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Human Resources Management Innovation

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Guided by a general manager's perspective of human resources management (HRM), this paper identifies key factors affecting the introduction of HRM innovations in organizations. Because the essence of market and technological leadership is the development of the organizational capacity to carry out inventive ideas, it is critical to understand the main forces influencing HRM innovation. Following a definition of HRM innovation, six propositions are discussed using current and historical examples. Since HRM innovation also involves change in the social system of the organization, the adoption and diffusion of these innovations can be attributed not only to external environmental forces but also to social processes.

Employing organizations are increasingly experimenting with new human resource management (HRM) systems in their efforts to meet strategic objectives. The development of HRM policies in tandem with strategy is accompanied by a heightened interest in fostering innovation in order to be more competitive. It is becoming increasingly apparent that technical innovations arise not only from new ideas, but also from effective organizational implementation of innovative ideas. Rosabeth Moss Kanter (1983; 19) goes as far as to suggest that HRM practices "can be a company's innovation-producing innovations."

With a few exceptions (e.g., Kanter; Goodman, 1979; Walton, 1977), innovation scholars have been more interested in studying technical innovations than administrative ones. Consequently, a theory of HRM innovation is currently not well developed. In this paper, six propositions, which identify factors associated with the adoption of innovative HRM practices, are discussed.

These propositions are:

1. External environmental forces such as unions, technological change, and labor market conditions distinguish HRM innovations across industries.

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2. Structural organizational characteristics such as size and wealth may be related to HRM innovations.
3. HRM innovations that are easily packaged and marketed by consultants may be the most widely diffused.
4. Organizations often adopt HRM innovations in order to appear more legitimate in their environments.
5. Strong culture firms may adopt HRM innovations for different reasons than weak culture ones.
6. A company's history of success with past HRM innovations affects the prospects for acceptance of new ones.

Proposition 1 considers the way in which external environmental forces create different industrial contexts for innovation. Proposition 2 discusses the impact of structural organizational characteristics on adoption, while number 3 examines the influence of interorganizational relations. Proposition 4 describes how innovation characteristics affect adoption. Propositions 5 and 6 consider influences related to the firm's social system. The earliest sections review research findings and the article tends to be more speculative as it progresses in order to foster future research and analyze preliminary indicators.

Before discussing these propositions, a definition of HRM innovation is needed. Although companies frequently adopt new ways of managing their employees, it is not always apparent which of these changes are innovations and which are not. This confusion is probably due to a lack of agreement on what an innovation is (Nord and Tucker, 1987). Some scholars (e.g., Becker and Whisler, 1967: 463) define an innovation as the first or very early use of an idea by an organization. Others (e.g., Aiken and Hage, 1979) define an innovation as the first use of an idea *within* a firm regardless of whether it has been tried elsewhere. This paper uses the latter, more common definition.

An HRM innovation is any program, policy, or practice designed to influence employee attitudes and behavior that is perceived to be new by members. This definition distinguishes an HRM innovation from organizational change. As Zaltman et al. (1973; 158) observe, "All innovations imply change. Not all change involves innovation, since not everything an organization adopts is perceived as new." An HRM innovation is the change object, while organizational change is the alteration of the social system. Organizational change occurs if an HRM innovation influences member attitudes or behaviors.

Initially, it is critical that an executive focuses on how a new program will fit into a company's HRM system as opposed to whether it is the latest fad. For example, what may be innovative in the area of participative management for a regulated utility with a long history

of strong hierarchial management may be old hat for a high-technology skunk works in Silicon Valley. An HRM innovation can run the gamut from an enhancement in the employee benefits area (a company fitness center or child care program) to advances in participative management (self-managing work teams). Leading edge innovations are new not only to a particular organization but also to the HRM field. With this definition in mind, let's turn to Proposition 1.

1. EXTERNAL ENVIRONMENTAL FORCES INFLUENCE HRM INNOVATION

Differences in the adoption of HRM innovations can be partially attributed to external environmental conditions that often distinguish firms in one industry from another. They are the: extent of unionization, nature and rate of technological change, and characteristics of the key labor markets. While these variables can help to explain adoption, they only tell part of the story. Proposition 5 holds that the top management of strong culture companies can foster a unique HRM system counter to industry trends.

