

## Chapter One

### Technology, HR Transformation and People Management: An Introduction

#### Introduction

The contemporary HR function in for-profit and not-for-profit organizations faces a number of competing challenges, so creating ambiguities and tensions in what it delivers, how it delivers, how effectively it delivers, and to whom it delivers (Ulrich & Brockbank, 2005; Huselid et al, 2005; Paauwe, 2004). The drivers of HR have traditionally been described in three-fold terms (Lepak & Snell, 1998):

- making itself more cost effective by reducing transaction costs, headcount and/ or improving its efficiency of its services (*the operational driver*),
- improving its transactional (e.g. payroll) and traditional services (e.g. advice on selection, legal matters, etc) to increasingly demanding line managers, employees, business partners and contractors (*the relational driver*),
- addressing the strategic objectives of the business or organization.

However, for HR functions in developed economies, we can now add a fourth, best summed up by John Kay (2004), a well-known British economist. He has cogently argued that it is not only knowledge for innovation but also brands and reputations that are the major sustainable bases on which modern organizations and modern nation states can compete with those in the developing world. This *reputational driver* means that the HR function is also faced with:

- meeting the longer term demands placed on corporations in society at large for being *different* from the 'run-of-the-mill' in terms of reputations with key stakeholders (external and internal brands) while remaining *legitimate* (Boxall & Purcell, 2003; Martin & Hetrick, 2006). In this context, legitimacy is fast extending to reputations for ethical and sustainable practice, good governance and leadership, and for being a good employer in the eyes of regulatory institutions, the increasingly influential business press, existing and potential customers, clients and employees.

The tensions underlying these challenges reflect two distinctive and often divergent sets of pressures on organizations. The first set is the *external* versus *internal pulls* that exercise the minds of managers, often embedded in the distinction between operational and strategic management. The second set relate to the goals of strategic or operational activity inside an

organization - whether these are principally aimed at satisfying unitary objectives, associated with the concept of shareholder value, or whether these are more plural in nature (Whittington, 2000), associated with the notion of stakeholder management and with modern forms of networked organizations.

*Insert Figure 1 about here*

These dimensions, related orthogonally, produce a matrix that helps us understand how contemporary HR management teams in a number of organizations have developed a set of interrelated, *internal* delivery and professional service strategies to meet the *external* challenges set by the business strategies of modern organizations and the longer-term branding and reputational drivers (Reilly & Tamkin, 2006). The first of these internal strategies is the re-organization of the HR function itself, combining so-called *HR transformations* (new HR delivery models based on a tri-partite model of shared services, centres of excellence and strategic or business partnering) along the lines recommended by Ulrich & Brockbank (2005) with *outsourcing* and, in some cases, *off-shoring* of key services, especially shared service centres (CIPD, 2005; Cooke, 2006; Reddington, Williamson & Withers, 2005). The second, like other business functions, is the turn to *information and communications technologies (ICT)*, often introduced in combination with HR transformations and outsourcing to rationalize or radically change HR's internal operations (CIPD, 2005b; Gueutal & Stone & 2005; Martin, 2005; Shrivastava & Shaw, 2004).

It should be noted at the outset that these organizational, process re-engineering and technological solutions are interdependent (Keebler, 2001). Without progressively sophisticated ICT, outsourcing and HR transformations would not be as effective: indeed it is the increased reach and richness of ICT-enabled information and organizational learning that have facilitated simultaneous centralization and delegation of decision-making in HR, the single most important claimed distinctive capability of new HR transformation models (Ulrich & Brockbank, 2005). And, according to some academics and leading practitioners, one of the logical consequences of these developments is the potential 'virtualization' or, at least, significant 'leaning' of HR (Keebler, 2001; Reilly & Tamkin, 2006; Snell, et al, 2001). This virtualization results from simultaneously reducing the numbers of specialists required to deliver HR services internally while improving the quality of these same services and developing new HR business models for innovative organizations (Taylor & LaBarre, 2006).

The claims for new organizational solutions to HR and for the increased application of 'e' to HR seem to be much more acceptable as a novel, compelling and credible message in the marketplace for management

knowledge. In line with the predictions of the institutional theory and the bandwagon effect, which sheds light on the tendency of organizations to become similar in structure often through mimicry of 'best practices' (Abrahamson, 1991; Lavie, 2006), there is strong pressure on organizations, including many in the public sector, to replace their integrated HR functions with the tripartite 'Ulrich' framework of. For example, a report by Mercer consulting claimed that in response to a survey of client organizations 'nearly 80% of companies have completed or are in the process of undergoing HR transformation' (Theaker & Vernon, 2006). At the same time, in line with the predictions of agency theory, supply chain management thinking has been applied to HR, especially in the USA, in the form of increased contracting out of non-core and low-value added HR services such as payroll and partnering with other providers to provide other non-core but higher value-added services such as legal advice, recruitment and training (Keebler, 2001). By the middle of this present decade, academics were pointing out that outsourcing of HR services was on the minds of most global companies (Brewster, Sparrow & Harris, 2004), in part driven by the question asked by financial analysts not on whether companies have an outsourcing strategy but what it is (Business Week, 28<sup>th</sup> December, 2006).

Thus, the e-HR bandwagon seems to be growing at a rapid rate driven by some evidence of promising practices and positive evaluations of technology and outsourcing projects. As a result, both of the largest HR professional bodies in the world - the CIPD and the US-based Society of Human Resource Management (SHRM) - have made this issue one of their key areas for research and for educating members. Furthermore, HR and information systems academics have also begun to see the application of ICT to HR as a key area of interest and the subject of specialist conferences in Europe and tracks in the Academy of Management.

However, this bandwagon is also fuelled by some 'dangerous half truths' or 'total nonsense' (Pfeffer & Sutton, 2006), resulting in irrational forms of imitation fuelled by the persuasive powers of the growing number of consulting firms selling e-HR as part of a package of ERP solutions (Lengnick-Hall & Lengnick-Hall, 2006; Walker, 2001). Notwithstanding the rhetoric and groundswell of opinion among the HR community in support of e-HR, re-engineering the HR function and outsourcing, progress in the form of the more transformational benefits and pay-off in terms of cost reductions seems to have been more piecemeal and problematic (Caldwell, 2004; Reilly & Williams, 2006). Again to quote the Mercer Consulting report:

*Over half the survey respondents report that they are ineffective or very ineffective at realising the expected ROI from technology investments. HR people openly acknowledge that they frequently under-use technology and therefore do not gain full benefit' (Theaker & Vernon, 2006).*

On HR transformations, Reilly and Tamkin (2006), in a report for the CIPD, claimed there wasn't much evidence of the adoption of Ulrich model, at least in the UK where it had a lot of 'air time'. Finally, recent evidence suggests that the outsourcing bandwagon may have slowed down due to firms being unable to realize the claimed cost advantages or because of complications arising from contractual and governance arrangements (CIPD, 2007; Hesketh, 2006).

