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A Balanced Approach to Understanding the Shaping of Human Resource Management in Organisations**

There is a need for alternative theories to get a better understanding of human resource management (HRM), in particular with regard to the shaping of the employment relationship in organizations. This study examines how market, institutional and configurational factors affect HRM in a global financial services company using the strategic balance theory and Paauwe's model. Interview data and document analysis show the impact of critical incidents (e.g. a merger) and trends (e.g. a transition in Dutch industrial relations) on HRM.

Key words: **HRM, strategic balance theory, context**

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1. Introduction

Contemporary research in the field of human resource management (HRM) is dominated by the 'scientific' approach to demonstrate an empirical association between HR practices and increased organisational performance (Hesketh/Fleetwood 2006). The 'scientific' approach puts empirical results first and ignores or underestimates the theoretical problems involved. The emphasis is on testing the added value of human resource practices using simple input-output models. More than a decade of empirical research has been conducted since Huselid (1995) stimulated the HR debate, yet little progress has been made towards an understanding of how HRM is shaped in organisations (Paauwe 2004). If we want to know more about the underlying processes in HR decision making we need some new theories and models (Hesketh/Fleetwood 2006; Keegan/Boselie 2006).

Contemporary popular theories in the field of HRM – the resource based view (Barney 1991), AMO theory[1] (Bailey 1993) and strategic contingency approaches (Porter 1980) – are not adequate to fill this gap due to their serious theoretical problems (Priem/Butler 2001; Boxall/Purcell 2003; Boselie/Dietz/Boon 2005). There is a need for alternative theories to get a better understanding of HRM. New institutionalism[2] is an alternative for further application in the HR field because of its special attention to institutional mechanisms (Paauwe 2004; Legge 2005). The theory offers yardsticks for understanding the impact of coercive mechanisms (for example labour legislation, trade union power and collective bargaining agreements), normative mechanisms (professional norms and values linked to professional bodies and employee groups) and mimetic mechanisms (fads and fashions) on the shaping of the employment relationships in an organisation (Paauwe/Boselie 2003).

However, this theory only looks at one side of the coin. The external market mechanisms and the internal configurational context are not fully taken into account. Strategic balance theory builds on the notions of new institutionalism and extends it by explicitly incorporating the market dimension (Deephouse 1999). Paauwe's (2004) model applies strategic balance notions and explicitly adds a third dimension: the organisation's configuration. This paper explores the view that human resource management (HRM) in an organisation is affected by the three dimensions from strategic balance theory:

1. The external market dimension (external product, market and technology pressures/developments);
2. The external institutional dimension (external social, cultural and legal pressures);
3. The internal configuration of the organisation (cultural/administrative heritage of the organisation in terms of culture, structure and systems).

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1 AMO theory is based on the notion that HR practices that stimulate Abilities [A], employee Motivation [M] and Opportunity to participate [O] increase employee discretionary effort and firm performance.

2 New institutionalism became popular in the 1970s and 1980s, as a result among other things of DiMaggio/Powell's (1983) The Iron Cage Revisited and research by Zucker (1977) and Meyer/Rowan (1977).

Strategic balance theory (Deephouse 1999) is the foundation for the conceptual model on the shaping of HRM in an organisation used in this research. The aim of this paper is to test an alternative approach to understanding the shaping of HRM in organisations based on Paauwe's (2004) model. The central research question addressed in this paper is: How do market, institutional and configurational factors affect the shaping of HRM in an organisation? The alternative model will be tested in a case study approach within a large Dutch financial institution. The data was collected in 2006 and is based on interviews, archival data and document analysis.

The theme of this special issue is: *The end of personnel? (Variety in employment – characteristics, prerequisites, consequences)*. There are several threats that could cause "the end of personnel" as we know it, both in theory and in practice. First, the lack of good theory in the field of HRM seriously limits future research. RBV theory, AMO theory and strategic contingency approaches have reached their limits. Alternative theories, including new institutionalism and strategic balance theory, are needed in order to expand the HR horizon of personnel issues. Second, the 'scientific' approaches in the field of HRM are too focused on the impact of human resource practices while neglecting other relevant aspects of HRM such as the role of those who enact HRM (line managers),the role of the personnel managers themselves (HR roles and competencies) and the structuring of HRM in an organisation (for example downsizing, outsourcing and offshoring). There is a need for a much broader definition of and better approaches to the concept of human resource management. In other words, HRM is much more than just a set of practices that either are or are not aligned with the business strategy of an organisation. Finally, the notion that context matters (Boxall/ Purcell 2003; Paauwe 2004; Legge 2005) is largely overruled by best practices approaches in the field of HRM. And even the empirical evidence supports the universal modes of theorizing (Delery/Doty 1996) which may potentially result in a hollowing out of the HRM discipline to leave merely to a list of practices that should or should not be applied in practice.

The paper begins by defining human resource management (HRM). Section 3 discusses the general theory. Section 4 discusses the conceptual model. Section 5 gives an account of the research design and methods for further analysis. The results are presented in section 6 and section 7 provides a discussion of these. Finally, a general conclusion on the alternative approach presented here looks at the lessons that can be drawn from it for future HR research on understanding HRM in organisations.