The Extent of Unionization

My literature review yielded mixed results on whether unionized or nonunionized settings are more conducive to HRM innovation. While more research is needed, the evidence does suggest that unionization influences innovation. Perhaps the most compelling results are found in a survey of American Management Association (AMA) members. A curvilinear relationship between unionization and the rate of innovation was found. HRM innovations "flourish in either of two conditions: (1) no unionization or (2) total unionization. . . .the middle ground—a mixture of unionized and nonunionized workers —may be less fertile for workplace innovation" (Goodmeasure, 1985; 10).

These findings are consistent with research suggesting unionized and nonunionized companies innovate in different HRM policy areas. Beer and Spector (1985) found that firms in the highly unionized smokestack industries focus on innovations influencing labor costs, productivity, and quality. While these issues are also important in the less unionized high-technology industries, there is greater emphasis on innovation in recruitment, promotion, career development, and pay to attract highly skilled professionals. Similarly, Kanter's (1984) study on the use of 40 progressive practices found that unionized heavy industrial manufacturing firms were the earliest innovators in employee relations, job enrichment, and QWL initiatives. High-tech

firms were the earliest innovators in career development and pathing and such benefits as work-at-home arrangements and day care.

A recent study (Freedman, 1985; 18–19) of Fortune 1000 companies analyzes the relationship between the extent of company unionization and innovativeness in union and nonunion plants within a single firm. The use of four innovations was examined: economic information-sharing with employees, quality circles, gain sharing, and feedback on productivity. There was a negative correlation between the extent of unionization and the amount of innovation occurring in nonunion plants, and a positive correlation between the extent of unionization and innovativeness in union plants. Firms with little unionization may concentrate on managing their nonunion plants in an innovative way to countervail further union growth, but are less likely to innovate in their unionized units. Highly unionized firms are more likely to try to innovate in their union plants, but are reluctant to do so in nonunion settings. Perhaps HRM initiatives in union plants are less likely to be viewed as having union-avoidance objectives.

A key factor in fostering innovation in organized settings is not being unionized *per se,* but the degree that union–management relations can be characterized as being cooperative. Walton's (1975; 1977) work on job redesign in predominantly unionized settings shows that nonadversarial management–union relations are critical to the innovation's success. However, unions can complicate implementation by mandating additional consensus-seeking efforts.

Welfare Capitalism: Then and Now

Many early HRM innovations were adopted to deter strikes and unions. As historian Daniel Nelson (1975: 88) has observed, "labor unrest and union activity were more likely to produce sweeping changes in factory management than anything else." The union's ability to turn grievances into organizing issues forced management to make policies explicit, centralize policymaking, and compete for employee loyalty (Dunlop, 1955). Historically, management has responded to labor unrest by adopting new policies and creating new departments to handle them (Kochan and Cappelli, 1984).

The introduction of personnel departments, job evaluation methods, merit pay, foreman training in human relations, employee attitude surveys, profit-sharing, pension plans, paid vacations, and employee health and life insurance benefits can all be attributed in part to union pressures. Between 1886 and 1889, a time of great labor unrest, about 40 U.S. companies began offering profit-sharing plans and started providing such amenities as lunchrooms and landscaped grounds (Jacoby, 1985: 49). Similarly, during periods of

strikes, U.S. Steel first introduced a pension plan in 1902 and in 1903 initiated a stock bonus plan. Benefits such as these were often restricted to nonstriking employees (Jacoby, 1985: 52-53). A 1915 government study pointed out that pension plans were used "to prevent (union) activity on the part of the employee" (Commission on Industrial Relations, 1915: 343).

