Polarization and Differentiation of Employment Relations and New Organizational Models

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Abstract

The main effort set out in this paper is a critique that the newer organizational models, largely by introducing flexible employment relations and by radically dissolving its traditional boundaries are increasingly losing their work force as a source of sustainability. Special attention is devoted to the linkage between the rise of flexible employment relations, and the diminishing capability of newer organizational models to hold together its web of largely involuntary dependent and independent workers. I argue that this is a consequence of the growing inability to retain a skilled and knowledgeable workforce. In the first part of the paper I describe how the traditional organizational order is challenged and what models Charles Handy and Rosabeth Kanter claim to offer. I then summarize the main structural deficiencies of the Fordist organization and argue, that the newer organizational models do not offer a coherent solution to the diminishing social cohesion within the work force. I continue to discuss the linkage between the consequences of the growing dissolution of standard employment and the decreasing capability of the newer organizational models to retain and reproduce the sources of their sustainability.
INTRODUCTION

The main argument set out in this paper is that the newer organizational models, largely by introducing flexible employment relations and by radically dissolving the traditional boundaries of the firm – although intended as an answer to the structural problems of traditional organizational models such as Fordism – are not able to resolve their main fundamental deficiencies. This essay examines the linkage between the rise of flexible employment relations, and the diminishing capability of newer organizational models to sustain firm-specific sources of success as a direct consequence of the growing inability to retain the most skilled and knowledgeable workforce. In the first part of the paper we describe how the traditional organizational order is challenged. Then we discuss the main characteristics of Fordism and its structural deficiencies, which largely all newer organizational model claim to answer. Then we continue to discuss the linkage between the consequences of the growing dissolution of standard employment and the decreasing capability of the newer organizational models to retain and reproduce the sources of their sustainability.

There exists a considerable debate whether a fundamental transformation of employment relations is underway. Most questions focus on the issue of how work is organised and how this reorganisation of work affects the acquisition of skills (Kochan and Lansbury, 1997; Lepak and Snell, 1999). Although companies proclaim that employees are their most important assets, they depend increasingly on a growing number of external, temporary workers, contract employees and contingent workers. There is also a clear tendency in most companies to flexibilize the internal labour market.

Boundaries between internal and external labour are becoming increasingly vague. It seems obvious, that the conventional full-time employment relationship is being replaced by a large number of different, non-standard labour relations. New organizational models, thought as virtual platforms are being proposed as a solutions to a number of different presupposed problems firms face. There is a growing consensus that human resource policies may offer a solution a number of these problems, but largely by increasing the performance of the work force (Huselid, 1995; Ichniewski et.al 1996). HRM systems assume that proper policies help to increase not only the performance but can notably improve the commitment of workers and enhance the development of the sustainable competitive advantage of the firm. Studies suggest that high involvement work practices have positive effects on firm productivity (Guthrie, 2001; Kochan & Osterman, 1994; Lawler 1992; Pfeffer, 1998). There is a broad consensus that
intangible resources are increasingly more important than tangible resources within organizations. It is obvious and for the most part it is undisputed that employees can be a unique source in the process of creating competitive advantages in the firm (Barney, 1991, 2001; Wernerfelt, 1984). Much less visible is what really happens to the work force. One might ask how the fundamental changes in employment increase the polarization and differentiation between internal and external workers and what consequences this will have?

More and more companies, and not just the likes of Unilever, Motorola, General Electric, HP or Ford, propagate that employees are their most important and valuable resources. Human resources are seen as a decisive element in a business environment subject to ever more discontinuity and change. At the same time the same companies dismiss large numbers of workers. Handy (1995:24) summarizes this in a pregnant statement, “Why keep people working, when you need them only two or three days a week.” Picot/Reichwald/Wigand (1997) announce as a consequence the dissolution of traditional firm boundaries. Whatever the detail, there is no doubt that permanent organisational boundaries which have existed in the business world to date are breaking down and dissipating under the pressure for both efficiency and flexibility. Such changes are becoming ever more visible and are referred to as company ‘modularization’ by Lauberbach and Malone (1997). These and other concepts such as the ‘centerless corporation’ used by Pasternack and Viscio (1998) are offered as a potential solution to the problems that arise from the traditional company model based. Yet the matter may not be so simple. Traditional organisations are increasingly regarded as being incapable of adapting to the challenges of a globalized hypercompetitive world. But what answers do newer organizational model really offer?