2. Defining human resource management

This paper uses a very broad definition of human resource management: HRM involves management decisions related to policies and practices which together shape the employment relationship and are aimed at achieving individual, organisational, and societal goals. Human resource management is not solely the responsibility of the HR department. It involves the design and implementation of human resource practices by both HR professionals and line managers (Guest 1987). The latter are regarded increasingly as the enactors of HRM and a crucial link in the HR value chain (Hutchinson et al. 2003). In theory a substantial part of HRM is aimed at aligning the business strategy and the HR strategy, also known as the strategic or vertical fit between strat-

egy and HRM (Golden/Ramanujam 1985). HRM is also responsible for developing and implementing so-called high performance work practices (HPWPs) that contribute to the sustained competitive advantage of an organisation. The linkage between these HPWPs and achieving a high performance human resource system, also known as internal or horizontal fit, is one of the key areas of interest in the ongoing added value debate (Huselid 1995). This performance orientation also led to a revision of the HR roles in organisations: Ulrich's (1997) typology of four different HR roles – administrative expert, employee champignon, strategic partner and change agent – is probably the most famous in this field. The late 1990s brought a new challenge for HRM: the downsizing of firms (Baron/Kreps 1999). Downsizing often goes hand in hand with large-scale dismissals and a fundamental restructuring of the organisation including work design. Since 2000, two other developments have tended to characterise HRM in the new millennium: outsourcing and offshoring. Strategic reorientation (back to the core business), efficiency notions (economies of scale) and service quality (through service level agreements with contractors) are the primary reasons for outsourcing and offshoring parts of the business (for example salary administration, cleaning, catering, call centres and ICT).

Wright/Nishii (2007) make a valuable contribution to the HR debate in drawing a distinction between intended HR practices, actual HR practices and perceived HR practices. Intended HR practices are those HR policies and practices which have been developed and designed by HR professionals to affect employees in organisations, for example through new compensation schemes and employee development. Actual HR practices are those HR interventions that are implemented and which tend to be mainly enacted and applied by line managers (Hutchinson et al. 2003). Perceived HR practices are HR interventions as experienced by employees. Wright/Nishii (2007) assume a sequential relationship between intended, actual and perceived HR practices. This study focuses on the shaping of HRM in terms of intentions (policies) and actual interventions. Employee perceptions of HRM are not taken into account here.

The contemporary 'scientific' approaches to HRM are mainly focused on (1) the impact of best practices in HRM on firm performance, (2) the link between HR practices and high performance work systems, and (3) the link between HRM and the business strategy of an organisation. The concept of HRM in this study incorporates not only these three aspects (notions of practices, systems and strategic fit), but a number of other relevant components as well. In summary, HRM in this study is a broad concept which includes: (a) the degree of high performance work practices and systems for adding value in place, (b) the alignment between HRM and strategy, (c) line management involvement, (d) the professionalisation of HR managers, (e) the HR role in downsizing and organisational restructuring and (f) make or buy decisions in respect of employment issues (outsourcing and offshoring). In this paper we examine how market, institutional and configurational factors affect the shaping of HRM in an organisation.

3. The Strategic Balanced Perspective

A distinction can be made between 'best practices' approaches (Pfeffer 1998) and 'best-fit approaches' (MacDuffie 1995). This discussion implicitly deals with the im-

pact of the organisational context (both internally and externally) on the shaping of HRM. Best practice approaches assume a universally successful application of certain high performance work practices such as performance related pay, employment security, selective recruitment and employee involvement in decision making (Delery/Doty 1996). The best-fit approaches in HRM stress the importance of the organisational context in the optimal HR design. In the early days of the HR discipline some authors were already emphasising the impact of context on HRM (Beer et al, 1984), while others devoted less attention to it or none at all (Fombrun et al. 1984). The early best-fit approaches in HRM were inspired by the traditional strategic contingency approaches (Miles/Snow 1984; Porter 1980). Boxall/Purcell (2003) summarise the three main critiques of these early best-fit approaches in HRM:

- -Such approaches are too simplistic and do not capture the full spirit of strategic linkage in practice;
- There is a general lack of attention to the individual employee perspective; and
- The approaches are static with no room for dynamics and organisational change.

Strategic contingency approaches are sometimes called outside-in approaches because the external environment is taken as a starting point for this type of analysis.

The emergence of the resource-based view (RBV) in the early 1990s (Barney 1991) provided an impetus for 'best practices' approaches in HRM from a typical inside-out perspective. In this view, organisational success can only be achieved through a focus on the strengths of valuable internal resources (for example, human resources). The RBV is often criticised for its lack of attention to the external context and as being tautological (Priem/Butler 2001). Nevertheless, the RBV did emphasise the internal organisational context and the relevance of the cultural and administrative heritage to creating uniqueness in an organisation. We now know that the external context matters and this is reflected at different levels of analysis including sector and national level (Brewster/Mayrhofer/Morley 2004).

In the late 1990s the RBV debate stimulated the development of a new school of thought called the strategic balance perspective (Oliver 1997; Deephouse 1999). This approach unifies new institutionalism and the resource-based view and acknowledges the relevance of both market and institutional mechanisms. In times of globalization and increased competition there is a growing awareness that sustained competitive advantage depends on creating a balance between market demands (e.g. reduce costs, increase the firm's flexibility and shorten the production cycles) and institutional pressures (e.g. offer employment security and demonstrate socially responsible environmental behaviour) as advocated by new institutionalists such as Oliver (1997). Although this balanced perspective is related to the well-known Balanced Scorecard concept (Kaplan/Norton 1992), it is in fact deeply rooted in earlier research on Industrial Relations (Dunlop 1958; Kochan/Katz/McKersie 1986; Poole 1986), Stakeholder theory (Freeman 1985) and New Institutionalism (DiMaggio/Powell 1983). In the strategic balance model, organisational success can only be achieved when the financial performance AND societal performance of an organisation are above average within the particular population of that organisation (Deephouse 1999). In this view, high scores achieved for either financial or societal performance alone are bad for the

long-term survival of an organisation. High financial outcomes alone could lead to serious social legitimacy issues, for example if these high scores go hand in hand with environmental pollution and labour intensification among the workforce (Legge 2005). Equally, social legitimacy without good financial outcomes on efficiency and effectiveness, as is the case in some public sectors such as the National Health Service in the UK (Bach 2004), is also not good enough to support survival in the long run.

