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**NEW ORGANISATIONAL FORMS IN EUROPE? A LONGITUDINAL STUDY FROM AN
HRM-PERSPECTIVE.**

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ABSTRACT

New organisational forms seem to be one of the heralds of the 'brave new world of work'. Although different in their concrete shape, these labels have one common theme: centralised, bureaucratic and hierarchical structures are replaced by more flexible, decentral, project oriented forms where information networks and 'the culture glue' are more important than formal rules and regulations. HRM is influenced by these developments, too. New organisational forms pose a number of human resource management questions - e.g., virtuality and leadership - hitherto rarely discussed in the literature.

Given the prominence of the concept of new organisational form in the literature as well as in the (or-organisational) rhetoric it is surprising that only few studies systematically research the existence and development of such new organisational forms. Much of the knowledge we have about this phenomenon is rooted on somewhat 'dispersed' and 'biased' empirical evidence. Often case studies of 'atypical', leading edge organisations or organisations in specific regions or sectors serve as a point of reference. A broader view of what goes on in the 'ordinary' type of organisations is largely missing. In addition, a longitudinal perspective on the past decade(s) is only rarely taken. Given this background, this paper has two major goals:

- (1) Empirically examine whether over the last decade there has been a tendency in European private sector companies towards new organisational forms as reflected in the developments in HRM and
- (2) analyse whether national differences between these developments in various European countries exist.

The data used for our analysis has been generated by the Cranfield Network on European Human Resource Management (Cranet-E), a research network dedicated to analysing developments in the area of HRM in public and private organisations with more than 200 employees in a national, cross-national and quasi-longitudinal way. The database used for our analysis includes 17 European



countries with at least two measurement points between 1990 and 1999 and 20,688 private sector for-profit organisations with more than 200 employees.

The analysis is done in the area of structural characteristics, e.g., evaluation of the HR department as well as on human resource management practices in major functional areas, e.g. the existence of variable and performance related elements in the companies' compensation systems.

The results show that in the structural area our assumptions concerning new organisational forms are not supported. Apart from the declining size of the HR department there is no clear indication of a development of new organisational forms as hypothesised. In the functional area we can state that there is a clear trend towards human resource management practices necessary for the functioning of new organisational forms in the predicted direction.



Introduction

New organisational forms seem to be one of the heralds of the 'brave new world of work'. Over the past decade, academic literature as well as practitioners' contributions have dealt with this phenomenon extensively. Macro change drivers like globalisation, technological change or shortening of product life cycles promote organisational innovations. These new organisational forms are characterised by labels like atomic (Ryf, 1993), flexible (Volberda, 1998), fractal (Warnecke, 1993), individualised (Ghoshal & Bartlett, 1998), cellular (Miles, Snow, Mathews, & Coleman, 1997), network (Sydow & Windeler, 2000), post-modern (Clegg, 1990), post-bureaucratic (Heckscher & Donellon, 1994) or virtual (Davidow & Malone, 1993).

Although different in their concrete shape, these labels have one common theme: centralised, bureaucratic and hierarchical structures are replaced by more flexible, decentral, project oriented forms where information networks and 'the culture glue' are more important than formal rules and regulations (Zenger & Hesterly, 1997). These new organisational forms offer several at least partially innovative ideas. First, companies retain only the core competencies within the firm while outsourcing most low value-added activities. Second, front-line managers are provided with greater autonomy. They are allowed "to design their own jobs, fix their own processes, and do whatever it takes to satisfy a customer" (Hamel & Prahalad, 1994: 290). Hence, these new organisational forms question the degree to which responsibility between line and staff functions is shared (Mayrhofer, 1999). Third, there is much less emphasis on hierarchies which generally become much flatter. Advocates of the new organisational forms suggest that hierarchies have become too expensive and have impeded information flows. Instead they advocate more flexible, project-based forms of organisation (Whittington, Pettigrew, Peck, Fenton, & Conyon, 1999). Fourth, formal and informal information networks bind the autonomous units together (Chakravarthy & Gargiulo, 1998: 438). These changes increase demands on information technology and members of these new organisations have to exhibit higher degrees of co-operation, co-ordination, organisation and self control (Drumm, 1996: 11). They need to have skills such as "strong interpersonal, communication and listening skills; an ability to persuade; a readiness to trade and to engage in reciprocal rather than manipulative behaviour; an



ability to construct long-term relationships; ... tolerance of high level of ambiguity and uncertainty; ... a good strategic sense, vision and ideas; ... a capacity to learn quickly and to adapt in new situations" (Ferlie & Pettigrew, 1998: 219-220).