During the first half of this century, many companies established a personnel department. The transfer and formalization of employment duties that had traditionally been handled by a foreman to personnel reduced the potential for unionization by replicating some of the union's protective structures (Jacoby, 1985). Welfare capitalism arose in the mid-1930s. A flurry of work reforms (e.g., paid vacations and health and life insurance benefits) were adopted following the passage of the National Industrial Recovery Act (NIRA) in 1933, which gave governmental protection to organized labor. Jacoby (1984) also notes that a lot of firms preemptively began adopting job evaluation plans in anticipation of having to bargain over wage differentials. Similarly, merit pay systems were started to provide a way to justify pay increases other than on the basis of seniority.

Although today, organizations are more sophisticated and obscure their reasons for introducing innovations in times of labor strife, the prevention of unionization is often a prime impetus for adoption. In his study of personnel policies in large nonunion companies, Foulkes (1980) found that many of the policies mirrored those covered in contracts at unionized firms. Companies knowingly and unknowingly tended to anticipate collective bargaining developments in order to keep their employees nonunionized. Unfortunately, firms sometimes maintain labor stability by improving their compensation and benefit packages to the point where they are no longer competitive in their markets. This was the case regarding the Big Three U.S. automakers in the 1970s until the issue of job security was traded for fewer improvements and concessions in their contracts.

Since this trend began, innovation in labor relations is waning. With the current decline in organized labor's power and the growth of "ERISA, EEO, and other government regulations, the rest of industrial relations has grown in importance so now there is little innovation coming from labor relations" (Kochan and Cappelli, 1984: 148). Historian Melvyn Dubofsky (1986) notes remarkable similarities between the current organized labor environment and that of the 1920s. Today, unions have failed to significantly penetrate the growth sectors of the economy. In the 1920s, virtually all of the firms in the prosperous consumer-oriented automobile, electrical appliance, petrochemical, and rubber industries operated in union-free environments and had individual-based HRM policies. This trend is reoccurring in the 1980s in high-technology and the bulk of the private sector service industries. Dubofsky also observes that the

1920s even had their own genre of quality circles such as those used at the Endicott Johnson Shoe Company, which were designed to raise productivity.

Technology

Like unionization, technology affects HRM innovation in a number of ways. The impact of rapid technological change is illustrated by early use of internal labor markets, a practice firms use to set wages and allocate labor irrespective of market forces (Jacoby, 1985). Historian Katherine Stone (1972) describes the advent of job ladders in the steel industry when it was undergoing rapid technological change at the turn of the century. Technological changes were blurring the distinctions between skilled and unskilled workers. By 1908 stratified job ladders were in general use "to avoid the consequences of a uniform and homogeneous workforce" (p. 29). Far from being a technological necessity, job ladders were introduced to prevent the skill equalization from culminating in greater solidarity of workers previously divided by skill. These ladders differentiated workers and encouraged them to compete against one another in order to advance (Jacoby, 1985). Ladders served to divide workers not only on the basis of skill but also in terms of ethnicity, as one ethnic group after another gradually rose the ladder (Brecher, 1978).

Kanter (1984; 110) provides a recent example of the way in which technology has altered career structures in high-tech firms. Managerial movement can no longer be characterized by the single career concept. Rather, careers tend to include nonlateral movement across units, have limited functional identification and involve an early general manager or senior staff position. The rapidity of technological change mandates that managers have less specialized careers in order to avoid obsolescence. Not surprisingly, a recent study of executive succession planning found that only one of the high-tech firms in the sample had a formal system, despite the fact that these programs tend to be new. Respondents stated that the constant technological change experienced by their firms made systematic executive forecasting difficult (Peterson, 1985).

The technical innovations, microprocessors, have altered the way in which white collar work, in particular, is organized. They have brought previously subdivided tasks together, enlarged job content, and allowed increased access to information (Osterman, 1984). Increased access enables workers to be privy to information that was once only a managerial prerogative, which has ramifications for power relations that can encourage additional HRM innovations.

The technology used on the job makes some work environments more conducive to certain innovations than others. Experimentation

with part-time employment has generally been associated with low-tech jobs that are routine, non-managerial, and low in skill content. A study by Young (1981) found greater use of part-time labor in the production of services rather than goods and with tasks that are conducted over either extended hours of operation (e.g., evening hours in supermarkets) or have peak output demands (e.g., midday business at banks).