In the last decade, large multinational companies (MNCs) have learned that they cannot ignore societal issues that affect stakeholders other than the traditional shareholders of the organisation. Shell had its Brent Spar incident and these days is working closely with an important external stakeholder and former "enemy": Greenpeace. There is a growing willingness among MNCs to look beyond financial results and take into account the interests of multiple stakeholders including the employee perspective. Heineken, for example, has a special Aids prevention and treatment program for employees and their families working in African countries and who have been affected by the Aids epidemic. The program is called the Heineken HIV-Aids Policy program.

In summary, strategic contingency approaches emphasise only the external organisational context in a rather simplistic, static and one-dimensional way (i.e. only the employer's perspective). The introduction of the RBV led to a major shift towards a focus on the internal organisational configuration, while the external environment of the organisation tended to be neglected. The strategic balance perspective restored the balance between external and internal organisational context. Deephouse (1999) acknowledges market and institutional mechanisms, but there is still one crucial element missing in his model: the configuration. Paauwe (2004) applied the balanced perspective to HRM but also included the internal organisational configuration based on earlier RBV notions. His approach combines the "best of both worlds" from new institutionalism (institutional dimension) and the resource-based view (market dimension and configuration). The next section will focus in more detail on our conceptual model.

4. Conceptual model

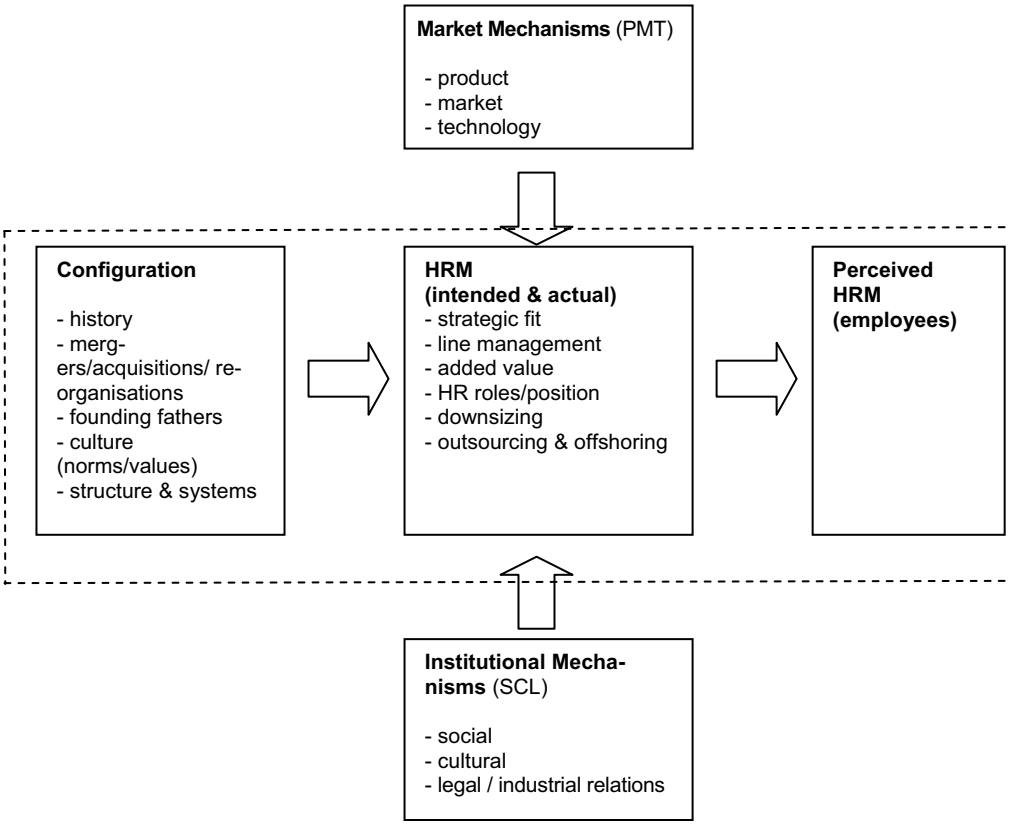
Strategic balance theory suggests that there needs to be an organisational balance between the managing of market pressures and institutional pressures. In this paper the framework will be extended to include notions from the resource-based view on the cultural and administrative heritage (or configuration) of an organisation. HRM is the result of (1) market mechanisms, (2) institutional mechanisms and (3) the configuration of the specific organisation in our conceptual model (see Figure 1). This approach in HRM was originally developed by Paauwe (2004) and called the Contextually Based Human Resource Theory. *Market mechanisms* may be defined as external pressures on the organisation in terms of, for example, new developments in products/services and markets (market growth, stagnation and decline), and technological developments (for example related to information technology communication). This market dimension which an organisation faces is also known as the external PMT dimension (product, market and technology dimension) (Paauwe 2004).