Such evidence raises important questions about e-HR, and the associated developments in HR transformations and outsourcing, which we attempt to address in this book. These are:

1. To what extent have the claims made by advocates of new forms of professional service delivery for improved cost effectiveness and reductions in HR headcount been realized without reducing service delivery, and what are the key impediments to realizing these cost benefits?
2. To what extent have the claims made for improved professional service delivery to managers and employees been realized and are there significant negative effects in moving from a face-to-face to a virtual and/or more distant relationship in HR and people management which have not been apparent to systems specifiers and developers? For example, how does significant injections of technology-mediation influence the jobs of HR specialists, many of whom had entered the profession because they wanted to 'deal with people', and what new skills will they require? How are the jobs of line managers affected when they are progressively required to deal with their own HR problems as a consequence of the introduction of self-service e-HR systems and physical separation from HR specialists with whom they used to have face-to-face contact? And, how will employees, again used to face-to-face relationships with HR staff, cope with technology-mediation and the extra 'distance' imposed on them by the setting up of in-house or outsourced call or service centres?
3. To what extent have these forms of professional service delivery helped realize transformations in HR and new ways of people management, including freeing up HR staff to work on more strategic-level issues, such as the design and development of more sophisticated e-HRM systems and improved utilization. What is the potential for such developments in the near future, and how are they likely to change the nature of HR work, managerial work and employee relationships?
4. Why is it that some organizations' HR departments are more effective at continuous innovation in the field of professional service delivery than others? Are those HR department and organizations that are best

suited to innovation in e-HR also least suited to exploiting such learning?

5. To what extent are there innovative new HR business models beyond the inevitable mimicry of the Ulrich model, brought about by so-called best practice diffusion, and to what extent are we witnessing real innovations in HR practices?

To help provide some preliminary answers to these questions and to do some further scene-setting, we have developed a framework to show how internal HR delivery and professional service strategies, particularly e-HR, fit into overall HR strategies. This framework also helps show how the following chapters in this volume relate to one another; in so doing it provides a rationale for the book. Thus we draw on some of our previous attempts to map out the territory of e-HR and HR service delivery that some academics and practitioners have been kind enough to suggest were useful in thinking about the subject (Martin, Reddington & Alexander, 2006; Reddington & Martin, 2006).

### **Introducing e-HR and Associated Forms of Service Delivery**

#### **e-HR, Service Delivery and Strategic HRM: A Definition.**

As we have already claimed, e-HR is one of the most important recent developments in HRM (Geueta & Stone, 2005; Lengnick-Hall & Moritz, 2003; Reilly & Tamkin, 2006; Snell et al, 2001). Yet, despite the growing body of literature devoted to e-HR, there is a dearth of useful frameworks to help our intended audience - HR practitioners, academics, consultants and vendors - think about what might lead to successful implementation, or, indeed, what successful implementation might even look like. Given the potential for virtualization, a useful starting point is to see e-HR as a key element of e-business in the form of the 'virtual value chain', this time with a focus on the inside rather than outside of the firm (Rayport & Sviokla, 1995). By creating added value for managers and employees through more effective information flows in its 'marketspace', HR can claim to create competitive advantage and align the function more closely with business/corporate strategy and the longer-term branding and reputational aims of organizations.

The arguments for these claims are four-fold. First, e-HR can reduce HR transaction costs and headcount, for example, by supplying the same HR information to large numbers of people on a virtual rather than physical basis. Second, e-HR can substitute physical capability by leveraging the 'law of digital assets' to re-use information flexibly on an infinite number of occasions at little or no marginal cost. For example, this is most notable in the real time delivery of e-training and e-learning to large numbers of people across the globe. Third, e-HR can facilitate more effective virtual 'customer relationships' and internal labor markets by increasing the reach and richness

of two-way information. Illustrations of such improved information flows are already evident in certain applications, including enabling internal/external recruitment and search by 'deep-web mining', online-career development and performance management, employee engagement surveys to tailor specific 'employee value propositions' to small groups of employees, more flexible working to attract people from non-traditional recruitment pools, and outsourcing of key HR services. Fourth, it can transform the traditional HR 'business model' by e-enabling HR to provide strategic value to organizations that it previously could not do, for example, by using online learning to 'feed-forward' into organizational learning and organizational knowledge, creating international virtual communities of practice, capturing data for real-time human capital management, and facilitating more flexible organizational structures and ways of home-working.

Though information and communications technologies (ICT) has been widely used in human resource information systems (HRISs) since the 1980s, this application of technology has to be distinguished from e-HR. HRISs are focused on automating the systems used by the HR function itself: thus its main 'customer' has been HR staff rather than employees or managers. Moreover, HRISs have not been sufficient to create the type of internal virtual value chain discussed earlier. For example, HRISs have usually been applied to automating systems such as payroll and personal information, often with little or no attempt to make such data interactive or available to staff outside of HR; in contrast, e-HR is concerned with the application of the internet, web-based systems and mobile communications technologies to change the nature of interactions among HR staff, line managers and employees from a pure face-to-face relationship to a technology-mediated one (Ruel et al, 2004). Through such technology-mediation, e-HR has begun to replace or complement face-to-face relationships and HRIS with a 'smart self-service relationship', customized content and greater individualization of services. By doing so it creates a parallel internal HR virtual value chain, complementing the existing physical internal HR value chain.

**Modelling e-HR and Associated Forms of Service Delivery.** There have been few significant developments to-date to provide overall theoretical models for explaining e-HR adoption. Three notable exceptions are Shrivastava and Shaw's (2004) stage model, Florkowski & Olivas-Lujan's (2006) survey-based model, and Ruel et al (2004) who made use of the 'Harvard' model of HRM to link e-HR to HR outcomes. We have attempted to combine elements of these with our previous work (see Martin, 2005; Reddington et al., 2005) to explain the links between HR strategies, e-HR and service delivery drivers, e-HR technologies and e-HR outcomes (see Figure 1). The basic elements of the framework are described in the following paragraphs.

*Insert Figure 2 about here*

**HR Strategies and Policies.** The HR strategies and policies of an organization interact with its strategic environment, corporate and business strategies, often in a complex, recursive relationship. Outside-in approaches to strategy stress the linear and hierarchical relationships in which HR strategies are deemed to flow from key corporate and business strategies as second or even third order strategies (Boxall & Purcell, 2003). In contrast, the resource-based view (RBV) of strategy stresses a more inside-out relationship, with HR and people management shaping or even driving key corporate and business strategies, especially in industries and sectors that trade on important intangible assets such as knowledge, reputations and brands (Boxall & Purcell, 2003; Martin & Hetrick, 2006; Paauwe, 2004). Our perspective on HR strategies is summarized in Table 1, which is a simplified attempt to combine both perspectives in the form of a configuration framework.