WHAT IS CHALLENGING THE TRADITIONAL ORGANIZATIONAL ORDER?

One major and fundamental challenge for any organization arises from the need to bind, retain and simultaneously develop a complex set of core competencies or assets together. These competences and assets, increasingly associated with firm specific human capital are both tangible and intangible. The most important question is how these resources can be developed and bound within the firm? Nevertheless a large number of newer organizational models increasingly favour the flexibility and mobility of employees. The question then is, how can a firm acquire and develop an intangible set of firm specific assets and capabilities, when the number of permanent employees is being drastically reduced or replaced by contingent work.
In general, core competencies as we are know cannot be readily reproduced and cannot be acquired at will (Winter, 1987, Prahalad/Hamel 1994, Barney, 2001). It is claimed that their development is the result of complex, interrelated, largely intangible and firm-specific processes subject to a considerable degree of causal ambiguity and ambivalence (Lippmann and Rumelt, 1982; Lepak and Snell, 1999). For a number of reasons the traditional organization has proved to be largely incapable of defining, even exploiting and operationalizing such knowledge intensive assets, but has nevertheless been able and what is more important – made no clear effort to retain these assets within the firm boundaries. While Gorz (1980) claims that the unemployed, temporarily and part-time employed now constitute a large part of the working population and that these part of society is denied full citizenship rights, new inventions of organizational forms –although still more rhetoric than reality- , based on the use of virtual or temporary interdependent external networks are traded as one way out of this dilemma. It seems obvious that a growing periphery of market driven temporary workers secures a decreasing core of skilled workers (Capelli, 1999). A major contradiction remains however, and is discussed in the present paper. In the pertinent literature the suspension of corporate boundaries is perceived as a necessity in order to rejuvenate the intra- and interfim flexibility and to get rid of any organizational slack (Reichwald and Möslein, 1997; Laubacher and Malone, 1997; Picot/Reichwald/Wigand, 1997). But how these new organizational models determine whether desired benefits and improvements are being achieved remains unresolved. But what is not discussed is that getting rid of the proposed hidebound, inflexible structures destroys in many cases not only the social cohesion of the work force, it also fundamentally shows a corrosive effect on the quality and degree of social capital within and between organizations.

Largely undisputed it is claimed that the old organizational model is to be replaced by more flexible intra- and inter-organizational networks (Nohria/Ghoshal 1997, Laubacher and Malone 1997). Despite the failure to provide a fully convincing account of how and why the organization is changing, most popular proposals are often replete with clichéd phrases, e.g. “small is better than larger”, “less diversification is better than more”, “competition must be replaced by collaboration”, “formal authority must be diminished”, “time cycles must become shorter” (Eccles and Nohria, 1992).

In fact the whole range of standard employment, commonly perceived as a permanent, long-term, full-time wage and salary job is being scrutinized and questioned in order to produce the flexible organization. Flexible employment, contingent, part-time workers, capacity-oriented
employment, portfolio workers, and the tendency towards transforming formal into informal labour contracts (semi-entrepreneurial workers), are just some of the terms used when discussing the current trends in the transformation of labour practice (Feldstead and Jewson, 1999; Thompson and Warhurst, 1999).

STRUCTURAL DEFICIENCIES OF FORDISM

However, the question to be posed is whether the miscellaneous new and flexible organisational models will be successful in retaining and binding their most intangible assets – the human work force. Following Boyer (1999) and Lipietz (1987) it may be helpful to remember that for the major part of the last century, the traditional firm proved extremely successful in implementing and matching most of the organisational imperatives, largely by employing a model which has since been named Fordism. Indeed, Fordist techniques were at one and the same time both cause and consequence of their own success (Chandler, 1962, 1990; Boyer and Durand, 1997). Reservations about the efficiency and structural inadequacies of Fordist model arose twenty to thirty years ago (Boyer and Durand, 1997). But in order to comment on the future potential of the recently propagated and manifold ‘new organisation’ models, and on the respective changes in workplace reorganization that these entail, we turn to those factors and relations in the Fordist model which determined its historical success.