In the model *institutional mechanisms* represent external pressures exerted on the organisation by society (for example with regard to issues of environmental pollution

and of labour intensification), norms and values in a society (for example in respect of working hours), and legislation on employment relations issues (for example collective bargaining agreements, disability laws, unemployment legislation). This institutional dimension is also known as the SCL dimension (social, cultural and legal dimension) (Paauwe 2004). Finally, the *configuration* represents the historical blueprint of the organisation, possible major organisational transformations in the past (mergers, acquisitions and reorganisations), the role of the founding fathers (for example their philosophy), internal organisational culture in terms of norms, values and routines, and the structures and systems in place.

HRM is the dependent variable in the study and incorporates the following key indicators: the strategic fit (or non-fit) between the business strategy and HRM, the degree of line management involvement in HRM, the added value of high performance work practices and systems, the role of the HR department in the organisation, downsizing and HRM, and outsourcing and offshoring businesses. It is implicit in the model that perceived HRM practices are the outcome of the intended and actual HRM. The last two components (intended and actual HRM) are the main subject of this empirical study.

Figure 1: Conceptual model



Source: Adapted version of Paauwe's (2004) model

5. Research design and methods

The study examines how market, institutional and configurational factors affect HRM in an organisation. This type of research question favours the use of a case study approach (Yin 1994). A case study is particularly suited to phenomena that either cannot be distinguished from their context or that must be seen within their context (Vaus 2001). Yin (1994) defines a case study as an empirical method for studying complex phenomena, based on an extensive understanding of these phenomena as a whole, within a real life context. The data for this research is based on face to face interviews, literature study, and document analysis (e.g. annual reports, archival data, and newspaper articles).

The conceptual model was assessed in one large multinational organisation. This MNC was founded in the early 1990s through a merger. The MNC is a global financial services company of Dutch origin with roots in organisations going back more than 150 years. The core business of the MNC comprises retail banking (including insurance and asset management services), wholesale banking, retirement services, direct banking, life insurance, property and casualty insurance. The company operates in more than 50 countries and its banking, insurance and asset management services employ over 120,000 employees worldwide. Based on market capitalisation, this MNC is one of the 20 largest financial institutions worldwide.

This study looks at the Dutch component of the MNC which has about 30,000 employees. The Dutch component of the MNC was rated as the best employer in the Netherlands in 2006, and ranked second in both 2004 and 2005 (Intermediar 2006), scoring highly on wages, bonuses, budgets for training and development, and with low employee turnover rates (8.9% in 2006) and low percentages of absenteeism due to illness (below 5% on a yearly basis). The Management Board of the Dutch component of this MNC comprises six members: Chairman (and Director of Wholesale Banking), CFO, Human Resources Director, Director of Retail Banking, Director of Operations/IT, and Director of Intermediaries.

The first part of the case study is a pilot study in which a limited number of interviews with HR executives (n = 3) and archival data (newspapers articles, website information and annual reports all publicly available) were used in order to determine the most important critical incidents and trends that the Dutch component of the MNC had to deal with during the period 1990-2006. A *critical incident* is defined as a definite and discrete occurrence that interrupts normal procedures or precipitates a crisis. Critical incident techniques are widely used in qualitative research, in particular within organisation studies in order to gain a better understanding of organisational development and organisational change (Chell 2004). A *trend* is defined here as the general direction in which something tends to move. The start date of 1990 was chosen because of the merger that took place in the early 1990s. The three dimensions – market, institutional and configuration – of the conceptual model are used in the search for critical incidents and trends and their potential impact on HRM.

The second part of the case study is concerned with testing and validating the alternative research model proposed in this paper by means of face to face interviews (n = 18) with HR professionals and employee representatives, and further document

analysis. The critical incidents and trends that were determined in the first step are used as a starting point (guideline) for the interviews and the further analysis of documents in this second part of the research. The 21 interviewees were selected by the Assistant HR Director and the university research team. The research team comprised two master's degree students and one university supervisor. The selection of the interviewees was based on two criteria:

Company tenure. It was decided to select groups of employees who were employed between 1970-1985 (n = 5), between 1986-1995 (n = 5) and after 1996 (n = 8). In this way a distinction can be made between, for example, those employed before and after the merger.

Type of work. A distinction was made between (a) high-level HR executives (n = 9), (b) HR professionals at operational level, most of them at business unit level (n = 6), and (c) employee representatives (members of the works council).

The face to face interviews consisted of open questions regarding the main developments since 1990 and their impact on HRM. All interviews were fully typed out in Word documents. The transcripts were then imported into Atlas.ti, which is a computer program for qualitative data analysis. Atlas.ti offers tools to manage, extract, compare, explore and reassemble meaningful textual fragments (www.atlasti.com). In this study the program was used to structure the dataset. In the final stage of analysis the data was coded for data reduction and classification purposes. The coding process provided the research team with insights into the different interview outcomes. Once all of the separate interviews had been coded, the entire coding process was repeated to avoid excess codes and any potential overlap of codes. The iterative process was repeated several times and for purposes of reliability the researchers re-read the interviews a number of times to ensure that the content of the interviews had not been misinterpreted during the coding process.

6. Results

The most important critical incidents and trends for the Dutch component of the MNC were determined first. These findings will be used to further analyse the impact of external institutional mechanisms, the internal configuration, and external market mechanisms on the HRM of the company. The section concludes with an overview of the overall findings.