In the early 1990s, enthusiastic accounts of the arrival and superiority of new organisational forms dominated the academic and practitioner literature. In recent years, however, their impact and viability have been increasingly questioned. An important question concerns the issue of the diffusion and viability of new organisational arrangements. So far the claims for organisational revolution have rested heavily on case studies of exceptional organisations or atypical sectors and regions (Whittington, Pettigrew, Peck, Fenton, & Conyon, 1999). Whether these new forms are transitory, exceptional arrangements or whether they will become typical and lasting forms is largely an unexplained question (Sampler & Short, 1998). A 1997 survey of medium and large sized firms in Western Europe found a good deal of organisational change in the direction proposed by proponents of the new forms of organisation (Whittington, Pettigrew, Peck, Fenton, & Conyon, 1999). Others are much more pessimistic and have noted problems a radical redesign of organisations might cause. Accounting, communication and co-ordination problems have been mentioned (Drumm, 1996; Drumm, 1998). A second area of concern are the growing demands on interpersonal, intellectual, psychological, social and technical employee skills. This "brave new workplace" could become very stressful for individual employees (Victor & Stephens, 1994). Drumm (Drumm, 1996) even suggested that these demands cannot be met in reality. A third problem is that the new organisational forms need to replace the traditional systems of control in the bureaucratic model by more autonomy. Such a transformation from employees to entrepreneurs (Kuhn, 1997) requires commitment, consensus and trust. This transformation might not be easily achieved.

The development of new organisational forms is linked with new challenges for the management of organisations. This is no surprise, since such radical changes of organisational structures and processes necessarily do influence the way organisations are managed. Among the most important issues are new ways of co-ordination and control in order to support the integrative element in a 'fluid' and diverse organisation (Drumm, 1996), the significance of creating and managing knowledge as a



primary resource and competitive advantage of the organisation (Nonaka, 1991), and the increasing importance of resource flows across organisational and national borders (Bartlett & Goshal, 1991; see also Fink & Mayrhofer, 2001 for an international perspective). In addition to these issues the devolvment of responsibilities for decision making and the devolvment of operative action from central, specialised units with expert knowledge to line management or even the employee 'down the line' are other important areas. Advocates of new organisational forms argue that decisions about the allocation of all resources should be assigned to front-line managers (Hamel & Prahalad, 1994).

HRM is influenced by these developments, too (see, e.g., Brewster, Mayrhofer, & Morley, 2000; Scholz, 1995). In its pure form, these new organisational forms pose a number of human resource management questions hitherto rarely discussed in the literature. For example, when virtuality becomes an important element of an organisation, leadership processes and styles have to adapt to the fact that there is less personal contact between the members of a work team. Likewise, if a substantial proportion of the human resources needed for reaching the organisational goals is not on the payroll of the organisation, then many of the 'traditional' tools of HRM are of limited use only. However, HRM faces a number of demanding challenges and changes not only in such pure versions of new organisational forms. Even in the case of 'traditional' organisations moving some steps towards such a way of organising this has consequences for the management of HR. For example, if organisations are moving away from large, centralised (staff) units and assign more responsibility and resources to 'local' or 'front line' managers, this has a direct effect for the HR department: It has to think about new ways of supplying the necessary services, performing its functions and equipping line managers with the necessary skills and competencies to handle the new HR tasks that they are confronted with. In a similar way, HR departments are challenged if the need for various organisational units to document their contribution to the overall organisational success arises. Under such circumstances, the evaluation of the contribution of the HR department becomes a crucial issue.

Given the prominence of the concept of new organisational form in the literature as well as in the (organisational) rhetoric it is surprising that only few studies systematically research the existence and development of such new organisational forms. Much of the knowledge we have about this



phenomenon is rooted on somewhat ‘dispersed’ and ‘biased’ empirical evidence. Often case studies of ‘atypical’, leading edge organisations like ABB or 3M or organisations in specific regions or sectors like, for example, the high-tech clusters at the US-American west coast serve as a point of reference. A broader view of what goes on in the ‘ordinary’ type of organisations is largely missing. In addition, a longitudinal perspective on the past decade(s) is only rarely taken. With a few exceptions (see, e.g., Whittington, Pettigrew, Peck, Fenton, & Conyon, 1999) cross-sectional analyses dominate the discussion.

Goals of the paper and hypotheses

Given the background outlined above, this paper has two major goals:

- (1) Empirically examine whether over the last decade there has been a tendency in European private sector companies towards new organisational forms as reflected in the developments in HRM and
- (2) analyse whether national differences between these developments in various European countries exist.

(1) Since there is not a great deal of empirical evidence about the general tendency towards new organisational forms beyond the ‘token companies’ used as points of reference and concerning the degree of such a development, it seems necessary in a first step to generate some empirical evidence. This is a complex task since there is no ‘universal’, agreed upon canon of characteristics for such new organisational forms. However, one can find some catalogues of core characteristics that seem to be linked with these new organisational forms (see, e.g., Whittington, Pettigrew, Peck, Fenton, & Conyon, 1999). Rather than trying to identify the full range of characteristics this paper focuses on one functional area that is heavily affected by these developments: HRM within organisations. While covering the full range of organisational characteristics has its clear advantages, the concentration on one functional area – here: HRM – has its benefits, too: it allows a more detailed and in-depth analysis of the developments.

