hampers HRM in realizing the changes in management attitudes that need to be made as part of the flexibilization processes [4,7,37]. Some successful organizations, having upgraded their HRM function, show it can (and should) be done; but they are the exception to the rule. HRM seldom rises to the strategic position held by functions such as finance, marketing or research. *"There is little evidence of a strategic approach to HRM being adopted in most organizations"* ([25], see also [39]).

6. The innovative firm

Cost reduction, quality improvement and increasing flexibility are all embedded in a continuous search for breakthroughs in all areas involved. As such, this

company not only produces a wide and varied product range, but it is also known for its unique products. In the ideal-type innovative firm, considerable use is made of multidisciplinary *ad-hoc* teams, generally manned by experts from all over the company. Lines of command to the various teams change with time, depending upon the state of the activities concerned. The traditional line-staff distinction has lost most of its significance as teamwork is the name of the game. A system of group assessment is applied. Know-how determines the contribution of employees, not their hierarchical position. In relation to this a dual career line exists – one in management and a scientific one.

Basic premise is the inseparable link between technological innovation and social renewal. An innovative climate is created and maintained by such measures as the employment of mavericks, the use of an open-door policy, including the possibilities of hierarchical by-passes and the promotion of diagonal communication. Coming up with alternatives – a necessary ingredient for an innovative organization – is encouraged through an open, informal atmosphere. The innovative organization is a 'learning' organization. As innovation is not restricted to new technologies, the results of creativity are not limited to the introduction of new products. They might also lead to novel approaches in opening up new markets, setting up new organizations, designing new factories and offices, updating industrial relations, creating shared values and formulating new missions. Just as not all of the organization is in a process of innovation, not all of the company's products are unique. It simply puts more innovation into more products, apart from producing a wide variety of products, comparable to those of competitors. That keeps it one step ahead of competition.

Main characteristics of the innovative firm are participation and democratization. Creating and maintaining an innovative climate, together with the ability to quickly and effectively capitalize the results of such innovative strength is above all a question of culture. After all, aspects such as sharing information, involving all concerned in major projects, continuously changing organizations, being tolerant to mistakes and having a positive attitude toward new ideas are more a matter of culture than of structure.

6.1. HRM in the innovative phase

From the description of the ideal-type innovative firm it follows that HRM plays a crucial role in

the change processes involved reaching that phase (e.g., [16,23]). Peer reviews and dual career ladders, for instance, require reward systems not usually found today. Employing work teams making little or no distinction between line or staff functions require new work systems. Letting know-how instead of function or position determine the contribution of employees, or accepting the existence of hierarchical by-passes require quite novel ideas with respect to employee influence. HRM must play a major role in attracting and keeping mavericks in the organization, as well as in establishing the open, informal working conditions. Attention for superordinate goals, shared values and the mission of the organization also asks for a central role of HRM.

From the description of the innovative firm, it will come as no surprise that major hurdles can be expected in creating such an organization. In all probability, improving innovative strength will be seen as an issue concerning technological innovation, and the importance of social renewal will be greatly underestimated. But without social renewal, organizations will not only fail in unleashing the creative potential of their employees, but will also not be able to effectively capitalize on those new ideas that do come up. Both aspects of true innovative strength are seriously hampered by many characteristics of the majority of present-day organizations, such as internal politics, bureaucratic rules, existing and often large differences between hierarchical ranks, and so on [16,23]. The degree of participation and democratization called for in sharing information will certainly meet strong resistance as information is power, that will not be shared freely by decision makers [12]. New ideas, often bearing risks and never in line with 'business as usual', are generally met with skepticism and felt as (unwanted) criticism and are therefore often seen as shows of lacking loyalty. Asking managers to having an open attitude toward new ideas, calls for them to accept and even welcome an attitude of positive criticism. Open informal communication also calls for unusual high levels of listening abilities (e.g., [24]). It is a safe bet that the fundamental aspects of what constitutes a learning organization are still not well understood [17].