6.1 Critical incidents/trends

The pilot study, based on the interview data (n =3) and archival data, showed six major critical incidents and trends that affected the organisation to some degree. The incidents and trends will be summarised in historical order.

First, although not explicitly mentioned by the interviewees in the pilot study, there is sufficient additional written material suggesting that there was a fundamental shift – read trend – in Dutch industrial relations in the 1980s. The Wassenaar Agreement (Akkoord van Wassenaar) in 1982 between trade unions, employers' organisations and the Dutch government resulted in the following outcomes (Ruysseveldt/ Visser 1996):

- Fewer governmental interventions and more leeway for employment relations negotiations between the 'social partners' (trade unions and employers' organisations);
- Collective agreements on wage compression in order to create employment;
- More leeway for decentralisation of collective bargaining agreements.

The Wassenaar Agreement is considered to be the foundation of Dutch success (termed the 'Dutch miracle') in the 1990s and can be characterised by stability (low levels of industrial unrest and stable growth in wages), the creation of new jobs and economic growth (Visser/Hemerijck 1997).

Second, the interviewees in the pilot study all mentioned increased global competition (trend) partly due to new competitors, but perhaps even more as a result of the international expansion of the business on a worldwide scale since the early 1990s through mergers and acquisitions. Less than 25% of all employees now work in the Netherlands compared to over 70% in the 1980s.

Third, the respondents all mentioned the merger between the insurance company and the bank in the early 1990s. This merger is unique because of the nature of the two businesses (insurance and banking) that were being integrated into one new company. The founding of the organisation as one company began in 1990 when the legal restrictions on mergers between insurers and banks were lifted in the Netherlands. The insurance company had over 25,000 employees and the bank company about 23,000 employees at the time of the merger. The merger involved an integration of two firms with authentic cultures and businesses (insurance versus banking). Growth and expansion have been key characteristics of the MNC Group over the last 15 years.

Fourth, although the internet officially has its roots in US military intelligence in the late 1960s, the World Wide Web (WWW) can be said to have really developed and broadened its scope in the 1990s (trend). Internet services (both banking and insurance) have become a major component of the company's activities.

Fifth, the firm was the first financial institution in the Netherlands to discuss the possibility of a company-level collective bargaining agreement (CBA) instead of a sector-level CBA for all financial institutions. The decentralisation of negotiations on working conditions is a major issue in Dutch industrial relations. Trade unions have traditionally objected to this trend for fear of losing bargaining power. Decentralisation of the sector-level CBA towards a separate company-wide CBA could create more flexibility and provide a better fit between employment systems and the specific context. The CBA was introduced in 2001 and is still in place.

Finally, in 2004 the company appointed a new CEO and ever since then it has been looking for ways to improve its performance. Part of its new high performance philosophy was to reduce 24 separate labels into 5 new business lines (a new governance structure). One of the challenges for staff departments (including HRM) was to achieve the full integration of activities with the new business lines. The new high performance philosophy has been heavily inspired by Anglo-American shareholder models. See Table 1 for an overview of the six critical incidents and trends and the nature of these incidents according to our conceptual model.

Table 1: Six critical incidents/trends

Incident:	Time:	Type of incident or trend:
1) Transition in IR – Wassenaar Agreement (trend)	1982-	institutional mechanism
2) Globalisation & increased competition (trend)	1980s & 1990s	market mechanism
3) Merger (incident)	1991	configuration
4) Technology (web-based organising) (trend)	1990s	market mechanism
5) MNC CBA (decentralisation) (incident)	2001	institutional mechanism
6) New governance structure (new CEO) (incident)	2004	configuration

6.2 Institutional mechanisms

Since the Wassenaar Agreement in 1982, industrial relations in the Netherlands have undergone a fundamental change. Less governmental interference on labour issues resulted in a shift from a tri-party IR system (trade unions, employers' organisations and government) to a bi-party IR system (trade unions and employers' organisations). Within the company, wages and employment benefits have almost never created major disputes between these 'social partners' due to the economic wealth and prosperity of the firm. The banking and insurance companies simply continue to deliver excellent financial performance. The general 'organisational wealth' of companies in this branch of industry has created a common willingness to pay their employees high wages. Traditionally, the employees of this firm are much better paid than employees in other sectors (Intermediair 2006). Their benefits include not only excellent pay and bonuses of up to six months' salary, but also mortgage discounts of up to 40% of the monthly cost. There was and to some degree still is no reason for collective disputes between the 'social partners' (trade unions and employers' organisations) on matters such as wages and employment benefits. But there is growing concern within the financial sector that the excellent rewards offered there have created golden cages or golden handcuffs for current employees who are simply not able to leave the organisation because of these incentives (for example, they could not afford to keep up the mortgage repayments on their home if they took a job outside the financial sector). Golden handcuffs are considered to have a negative impact on organisational flexibility (little or no employee mobility). Most financial institutions are aware of this potential threat and aim to provide GOOD working conditions rather than EXCELLENT working conditions for new employees.

The HR Director of the Dutch component of the MNC has full responsibility for negotiations with the trade unions, for example on collective bargaining agreements and in respect of reorganisations and the outsourcing of business activities (for example, outsourcing ICT personnel). The HR policies are aimed at achieving a constructive relationship with the trade unions, one that fits the typical Dutch "Polder Model" in which trade unions are considered as strategic partners in the process of shaping the employment relationship within the company. The HR Director himself strongly believes in good stakeholder management and seeking the right balance between business goals and employee interests. Strategic reorientation (new governance structure)

has forced the company to make radical changes, for example outsourcing 6000 ICT employees, creating major challenges for HRM and the trade unions involved. The constructive and healthy atmosphere existing between the 'social partners' has led to good solutions for all the employees involved, involving a successful outsourcing of almost 20% of all employees over a relatively short period of time (approximately 2 years). Such a transformation process is only possible when employment relations are good.