FORDIST RELATIONS AND MANAGEMENT PRINCIPLES

The term ‘Fordism’ is used to refer to a complex set of interrelations between the organisation of production, the principles of management and its distinctive model of industrial relations (Boyer and Durand, 1997). Fordism, basically associated with mass production, was effectively based on rationalisation and mechanisation of the production process. In general, Fordism paid less attention to employee know-how and consequently underutilized the creativity and knowledge of the worker. It is worth pointing out that the most important competitive advantage of a Fordist firm lies in its mastery of a gigantic system of production machinery. The specific and typical relations to competitors and suppliers were asymmetrical, based on dependence, and largely short-term. The system of production, management, and employment relations were interconnected as a coherent whole, coherent in the sense that all three areas interacted more or less smoothly. For a rather long period in history Fordism as a model proved to be particularly successful (Lipietz, 1987). But an examination of its crises and its structural deficiencies, especially regarding its treatment of labour and its method of
organizing production, should help us clarify the question of how far the newer organizational models really do offer a solution (Boyer and Durand, 1997).

Fordist production revolved – and still revolves – around four basic principles. The primary aim was the constant rationalization and mechanization of production. Goods were first designed, then produced and the sales department was responsible for selling them. Each department was separated by a strict, linear and hierarchy. The basic philosophy was to produce standardised goods of average quality by standardized labour. Consequently motivating workers was a permanent problem. The horizontal and vertical division of labour separated and fragmented the work force and made their the social integration impossible. The drive for efficiency was determined by the given operational constraints in each department, and not so much by demand. Customization was seen as anathema and shunned. Fordism was successful as long as it proved possible to sell all produced goods and services. To understand the underlying principle of Fordist production, it is essential to realise that the design process provided the standard upon which production was organized, and that in turn production constraints provided the standards around which sales activity was built. Each department (sales, production, finance, procurement etc.) operated according to its own objectives. Departments were synchronized by a steep, vertically-linear hierarchy within the organization.

The highly centralized management principles seemed effective as long as a stable and predictable final demand existed. Organizational responsibility was separated between departments. As a consequence, the processing of departmental data and information flows were highly asymmetrical and one-sided. In addition, vertical integration of the various stages of production, and the strictly hierarchical control of supply arrangements was constantly imposed. Fluctuations in demand levels were absorbed by suppliers or by buffer stocks. Any necessary cost reductions were financed by squeezing supplier margins.

In this system a shop floor worker had no career opportunities, except perhaps a job as foreman. Assembly workers required only a few minutes of training. The work force on the assembly line was seen to be as replaceable as the items being assembled (Womack, Jones, Roos 1990; Boyer 1995). The way work and tasks was organized prohibited the acquisition and distribution of knowledge within the firm. But the key to success lay in the design of interchangeable parts as well as interchangeable workers. Standardized tasks and low qualified labour were fully compatible within this system. Increases in productivity were derived from an elaborate division of labour and a high degree of employee specialization but only so far as this fit the successive waves of rationalization and mechanization (Chandler,
Very little was invested in worker training. If skills were developed, they remained strictly separated, between workers, between departments, and even within departments. As Argyris claimed, “how much an individual could learn depends, in part, on the behaviour of others” (1965:21), but social cohesion of the work force was low. Fordism broke the total operations into simple, component parts or tasks and hired people with low but sufficient qualifications to do their respective task in a predefined ‘best way’.

And finally, Fordism organized supervision to ensure that, by using pre-specified procedures, the designated tasks, were performed at an acceptable rate. Under such a regime, incentive systems are largely reduced to extrinsic material rewards and specific bonus payments. Any potentially intrinsic motivation was neglected. Social integration of the workers was low, and even impossible as Gorz argued (1980). The antagonisms inherent in such a labour-management set up have been largely defused by the presence of trade unions and the development of institutionalized collective bargaining procedures. The whole labour management system was built upon the full-time, standardized, permanent employee, largely to reduce the high and expensive turnover rate but the idiosyncratic knowledge of the work force was ignored.