*Insert Table 1 about here*

Thus, we suggest that HR strategy can be related to three, root sources of competitive advantage in the market sector, which we believe are also relevant to the public sector. These are (i) customer captivity/reputations for high levels of customer intimacy, (ii) proprietary forms of disruptive technology and knowledge, and (iii) economies of scale combined with exploitation of existing knowledge (Hagel III & Seely-Brown, 2005; Greenwald & Kahn, 2005a; Morris, Snell & Lepak, 2005). These sources of advantage are either temporary or must be combined with one or both of the others to have any lasting advantage in global markets (Greenwald & Kahn, 2005b). Competition usually ensures that customers have plenty of options in the long run, while disruptive technology and knowledge becomes obsolete or widely available, and even economies of scale only hold good for restricted markets. One organization that exemplifies this approach to thinking about strategy is Wal-mart, which, whatever its critics say, relies on the combinative effects of all three sources of strategic advantage in its relentless drive to dominate world retailing markets (Fishman, 2006). And, like Wal-mart, how organizations think about their human resources in terms of fit with these sources of competitive advantage and how they manage people in practice enables them to create the necessary strategy-structure configurations and dynamic capabilities to sustain their advantage over longer periods of time (Hagel III & Seely Brown, 2005). For the purposes of illustrating these strategy-structure configurations, we have also highlighted three such archetypes, closely resembling the well-known and widely used prospector/defender/analyzer typology of Miles and Snow (2003). For example, Wal-mart, like IBM when it made computers rather than sold services, would best fit the analyzer model. Wal-mart is known for

innovation not only in its famed logistics operations but also for putting pressure on its suppliers to innovate in product design and in ways in which they can shave costs. It is also well-known for its customer captivity strategy by acting as their champion to deliver 'always low prices' through leveraging their scale economies and power with suppliers.

To achieve competitive advantage, however, firms also have to design appropriate HR strategies<sup>1</sup>. These can be defined in terms of choices they exercise in four key areas of people management.

- The dominant strategy on *workforce development and talent management*. This includes the nature and levels of investments in individual human capital stocks and flows and in managing talented people (Morris, Snell & Lepak, 2005). It also includes the choices exercised over *HR supply chains* (Swart & Kinnie, 2003). Options here embrace doing everything in-house, establishing business partnerships and joint ventures, and a range of different insourcing, outsourcing and offshoring strategies (Keebler, 2001).
- The associated forms of *work organization* and *psychological contracts* with employees. Work organization design is principally shaped by the different forms of flexibility that organizations seek, including numerical, function, and financial flexibility (Atkinson, 1984). Similarly, choices can be exercised over the forms of psychological contracts entered into with different segments of employees. These can be a mixture of transactional, relational and ideological and idiosyncratic contracts (Sparrow and Cooper, 2003).
- The nature of employer-employee independence. This refers to the levels of investment in *social capital* (engagement and identification, trust, communications, networking and knowledge sharing both inside and outside of the organization) and the degree of *job security* provided to employees in general (Adler & Kwon, 2002).
- The extent to which decision-making through *participation and involvement strategies* is delegated to individuals and/or collectives, and the dominant basis of rewards systems (Purcell, 2005; Whitely, 1999).

**The Strategic Drivers of e-HR.** The strategic drivers or goals of e-HR flow from the HR strategies and policies that we have just discussed. These drivers can address HRs' *transactional* or *transformational* goals. The former focus on reducing the costs of HR services or improving its productivity, and improving service delivery to managers and employees; the latter focus on

---

<sup>1</sup> It is in this field that Wal-mart have had some well-publicised problems, including class actions taken out against them in the USA and their recent pull out of Germany, in part caused by their inappropriate HR policies in that country, which fell foul of German labour laws and expectations.

freeing up time for HR staff to address more strategic issues rather than basic administration, and by transforming the contributions that HR can provide to the organization (its 'business model'). The transformational goals have been alluded to earlier and involve extending HRs reach to more remote parts of the organization to create a sense of 'corporateness' or internal integration in extended enterprises ( e.g. through HR portals); enabling more sophisticated recruitment searches (e.g. through deep-web mining to uncover people not actively seeking jobs) and (self) selection through online tools (Economist, Oct 7<sup>th</sup>, 2006); facilitating deep learning in communities through online interactions; increasing the 'IQ' of the extended enterprise through organizational learning and knowledge; creating new forms of organizational community and methods of communications through new forms of social software, e.g. interactive employee engagement surveys, virtual communities of practice, 'blogging', 'wikis', etc; and creating greater choice in how people work and in work-life balance through remote and virtual working (Florkowski & Olivás-Lujan, 2006; Martin, 2005; Reddington et al., 2005). The transformational goals of e-HR are closely linked to the transformational re-organization of the HR function into a tri-partite structure of shared services, centres of excellence and strategic or business partners. e-HR makes such a re-organization more possible and more necessary since technology helps reduce the physical and hierarchical distance created by centralizing certain HR functions; at the same time, however, it helps create that distance by introducing technology mediation into previous face-to-face relationships.

**e-HR Architectures.** The extent to which an organization focuses on any or all of these goals should, in theory, influence the types of e-HR architecture it adopts. We have borrowed the concept of technology architecture from the ideas of Galliers and Newell (2003), who used the term to describe how flexible socio-ICT systems can dynamically respond to changing information requirements during ICT implementation projects. Thus an e-HR architecture is a broader notion than e-HR technologies because it incorporates not only what we would traditionally consider as e-HR, which typically mean *HR data, systems and technologies*, but also how these are *sourced* and the accompanying *human resources organization, infrastructure and resources*. Sourcing refers to the internal/external choices discussed earlier but the human resources organization, infrastructure and resources is broader than the notion of HR transformational models also discussed earlier in that it also refers to the configuration of HR roles for providing e-HR services, how HR staff and the HR organization interacts with the new technologies, levels of e-HR skills and capabilities, HRs' potential to adapt and develop the e-HR technologies, and the resources they are given to do their jobs, including the level of sponsorship from senior management. For example, some companies have set up in-house shared services centres and applied e-HR solutions to them but simultaneously outsourced major applications such as pay and

pensions (CIPD, 2007; Cooke, 2006). The organization of roles in these new HR service centres can result in certain HR staff work almost exclusively through ICT-mediation, requiring them to work with and master new online and telephony relationships and skills quite different from the traditional face-to-face mode they have been used to working in. Often e-HR technologies determine how these people work leaving little room for them to adapt the systems, though certain of these systems are deliberately designed to be more flexible and amenable to user adaptation.

Thus, we can classify e-HR architectures according to the three dimensions discussed earlier in describing the e-HR value chain. The first draws on the classification of e-HR goals, that is whether the architecture draws on *operational technologies and operational skills demands of HR* (e.g. HRIS and basic ICT skills), *relational technologies and HR skills* (e.g. manager self-service (MSS) and employee self service systems (ESS) and HR portals, etc, accompanied by skills in using technology mediated HR transactions) and *transformational technologies and HR skills* in areas such as sophisticated search technologies, online survey tools, career development tools, human capital management systems, social software, e-learning and knowledge management platforms, virtual meetings software, etc). The second dimension relates to how these technologies and skills are sourced. As we have discussed, there is increasing use of outsourcing of e-HR to contractors, often for reasons of cost and lack of internal expertise (CIPD, 2007; Cooke, 2006; Lawler & Mohrman, 2003). How such relationships are managed and experienced by both parties can have important consequences for the outcomes of e-HR implementation. The third dimension refers to how internal and external HR-related staff and organizations interact, formally and informally, with these technologies, and their levels of existing skills and potential for developing these socio-technical systems.