The introduction in 2001 of a company-level CBA instead of a financial sector CBA was partly the result of changes in the Dutch Industrial Relations system in the 1980s. There was a further need for the decentralisation of collective bargaining agreements and for a better linkage (fit) between the arrangements made in the CBA and the specific organisational context. As a result of their diminishing power (a general decrease in trade union membership) trade unions had little choice but to approve this decentralisation towards the company-level CBA in 2001. In fact, the interviews reveal an increase in trade union power within the firm and in respect of HR issues since the decentralisation in 2001. Trade union officers are now closely linked with the strategic HRM level of the Dutch component of the MNC, and operate as strategic partners on employment issues. The HRM within the company has gained more flexibility and increased opportunities for achieving a better fit between HR issues and the organisational context.

In summary, the company-level CBA in 2001 can be seen as a further development of the general changes taking place in the Dutch IR system in the 1980s. The typical Dutch Polder Model in which various stakeholders cooperate and jointly solve problems is characteristic of the institutional environment which the organisation has to deal with. HRM creates added value through good stakeholder management and a long-term investment in relationships with trade unions. The HR director has gained a strong position in the organisation as a result of his formal responsibilities (formal position). The HR Director is in full charge of negotiations and holds a strong position as a result of personal credibility in managing the employment relationship. Structural parameters (HRM formally in charge of employment relations) and personal characteristics (HR competencies) have contributed to the HR Director having a beneficial influence on the overall HRM within the firm.

6.3 Market mechanisms

Since the 1980s, globalisation and increased competition have affected organisations in all sectors in the Netherlands. The Dutch component of the MNC is facing increased competition from three main types of organisation in the field:

1. Other competitors in the Netherlands. The Dutch component of the MNC is one of the big four financial institutions in the Netherlands.
2. New Dutch organisations in the market, often relatively small but highly aggressive firms.
3. New international organisations in the Dutch market.

There appears to be increased competition between these organisations regarding their image and reputation among clients and employees. Employment branding has be-

come a major issue for HRM within the company in order to recruit and retain talent. Key items in the war on talent are reputation and excellent working conditions.

ICT is being outsourced within the organisation will affect 6000 IT employees. The outsourcing process is part of the general HR transformation process and is the responsibility of HRM with the HR Director as most important manager. IT developments and the introduction of the internet have had a major impact on the work design within the firm. Part of the business was digitalised (for example internet banking) and customer relations have changed fundamentally from face2face to click&call. The IT networks within the company also created new communication opportunities internally through extended use of the intranet and e-mail communication. Communication among employees and communication between the organisation and employees is becoming increasingly digitalised. For example, the traditional hard copy newsletter has been replaced by digital newsletters that are distributed through the e-mail system. The administrative part of HRM within the Dutch component of the MNC has recently been centralised, standardised and automated into a shared service centre (SSC) using new technological developments to deliver HRM to its (internal) customers.

In summary, increased competition in the area of corporate reputation resulted in the downsizing of business units and the outsourcing of non-core business activities (for example ICT) within the firm. The HRM department is in charge of these shifts as strategic partners and change agents. Technological developments resulted in new ways of organising work, for example in respect of internal communication. The HRM department itself has been reorganised and the administrative tasks have been centralised and automated into an SSC.

6.4 Configuration

The merger in the early 1990s between the banking and the insurance business blended two different cultures: the banking organisation was typically short-term focused and the insurers long-term oriented. Most interviewees stated that over the years there have been no serious attempts to fully merge these different cultures. After the merger, further expansion and internationalisation through market growth and acquisitions dominated the company's agenda. In contrast to the MNC group on the global market, the company kept its home brands (customer loyalty considerations). Through the merger the MNC Group gained power in the financial markets and created potential economies of scale.

A new CEO was appointed in 2004. He had previously had years of work experience in the USA. His philosophy is heavily inspired by the Anglo-American high performance model. The introduction of the new governance structure in 2004 was closely linked to the appointment of the new CEO and involved a shift from 24 labels to 5 main divisions. The new CEO not only puts people first but takes HRM very seriously as well. The Dutch component of the MNC is directly affected by this global transition and the appointment of the HR Director to the Dutch component of the MNC means HRM has a seat at the executive table. The HR Director is also in charge of the European HR Transformation process. The introduction of the SSC (see technological developments) is also part of the new corporate governance structure. The ONE project was introduced in 2003 and is in line with the new governance structure.

In this particular project the harmonisation of practices across business units and divisions is crucial with line management playing a crucial role in the actual implementation of HRM. The introduction of the ONE project has put line management in charge of HR enactment, at least in theory. The project has been criticised by the line managers involved partly for the lack of organisational support.

In summary, the merger of 1991 created a massive organisation which has the power to grow and acquire other firms in the late 1990s. Ten years later corporate restructuring was put into place by means of the ONE project in 2003, the appointment of a new Anglo-American oriented CEO in 2004 and a new corporate governance structure in the same year. HRM has a seat at the executive table of the firm since 2004, with major responsibility for HR Transformation in Europe. The ONE project has given line management full responsibility for the actual implementation of HR practices although serious criticisms have been voiced regarding the effectiveness of this transition in daily practice.