Labor Market Characteristics

The tightness of a firm's key labor markets can be a critical force in fostering adoption. It's been noted that personnel departments arose during the first half of this century. Jacoby (1985) writes that their greatest proliferation occurred during World War I and the Great Depression, two periods of crisis for the traditional system of employment. WWI created a tight labor market for heavy manufacturing organizations. During this same period, a wave of strikes spread across the country. Also, extensive government regulation of private employment practices emanating from the need to control the labor market and to win labor's support for the war spurred the development of new personnel policies. Consequently, between 1915 and 1920, the percentage of companies employing over 250 workers that had personnel departments increased from 5 percent to about 25 percent (p. 137). The next big wave of adoption occurred immediately following the passage of NIRA, as union membership grew by about 1.5 million in a two year period (Mills and Montgomery, 1945).

Scarcity in key labor markets encourages firms to innovate in the areas of compensation, recruitment, and development. With the increasing demand for skilled technical professionals, the traditional approach of dealing with workers in a collective fashion has become inappropriate. High-tech firms are developing HRM policies based more on the concerns of individual workers. It is difficult to supervise and set performance standards for many technical positions in high-tech firms, because individual employee ability and motivation are considered to be the critical performance factors (Kochan and Cappelli, 1984; 148).

In contrast, most major work redesign innovations have been conducted with blue collar workers employed in heavy industry. The earliest and perhaps best known example of work redesign occurred at Volvo in the late 1960s. Volvo's pioneering of work restructurings exemplifies distress innovation to reduce labor turnover, which was very high and increasing. Volvo's president dramatically articulated the turnover threat to the Swedish auto industry in his statement that unless auto work was made more hospitable to Swedish workers,

automakers could not continue their operation in Sweden (Walton, 1977). Although little innovation has occurred in the redesign of professional and managerial work and in high-tech jobs, experimentation is now being done at Digital's Enfield plant, where computer circuit board's are assembled (Plous, 1984).

Demographic and social trends can foster innovation by changing the composition of the workforce and societal attitudes. Current trends include: the growing entrance of women into the workplace (which will account for two-thirds of the labor market growth over the next ten years); the aging of society (by 2010 approximately 25 percent of the U.S. population will be age 55 or older) and a more highly educated workforce (Keown, 1984; Morrison, 1984).

The growing number of working women has spawned innovations in employee benefits. Approximately 30 percent of all corporate transfers involve dual career couples. In line with this trend, 30 percent of respondents to a recent survey now provide spouse relocation assistance (Moore, 1981). Examples of innovations in this area include resume and job search skill counseling; provision of a one month spouse allowance to offset income loss; corporate job banks and networks to share information on openings; and changes in promotion policies that allow more career opportunities within a geographic area. According to a vice president of the National Alliance of Business, these innovations came about because "Women are beginning to hold jobs that are sufficiently well-paid. . .the family may not be able to afford to give them up." (Sekas, 1984.)

In the area of child care assistance, a variety of innovations have arisen: referral programs; in-house centers (e.g., Wang, Polaroid); increased use of flexitime and part-time jobs; babysitting services for sick children; and paternity leave. The last innovation, paternity leave, while becoming increasingly widespread, has not caught up with social mores. According to a recent Catalyst survey (*Wall Street Journal,* January 28, 1986), a third of major Fortune companies offer paternity leave (up from 8.6 percent in 1980). However, most males do not use it for fear it will hurt their careers. It appears that the impetus for paternity leave is not due to market-pull forces but market-push ones. Paternity leave can be viewed as a defensive innovation to match what is being offered women and avoid possible sex-bias lawsuits. As an AT&T official was quoted in the *Journal,* "It's a nice thing to have on your books."