**Moderating Influences on the Adoption of e-HR Architectures.** e-HR and broader service delivery adoption will be moderated by the *absorptive capacity of HR* to seek out knowledge about and exploit these architectures to the full (Zhara & George, 2002; Martin, et al, 2003; 2006). It will also be moderated by levels of *HR competence* in ICT and business and management (Bell, Lee & Yeung, 2006). The notion of absorptive capacity of the HR function is potentially very important in shaping internal service and e-HR adoption and exploitation (Martin et al., 2003; 2006). Absorptive capacity in this context can be defined as the *potential* for the HR function, supported by ICT specialists, to acquire and assimilate knowledge about e-HR technologies and its uses into their vision for a changed HR function (Zhara & George, 2002; Jansen et al., 2005). It can also be defined in terms of the capacity of the HR function to *realize* e-HR potential, the first stage of which is to transform e-HR technologies by developing them and fusing them with existing HR processes. Two important issues arise out of the application of absorptive

capacity models to e-HR and HR more generally. The first is the perennial question of whether e-HR technologies should be adapted to existing or revised HR processes (customization) or whether HR processes should be adapted to fit usually bought in technologies (the 'vanilla' solution). Evidence to date suggests that the vanilla solution is winning out because of the difficulties in changing existing e-HR technologies at reasonable cost (Shrivastava & Shaw, 2004). This realization phase is also marked by the ability of the HR function to combine face-to-face and technology-mediated HR approaches to produce a new business model for HR, that is, e-HR's ability to transform what it can currently do with available knowledge and technology into a more strategically oriented function that addresses the key strategic drivers of the organization (Huselid, et al, 2005).

The second issue relates to a paradox noted in the innovation literature, which when translated into HR terms proposes that those HR departments strong on acquiring and assimilating knowledge on e-HR are probably least effective at exploiting it; conversely, those HR departments which are efficient at exploiting knowledge on e-HR are likely to be less able to acquire and assimilate new knowledge in the field, thus reducing the likelihood of future technological innovation. These apparent paradoxes arise because technological applications in general are most effective in mechanistic departments dominated by routine work systems and people skilled in administrative operations, whereas learning and innovation are best suited to departments with adaptive, organic firms employing people with related innovative and creative competences (Kogut & Zander, 1996; Lengnick-Hall & Lengnick-Hall, 2006; Martin et al., 2006). This paradox can shed light on why some HR departments are more likely to be continuous innovators in service delivery and, indeed, strategic HR more generally.

**e-HR Outcomes.** Finally, the adoption of specific e-HR architectures should lead to specific *e-HR outcomes*. Drawing on the existing literature and our research findings from preliminary case work, we have set out these potential e-HR outcomes in Table 2. Note that e-HR outcomes can be both intended or unintended, and also positive or negative: much of the existing literature has focused on the benefits of e-HR adoption, but it becoming gradually recognized that there are potentially negative consequences from e-HR adoption for HR staff and their internal clients, especially if the issues connected with change management and technology acceptance are handled ineffectively (Reddington et al, 2005; Ruel et al, 2004, Martin et al., 2006). It should also be noted that the positive and negative classification will sometimes depend on where one stands; a good example of this is headcount reduction of HR, which is often used as a justification by the organization for e-HR but has potentially damaging consequences for organizational memories and knowledge retention as well as for those HR staff displaced by the reduction.

*Insert Table 2 about here*

**Moderating Influences on e-HR Outcomes** Again it should be noted that these outcomes will be moderated by the *change models* and approaches adopted. The change management literature is extensive, analyzing how different approaches to change produce better or worse results; controversy still exists over the merits of top-down versus bottom up change, incrementalist approaches versus ‘big-bang’ and the pace at which change should be driven. One of us has developed a model of strategic HR change that focuses on a complex set of events, activities, linguistic practices, emotions and reactions that help explain what would be needed for successful change to occur and why most such initiatives are less-than-successful in producing sustainable change (Martin & Beaumont, 2001). There is not sufficient space here to elaborate what is a complicated model. All that we can usefully say at this point is that there are no easy or one-best-way answers to strategic HR change, which also extends into e-HR implementations and HR transformations. Change is situationally-bound, in which receptive contexts play an important part, especially in transferring practices across international boundaries or even corporate ones. Moreover, successful change seems to rest on the abilities of system designers and implementers to align compelling, credible and novel strategic discourses at the various stages of the change process. These strategic narratives translate into making the case for changes in practice, attending to the politics of who wins and loses, gaining the buy-in from key opinion leaders, securing early wins, and measuring the penetration and durability of the changes at appropriate stages in conceiving, implementing and embedding new working practices into the organizations. As we shall see in a number of the following chapters, some organizations have been sensitive to such issues, while others have been less so, paying a heavy price for their neglect. We shall also see how certain shibboleths of change management, including involving those most affected by the change in the system design, doesn’t always produce the best results, even in circumstances which are most conducive to such consultation.

Nevertheless, one of the most important factors shaping the success of technological change is *user acceptance* (Fisher & Howell, 2004). Thus important moderating factors that need to be considered are architectural systems design decisions, factors affecting employee and manager reactions to the e-HR technologies, including the nature of individual characteristics and situational characteristics, and intended or unintended user reactions to the systems architecture.

## **An Outline of the Book**

These frameworks are intended to help us bring together the diverse contributions from academics and reflective practitioners who are currently researching and/or implementing e-HR, outsourcing and HR transformations in the USA, Europe and Australia. The academics have been asked to provide lessons for practitioners and the practitioners have been asked to think about the wider implications of their cases for use with students and in developing useful frameworks and models to help others understand the problems involved in this field. Though some chapters have been specially invited, much of the material for the book was presented at two conferences in late 2005 and 2006<sup>2</sup> and has been subsequently revised and op-dated. All chapters attempt to get beyond the hype and to present a either a balanced picture in relation to the scale and consequences of developments. Though the idea for the book began with a focus on the applications of e-HR, we believe you cannot examine this topic without considering related developments in delivery and professional service strategies. Consequently we have organized the book into three parts. Part one deals with outsourcing, shared services and changing landscape of HR in four European countries. Part two presents a set of chapters on e-HR in different international settings, including the UK, North America, the Netherlands and Germany. Some of these chapters are based on wide-scale survey data, others are based on in-depth case studies of company implementations of e-HR. Part three brings together e-HR, outsourcing and HR transformations in a series of cases written by practitioners to give a view of life on the ground. In combination, we believe the three parts provide an in-depth, contemporary and reflective account of new forms of HR service delivery internationally.

*Part One.* In Chapter 2, Douglas MacBeth from the UK was asked to provide some lessons for HR practitioners and academics on outsourcing from a supply chain management perspective, which he does with lucidity. Drawing on the insights of transaction cost economics and the more practitioner oriented ideas of make or buy, MacBeth provides a framework for analyzing the benefits and costs of different types of outsourcing arrangements found in HR, including *Soft-in/Insourcing*, where a service provider (SP) takes over the activities previously provided internally, *Hard-out/Resource outsourcing*, where an SP takes over the HR functions, process, staff and other assets previously owned in-house, *Total-invest-out/Enhanced Service outsourcing*, which offers additional benefits beyond the previous on by agreeing to improve on service performance, *Share-in/Internal JV*, where the firm and an SP form an HR services joint venture, and *Share-out/Trading Services*, where a firm invests in a new business entity to sell services to others.