- (2) There is a growing debate at the European and global level about the existence of converging or diverging tendencies in societal developments in general and, more specifically, in different societal



subsystems. The business sphere and the management of organisations is no exception. Proponents of convergence argue that the logic and the constraints of market economy and technology of production is the main force that does not allow organisations to deviate from ‘good’, ‘accepted’ management practices (Kidger, 1991). Thus, differences due to historical, geographical or cultural reasons will disappear. In direct contrast, advocates of the divergence thesis emphasise the factors that differentiate developments in various countries. For example, from an institutionalist perspective variables like the institutional framework, e.g., legal regulations, powerful ‘local’ actors, or specific societal norms constrain organisational or managerial freedom of action, thus producing different solutions for the same organisational problems (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). It can be argued that HRM specifically is suited to respond to such influences since it is not dominated by a one best way approach as it is often the case in the area of production or finance and specifically has to take into account the institutional framework. At a more basic level, there is the question to what extent differences in HRM practices between various countries exist.

Related to the first goal of the paper – analysing whether there is a tendency in European companies to move towards new organisational forms – we will discuss eight hypotheses referring to structural as well as functional aspects of HRM. The second goal of this paper – analysing national differences between European countries – will be reached by a systematic country comparison using the eight hypotheses as points of reference.

Structural aspects

Hypothesis 1.1

The percentage of European companies determining their HR policy at the subsidiary or site level has increased over the past decade.

Decentralisation of decision making and responsibility is one of the core characteristics of new organisational forms. In HRM, too, this is regarded as one of the essentials of a ‘modern’ version of managing human resources.



Hypothesis 1.2

The percentage of European companies devolving HRM responsibility away from specialists towards line management has increased over the past decade.

In line with a general decentralisation of HRM one can expect that parts of the responsibility as well as operative tasks will no longer be assigned to the technical specialists in the HR department. Instead, line management will increasingly take over these tasks.

Hypothesis 1.3

The relative size of HR departments in European companies has decreased over the past decade.

Handing over responsibilities and operative tasks to line management as well as an increasing cost pressure on overhead costs will most likely lead to a reduction of central staff. Therefore, the size of HR departments – relative to the number of employees – should decrease.

Hypothesis 1.4

The percentage of organisations systematically evaluating their HR departments has increased over the past decade.

One of the major characteristics of new organisational forms is a thorough market orientation. Even organisational units that do not have direct contact with the sales market are operating under the logic of service and customer orientation. Similar to other staff functions, the HR department has to legitimate its existence by showing its added value to the success of the company. Thus, a formal, systematic and regular evaluation of the HR function is one of the major characteristics of new organisational forms.

Functional aspects

Hypothesis 2.1

The proportion of the annual salaries and wages bill spent on training in European companies has increased over the past decade.



New organisational forms do not only require new structures and processes, but also demand a great variety of new and/or different skills of employees. Therefore, investment into human capital becomes more important.

Hypothesis 2.2

The proportion of employees in European companies that are informed about company strategy and financial performance has increased over the past decade.

In new organisational forms, hierarchical and structural elements of co-ordination and control are, at least partly, substituted by other forms of communication. In addition, information of employees about crucial company indicators and issues contributes to a high level of involvement.

Hypothesis 2.3

The proportion of employees in European companies whose compensation package includes employee share options, profit sharing, group bonus or merit/performance related pay has increased over the past decade.

Becoming more ‘entrepreneurial’ at all levels of the company is one of the key characteristics of new organisational forms. As a consequence, one can argue that the compensation of employees of all levels will increasingly include variable and/or performance related elements.

Hypothesis 2.4

The proportion of European companies using flexible work practices like annual hours contracts, fixed term contracts, home based work or outsourcing/subcontracting has increased over the past decade.

Replacing rigid structures by more flexible work arrangements is one of the key characteristics of new organisational forms. These flexible work arrangements include different areas. A major issue is a more flexible approach in the area of contracting personnel. To be able to quickly adapt to changing market demand organisations tend to hold fixed obligations in the area of personnel low. Therefore, work practices like annual hours contracts, fixed term contracts, home based work or outsourcing/subcontracting become more popular.



