MBA WINNER

Critically examine the strengths and limitations of the 'universalist' and 'contingency' approaches to HR Strategy. In doing so, explain under what conditions HR strategy may help a firm secure competitive advantage.
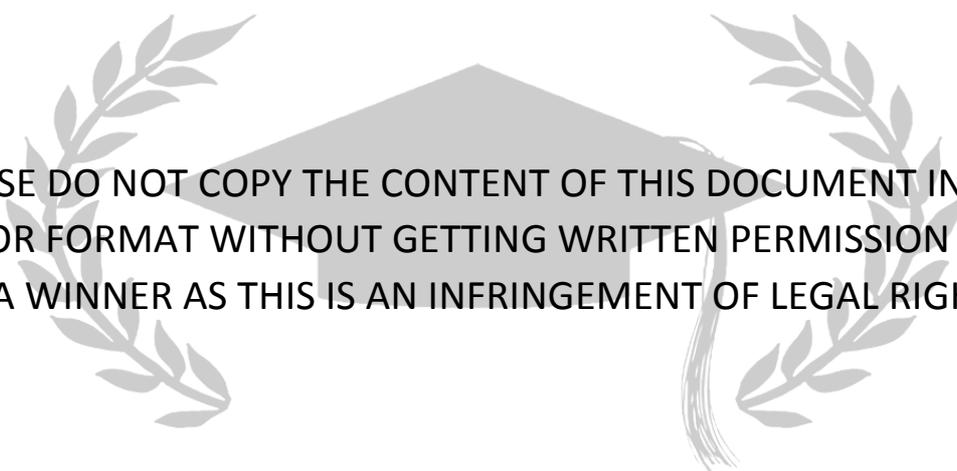
The strengths and limitations of the 'universalist' and 'contingency' approaches to HR Strategy

Introduction

The aim of this assignment is to examine the strengths and limitations of the 'universalist' and 'contingency' approaches to HR strategy. The assignment seeks to explain the type of conditions under which HR strategy may help the firm to secure its competitive advantage Marchington and Wilkinson, 2005). The assignment argues that the universalist perspective seeks to identify generally accepted trends corporations develop for their HR policies despite the social environment in which they operate (Sparrow, Brewster and Harris, 2004). Attention is paid to the recruitment, training and development practices with which new skills and competences are embedded into the organization. This approach is based on abstract generalisations that can apply to diverse cultures (Boxall and Purcell, 2008). In contrast, the 'contingency' approach argues that the social conditions in remain unique and subjected to social, economic, and political trends which cannot be generalised (Storey, 2007). Hence, the organization needs to identify those best practices that fit its own availability of resources. The assignment is divided between two sections. The first section offers a brief overview of the universalist and contingency approaches as these are discussed in the HR literature (Redman and Wilkinson, 2006; Storey, 2007). It identifies the strengths and weaknesses between the two approaches by exposing their ideological assumptions. The second section examines the conditions under which a firm's HR strategy can secure a

competitive advantage. Here the discussion focuses on how definitions of competitive advantage are dependent on presuppositions which concern the flow of change and the capacity to predict upcoming trends.

International Human Resource Management Practices

Corporations that seek to gain an international presence in the corporate world are concerned with their staffing decisions (Stredwick, 2000). It is suggested that corporations need to develop an optimal fit between their own goals against the conditions of the labour market from which they can resource their employees (Takeuchi and Chen, 2009). Achieving an optimal fit requires the design of a resource strategy where job roles are tightly matched against the experience and competencies of the new recruits (Mattila, 2004). Crporations need to engage with training and developing their staff in order to manage current operations and also foresee macro-environmental changes as these are determined by the economic, social and political factors (DeVoe and Lyengar, 2004). For example, recent developments in the *European Union* demonstrate an increasing level of uncertainty for championing economic policy effectively (Dysvik and Kuvaas, 2008). This is especially evident following the Brexit and the request to put Lisbon's treaty Article 50

into effect. Thus, corporations need to respond to an uncertain economic environment by foreseeing how the upcoming developments are going to impact on their operations. In the context of Britain's decision to exit the EU, it is evident that the introduction of new barriers of entry can restrict the flow of workers between different European countries. The introduction of importing and exporting tariffs can affect profit margins with the result of generating additional pressures on methods by which business value is generated in the firm. In response to inevitable globalisation trends, corporations are seeking to develop intelligent HR practices with which to sustain their competitive advantage. Multinationals are particularly interested in sustaining a global presence and economising opportunities from penetrating into different consumer markets (Boxall and Purcell, 2008). However, in order to sustain a competitive presence they need to deploy effective HR strategies in order to select and train employees effectively.