6.5 Overall findings

A summary of the critical incidents and trends together with the key HRM criteria from the interviews can be found in the Appendix (Tables 2a and 2b). These overviews show a major (perceived) impact from market mechanisms (globalisation, technology and customer centric) and changes in the configuration of the company (mergers, new governance structure, new CEO, Anglo-American approach, ONE project, and centralisation). Institutional mechanisms are often not explicitly mentioned although they also seem to have had a major impact on the organisation. Changes in the institutional environment and legislation (for example the Wassenaar Agreement in 1982, and new banking and insurance legislation in 1990) created opportunities for organisational change (merger in 1991 and company-level CBA in 2001). These organisational changes affect the employment relationship in the organisation. In summary, although (external) institutional mechanisms may be less visible to employees this does not mean that employees are unaffected by the changes they bring about. More leeway for organisations in the Netherlands is anticipated in the near future as a result of increased deregulation.

Second, increasing globalisation and internationalisation (acquisitions) created a shift in the company's corporate philosophy towards an Anglo-American approach in order to satisfy the interests of the MNC Group shareholders. Boxall/Purcell (2003) describe this phenomenon as the creation of viability towards the owners of the firm through adequate returns on investment. Changes in the configuration of the company are mainly the result of external market pressures, for example: The appointment of a new CEO, the introduction of the new corporate governance structure, the introduction of the ONE project and the new Anglo-American management approach.

Third, technological developments (especially information technology communication and the internet) create new opportunities for customer service (call centres), new products and services (internet banking), internal communication towards employees (intranet and email), and reorganising the HRM department (shared service centre).

The most important HRM themes are also summarised in the Appendix (see Table 2b). The overall impression derived from the overview is that HRM is changing within the Dutch component of the MNC. The HRM Director is in charge of the transformation process ("he has a seat at the executive table") and the HRM department is increasingly seen as a strategic partner, for instance in outsourcing non-core activities (e.g. ICT). The linkage between the overall business strategy and the HR strategy has shifted from an administrative linkage to a one-way/two-way linkage, partly as a result of the formal position of the HRM Director. The real added value of HRM is largely in creating and maintaining a good relationship with the social partners (works councils and trade unions). Effective stakeholder management is necessary in order to achieve organisational changes and comprises one of the most important responsibilities of the HRM Director within the organisation. Two major challenges have been the enactment of HRM by line managers and the maintaining of good HR administration through an effectively functioning shared service centre (SSC). Within the firm the SSC is called "gas, water and light" (gas, water en licht). The performance orientation since 2004 is probably the change that has had the biggest impact on HRM. In the Dutch context good stakeholder management by the HRM department seems to be one of the most important areas where value can potentially be added to the organisation. Effective stakeholder management also enables a balance to be achieved between the economic side and the moral side of organising the work in an organisation.

In times of increased market pressures and deregulation (institutional mechanisms) it is important to strike the right balance in order to achieve sustained competitive advantage for the firm (Deephouse 1999). Although some changes are inevitable, the way in which these changes are handled and managed is crucial and HRM can play an important role in the actual change process. Strategic balance theory suggests that the long-term success of an organisation is the result of external market mechanisms and external institutional mechanisms being optimally managed. The MNC in this study focused heavily on the economic side of organising (the market mechanisms) which was reflected in the high level of performance orientation, while at the same time attention was devoted to good stakeholder relationships with the trade unions (an important institutional mechanism). Necessary organisational change as a result of external market mechanisms is balanced by long-term stakeholder management and the maintenance of good relationships with the trade unions. This is an important empirical finding which supports the relevance of HRM's duality in the way it shapes the employment relationship through achieving a good balance between market and institutional considerations. Establishing such a balance through HRM could be key to long-term organisational success as strategic balance theory suggests.

7. Conclusion and discussion

The aim of this paper was to test an alternative approach to understanding the shaping of HRM in an organisation. The central question we addressed was: How do market, institutional and configurational factors affect the shaping of HRM in an organisation? The alternative model was based on notions drawn from strategic balance theory

(Deephouse 1999) and Paauwe's (2004) model. The data used in the further assessment of this alternative model derives from the Dutch component of the company.

Four overall outcomes in the results of the analysis of this case study have been useful in further developing an alternative model for the shaping of HRM. First, it is difficult to make a clear distinction between market, institutional and configurational factors. These three dimensions are sometimes interrelated and affect each other. For example, market pressures (increased competition) caused fundamental changes in the configuration of the company (new CEO and corporate philosophy). Second, not all critical incidents and trends have a direct and substantial impact on HRM. Some mechanisms are actually trends that drive a transition over a longer period (for example, the shift in the Dutch Industrial Relations system in the 1980s). This does not mean, however, that these 'trends' are irrelevant to HRM. On the contrary, the IR changes probably enabled most organisational changes within the firm over a period of two decades (for example the company-level CBA). Third, although some critical incidents and trends may profoundly affect the organisation, they may not initially affect HRM. Although the merger in 1991 had a huge impact on the organisation and of course some administrative implications for HRM, the real challenges for HRM emerged ten years later with the appointment of the new CEO, the introduction of the new corporate governance structure and the new management philosophy. Fourth, the CEO's attitude towards HRM plays an important part. The formal position of the HR Director within the Dutch component of the MNC is related to the CEO's personal, people-centred perspective. General leadership, HR leadership and a strong belief in the power of people management appear to be necessary preconditions for putting people first in practice. The formal position of the HR Director combined with his personal HR competences created further opportunities for HR professionalisation. The model can therefore be extended by the inclusion of those points relating to the CEO's attitude towards people. The CEO's attitude forms part of the configuration dimension.