Methodology

The data used for our analysis has been generated by the Cranfield Network on European Human Resource Management (Cranet-E), a research network dedicated to analysing developments in the area of HRM in public and private organisations with more than 200 employees in a national, cross-national and quasi-longitudinal way (see Brewster & Hegewisch, 1994, Brewster, Mayrhofer, & Morley, 2000). Through the Cranet-E survey a national sample of organisations with more than 200 employees is questioned on a regular basis on various aspects of HRM via questionnaires. The two most important objectives of this internationally, comparative survey were, at the outset: (1) to research whether a pattern of 'Europeanisation', i.e. convergence to a common pattern could be found over time, and (2) to identify whether changes in personnel policies towards a more strategic approach ('strategic HRM') have occurred. "Thus, the general objective was to extend the range of internationally comparable evidence about particular policies and practices that have been seen as relevant to the concept of HRM" (Brewster, Tregaskis, Hegewisch, & Mayne, 1996: 593).

The database used for our analysis includes 17 European countries where we have at least two measurement points in time during the five major European survey rounds between 1990 and 1999 (see table 1). Furthermore, the analysis is restricted to private sector for-profit organisations with more than 200 employees. Thus, overall 20,688 companies were included in this analysis.

Regression models (logistic regression models for dichotomous response variables) are used to test the hypotheses which we had set up in the previous section of this paper. Time is the primary explanatory variable in these regression models as our hypotheses refer to the yearly changes in the response variables. Our regression models also control for possible differences in the size of the firm, the sector the company operates in, and foreign ownership. Firms are divided into large (more than 1000 employees), medium (between 501 and 1000 employees), and small (between 201 and 500 employees) companies. Firms are assigned to the primary, secondary or tertiary sectors, depending on their response to one of the survey questions. Finally, a distinction is made between indigenous companies and companies that are under foreign ownership.



Regression models are estimated for each of the eight response variables, separately for each of the countries included. Estimates of the yearly changes in the response variables are obtained, and their significance is assessed by calculating their t-ratios.

Results and Discussion

This section presents the results of the statistical analysis in two steps. First, we analyse developments in European companies in the 17 countries in the area of structural characteristics. Second, changes in human resource management practices in major functional areas are discussed. For both of these areas, the Cranet-E survey contains relevant data. In the presentation of the results we will follow the order of the hypotheses presented above.

Structural aspects

Concerning a tendency of the structural variables towards new organisational forms the data of Cranet-E contains four items that will be tested one after the other: strategic decision making in the area of HR, allocation of responsibilities between the HR department and line managers, size of the HR department, and the evaluation of the HR department.

Level of policy decision making. The first hypothesis 1.1 assumes that policy decisions in the HR field are taken less centrally but are increasingly more delegated to local or decentral divisions such as subsidiaries. The Cranet-E questionnaire asks about the decision making level of pay and benefits, recruitment and selection, training and development, industrial relations, and workforce expansion or reduction. Answers could be chosen from four options: the national or the international headquarters, the subsidiary or site/establishment. According to the respondents' choice the score for one single company could range between 0, indicating that all decisions are taken by the central unit, and 5, meaning that the subsidiaries or sites/establishments decide in all areas.

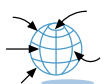
Taking the mean value of all countries during the last ten years as indicators the results show an overall picture of increased centralisation. With the exception of Turkey there is no indication that HR activities are increasingly decided 'locally'. This is in contrast to our expectations. Subsequently one could assume that not only HR policy decisions, but also other important decisions like the overall



strategy of a company or decisions concerning future investments are decided more centrally. This result is in line with the evidence of a study dealing with similar issues. Ruigrok et al. found in European companies a high decentralisation of day to day decisions but only a very small tendency towards decentralisation concerning the overall strategy of the company (Ruigrok, Pettigrew, Peck, & Whittington, 1999).

As already mentioned only Turkey seems to be significantly on a track towards decentralisation. To be able to interpret this result we have to take a closer look at the different starting levels of the examined countries. There we can see that Turkey started from a far lower level than the average of the other countries. If we furthermore take into consideration macro-level variables such as the inflow of direct foreign investments it can be stated that Turkey has had a very strong development. As compared to the other countries of our study the inflow of direct foreign investments into Turkey has risen sharply from 1980 to 1999, especially coming from Germany, USA, Great Britain, France, and the Netherlands (Erten, 1999). We also can observe a rising proportion of subsidiaries of foreign multinationals in Turkey. This increase in foreign influence might have had an effect on the countries' business practices as reflected in this result of a decentralisation of decision making. From a cultural point of view this seems to be a striking outcome. According to other studies (e.g., Hofstede, 1980; Trompenaars, 1994) Turkey is high on power distance. This normally means that all sorts of decisions beginning from not so important things going up to the strategic high level decisions are all taken by the most important bodies of a company. The Turkish example therefore shows very well that it is important to combine the cultural view with actual economic data to get a more complete picture of developments as well as the actual situation.