The Universalist Approach

The universalist approach emerged from the realisation that organizations carry distinctive similarities and differences in the way they operate and regardless of the geographical context (Beardwell and Clayton, 2007). Following the rise of globalisation it was argued that corporations carry similarities in the deployment of their

resources and for maximizing economic value for their shareholders (Storey, 2007). Achieving international penetration meant that management needed to identify and overcome cultural barriers through effective training (Boxall and Purcell, 2008). Employee qualities were believed to matter for sustaining a coherent strategy that could be successfully delivered in the long term. Hence, the universalist approach emerged as a way of conceptualising how national and international corporations could achieve competitive advantage by developing specific qualities that were commonly found across organizations and regardless their market/industry (Al-Khalifa and Peterson, 2004). According to Tichy et al. (1992) Huselid, (1995) best practices are commonly found across corporations. Their qualities comprise of effective methods for distributing information internally and for developing organizational learning methods for responding to external and internal trends. Such organizations are able to acquire and sustain best practices by reinforcing a mixed rewards strategy (Lopold, Harris, Watson, 1999). The development of knowledge management opportunities represents an additional key quality that distinguished successful corporations. In this context, corporations are actively seeking to acquire and interpret information in order to understand employee and consumer reactions (Marchington and Wilkinson, 2005). According to Sparrow, Brewster and Harris (2004) it is suggested that "the value of this paradigm lies in the simplicity of focus, the coalescing of research around this shared

objective and the clear relationship with the demands of industry"
(p.29). This statement underlines the correlation between common
corporate endeavours to achieve success and how key practices are
commonly shared in the design and operation of their HR functions.
That is, corporations are able to relate to a common language as they
are referring to similar practices. For example, the deployment of a
strong 'fit' between the employee and the organization remains
accessible regardless of the possible cultural barriers that might
undermine corporations that operate in different geographical
territories. However, the weakness of the approach lies in its simplicity
for explaining how a competitive advantage is plausible by adopting
similar best practices (Sparrow, Brewster and Harris, 2004). By placing
greater consideration on how *outcomes* derive from the orchestration
of internal processes, internal communication barriers are
undermined (Leopold, Harris and Watson, 1999). For example, it is
suggested that people are not able to separate their own ethnic
culture from their adoption of the corporate culture (Sisson and
Storey, 2000). Bias remains an important interpretive mechanism that
affects decision making and is responsible for the way conflict is
managed within relationships (Keenoy, 1990). Hence, it is inevitable
that ethnicity and gender are likely to be perceived differently by a
recruiter who grew in a society that was favouring man or women
(Schuler and Jackson, 1999).

The Contingency Approach

In contrast to the universalist approach, the contingency approach argues that the deployment of a successful HR strategy is dependent on the way corporations are able to achieve alignment with the nuances of the socio-political and economic conditions in which they operate (Marchington and Wilkinson, 2005). Instead, of making general assertions about achieving optimal corporate performance, the contingency approach argues that there is an inevitable diversity that permeates within and between corporations ultimately responsible for the making of failed or successful adjustments (Mattila, 2004). This argument proposes that organizations need to identify internal explanatory accounts for understanding how their internal idiosyncrasies are responsible for fostering or hindering receptivity to the market's ongoing changing trends. This approach underlines the *commonalities* between subcultures and how they are underpinned by national values and ideologies (Maurer and Lippstreu, 2008). Recruitment and selection practices need to operate within socially acceptable norms. In some countries job interviews are regarded in higher esteem than in other countries (Beardwell and Clayton, 2007). Hence, to deploy the same methods, and regardless of the possible cultural differences, is believed to remain a cause of failure, as such approach would undermine possible internal complexities (Noon, 1992l Maurer and Lippstreu, 2008). As Sparrow, Brewster and Harris (2004) argue "It is not assumed that the interests

of everyone in the organization will be the same; nor is there any expectation that an organization will have a strategy that all people within the organization as a whole, or even within the top team, will "buy in to" n this paradigm explanations matter most – any link to firm performance is secondary" (p.30). This statement underlines the importance of deciphering cultural nuances for explaining the way HR is integrated within the corporation's strategy. By adopting decentralised approach, the corporation is able to allow the HR to generate practices that *fit* against the contingencies of their national or international centres, without expecting that they use the same common practices (Redman and Wilkinson, 2006). The strengths of the contingency approach are the concentration on the social, economic, political dynamics that shape the corporation within its social environment. The weakness of this approach is the difficulty in understanding how best practices can be transferred across different organizational arenas in order to build *synergy* within and between the corporation's different operations (Sanders, Dornbosch and de Reuver, 2008).