The aging workforce has encouraged the emergence of a new HRM function called decruitment (Joynt, 1982). This involves job redesign, retraining, possible demotion, pre-retirement education programs, and the use of part-time jobs. Decruitment is "organizational entry in reverse" (Shaw and Grubbs, 1981). The increasing number of older workers is partly due to the rise in the retirement age from 65 to 70 and allows for fewer promotional opportunities as the baby

boomers enter the ranks of middle age. Innovation is starting to occur in the area of career development as advancement may no longer necessarily mean upward movement in a functional hierarchy, but will include more cross-discipline lateral moves and even demotions. This demographic trend coupled with slower economic growth began occurring earlier in Europe than in the U.S. Consequently, it appears that organizations in such Northern European countries as Norway and Denmark are the most advanced in this area (Joynt, 1982).

HRM innovation is significantly influenced by workers' attitudes toward their jobs. Certainly, demographic trends are also a key factor. In the 1980s there are many people who are highly educated and have only known affluence. Over 40 percent of baby boomers will be college educated (Fombrun, 1982). Education teaches people attitudes concerning entitlement. Consequently, more employees expect to have a voice in their work. The use of task forces, quality circles, and committees has become commonplace. More than ever before, companies are using programs to allow participation in decision-making (Keown, 1984).

One can speculate that a reason for current innovation in employee voice programs is because some companies are either reluctant or unable to implement major restructuring of their white collar jobs. As Ivar Berg (1970) notes in his book, *Education and Jobs: The Great Training Robbery*, workers are increasingly becoming more educated despite the fact many professional jobs have not greatly changed since World War II. Occupations that required a high school diploma in the 1950s necessitated a college degree in the 1960s. Ironically, many of these jobs are now being filled by MBA students. The education level may have increased, but many of the job attributes remain the same.

Changing attitudes have also encouraged innovation in the employee privacy and information-sharing areas. Top management is increasingly divulging information on strategic plans prior to their implementation. Employees have greater access to their personnel records and are afforded rights to copy and dissent with the record (Keown, 1984).

2. ORGANIZATIONAL STRUCTURAL CHARACTERISTICS MAY INFLUENCE HRM INNOVATION

The Economics of HRM Innovation

Economic and market pressures can influence HRM innovation in two very different ways. A severe crisis in the economic livelihood of a firm can lead to the adoption of innovations that would have been

unpalatable under more profitable circumstances. The institution of Scanlon Plans at the LaPointe Steel company in the 1930s provides a good illustration. The firm had intractable economic problems to such a degree that the president asked the workers for their advice. He promised that if the firm survived the employees would share in the profits. With the union's assistance, accountant Joe Scanlon interviewed workers and helped implement their suggestions. Scanlon developed a way to tie productivity improvements to profit-sharing. By 1980 over 500 Scanlon Plans had been adopted by plants throughout the U.S. (Simmons and Mares, 1985: 497). The economic crisis fostered the development of a remarkable HRM innovation.

The rush to implement quality control circles and the focus on understanding corporate culture in the 1980s can both be partially attributed to the economic crisis the Japanese created in several key U.S. markets. In general, HRM innovations that are used abroad tend *not* to diffuse to this country *unless* these foreign firms have outperformed U.S. companies in their own markets. U.S. executives tend to be complacent and smug about their effectiveness in managing human resources unless they are disproven on the international economic front.

Organizational Slack

While economic downturn has sometimes led to employee participation initiatives, a study of large white collar companies found rapid growth and good profitability to be conducive to innovation in other areas. Foulkes (1980) believes his findings suggest organizational slack (Katz and Kahn, 1966) can be an antecedent to HRM innovation. The presence of slack resources allows for allocation of additional money and personnel to HRM. Growth and profitability also improve the firm's ability to provide promotional opportunities, improvements in compensation and benefits, and job security, all key ingredients to creating a setting which is conducive to HRM experimentation.

Historically, money for HRM programs is often the first thing to be cut from an organization's budget when financial resources are squeezed. A recent study (Ferris and Schellenberg, 1984) of firms in declining industries found that this distress action was more indicative of low performing organizations than high performing ones. The top three ranked firms for return on investment (ROI) were compared with the bottom three in the oil, airline, and retail industries. Low performing firms tended to cut in half their human resource budgets during times of financial crisis in contrast to high performing firms, which kept their budgets at current levels. Even in times of financial distress, high performing firms may have more organiza-

tional slack than low performing ones. An alternative explanation might be that high performing firms place greater priority on allocating resources to support HRM policies than low performing ones.