Decentralisation of responsibility. The second hypothesis 1.2 is dealing with the question of a possible allocation of HR responsibilities to line managers. In the Cranet-E survey respondents were asked to identify practices of their own organisation on the same five issues as before: pay and benefits, recruitment and selection, training and development, industrial relations, and workforce expansion or reduction. In each case organisations were rated according to whether primary responsibility for major policy decisions rested with line management, line management with



personnel or HR function support, the personnel or HR function with line management support, or with the personnel or HR department alone. We calculated an index ranging from 5 points, meaning that the HR department alone decided in all five cases, to 20 points, indicating that in all five cases solely the line managers were the decision makers.

The mean value of all countries together does not support our hypothesis assuming a decentralisation tendency. On the contrary, we can see a slight centralisation of 0.15 points (see table 3) from 1990 to 1999. This overall trend of centralisation is not in line with our hypothesis but confirms oral reports of head-hunters and consultants in the HR field. According to these experts' experience the overall growing importance of human resources, their training and development as well as, e.g., the introduction of performance related pay systems strengthens the positions of central HR specialists. Previously many companies did not place so much importance to the HR function. Smaller companies very often did not even have something like a formal personnel department. Companies of the new economy which have been growing rapidly often had no time to deal with questions of formal organised HR functions. Things had to happen and often they have been handled at the level of line managers because they knew best about actual needs. Now, as these companies have reached a certain size where, e.g., fluctuation problems in the IT sector become a problem, they are forced to pay attention to HR activities. They need specialists dealing in depth with these kind of problems and this strengthens the existing HR departments or fosters the establishments of central personnel functions.

Further explanations are possible at the country level where the results of our second hypothesis show Ireland, Norway and Sweden significantly on the way to decentralisation whereas approximately half of the other countries show the reverse trend. From a cultural point of view we can identify a Northern European cluster, showing a tendency to a decentralisation of HRM activities to line managers. This goes in line with Brewster and Larsen (Brewster & Larsen, 2000a: 29) who identify Ireland, the UK, the Netherlands, Sweden, Denmark, and Finland as countries of Northern Europe where „the commonalities between the approaches to HRM ... are, in comparison to other parts of Europe and the world, greater than the differences.“ There is survey evidence (cf. Brewster & Söderström, 1994; Brewster, Larsen, & Mayrhofer, 1997; Brewster & Larsen, 2000b) confirming a leading position in the decentralisation of HRM activities of the Northern European countries at different points of time.



There is one exception, Denmark, holding a even more leading position within the Northern European cluster of other studies whereas in our study Denmark does not show such a development. But as the Danish result in our study is statistically not significant, there may be other influences being responsible for this outcome. Furthermore it is important to state again that the different countries are not starting from the same position.

Nevertheless, the question remains why Northern Europe seems to be more on a track to decentralisation. Although, of course, this does not imply any uniformity, the following section tries to sum up some of the commonalities the cited Northern European countries are characterised by. Spyropoulos (Spyropoulos, 1996) contrasts the Northern European countries, where freedom of association and collective bargaining rights are effectively ensured by legislation, with several Southern European countries, where such rights are absent or less effectively protected. This goes in line with a significant legislative involvement in employment matters and the importance of equal opportunities (see also Brewster & Larsen, 2000a). Considering the five issues examined in our study (pay and benefits, recruitment and selection, training and development, industrial relations, and expansion and reduction of the workforce) we can see that in some way they are all subject to one of these regulations. This means that there is less freedom within the companies. We therefore assume that such a clearly defined framework in personnel matters may be favourable to allocate personnel responsibilities to e.g. line managers because it will be easier for them to handle these matters which so far have not been their daily business.

Very similar ideas concerning characteristics of the Northern European countries can be identified behind Hofstede's cultural dimension of femininity (Hofstede, 1980). According to this study Northern European countries are very high in femininity. Hofstede also stresses lower power distance positions of the Northern countries which indicate a more democratic way of thinking and acting within organisations. Other characteristic features of the Northern European cluster are a substantial state-owned sector, the central role of the government in setting standards for wages and working conditions, rather high levels with trade union membership, and strong educational backgrounds.



Size of the HR department. Hypothesis 1.3 assuming the declining size of HR departments is supported by the results we got. The Cranet-E survey contains data concerning the number of employees within the HR department as well as the overall number of employees of the company. This enables us to calculate the ratio of the size of the HR department in relation to the overall number of employees. The results show a clear tendency to reduce the number of employees of the HR department. The mean value of all countries within the ten-year frame is at 1.5% of the employees, indicating that companies tend to have 15 employees in the HR department for an overall number of 1,000 employees. The overall reduction of the HR department is statistically significant and amounts to an average change of 0.26 points over the last ten years.