Altogether Fordism has been successful for more than three decades. There appeared to be a smooth and frictionless interplay of forces, capable of persisting over long periods of time. To understand why such an apparent cohesion finally erupted, one has to analyse the underlying structural deficiencies of Fordism. Advocates of new organizational models assume that their proposed solution is not only more successful than any other traditional organization, but able to resolve the following structural deficiencies. 1) An instrumentalist, command and control mentality leads to the neglect of individual knowledge, know-how and/or commitment. 2) The logic of mass production, on which the whole system is based, aims at the realisation of the advantages accruing due to economies of scale. This leads to chronic under-utilization of the most capital-intensive production facilities and related problems throughout the organization particularly in mature markets where demand is decreasing or stagnant. 3) Organizations are unable to vary products or production methods at short notice. Quick changes are extremely costly. 4) Reaction times to changes in market conditions tend to be very long since adaptation of production methods is expensive and difficult. 5) Production techniques were designed to focus on quantity rather than quality. 6) Direct contact with customers is limited, in some areas even completely absent.
Attempts to change the system are interpreted as interfering with smooth-running, standardized production processes. Functional departments are masters at withdrawing to their own areas of specialization, usually cultivating isolated largely disconnected competences, and immunizing themselves against unwanted external influence. The formal division of responsibility serves only to support such tendencies. In addition to the above, several other factors manage to augment and enforce structural problems: 7) Market uncertainties and changing or insecure demand undermined the rationality on which a high degree of automation, constancy and Taylorization are based. 8) Organizations became increasingly subject to greater competitive pressure as a result of niche players entering the market or as a result of the development of more flexible, innovative production technologies. 9) Many organizations face considerable difficulty when attempting to supply goods to tight deadlines. This is, amongst other things, the result of the organization's inability to mobilize the exchange of critical knowledge between largely uncoordinated departments. 10) Information flows critical to the success of the organization cannot be managed adequately. The above deficiencies are all further aggravated by market or technological developments of any kind, but in particular through the rapid development and extension of ITC technologies. The mounting costs of controlling the workforce (11) under a Fordist regime are a source of structural instability. Employees, especially the younger cohorts, refuse to accept the Fordist discipline and the strict division of labour. This results in a decrease in productivity. (12) The neglect of workers as a source of knowledge, though largely unnoticed in the past, has, as a result of constant pressure for change, become an open source of conflict. (13) The younger generation of workers is now better trained and more highly educated than previous generations, and has quite different attitudes and expectations. For such a generation the systemic, mechanistic rationality of a Fordist model is no longer unequivocally acceptable. Increasing demotivation and frustration on the shop-floor can no longer be automatically compensated for by wage increases or guarantees of job security (cf. Boyer and Durand, 1997). At corporate level, such offers can no longer be regarded as sustainable anyway.

By cutting back the traditional size of organizations, largely by shrinking to the core activities of the firm and by increasing the periphery of temporary supplier, it is claimed that the new organizational models can solve these structural deficiencies. The main thesis we propose in this paper is that the newly promoted organizational models, although they cut back drastically the number of stable employment relations within the firm and increasingly outsource many value-adding activities are far from being a coherent answer to the structural deficiencies of the old Fordist regime. Apart from promising more flexibility and openness, these newer
organizational forms increase the differentiation and polarization of workers between and within the firm and do not offer a practicable solution, mainly because they are increasingly unable to develop, retain and attract their most valuable sources of sustainability within organizational boundaries.

THE DISSOLUTION OF PERMANENT EMPLOYMENT and THE BREAKDOWN OF FORMAL ORGANIZATIONS

It has been argued here that the underlying structural problems present in the mass-production paradigm known as Fordism, generate relentless pressures which lead to fundamental changes in employment relations. A central point here is that it is assumed that the erosion of job security and its implications for employers and employees is directly translated into an increasing flexibility. Capelli (1995) maintains that job security was long seen as a basic criterion in any standard description of work relations and practice, but he also argues that job insecurity has no detrimental effects on employee performance (Capelli, 1999:132f). Nevertheless, we argue here, that any organization in order to sustain the sources of success cannot ignore the indispensable nature of stable employment relations as a crucial variable which makes or breaks success. We assume that workers interests will never fully converge with organizational goals, but flexibilization, an increasing periphery and insecure relations manifest the potential antagonism between people, work and organizations more than ever. Understandably, it seems obvious that the end of traditional employment relations is both a consequence of the structural limitations and antagonisms of the Fordist model and a cause of the dissolution of organizational boundaries. Usually it is claimed that erosion of permanent employment is a solution to the manifold dilemmas of modern organizations. Such a solution is a fragile one, if one at all. As it is argued here - in fact the increasing ambiguity and insecurity of employment relations directly impairs the ability to develop a firm specific, idiosyncratic, loyal, committed and creative work force that is exclusively the intangible advantage of the firm. I suggest that a number of conceptual questions has to be reformulated that classifies the influence of new employment models on the firm’s capabilities to cultivate their sustainable sources to increase the degree and quality of social capital and social cohesion between the work force. So we have to deal with the question of to what extent does an increasingly unstable, largely temporary employment relationship change and influence the social cohesion of the work force, how a firm can hold together a web of socalled independent “agents”, while the loyalty and viability is being destroyed.
The present debate on the extent and relevance of the changes in employment relations emphasizes the consequences of the end of a largely full-time, standardized and permanent employment. Whether employee and employer commitment are becoming weaker, or how the capability of the firm to sustain (in fact exclusive firm-specific competitive advantages is decreasing) are questions that remain largely neglected. The traditional large corporation was structured on the (long undisputed) principles of vertical integration. Social and economic insecurities were institutionalised. Today, the main shift is towards the horizontal organization, processes are emphasized, rather than tasks. While the supposed efficiency of these newer organizational principles is not questioned here - it has to be asked, however, whether organizations will manage the retention and development of “their” human resources successfully.