If we look at the three dimensions in the model – market, institutional and configurational – the findings in this study suggest that these factors affect HRM significantly and substantially. However, the way in which these dimensions affect HRM is complex and not always visible. For example, the shift in Dutch Industrial Relations in the 1980s manifested itself a decade later for HRM through the debate on a decentralised collective bargaining agreement. In-depth and thorough analysis of a specific context is necessary in order to fully understand the impact of changes in these mechanisms. See, for example, previous research by Boxall/Steeneveld (1999), Doorewaard/Meihuizen (2000), Marchington, Carroll/Boxall (2003) for good in-depth analyses conducted through qualitative research techniques focused on revealing underlying processes. The market mechanisms which dominate the management agenda may appear more visible than the institutional mechanisms and organisational configuration. However, the results show the relevance of the last two and to ignore them could seriously disturb the organisational balance between market pressures, institutional pressures and the organisation's own historical roots.

Another remarkable finding of this study is the potential interaction between the different dimensions. For example, changes in the Dutch IR system created the leeway

to bring about the organisational change that was needed to meet the market dimension's challenges in terms of globalisation and internationalisation in the 1990s. The stakeholder management view of the firm, in which social partners (trade unions and works councils) are considered as strategic partners in a never-ending process of organisational renewal, blends the institutional and the market dimensions and creates unique approaches in HRM that could contribute to the long-term sustainability of the firm.

This study uses a very broad definition of HRM, one that is distinct from the HR practices approaches that have dominated empirical research over the last decade. Over the last ten years, there has perhaps been too much focus on practices while other factors that shape the employment relationship through HRM have been ignored. HRM in an organisation is much more than simply a bundle of HR practices; HRM also includes the roles of HR professionals, the CEO's people-centred vision, the front-line managers' belief in HRM and numerous other relevant factors.

These points suggest it is not so much "the end of personnel" but rather the beginning of a new era for HRM both in theory and in practice. Alternative theories, including new institutionalism and strategic balance theory, have shed new light on HR issues relevant to the further development of the HRM discipline. The findings of this study suggest that much might be gained from a balanced perspective where organisations are not driven solely by market considerations, but take account of (1) institutional aspects including stakeholders and legislation and (2) their own history and roots (configuration). The recent financial crisis has demonstrated the limitations of a one-sided economic approach for companies, and for financial institutions in particular.

There are several limitations of this study which are linked to the nature of the approach and methods used. First, the data is cross-sectional and therefore causality (for example, linking critical incidents to changes in HRM) could not be fully tested. Second, this study is of an explorative nature and uses data from one single organisation. The results might not be applicable in other organisations in different contexts, although earlier applications of Paauwe's (2004) model show similar outcomes in respect of the impact of market mechanisms, institutional mechanisms, and the configuration, on the shaping of HRM in organisations (see Paauwe (2004) for case studies). Third, the study is based partly on interviews with two specific groups of respondents: HR professionals and employee representatives. Front-line managers, top managers and employees were not included in the research. Finally, this study focuses on HRM and not on the outcomes of HRM parameters (for example employee-perceived HRM).

Future research could include multiple case studies in order to achieve full validation of the model in different organisations, different branches of industry and perhaps even different countries. It is also important that other actors should be included in the research, such as front-line managers, employees and top managers.

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Appendix

Table 2a: Counting Interviews: Critical Incidents/Trends

RESPONDENTS: / CODES:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	∑
Globalisation:	2	4	1	3	1	0	4	2	2	1	4	3	5	1	2	3	38
Technology / ICT:	3	5	4	0	1	2	2	1	4	0	5	2	2	2	1	3	37
Mergers:	2	4	2	4	0	1	1	2	1	1	1	0	0	3	0	4	26
Governance structure:	2	2	1	2	0	1	1	0	0	0	2	6	1	0	1	1	20
Customer centric:	0	4	0	1	0	1	4	1	2	0	1	1	3	1	0	0	19
New CEO:	3	1	0	1	2	1	1	1	1	1	3	1	0	0	0	2	18
Anglo-American approach:	1	0	1	2	1	0	1	0	1	1	0	1	3	0	5	0	17
ONE project:	3	0	1	0	0	3	1	3	0	1	0	2	1	0	0	1	16
Centralisation:	1	1	0	0	1	0	1	3	0	1	0	0	2	1	1	2	14

Table 2b: Counting Interviews: HRM issues

RESPONDENTS: / CODES:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	∑
Outsourcing:	1	0	0	2	2	3	2	0	2	4	0	1	1	0	1	4	23
Strategic partner:	3	7	1	2	0	0	0	1	2	2	2	1	0	0	1	0	22
HR roles:	0	1	2	1	4	1	0	1	1	0	2	1	2	1	0	5	22
HR in the line:	2	1	1	2	0	0	0	3	1	6	1	0	0	0	0	0	17
Changing role of HRM:	2	3	0	4	0	1	1	1	1	1	1	0	0	0	1	1	17
Added value of HRM:	0	1	0	2	0	1	0	0	3	5	1	1	1	0	0	0	15
Administrative excellence:	1	3	1	0	0	0	2	2	1	1	0	1	0	0	0	0	12

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