At the country level this result goes in line with the trend described above concerning a centralisation and a decentralisation of HR responsibilities. France and Denmark were more on a way to a centralisation of HR responsibility which normally leads to bigger HR departments. This can be confirmed by their position concerning the size of HR departments. In both countries the number of employees of the HR department is slightly increasing. Furthermore the result of the overall reduction in size also goes in line with other empirical studies (IRS, 1996) as well as case study evidence (Gennard & Kelly, 1997; Ommeren & Brewster, Forthcoming). Another examination using Cranet-E data at two different points of time (1992 and 1995) has taken into consideration that the size of HR departments varies by sector and size of organisations. Therefore particular sectors and only one size of organisations have been examined and they also found an average reduction from 4.47 to 3.99 HR people within the three-year frame (Mayrhofer & Mattl, 1997).

Evaluation of the HR department. Hypothesis 1.4 concerning the development of the structural variables of the HR function assumes an increase in the formal evaluation of the performance of the HR department. In the Cranet-E survey respondents are asked if there is any kind of regular performance evaluation (yes/no), whose views are considered in evaluating the performance (top management, line management, employees, personnel/HR function/department itself) and what criteria are used for evaluation (internal measures of cost effectiveness, external benchmarking of cost, performance against objectives).



The results in table 2 show that companies have no increase in evaluation activities within the nineties. On the contrary, we can see that there is a tendency towards an even decreasing evaluation. This means that our hypothesis is not supported by the results we got.

Functional aspects

Within the area of functional aspects the analysis of developments over the past decade covers four areas: Investment into human capital, communication with employees, variable and performance related elements of compensations systems, and flexible working practices. Following our hypotheses 2.1 to 2.4 we will discuss these issues in turn.

Investments into human capital. Hypothesis 2.1 presumes that the emphasis put on training and development will increase because a good training background is the basis for developments towards new organisational forms. The proportion of the annual salaries and wages bill currently spent on training is regarded as an indicator for the organisations' willingness to invest into its human capital.

The results support the hypothesis. The percentage of the annual salaries and wages bill spent on development and training has increased in nearly all of the countries of our study and amounts to 3.1%. One third of the countries show statistically significant results (see table 3). Within the ten-year frame the European average increases by 0.9 points.

Weber et al. (Weber & Kabst, 2000: 247 ff.) examine the explanatory value of country-and-company-specific antecedents. They use the conceptual framework of Brewster and Burnois (Brewster & Burnois, 1991) to analyse 1995 data from Cranet-E. Weber et al. find that the explanatory value depends on the subject in question. Furthermore they could show that country-specific influences do not so much appear in HR training and development as e.g. in recruitment and selection or equal opportunities (Weber & Kabst, 2000: 262). An interpretation of the results of this hypothesis should therefore less focus on cultural variables than on company-specific elements.

Concerning the rather strong positions of Norway, the Netherlands and Switzerland we may presume as one possible explanation that these countries are increasingly more investing in high-flyer programmes and management development which are very cost-intensive. Another examination on



management development shows these countries to be among the most important ones introducing high-flyer policies (Larsen, 2000).

Apart from these three countries there are the Southern European countries, Greece and Portugal, among the countries with the biggest change towards an increasing investment in training and development. One important reason may be that these countries started from a lower position, needing therefore bigger investments over the past few years as e.g. most of the Northern European countries (Brewster & Larsen, 2000a).

Communication with employees. Within new organisational forms communication of the financial performance as well as of corporate strategies plays an important role. Therefore, hypothesis 2.2. states that communicating these issues to all levels of employees should increase. In the Cranet-E survey respondents are asked which employee categories (management, professional/technical, clerical, manual) are formally briefed about the strategy and the financial performance of the company. According to that question it is possible to calculate an index ranging from 0, indicating that none of the employee categories is briefed regularly, to 8, meaning that all employee categories are informed of both of the topics.

The results support the hypothesis. They show an increase in communicating these issues to employees in nearly all of the countries. The European average amounts to 0.5 points within the ten-year frame.

Germany, Austria, Switzerland, Sweden and Spain show the most significant and positive development. From a cultural point of view this is a very mixed cluster consisting of Southern, Northern and Central European countries indicating that culture specific variables may not be the most influential ones to explain this outcome. Furthermore the cited countries have a very different structure of company sizes. More in depth analysis as well as case studies are therefore needed to give further explanations on that specific result.

Variable and performance related elements of compensations systems. Hypothesis 2.3 looks at performance related and variable elements of compensation systems and predicts an increased use of these elements during the development of new organisational forms. The Cranet-E survey contains a



section concerning compensation and benefits. Within this section respondents have to answer a question about different incentive schemes (employee share options, profit sharing, group bonus, merit/performance related pay). Furthermore there is a differentiation between the four – above cited – employee categories. This enables us to calculate another index ranging from 0 where none of the employee categories is offered any of the incentive schemes, to 16, indicating that all four of the incentive schemes are offered to all four employee categories.