Trying to decrease the distinction between managers and non-managers – a logical consequence of a dual-ladder career line – and placing more value on individual contributions than on hierarchical ranking will, in all probability, prove to be extremely difficult, in spite of the very positive effects experienced

by leading companies in this respect [20,29,31,34]. Much resistance is to be expected in this respect, not in the least from higher management levels. Rewarding employees on the basis of their creative contribution to the company, which many a times cannot directly be linked to the company's financial results, will prove a very sticky problem. Peer evaluations are a possible solution, but here the solution may be more threatening than the problem, not just to managers but also to the HRM function.

The innovative firm may also lead to new functions for HRM. For instance, the intensive and various forms of teamwork called for in an innovative firm may offer an opportunity for HRM to act as 'group conductor', whose task consists of learning such groups to effectively operate without exploding conflicts.

7. Concluding remarks

7.1. Forces

The complex interplay between companies searching for new ways to compete and changing customer demands have led to an evolutionary process for organizations, enabling them in the end to *simultaneously* improve their capabilities with respect to efficiency, quality, flexibility and – in the 1990s – innovativeness. Basic cause for these change processes to take place is the fact that intensifying competition under buyers' market conditions forces companies to stand out from their competitors. Not doing so will ultimately lead them into a price war with no hopes for sufficient returns. It is essential to realize that such distinctive properties required will mainly come from aspects having a social dimension. This is not only a consequence of the large, sometimes even fundamental changes required of companies during the evolution process. It is also a consequence of the fact that technological innovation, however needed in our high-tech world, will have a decreasing influence on the competitive position of companies.

This is due to a number of mutually enforcing causes. First of all, organizations increasingly involve external suppliers, who work for various companies, in their development activities. Next, exploding R&D costs lead to strategic alliances of clusters of companies sharing know-how. Also, standardization of products, often necessary to open up global markets, considerably lessen the possibilities to dis-

Fig. 3. The forces acting in the evolution.

tinguish one's products from those of others. Last but not least, the cloning and copying speed of companies based in newly industrialized countries has been increased to the point where technological leadership concerning a specific new product is very short-lived indeed.

The increasing importance of the totality of activities constituting HRM thus is not only due to the cultural changes required of many a company, but also to the decreasing possibilities technology offers to obtain a distinctive market position. It goes without saying that (mastering) new technologies will be a major asset for companies in the future, as it is today. It should be recognized, however, that effective capitalization of the possibilities these new technologies offer will to a large degree depend on the speed and quality of the associated social renewal. Maybe the following typifies the main elements of successful competition (see Fig. 3):

- Technology: the driving force;
- Customers: the deciding force;
- Employees: the decisive force.

It should be emphasized that this call for social renewal is not based upon ideology or social engagement, but upon genuine concern for the long-term continuity of our industry. In the words of Omar Ak-touf [1]: *"It is important to understand that this movement toward a more human firm is neither a romantic*

ideal nor a philanthropic gesture, nor a utopia, but a necessity."

7.2. Facts

Practice shows, that most companies are quite capable of managing changes concerning aspects such as technology or structure (e.g., decentralization, focusing on core activities, streamlining the operation), but are much less capable or willing to manage cultural changes. Carrying this back to our evolution model leads us to conclude that organizations can and do improve their efficiency and flexibility, but are slow in becoming a quality firm, let alone an innovative firm. These deficiencies do seriously weaken their competitive strength, as described. Looking over the often-missed points by HRM (see Table 1) there is a large area of social renewal undeveloped.