The extent to which the end of permanent employment influences a company’s long term viability is for the most part ignored. We propose that the increasing informality in the workplace, consequently the increasing erosion of social capital and social cohesion also has a profound effect on the ability of an organization to retain, develop and bind its skilled and knowledgeable work force.

One group of scholars (Rifkin 1995, Reich 1994, Sennet 1998) tend to concentrate on the largely negative consequences for the individual employee. Others, (Kanter 1995, Handy 1995) are aware of the negative impact produced by new workplace models but remain rather optimistic since they assume that both organizations and employees benefit from such innovations. Kanter (1985) advertises the flexible, focussed, fast and friendly worker as model of success. Reich (1994) suggests the problem identifier, the broker and the problem solver as those who will benefit most. Handy (1995) claims that workers who consequently increase their employability will be able to reduce their fragile situation. Although these commentators have not much in common they altogether do not discuss what happens to the social cohesion of these “independent” work force. Many propose that the organization of the future will consist of free agents who meet briefly to perform a single task and then move on.

Another group of recent studies, that can largely be attributed to the traditional human resources approach (i.e. they tackle the problem of how workers’ performance is influenced). These studies offer a by no means homogenous interpretation of the problem but still have in common, that they ignore the question of how of people will work together, how they cooperate and support each other. Usually the discussion does not shed much light on the complex interdependent social relations necessary to keep an innovative workforce within the
boundaries of the firm. In other words they do not “get into the black box that explains how and why people perform as they do” (Ichniowski et. al 1996:330). It is often argued that extremely dynamic competitive conditions demand the implementation of flexible organizational structures and adaptable workplace design (D'Aveni 1994). One important aspect that has to be considered is how we can pinpoint both increasing workplace flexibility and the diffusion of organizational boundaries and still succeed in developing and retaining sustainable strategic assets within the organization.

If we consider for example the resource-based view in strategic management. The resource based view of the firm explains resources as those assets that are “tied semi-permanently” to the firm (Wernerfelt, 1984:173), and claims that differences among firms emerge as a consequence of any unique utilization of these resources. From the resource based view of the firm only resources that are rare, difficult to imitate and create value are counted as a strategic asset. Resources responsible for organizational success are by no means easy to pin down. But most of the value derived from these resources and the asset specificity that arise are developed within an organization, and can not easily be acquired on the market since they are largely intangible and idiosyncratic. It is important to note that tangible resources are often well-described and replicable, but the approach does not easily lend itself to dealing with the decisive problem of how to handle those intangible assets responsible for generating success in a more innovative environment. These include assets such as tacit knowledge, embedded skills, idiosyncratic processes, friendships, cooperative skills and experience, work as a human activity between people, and firm-specific social capital, (Coleman, 1990), which purely market-driven approaches leave unexplored. If the work force is treated as one important source of asset specificity within the firm, that is becoming increasingly rare and difficult to imitate in a knowledge economy, then a number of questions have to be answered.

GOOD QUESTIONS BUT WHERE IS THE ANSWER?

1) Secure, stable, long-term employment relations influence positively the degree and quality of social relations within the organization. Both employers and employees then benefit from investing in the quality of contractual relations and these relations depend on the degree of reciprocity that markets cannot provide. Usually such incentives are particularly important when it comes to the creation, distribution, exchanging and cooperating in order to use idiosyncratic knowledge or skills within the organization.
2) Secure, long-term employment relations are a precondition in the development of proprietary skills, since they provide a basic and indispensable element in the complex process of developing strategic competitive advantages within the firm.