Under what conditions HR strategy may help a firm secure competitive advantage

The deployment of a successful HR strategy for enabling a firm to secure competitive advantage is dependent on the deployment of an *organizational learning approach* to the management of information (Redman and Wilkinson, 1006). Operating within a swift changing information environment, the management of information is crucial for how data is accessed and utilised by the corporation (Beardwell and Clayton, 2007). Regardless the 'universalist' or 'contingency' approaches, it is commonly agreed that information remains a valuable resource of competitive advantage because it concerns practices which are subjected to the local environment (Sisson and Storey, 2000). Culture is embedded within the social fabric and cannot easily change without the members' cognitive and emotional environment (Storey, 2007). Hence, the HR needs to develop a learning strategy from which it can identify how to obtain information about the labour market and its trends and make informed decision on basis of the evidence accessible (Sparrow, Brewster and Harris, 2004).

A second strategy involves the creation of a decentralised approach to the way recruitment and selection, training and development are deployed (Takeuchi and Chen, 2009). As the global economic and

political environment remains highly uncertain with the upcoming European developments, it is reasonable to assume that HR needs to become responsive (Usoff, Thibodeau and Burnaby, 2002). As the labour market affects the population of workers that can be selected for a job role, therefore, it is important for the HR to take initiative on how assessment methods are designed according to the contingencies of the corporation. This means that assessment methods can differ according to what is perceived as accessible and desirable within the specific socio-political environment where the firm operates (Maurer and Lippstreu, 2008). In some countries formal interviews might not be effectively designed because it is not a method that is highly integrated into the labour market and its recruitment methods (Keenoy, 1990).

A third strategy concerns the volatile political environment and the change of regulation as well as the new barriers following the flow of workers between countries (Maurer and Lippstreu, 2008). It is evident that the migration of employees is going to experience new challenges as countries are going to identify new policies in order to protect their internal workforce. This means that the HR function needs to pay greater attention on the role of government policy and how legislation and regulations need to be translated within the contingencies of the HR function (Beardwell and Clayton, 2007). For example, it is likely that a reduction of resources available for

advertising will mean that the organization needs to deploy other means of economising its promotion means (Boxall and Purcell, 2008). The possible lack of internal knowledge and expertise can become an obstacle to the organization's capacity for filling in existing knowledge gaps.

Conclusion

This assignment examined the case of the 'universalist' and the 'contingency' approaches (Sparrow, Brewster and Harris, 2004). It investigated the strengths and weaknesses between them as well as their use for the deployment of an effective HR strategy. The assignment identified that the universalist approach emerged as a reaction to the successful corporations that were assumed to possess certain qualities and regardless their geographical concentration (Storey, 2007). In contrast, the contingency approach suggests that corporations need achieve alignment with the nuances of their political, social and economic environment (Takeuchi and Chen, 2009). Hence, the duplication of already existing practices cannot guarantee similar results. The assignment suggested that a successful HR strategy can be developed on basis of three qualities. Firstly, it promotes an organizational learning approach to the attainment and utilisation of information (Usoff, Thibodeau and Burnaby, 2002). Secondly, it promotes a centralisation strategies where HR practices are aligned with the contingencies of the environment, especially in the midst of

the global economic volatility and uncertainty with the European Union and its upcoming developments (Stredwick, 2000). Finally, a successful HR strategy needs to identify effective translation mechanisms with which government regulation can be embedded within its existing practices. This is because countries are becoming more self-protective of their national workforce. The migration of workers is likely to be affected and restricted in the future (Schuler and Jackson, 1999).

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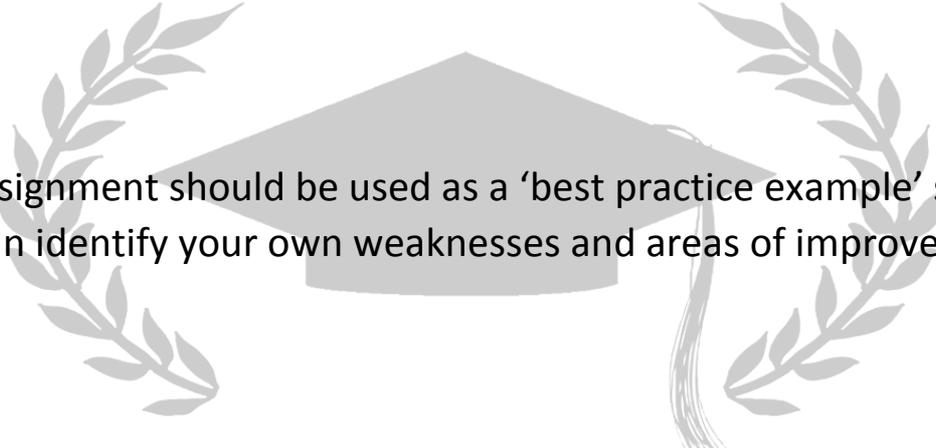
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