Organizational Size

While more research must be done before the argument could be made that organizational size and complexity *cause* HRM innovations, early findings do show that these factors should be analyzed. The comprehensive study of AMA members mentioned earlier concluded that company size (number of employees and revenues) may influence areas where HRM innovations are most likely to occur (Goodmeasure, 1985; 10). It was found that smaller organizations were the most prevalent users of work-at-home alternatives and semi-autonomous work groups, while almost half of the largest firms in the sample used quality circles.

A recent study (Bernardin and Klatt, 1986: 85) of state of the art performance appraisal methods found that large firms tended to use leading edge performance appraisal methods to a much greater extent that smaller ones. HRM managers in small firms may have less formal training and more varied job responsibilities. Because they have to perform diverse job functions, they may be less knowledgeable about specific leading edge methods or have less time to keep abreast of the latest techniques.

Organizational complexity, a structural characteristic that covaries with size, also influences innovation. With the growing number of mergers and acquisitions, particularly in the information services, financial services, and health care industries (Kimberly and Quinn, 1984), new HRM policies have arisen to reflect the symbiotic relationships between these increasing complex organizational forms. Different industries, cultures, nationalities, and professions have needed to be accommodated. The acquisition of the Silicon Valley firm, Rolm, by IBM led to innovation in IBM's HRM policies. IBM strives to establish uniform personnel policies that support its unique culture. In order to maintain the entrepreneurial atmosphere at Rolm, however, IBM has followed a hands-off approach and kept intact such innovative practices as a sabbatical program for employees, which IBM does not have.

3. ORGANIZATIONS ADOPT HRM INNOVATIONS TO APPEAR MORE LEGITIMATE

Organizations simply cannot be regarded as unitary actors in their efforts to innovate. Aldrich (1979: 265) has observed "the main

factors that organizations take into account are other organizations." The organizational networks (Burt, 1973) that a firm's executives belong to affect HRM innovation by being sources of norms. The rapid spread of HRM innovations, particularly among Fortune companies, can partially be explained as phenomena where companies adopt new practices in order to appear more legitimate in their environments.

With a history of recipes for the latest mangerial quick fix, HR fads proliferate among organizations every year, each seemingly more ephemeral than the next. A recent *Business Week* (Byrne, 1986) article effectively summarizes many of the HR fads that have appeared and died during the past decades:

> In the 1950s, the HRM corporate love affair was with Douglas McGregor's Theory Y, which promoted the use of participative management techniques in an attempt to break with the authoritarian management style that grew out of WWII. People-conscious HRM methods gathered increasing momentum in the 1960s, as T groups to teach managers interpersonal sensitivity became the rage. Thousands of managers trekked to seminars conducted by the National Training Laboratory and the like, in search of feedback on their managerial style. The Managerial Grid popularized by Blake and Mouton was also in vogue as managers ascertained their concern for production with their concern for people. With the wave of MBA graduates, these methods soon became spurned suitors of the past, as quantitative methods of managing predominated during the 1970s. The 1980s have given way to Quality Control circles, intrapreneurship and corporate culture. As one CEO enthusiastically commented after viewing a presentation on corporate culture given by a leading guru, "This corporate culture stuff is great!" He turned to his President and said, "I want a culture by Monday."

What factors lead to such fads and the rapid diffusion of HRM practices? The environmental and organizational characteristics described above tell only part of the story. It appears interorganizational relations and organizational networks are also critical components. The application of the work of DiMaggio and Powell (1983) on institutional isomorphism is particularly illuminating. They view isomorphism as "a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (p. 149). In other words, the more bureaucratic organizations attempt to change, the more they become increasingly homogeneous. DiMaggio and Powell (1983: 150) identify three mechanisms by which change can occur: coercive, mimetic, and normative isomorphism. Examples of the diffusion of HRM innova-

Figure 1. Examples of the diffusion of HRM innovations via institutional isomorphism.