This hypothesis is again supported by the results. Half of the countries show statistically significant results. The mean value of yearly change of all countries amounts to 0.088. This implies that over the ten year period from 1990 to 1999 the index for this variable increased by 0.88 units. Furthermore this trend can be confirmed by other studies (see, e.g., Müller, 2000).

Focussing on the outstanding values we again can see a mixture of Southern, Northern and Central European countries. Therefore, the cultural point of view seems not to be very helpful for a better understanding of this result. However, the above cited study by Weber et al. (Weber & Kabst, 2000: 256) found out that not only corporate strategy has a very high explanatory value for the existence of a policy concerning pay and benefits. Country-specific context factors exert an important influence, too. This means that one has to examine the legal and corporate framework within the different countries in depth to be able to find out which factors may be responsible for the result we got.

According to Weber et al. Weber & Kabst, 2000 the Netherlands, France, and Ireland have a rather high probability of formulating explicit policies on pays and benefits as compared to other countries like the UK or Germany. With the exception of Ireland this goes in line with our results. Concerning the forms of flexible pay systems it can be shown that Germany and France prefer methods as profit sharing whereas the UK and Ireland prefer employee share options (Brewster & Larsen, 2000b: 139).

Flexible working practices. The last hypothesis 2.4 of our study deals with the question whether flexible working practices are increasingly used within Europe or not. In the Cranet-E survey respondents are asked about several different working arrangements. In view of practices used within new organisational forms we looked at annual hours contracts, fixed-term contracts, homebased work,



and subcontracting/outsourcing and calculated an index ranging from 0 to 4, indicating that none or all of these were used.

In contrast to our expectation towards an increase of flexibility during the 90's the results turned out to be very mixed. Eight of the countries (Belgium, Denmark, Germany East and West, Finland, France, the Netherlands, Norway, Portugal, and Switzerland) show statistically significant results going in line with our hypothesis. Nevertheless one third of the countries we examined make less use of such flexible working practices over the period analysed. Most of them are situated in the south of Europe and we know from other studies that the development of flexibility shows a tendency to be driven by the north. Papalexandris (Papalexandris, 2000: 134) observes as a general trend that in countries where workers are more highly paid there is more room for part-time work whereas in countries with lower wages employees have difficulties to accept part-time pay. This observation is also confirmed by this study.

Summary

An overall summary of the results of the four hypotheses at the structural level of HR shows that our assumptions concerning new organisational forms are not supported. Apart from the declining size of the HR department we have no clear indication of a development of new organisational forms as hypothesised. Some of the explanations offer ideas to revise the hypotheses and it will be challenging to do more in-depth analysis.

Summarising the results in the functional area we can state that there is a clear trend towards human resource management practices necessary for the functioning of new organisational forms in the predicted direction. Nevertheless we have to admit that the results vary significantly between the different countries. It will therefore be challenging to take a closer look behind the curtains of the countries' legal and administrative frameworks as well as further differentiating factors like specific markets or competitive environments.

Concerning our arguments at the explanatory level we try to take into consideration in which ways the approaches to HRM differ in various countries. We do not want to make very strong claims on cultural



traits, nor do we want to ignore all the relevant variables like the organisation, sectors, sizes etc. However, we think that variables influenced by cultural or national elements like e.g. legislation, ownership, or trade unionism also play an important role and exert influence on HRM in different countries as well as on its development. Furthermore there might be elements on the macro level having changed over the last ten years, thus having also an important impact on the results of our study.



Table 1: Countries included and year of survey

	1990	1991	1992	1995	1999
1. France	●	●	●	●	●
2. Germany - East			●	●	●
3. Germany - West	●	●	●	●	●
4. Great Britain	●	●	●	●	●
5. Spain	●	●	●	●	●
6. Sweden	●	●	●	●	●
7. Denmark		●	●	●	●
8. Netherlands		●	●	●	●
9. Norway		●	●	●	●
10. Switzerland		●		●	●
11. Austria			●		●
12. Czech Republic			●		●
13. Finland			●	●	●
14. Greece			●		●
15. Ireland			●	●	●
16. Portugal			●		●
17. Turkey			●	●	●
18. Belgium				●	●



Table 2: Structural aspects – yearly change

Structural aspects	Level of policy determination	Distribution of responsibility between HR department and line management	Relative size of HR department	Evaluation of HR department
Range and explanation of scales	Scale range: 0-5 0 The policy in all five major HR areas is determined by (international) headquarter 5 The policy in all five major HR areas is determined at the subsidiary/site level	Scale range: 5-20 5 HR department is primarily responsible for crucial decisions in all five major HR areas 20 Line management is primarily responsible for crucial decisions in all five major HR areas	percentage	percentage
Average value, all countries and points in time	Scale value: 2,6	Scale value: 12,6	1,5% (15 HR specialists for every 1000 employees)	44,0% (44% of the organisations evaluate their HR department)