Social renewal literally remains an academic issue, either because the necessity of it is denied by management or because the soft aspects of organizations are still considered to be the subject of 'softies'. This is not only caused by the extreme competitive pressures 'forcing' managers to view their employees as cost factors. Articles in business magazines illustrate that scientists in the field of business management also keep denying long-known principles concerning the motivation of employees. Such articles, generally based on the results of investigations in areas combining high unemployment ratios with low levels of

Table 1
Often-missed points by HRM

HRM policy areas	Weak points
Reward systems	Customers not really involved No upward appraisal Focus on quantitative targets
HR flow	Few cross-functional jobrotation Too many temporary workers
Employee influence	Limited to operational issues Macho management Resistance against freely sharing of information No attitude of positive criticism
Work systems	No true decentralization of authority Underestimation of social innovation Large differences between hierarchical ranks Neglect of quality of work

social welfare, 'prove' that employees are quite satisfied with their jobs, in spite of very high work pressure and low quality of work contents such as short-cycle moving assembly-line jobs. The battle between advocates of 'trust as motivator' and 'fear as motivator' methods, or between 'theory X' and 'theory Y' champions is an eternal one, so it seems. The often fictitious moves concerning social renewal are clearly illustrated by the recent choice made by industry for the lean production concept at the cost of the socio-technical production concept.

7.3. Fiction

Precisely the fact that the evolution from an efficiency firm to, finally, an innovative firm does imply fundamental cultural changes means that involving the HRM function is necessary but not sufficient. For the HRM function itself, better said the HRM employees themselves, must also change. The evolutionary process described concerns all members of the organization, including HRM. The difficulties encountered when trying to change the operation of staff departments are well-known. In recent years, measures such as decentralizing staff to the operation, abolishing the compulsory use of the services of internal staff departments and opening possibilities for hiring external services, coupled to considerable downsizing of staff have proved quite successful not only in terms of cost reductions but also in getting a much more customer-oriented functioning of staff departments. These positive effects are based on increasing the power of the customers, leading to changing the performance criteria of the staff concerned. Such measures, however,

will not do in the case of HRM, because now we face the necessity of having to change the customers (of HRM) themselves.

So the HRM function must change without being forced to do so by its customers. This asks for a proactive attitude by HRM, which is not without risks. For many HRM activities, e.g., management development, are so closely related with top management that HRM simply does not get the room to manoeuvre. So close coordination with top management seems a first priority for HRM [30,35]. Having an HRM representative in the board of management, which is more than having HRM in the portfolio of some member of that board, seems in line with the importance of this specific function. It is especially in the area of HRM that top management cannot and should not delegate their functions and responsibilities to lower ranks.

After the foregoing, it probably goes without saying that top management should be aware of the fact that 'soft' sectors increasingly determine the competitive position of their companies, not aspects as fancy new organization structures, state-of-the-art automation projects or meticulous analyses of their core capabilities. Of course, such 'hard' aspects play an important role, but their effects are often limited by their 'me too' character. 'Everybody' has engaged in concurrent engineering, focusing on core activities, decentralization or, recently, business process redesign. But competitive strength is, in the end, determined by aspects as (real!) customer orientation, effective multidisciplinary teamwork and styles of leadership.

And these factors are much harder to imitate by competitors than the earlier mentioned ones. The well-known, maybe even outdated expression "people

are the most important competitive asset" is not precise enough. Crucial points are having the 'right' employees (including managers) and, foremost, getting them to function in the most effective way which to a large degree depends on the company's HRM function, which in its turn is always derived from the norms and values of (top)management. Maybe the right statement should be: "Leadership is the most important competitive asset". This puts the responsibility of our companies' future right where it belongs.

It also forms the basis of the contradictory forces pulling on HRM. On the one hand, HRM should play a pro-active, 'leading the way' role in realizing innovative organizations, on the other hand HRM portrays the norms and values of top management. This leaves HRM no choice but to balance on a thin rope, being a maverick but never a jester. For in the end, managers must be confronted with their own beliefs and recognize the necessary changes required from them. Such a role for HRM is new, challenging and – as said before – not without its risks. But then, taking risks is part of any ambitious function, including HRM. To fulfill such a role and become involved in strategic reorganization processes, top HRM employees will have to gain a level of understanding of the various aspects of strategic business management, which is not usually found in HRM employees today. For only then can they function as valued members of a top management team.

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