---

<sup>2</sup> CIPD Scottish Partnership Annual Conference, Edinburgh Business School, November 16<sup>th</sup> 2005 on e-HR and outsourcing and 1<sup>st</sup> International Workshop on e-HR, University of Twente, Netherlands, October 25-26<sup>th</sup>, 2006

In Chapter 3 Anna Comacchio and her colleagues draw on transaction cost economics and the fashionable resource-based view of strategy (RBV) to explain the drivers of HR outsourcing in Northern Italy, which are broadly consistent with the lessons from the previous chapter. Drawing on case study and survey data of thirty-three firms, they find that strategic reasons associated with the need to bolster internal resources rather than purely cost considerations are the most important antecedents of HR outsourcing. Also consistent with this perspective, they find that the firms tend to keep those more strategic and higher added value HR processes inside the organization, made all the more possible because of outsourcing labour-intensive, low-added value processes such as payroll administration and recruitment.

Veronique Guilloux and Michel Kalika have examined the theory and practice of HR outsourcing in France to address the question of whether it can resolve the tensions between the traditional administrative role of HR in French companies and the desire to make HR a strategic partner. In Chapter 4 they provide data on different types of HR outsourcing, which, they argue, is not as well developed in France as in Anglo-Saxon countries. They conclude the HR outsourcing is often driven by the desire of chief executives for greater levels of business process outsourcing rather than by HR departments and also point out the important relationships between outsourcing and e-HR, one of the key messages of this opening chapter

Elaine Farndale and Jaap Paauwe in Chapter 5 use survey data from Dutch HR consultants, Berenschot, to examine the motives underlying the phenomenon of HR shared service centres, the performance expectations created by their establishment and the realized outcomes. Not unexpectedly, cost, standardization and improved service delivery are primary motivations rather than more strategic reasons, but most of the companies studied lacked performance measurement systems to assess improvements. Farndale and Paauwe draw seven practical lessons from their research, including the need to standardize HR practices before developing shared services centres, developing performance measures, using an incremental change model whereby the most basic HR services are restructured first, and having realistic expectations of cost-savings as a long-term rather than short-term ambition.

*Part Two.* In part two of the book, the international theme is continued with high quality contributions from the UK, the Netherlands, the USA and Germany on current practices in e-HR. In Chapter 6, Martin Reddington and Claire Hyde use elements of the model introduced in Chapter one and on earlier work on HR transformations by Reddington, et al (2005) to set discuss the impact of e-HR on the cost-savings, HR communications and the impact

on HR and line managers. Drawing on focus group interviews and survey data from a case of the introduction of e-HR into a major UK-based international mobile telephone company, they highlight the benefits and problems created for HR managers and line managers. Their study *'highlights a very mixed picture indeed when viewed from the perspective of line managers. In terms of the impact on improving employee communication and engagement it is apparent that technology can facilitate employee engagement....However, [the] research shows that unless the e-HR tools are intuitive to use and attractive in terms of relevance and personalisation, then problems concerning alienation of the user can result'* .

Chapter 7 by Huub Ruel and Tanya Bondarouk, two Dutch researchers who, along with their colleague Jan Looise, produced one of the first academic books on e-HR, examine HRM and e-HR effectiveness in three cases of international companies from contrasting sectors in the Netherlands. They begin by outlining a model of the links between e-HR and HRM effectiveness, which has helped academics and practitioners (including ourselves) think more strategically about this issue. They use the model to organize their case study data from which they conclude that the content and the structure of e-HRM applications can have a positive effect on the 'technical' (administrative functions of HRM) and strategic HRM effectiveness. These authors also examine the link between e-HRM and the commitment of employees, which is an area that the CIPD are interested in and links to the work of Reddington and Hyde in Chapter 6. They tentatively conclude that 'respondents sense that they get more attention in terms of receiving information and development opportunities, which may make them more committed to their organisations'.

Chapter 8 is a welcome contribution from Nicole Phillips, Linda Isenhour and Diana Stone from the USA. Diana co-authored a key American text on e-HR, which we have used in our studies, and has chosen, with Nicole and Linda to focus on the relatively unexplored issue of the potential for privacy violations created by e-HR. As these authors point out, organizations now have greater access to a wide array of data about individuals that are beneficial to both the firms and employees. However, these data can be, and are being, disseminated to third parties, including credit agencies, potential employers and government for a range of reasons, without the express agreement of employees and potential employees. Drawing on Diana's earlier work on organizational privacy, this chapter provides a number of propositions that are helpful to academics and practitioners in dealing with the issue of individual and organizational rights in the context of e-HR. They see 'individual rights tak(ing) precedence over those of organizations, unless there is a bona fide reason for the opposite to occur'.

Miguel Olivas-Luján and Gary Florkowski use Chapter 9 to provide a rather different contribution from the USA in exploring the diffusion of e-HR internationally, drawing on the ideas from the innovation literature and large-scale survey data. They analyze how e-HR (they call it Human Resource Information & Communication Technologies) can be described and classified according to researchers who examine the determinants of innovation. Following this analysis, they discuss some early results of a major study into HR-ICT innovation in several English-speaking countries. Finally, they provide some much needed advice to HR managers seeking to make a business case for e-HR investment in their organizations. This chapter is written very much in the tradition of evidence-based management, which is all too often neglected in HR more generally (see Pfeffer & Sutton, 2006) and is of particular relevance to readers concerned with the change management dimensions of e-HR.

The last contribution in this section, Chapter 10, has been written by Elke Schüßler, formerly a consultant working on e-HR transformations and now an academic. Elke has drawn on her first-hand insights and more objective research to tell a tale about the experiences of four German companies, each rather different, which have recently implemented e-HR programmes. She has constructed a 'structuration model' of information technology and organizational change to answer the questions: how does the organizational context influence the design and implementation processes of e-HR initiatives and how does the design and implementation of e-HR initiatives influence organizational contexts? This study reminds us about the context-bound nature of HR changes more generally, how solutions to one set of problems are only temporary, and that today's solutions are often tomorrow's problems. Like other chapters, Elke's academic reflections have important lessons for practitioners as befits a former consultant.

*Part Three.* This section of the book is written by practitioners (with one exception) to get a perspective of 'life on the ground' and to provide some further practical advice from individuals who have been intimately involved with e-HR, outsourcing and HR transformations. Martyn Sloman, a CIPD adviser on human resource development, writer on training and e-learning, and visiting professor at Glasgow Caledonian University, makes one of the strongest statements on technology in Chapter 11, claiming: *'The brutal truth is that we have failed to secure an adequate understanding (let alone mastery) of the HR/technology interface. We cannot allow this to continue, because ultimately it will put the credibility of the HR profession at risk'*. This assertion reflects the CIPD's research agenda, which places technology/outsourcing/HR transformation centre-stage. Martyn reviews the CIPD's work in this field to date and supplements his arguments with four short case illustrations from the UK

Department of Health, the Scottish Fire and Rescue Service, Penna, an outplacement consulting firm, and the BBC. He uses these cases to make two important points for practitioners: the first is the need for perceived relevance and consent among users; the second is getting the balance right between automation and face-to-face support, two messages that resonate with many of the chapters in this book.