3) Secure, long-term employment relations minimize high fluctuation and tend to reduce employee mobility within and between organizations thereby exalting the degree and quality of social cohesion between labour. One of the consequences is also the reduction in the mobility of intangible and proprietary knowledge of workers which is to be welcomed, particularly when such knowledge is a source of sustainability within the organization. Competencies, largely derived from employees that feel themselves as important members of their organization.

4) The basic thrust of the argumentation here, is that the way people deal with each other, they way they engage and work together, support and trust each other depends on the sense of belonging to the organization, which can not be built up if most of the relationship is governed by the market. Social capital will not emerge unless secure, long-term stable and loyal relations are created within an organization. It could be argued that short term relations, or almost all market driven employment relations will not only destroy the degree of social cohesion between the work force but also will lack the sources of sustainability, such as a spirited work force, that invest into any improvement of future relations.

5) The more diffuse organizational boundaries or virtual the organization, the more difficult it is to retain and bind specific assets such as idiosyncratic sources of talent and knowledge within the firm. This leads us to the question of the extent to which it is possible, and under what conditions, a company might be able to identify those assets deemed necessary for long-term success, and also to ask in what manner these assets might be isolated and then securely linked to the exclusive needs of the organization over the long-term. If this cannot be done, it is difficult to see how one can speak in any meaningful sense, of a major source of competitive advantage at all.

6) Secure, long-term employment relations contribute positively to organizational efficiency. This is not merely through their ability to function as a basis upon which performance related structures can be built, nor is it solely related to their ability to act as a point of focus facilitating the identification of employees with the strategic goals of the organization. Long-term contractual employment relations are important because they also provide for a cheaper route
to the acquisition of competitive skills and assets than is possible through short-term, purchasing, hiring in or contracting out policies.

How can the newer organizational models, in the face of ever more rapid (and often self-willed) dissolution of its boundaries, secure exclusive access to its idiosyncratic resources. In such a situation the company has an incentive to reduce the mobility of its human resources, since these are the prime sources of talent, and a major source of current and future sustainability. In making this distinction we argue that there exists a negative relation between the degree of contingent labour and the capability of the firm to sustain especially the idiosyncratic sources of sustainability. Similarly, and perhaps even more important we emphasize that the elaboration of a distinctive and firm-specific stock of human capital is path-dependent and not readily available on the market. In the vast majority of companies as well as in the mainstream literature on organizations most of the questions remain unanswered. They have, however, repeatedly been the subject of empirical research in the area of strategic human resource management (Argyris 1965; Schein 1992, Pfeffer 1998 and 1995; Lawler 1995, Huselid 1995, Ichniowski/Kochan/Levine/Olson/Strauss 1996).

We are not trying to theorize that implementing secure, long-term employment relations is sufficient to improve firm performance. But we argue that it is a necessary condition to develop sustainable competitive advantage based on the tacit and intangible knowledge of the workforce. What we are claiming is that sustainable competitive advantage cannot be created on the basis of market-driven, short-term, temporary, or informal employment arrangements.

Leonard-Barton (1982, 1988) argued that scarce, non-specific, non-tradeable and non-substitutable company resources act as the source of sustainable competitive advantage, although they can also become an excessive burden for the future once times change. We propose that such a perspective implies then that for a company operating in a situation of intense competitive rivalry, highly specialized, exclusive or proprietary assets based on talent and scarce skills can only be usefully elaborated when the organization succeeds in securing access to, use of, and maintain control of such assets by means of long-term, co-operative arrangements with those concerned. The corollary of this is that the migration of such assets be prevented as much as possible. In order to ensure as much as possible that real, non-replicable and sustainable competitive advantage does in fact ensue, co-operative arrangements and access to company-specific assets should be designed in such a way that they are largely non-transferable.
Penrose (1959) made clear how important the quality not the quantity of firm-specific assets is in sustaining the sources of competitive advantage. Despite the coherence and intuitive appeal of market-driven approaches to HRM, most of the skills are intangible, cannot easily be reproduced, are for the most part non-replicable, and are not easily tradable (Dierickx and Cool 1989). Moreover, such non-replicable quality and firm-specific use can not easily imitated by competitors. Newer organizational models, although still in many cases a novelty, introduce many market-driven elements, dissolve boundaries, shrink drastically the core of its skilled work force. At the same moment they initiate or encourage the transmigation of their most talented and employable work-force. So we propose that much of our research should focus on the firm specific social relations within and between its people which are responsible for developing intangible assets. Liebowitz and Margolis (1995) made once the case, that the quality of resources, and the complex everyday details of how and why people in organisations perform successfully is the result of a particular, historical, path-dependent development. Against these background we argue, that particular, historical experiences, if positive, are translated into the development of idiosyncratic skills and that these skills are the source of asset specificity within the firm, that cannot be acquired on the market.