Developments between 1990 and 1999
(values indicate average yearly change)

Hypotheses about developments	HR policy determined at the subsidiary/site level	HR responsibility shifts from HR departments to line management	Relative size of HR department decreases	HR department increasingly is evaluated
Austria (2) ⁺	-0,139	+0,045	+0,017	-0,047
Belgium (2)	-0,028	-0,096	+0,044	-0,130
Czech Republic (2)	-0,077	-0,089	+0,039	+0,022
Denmark (4)	-0,037	-0,015	-0,012	-0,004
Finland (3)	-0,060	+0,003	+0,014	-0,092
France (5)	-0,062	-0,151	-0,024	+0,006
Germany - East (3)	-0,034	+0,038	+0,065 *	+0,046
Germany - West (5)	-0,147	-0,027	+0,004	+0,061 *
Great Britain (5)	-0,045	-0,039	+0,010	-0,029
Greece (2)	-0,142	-0,150	+0,095	+0,002
Ireland (3)	0,000	+0,130 *	+0,018	-0,093
Netherlands (4)	-0,035	+0,029	+0,021	-0,003
Norway (4)	-0,041	+0,199 *	+0,064 *	-0,033
Portugal (2)	-0,032	-0,077	+0,044 *	-0,030
Spain (5)	+0,011	-0,175	+0,038 *	-0,006
Sweden (5)	-0,087	+0,064 *	+0,004	-0,051
Switzerland (3)	-0,019	+0,034	+0,015	+0,014
Turkey (3)	+0,142 *	+0,005	+0,022	-0,016
Average of developments, all countries	-0,046	-0,015	+0,026 *	-0,021
Proportion of countries with developments according to hypotheses	11%	50%	89%	33%

⁺ The values in brackets indicate the number of measurement points in time

* significant regression coefficient at the .05 level, one-tailed test of hypotheses



Table 3: Functional aspects – yearly change

Functional aspects	Proportion of annual salaries and wages bill spent on training	Information of employees about company strategy and financial performance (Scale: 0-8)	Compensation system includes variable/performance related elements (Scale: 0-16)	Use of flexible work arrangements (Scale: 0-4)
Range and explanation of scales	percentage	Scale range: 0-4 0 none of the four groups of employees is informed 8 all of the four groups of employees are informed	Scale range: 0-16 0 none of the four groups of employees has variable/performance related compensation elements 16 all of the four groups of employees have variable/performance related compensation elements	Scale range: 0-4 0 none of four flexible work arrangements is used 4 all of four flexible work arrangements are used
Average value, all countries and points in time	3,1% (3,1% of the annual salaries and wages bill is spent on training)	Scale value: 4,8	Scale value: 3,9	Scale value: 2,1

Developments between 1990 and 1999
(values indicate average yearly change)

Hypotheses about developments	Increasing investment into training and development	More information of employees about company strategy and financial performance	More use of compensation systems including variable/performance elements	More use of flexible working arrangements
Austria (2) ⁺	+0,061	+0,142 *	+0,086	+0,010
Belgium (2)	+0,209 *	-0,111	+0,012	+0,054 *
Czech Republic (2)	+0,060	+0,026	-0,204	-0,045
Denmark (4)	-0,005	+0,027	+0,032	+0,127 *
Finland (3)	+0,067	+0,044	+0,218 *	+0,026 *
France (5)	+0,069 *	+0,062 *	+0,540 *	+0,044 *
Germany - East (3)	-0,044	+0,061 *	+0,167 *	+0,090 *
Germany - West (5)	+0,028	+0,091 *	+0,103 *	+0,059 *
Great Britain (5)	+0,005	+0,079 *	-0,026	-0,004
Greece (2)	+0,195	+0,053	+0,220 *	-0,061
Ireland (3)	+0,101	-0,050	+0,040	-0,016
Netherlands (4)	+0,192 *	+0,082 *	+0,214 *	+0,063 *
Norway (4)	+0,182 *	-0,062	+0,055	+0,045 *
Portugal (2)	+0,214 *	+0,046	-0,128	+0,054 *
Spain (5)	+0,043	+0,132 *	+0,063 *	-0,103
Sweden (5)	+0,023	+0,127 *	+0,010	+0,016
Switzerland (3)	+0,190 *	+0,146 *	+0,117 *	+0,070 *
Turkey (3)	+0,072	+0,052	+0,065 *	-0,082
Average of developments, all countries	+0,092 *	+0,053 *	+0,088 *	+0,019
Proportion of countries with developments according to hypotheses	89%	83%	83%	67%

⁺ The values in brackets indicate the number of measurement points in time

* significant regression coefficient at the .05 level, one-tailed test of hypotheses



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