Chapter 12 by Margaret Savage, former HR director of BT, and Heather Alexander, formerly a senior information manager with BT and now an independent consultant and visiting professor at the University of Glasgow, is one of the most detailed cases of HR transformation and technology. The case is an insider, almost blow-by-blow account of BT's most recent overhaul of its people, HR and HR systems strategy, focusing on the design and implementation phases. As such it provides an excellent platform for academics to understand what an HR transformation/e-HR programme looks like in practice and provides a roadmap for HR practitioners contemplating such a journey. One of the most interesting aspects of the case is how BT spent almost as much time re-engineering and simplifying its HR processes as it did on systems design, development and deployment. Learning from their past experience of having to engage in major customizations to software to fit the then existing BT HR processes, taught the company a bitter lesson about the need to keep e-HR systems design as 'vanilla' as possible. This technology-led approach seems to be one that many companies have followed, though recognizing that modifications in global systems will be needed to reflect country differences (Shrivastava & Shaw, 2004).

Chapter 13 by Andy Field, HR Operations Director of the London Stock Exchange is also written up as a roadmap for e-HR implementation. This case, however, focuses on the benefits that can be derived from e-HR in a relatively small organization. The study examines a number of issues, including linking e-HR with business and HR strategy, the drivers of e-HR, making a business case, choices over technology, designing the overall solution and implementation. Of particular interest to practitioners should be the sections on option choices for e-HR architectures and their costs and benefits, and the framework for assessing the impact of e-HR services. One of the key lessons learned from this case is that the application of e-HR in SMEs can be just as valuable as in large organizations in achieving tangible benefits and cost reductions.

In Chapter 14, Neville Clement, formerly HR Director of the National Australia Bank, provides another insider account of a major e-HR implementation project. Like the BT and London Stock Exchange cases, this account is rich in detail and insights into the nuts and bolts of e-HR projects,

thus helping practitioners, academics and students of HR understand the processes involved in a large-scale project. Also like the other cases, the author has attempted to provide some lessons learned and an evaluation of costs and benefits. He concludes that cost-savings have been a major feature of this project: *'process re-engineering, the removal of paper and the implementation of e-enabled processes contributed an initial saving in transactional costs of around 20%.... the introduction of (the e-HR modules, process re-engineering and reorganized HR work) has resulted in a reduction of core direct operating costs of around 40%'*. However, costs were not the only benefit; according to an internal survey, user satisfaction with HR services increased from 20% in 2001 to 90% in 2004.

The last case study in the book in Chapter 15 takes the form of an interview conducted by Martin Reddington with Graham Whyte, HR Director of Surrey County Council. Graham has been a long time advocate of HR transformation, outsourcing and the application of technology to HR and has applied his ideas to a major re-organization of the HR function in a large UK local government body. Like the BT case, where the HR function has been substantially slimmed down over the last fifteen years or so, Surrey County Council's HR department has become almost virtual along the lines predicted by Lepak and Snell (1998). In this chapter Graham explains his rationale, strategy and organization for an HR function fit-for-purpose. This is an excellent case to conclude our practitioner contribution section since it provides one possible scenario for the HR function that serves as a warning to some and as a model for others. It also touches on many of the issues raised by the academic contributions to this book, including the links between strategy and e-HR and the changing nature of the HR function.

While Graham Whyte's contribution presents an optimistic picture of HR transformation, we have given over the final chapter of this section and the book to a more critical study by Anne Keegan of the University of Amsterdam and Helen Francis of Napier University in Edinburgh on the effects of e-HR, outsourcing and HR transformations on HR professionals themselves, line managers and employees. We hope the various chapters in the book have provided a balanced picture of the future of HR and its effects on key stakeholders – depending on where one stands these effects provide a positive or negative balance sheet. Anne and Helen provide much needed data on this issue in an interview-based study of HR professionals and new entrants into the profession. Their analysis points to the potential for 'social disintegration' of the function, exemplified by a displacement of the 'soft' version of HRM by the 'hard', strategic one, potential problems for people management created by overloading line managers with HR responsibilities, and the denigration/removal of the traditional 'employee champion' role of

HR which had led many people to enter the occupation in the first place and was associated with a loss of employee trust and confidence in the new HR.

We hope these chapters reveal some of the major tensions, paradoxes and ambiguities facing the HR function of the future and shed some light on how they may be resolved. In our own minds as academic-practitioners, we hold a pluralist perspective on these issues. There will be simultaneous cause for optimism and pessimism with winners and losers in re-organized HR functions and in the organizations in which they operate precisely because we are dealing with a complex picture of interlocking and often divergent interests, regardless of the unitary sentiments expressed in much of the HRM literature and practice. Though we share the concerns of those contributors pointing to the 'dark-side' of e-HR, outsourcing and new HR delivery models, there is enough in them to warrant a strong degree of optimism. However, we believe that the HR professionals of the not-to-distant future may be rather different from the traditional practitioners who have staffed the function. Consequently, we hope this book digs deep into what they need to know and what the need to become.

## References

- Abrahamson, E. (1996) Managerial fashion. *Academy of Management Review*, 21:254-285
- Adler, P.S. & Kwon, S. (2002) Social capital: prospects for a new concept, *Academy of Management Review*, 27, 17-40.
- Beatty, B. D. (2001) A framework for transforming your HR function. In A. J. Walker (Ed.) *The technologies and trends that are transforming HR: web-based human resources*. New York: McGraw Hill/Towers Perrin, pps 150-172.
- Bell, B.S., Lee-S-W., & Y, S.K. (2006) The impact of e-HR on professional competences in HRM: implications for the development of HR professionals, *Human Resource Management*, 45, 295-308.
- Boxall, P. & Purcell, J. 2003 *Strategy and human resource management*. London: Palgrave Macmillan.

Business Week (Dec 28<sup>th</sup>, 2006) Outsourcing beyond Bangalore: Special Report. Business Week.com. accessed online at <http://www.businessweek.com/globalbiz/newsletter/europe/index.html>, Dec 28<sup>th</sup>, 2006.

Caldwell, R. (2004). In search of strategic partners in *Business Partnering: A New Direction for HR*, London: CIPD pps. 6-13

CIPD (2005) *HR outsourcing: the key decisions*. London: Chartered Institute of Personnel and Development.

CIPD (2007) *A guide to HR outsourcing*, People Management, February 6th

Cooke, F. L (2006) Modeling an HR shared services center: experience of an MNC in the United Kingdom. *Human Resource Management*, 45, 211-228.

Economist, (Oct 7<sup>th</sup>, 2006)

Fisher, S. L. and Howell, A. W 2004. *Beyond user acceptance: An examination of employee reactions to information technology systems*. *Human Resource Management*, 43: 243-258

Fishman, C. (2006) *The Wal-Mart effect: how an out-of-town superstore became a superpower*. London: Allen Lane

Florkowski, G. W. & Olivias-Lujan, H.R. (in press) The diffusion of human resource information technology innovations in US and non-US firms. *Personnel Review*.