One possible solution to the above dilemma, although not fully satisfying, has been offered by Ghoshal, Moran and Bartlett (1996). They argue that instead of attempting to produce company-specific skills and competencies, it would be more effective to focus on the development of advanced general skills (Ghoshal, Moran and Bartlett, 1996:14). Interestingly, they assume that the development of advanced general skills is also more beneficial for the employees since it increases their employability. To a great extent it can be assumed that it increases their mobility between and within firms. But this proposal is not fully convincing.

Day by day people as one of the most important resources acquire highly specific skills that add value. These skills are developed by people not by individuals or free independent agents. They grow in an energetic, bright, friendly and positive emotional atmosphere. These problems existed as long as work was characterized by tightly defined jobs within firm boundaries.

Laubacher and Malone (1997) maintain that company structures based on the industrial era are being replaced by organizational forms more suited to an information era, and that this entails the end of stable, long-term employment relations. But as to how a governance system which is capable of coping with changes in business and employment relations that extend far beyond the theme of flexibilization can be developed at all, is a question they leave
unanswered. Unfortunately, beyond anecdotal evidence, very little is said on how organizations will be able to develop the necessary social capital that bind people together. New forms of organization and work patterns imply not just more flexibility. We assume here that in many cases organizations that increase the flexibility of its work force likewise destroy most of the quality of its social capital within the organization.

CONCLUDING REMARKS

What I tried to capture is whether a firm can succeed in fostering, retaining and renewing an asset specific skilled, competent, and responsible work force despite a growing number of contingent and temporary workers, and even with dissolving corporate boundaries. Most newer organizational models, if not all, have only three answers to offer: shrinking the size of its organizations, reducing the core of its work force and increasing its periphery. Trying to capture exactly what seems obvious within such a context that a idiosyncratic, firm-specific and skilled work force as a source of of sustainable competitive advantage can not readily be acquired on the market, it is claimed that newer organizational models, by depending increasingly on an external flexible labour market either destroy or are not able to develop the necessary social cohesion of its work force. Whilst HPWS are successful in improving and renewing employee motivation, it is argued that employees can only be utilized as one of the most valuable assets, if the organization succeeds in promoting active long term mutually beneficial relations with its labour force. High performing work practices characterized by a number of basic premises (i.e employment security, selective recruitment, team-based work, rewarding performance, training of the work force, reduced status differences, and replacing top-down information flows) are largely incompatible with most of the proposed new organizational models, and seem especially incompatible with the growing number of temporary and contingent workers, loosely coupled to an organization, and ready to leave at any time. The idea that a skilled work force is a critical and indispensable asset that is to be retained and developed within the firm, and that newer organizational models will not be able to accumulate, link and bind a knowledgeable work to the organization.

We conclude that, with its emphasis on contemporary, contract employment, any new organizational model has drastically sacrificed its ability to identify, develop and manage the idiosyncratic knowledge of its workers. The idea of a virtual organization (as only one extreme), although it may has many perceptible advantages, is in this respect an oxymoron. The strategic question any new organizational model has to deal with, – even if organized as an attractive platform for providing ad hoc services for different and talented people - is still how
will it maintain and retain skilled workers as an idiosyncratic assets on which future competitive advantages are built up. We claim, that a firm is more than a platform of ideas, for the simple reason that the most intangible, idiosyncratic work and most valuable human resources would be prohibitively costly on a short term contract and if acquired on the market, readily available to any other competitor, if better marginal benefits exist. If we assume an opportunity maximising behaviour, especially for the most talented and skilled work force than we may conclude that any organization that favors employability among its workforce but do not offer a stable permanent relationship will easily loose its most skilled and competitive workers. The point is, that newer organizational models create a new higly valuable interant workforce before it becomes fully utilized as a firm specific source of sustainability. There are more ways to deal with this problem but we have tried in this paper to emphasize the essential importance of retaining an increasingly idiosyncratic and highly skilled workforce, whilst we recognize that this lies in marked contrast to the current human capital strategy maintained by most firms.
References