Galliers, R. D., & Newell, S. 2003. Strategy as Data + Sense Making in S. Cummings and D.C. Wilson (eds.) *Images of Strategy*. 164-96. Oxford: Blackwell.

Gueutal, H. G. & Stone. D. L. (Eds.) (2005) *The Brave New World of eHR: Human Resources in the Digital Age*. San Francisco: Josey Bass.

Greenwald, B. & Kahn, J. (2005a) **Competition demystified: a radically simplified approach to business strategy**. New York: Portfolio/Penguin.

Greenwald, B. & Kahn, J. (2005b) All strategy is local. *Harvard Business Review*, Sept—Oct, 94-107.

Hagel III, J. & Seely-Brown, J. (2005) *The only sustainable edge. Why business strategy depends on productive friction and dynamic specialization*. Boston: Harvard Business School Press.

Hesketh, A. J. (2006) *Outsourcing the HR Function: Possibilities and Pitfalls*, Corporate Research Forum.

Huselid, M. A., Becker, B. E. and Beatty, R. W. (2005) *The workforce scorecard: managing human capital to execute strategy*. Boston, MA. Harvard Business School Press.

- Jansen, J.J.P., Van Den Bosch, F. A. J., & Volberda, H.W., (2005) Managing potential and realized absorptive capacity: how do organizational antecedents matter? *Academy of Management Review*, 48 , 999 -1015
- Kay, J. (2004) *The truth about markets: Why some nations are rich but most remain poor*. London: Penguin Books.
- Keebler, T. (2001) HR outsourcing in the internet era. In A. J. Walker (Ed.) *The technologies and trends that are transforming HR: web-based human resources*. New York: McGraw Hill/Towers Perrin, pps 259-276.
- Kogut, B. & Zander, U. (1992) Knowledge of combinative capabilities, and the replication of technology. *Organization Science*, 3, 383-397.
- Lavie, D. (2006) The competitive advantage of interconnected firms: an extension of the resource-based view. *Academy of Management Review*, 31: 638-658.
- Lawler III, E. E. & Mohrman, S, A. (2003) HR as a strategic partner: what does it take to make it happen, *Human Resource Planning*, 26, 15-29.
- Lieberman, M.B. & Asaba, S. (2006) Why do firms imitate each other? *Academy of Management Review*, 31, 366-385.
- Lengnick-Hall, M.L., &Lengnick-Hall, C.A., (2003) *Human resource management in the knowledge economy: new challenges, new roles, new capabilities*. San Francisco, CA: Berrett-Koehler.
- Lengnick-Hall, C.A., &Lengnick-Hall, M.L. (2006) HR, ERP and knowledge for competitive advantage. *Human Resource Management*, 45, 179-194.
- Lepak, D.P., & Snell, S.A. (1998) Virtual HR: Strategic human resource management in the 21st century. *Human Resource Management Review*, 8, 215-234.
- Martin, G. & Beaumont, P. B. (2001) Transforming multinational enterprises: towards a process model strategic HRM change in MNEs. *International Journal of Human Resource Management*, 16, 6, 34-55.
- Martin, G. (2005) **Technology and people management: the opportunity and challenges**. London: Chartered Institute of Personnel and Development.
- Martin, G. & Hetrick, S. (2006) *Corporate reputations, branding and managing people: a strategic approach to HR*. Oxford: Butterworth Heinemann.Miles.

Martin, G., Alexander, H., Reddington, M. & Pate, J. M. 2006. **Using technology to transform the future of HR: an illustrated model of e-HR**. Paper presented to the Academy of Management Annual Conference, Atlanta, August 12-16<sup>th</sup>.

Miles, R.E. & Snow, C.C. (2003) *Organization strategy, structure and process: A Standard Business Classic*. Stanford: Stanford University Press.

Morris, S., Snell, S.A. & Lepak, D. (2005) An architectural approach towards managing knowledge stocks and flows: implications for re-inventing the HR function, in R. Burke and C. Cooper (eds.) *Reinventing Human Resources*. London: Routledge.

Paauwe, J. (2004) *HRM and performance: achieving long-term viability*. Oxford: Oxford University Press.

Pfeffer, J. & Sutton, R.I. 2006. *Hard facts, dangerous half-truths and total nonsense: profiting from evidence-based management*. Boston: Harvard Business School Press.

Rayport, J. F. & Sviokla, J. J. 1995. Exploiting the virtual value chain. *Harvard Business Review*, Nov-Dec. 75-85.

Reddington, M., Williamson, M. & Withers, M. (2005) *Transforming HR: creating value through people*. Oxford: Butterworth Heinemann

Reddington, M., & Martin, G. (2006)

Reilly, P. & Tamkin, P. (2006) *The changing HR function: the key questions*. London: Chartered Institute of Personnel and Development.

Ruel, H., Bondarouk, T. & Looise, J. K. 2004. *e-HRM: innovation or irritation*. Utrecht: Lemma

Shrivastava, S. & Shaw, J. B. 2004. Liberating HR through technology. *Human Resource Management*, 42. 201-222.

Snell, S. A., Steuber, D. & Lepak, D. P. (2001). Virtual HR departments: Getting out of the middle, In R. L. Henan & D. B. Greenberger (eds.) *Human resource management in virtual organizations*. 81-102 Information Age Publishing.

Sparrow, P. & Cooper, G. (2003)

Sparrow, P. R., Brewster, C., & Harris, H. 2004 *Globalizing human resource management*. London: Routledge.

Swart, J., & Kinnie, N. (2003) Knowledge-intensive firms: the influence of the client on HR systems. *Human Resource Management Journal*, 10: 5-17.

Taylor, W. C. & LaBarre, P. (2006) *Mavericks at work: why the most original minds in business win*. New York: William Morrow

Theaker, M. & Vernon, P. (2006, July 31<sup>st</sup>) *Removing the barriers to success in HR transformation*. Mercer Consulting. Available online at <http://www.mercerhr.com/knowledgecenter/reportssummary.jhtml/dynamic/idContent/1235040> (accessed February 20th, 2007).

Walker, A. J. (Ed.) (2001) *The technologies and trends that are transforming HR: web-based human resources*. New York: McGraw Hill/Towers Perrin.

Whitley, R. 1999. *Divergent Capitalisms: The Social Structuring and Change of Business Systems*. Oxford: Oxford University Press.

Wright, P. M., Gardiner, T. M. & Moynihan, L.M. (2003) The impact of HR practices on the performance of business units. *Human Resource Management Journal*, 13 (3), 21-36.

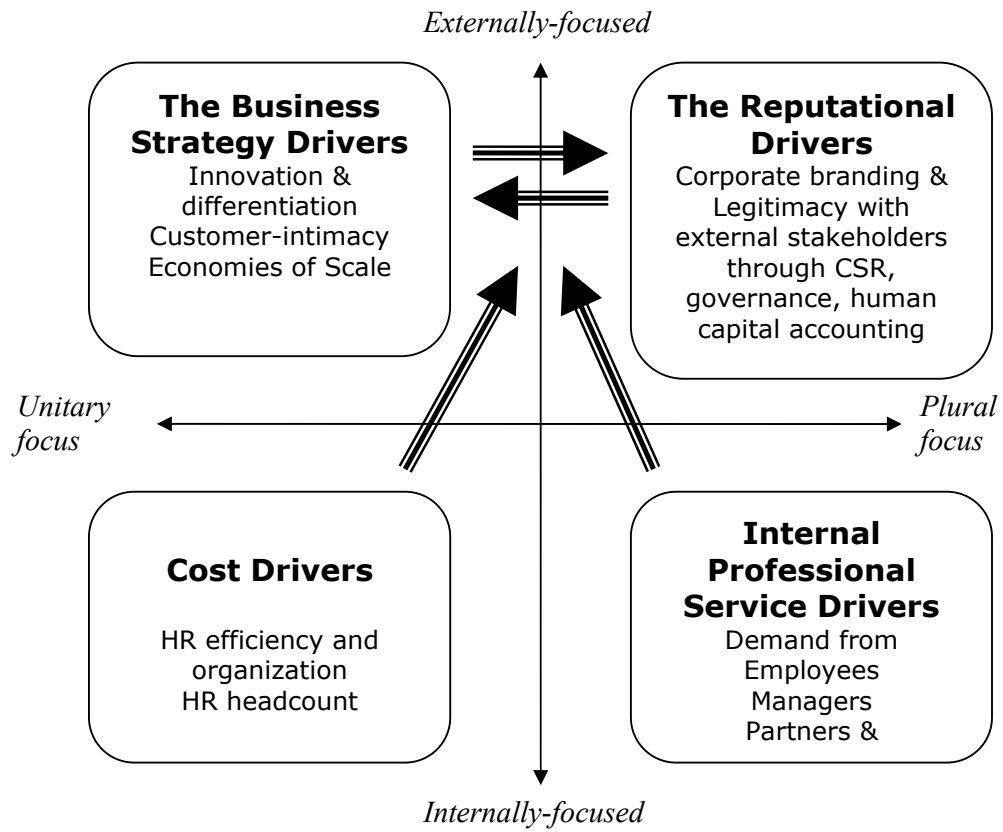
Zahra, S.A. & George, G. (2002) Absorptive capacity: A review, reconceptualization and extension. *Academy of Management Review*, 27 (2), 185-203

Ulrich, D. & Brockbank, W. (2005) *The HR value proposition*. Boston, MA: Harvard Business School Press.

Whittington, R. E. (2000) *What is strategy and does it matter?* London: Thomson.

Whitley, R. 1999. *Divergent Capitalisms: The Social Structuring and Change of Business Systems*. Oxford: Oxford University Press.

Figure 1 Competing Claims on HR and their Relationships





**Table 1: Archetypical Configurations of Business Strategies and HR Strategies**

<b>Business Strategy</b>	<b>High Road/ Disruptive Innovation (Prospector)</b>	<b>Low road/ low tech (Defender)</b>	<b>Segmented Architectural Approach (Analyzer)</b>
<b>Source of competitive advantage</b>	Proprietary forms of knowledge/learning for disruptive innovation and/or customer captivity or intimacy	Focus on economies of large scale and exploitation of existing knowledge	Mixed - Proprietary forms of knowledge for disruptive innovation and/or reputations for high customer captivity or intimacy combined with and economies of large scale and exploitation of existing knowledge
<b>Dominant workforce development, talent management and HR supply chain policy</b>	Internal labour market strategy (ILM). Workforce development for all. Inclusive view of talent. Limited outsourcing	External labour market strategy (ELM). Workforce development focused on managers and key workers Autocratic fordism or traditional bureaucracy combined with high levels of market-based subcontracting	Mixed ILM/ELM strategy based on a segmented HR strategy. Segmentation based on potential of employees to add value and the level of investment in their firm specific training. Exclusive view of talent limited to core employee groups which are valuable and unique. Widespread partnering and outsourcing
<b><i>Degree of investment in individual human capital stocks and flows</i></b>	High investment in general and firm-specific skills Accelerated development of high potentials	Relatively low, except for managers and certain core workers	High investment in internal workforce comprising core talent segment and traditional workforce. Low investment in external segments.
<b>Associated form of Work Organization and Psychological Contracts</b>	Flexible work design, temporary and cross-functional project teams, relational and ideological contracting	Bureaucratic organization and heavy reliance on transactional contracts	Flexible work design, networking and outsourcing. Mixture of ideological, relational and transactional contracts, segment dependent
<b>Nature of Employer-Employee Interdependence</b>	Heavy investment in social capital throughout. Identity management, knowledge management and knowledge sharing, intense communications and internal networks	Low levels of investment in knowledge sharing and social capital	Corporate branding and unique EVPs, heavy investment in KM to integrate segments
<b><i>Degree/Type of Investment in Social Capital</i></b>			
<b><i>Degree of Job security</i></b>	High/retention major issue	Low, especially for contractors and bottom levels of hierarchy	Segment dependent – high for core groups
<b><i>Individual participation /rewards</i></b>	Individual incentives for innovation. Pay linked to unique and valuable knowledge/networks. Financial participation	Confined to top team/clear structures and progression	Segment dependent/flexible pay

**Table 2: Classifying e-HR Outcomes.**

	<b>Positive</b>	<b>Negative</b>
<b>Intended</b>	<p><b>Transactional</b>                      Reduced costs of HR transactions and HR headcount reduction                      Greater responsiveness to needs of managers and employees' needs for (real-time) information and tailored HR solutions on demand                      Increased self-efficacy among managers and employees</p> <p><b>Transformational</b>                      Greater accountability of managers for people management                      Increased acceptance of self-development by employees                      Improved talent management through self-selection, self-assessment, performance management, etc                      Improved two-way communications leading to higher levels of organizational engagement and satisfaction with HR/people management                      Greater access to individual learning                      Greater capability to feed forward individual learning into group and organizational learning across distributed organizations                      Greater sense of corporate identity through uniform HR portals                      More time for HR to focus on expert/strategic issues                      Greater ability to work flexibly from home and other workplaces</p>	<p><b>Transactional</b>                      HR headcount reduction</p> <p><b>Transformational</b>                      Lack of face-to-face contact and remoteness of HR staff from 'clients'                      Intellectual property and data ownership transferred to outsourcing partner</p>
<b>Unintended</b>	<p><b>Transactional</b>                      Spillover of information from HR into other areas of business</p> <p><b>Transformational</b>                      Greater sense of organizational innovativeness/progress modelled through adoption of sophisticated e-HR</p>	<p>Transactional                      Displacement of existing HR staff and loss of organizational knowledge                      Lack of job satisfaction among HR staff working in shared service centres                      Manager/employee frustration over ease of use and value of information                      Resistance to new ways of working through 'benign neglect', opposition or mild forms of sabotage.                      Increased levels of cynicism with HR/organizational change programmes                      Increased perception by managers of 'doing HR's job' and work overload.</p>