Isomorphism Type	Effect on HRM Innovation
1. Coercive	* EEO Departments * Token Females & Minorities * Job Posting
2. Mimetic	* HR Fads
3. Normative	* Topeka Project * Attitude Survey Groups

tions resulting from these isomorphic pressures are summarized in Figure 1.

Coercive isomorphism results from political pressures and cultural expectations of legitimacy. Affirmative action and EEO program managers are an example of coercive isomorphism to counter possible charges of discrimination. By having a formal position on these issues, companies can ostensibly demonstrate that major efforts are being made to eradicate discrimination. Mentoring programs and special development plans for females and minorities, the placement of "token" employees in high levels, and the advent of "open job posting programs" exemplify HRM innovation in response to coercive pressures.

Another isomorphic process results from normative pressures associated with professionalization: "the collective struggle of members . . .to define the conditions and methods of their work. . .and to establish a cognitive base and legitimation for occupational autonomy" (DiMaggio and Powell, 1983: 152). The sources of these norms are the cognitive base provided by academics and professional networks. Evidence of the growing influence of university professors on norms regarding HRM is the increasing number of alliances between business school faculty and managers. One of the earliest alliances occurred between General Foods' Topeka pet food plant and Harvard's Richard Walton (Walton, 1975). With the upsurge in CEO attention to HR issues, more scholars than ever before have the opportunity to implement their theories.

In his review of managerial innovation, Kimberly (1981) cites considerable evidence that integration into networks fosters adoption. The Mayflower Group, which focuses on innovation in employee attitude surveys, is an example of the influence of networks. The Mayflower Group consists of about 30 self-proclaimed leaders in opinion survey research including IBM, GE, and Xerox. They meet periodically to exchange annual results on standard indices of job satisfaction and other variables. These meetings also provide an opportunity to share information on current trends. Survey items are then developed to reflect these concerns. Such issues as drug abuse and smoking in the office are indicative of the kinds of subjects that

members might agree to include in their next survey. Many of the firms eventually innovate in these highlighted areas. Recognized leaders in HRM innovation may continue to innovate in order to retain their reputation. As Hage and Dewar (1973) found, elite management values were better predictors of innovation than structural characteristics.

In the mimetic isomorphic process, firms consciously and sometimes unconsciously model themselves after those firms which "they perceive to be more legitimate or successful" (DiMaggio and Powell, 1983; 152). The HR fads described earlier can be understood as mimetic processes. Companies often search for the latest HR fix as a way to counter environmental uncertainty. Consultants and information houses such as AMA and The Productivity Center serve as innovation brokers (Kimberly, 1981). Hackman (1975: 98) describes the diffusion of job enrichment as follows:

> The impetus for job enrichment may come when a manager hears of an idea from a colleague or reads a glowing case report, and decides to try out job enrichment in his own unit. Or, perhaps, a consultant will convince a manager that it is "just what he needs" or a VP will be converted during a seminar for top managers.

4. EASILY MARKETED HRM INNOVATIONS ARE THE MOST WIDELY DIFFUSED

Assessment centers are an example of one the most widely marketed HRM innovations in recent decades. Normative and mimetic pressures helped spread assessment centers, which were pioneered in the U.S. at AT&T in the 1950s, to numerous firms. These centers use various techniques to measure predetermined attributes for a specific purpose (i.e., selection and promotion). Originally developed by the German SS and then used by the OSS to select professional spies in WWII, the method nearly died out until the 1950s when two AT&T managers used the technique to study the careers of young managers (Moses, 1977).

By the early 1960s, a model center was opened and the method had spread within AT&T. Psychologists from such firms as IBM, Standard Oil of Ohio, and GE began to meet twice a year with the AT&T team to discuss how to design their centers after the prototype. The next spurt of growth began with the 1964 publication of an AMA book describing the method, and by 1969 twelve major firms operated assessment centers (Byham, 1977; 32, 33, 41). Then the rate of diffusion rapidly increased. Two major conferences on assessment centers were held in 1969 and a number of articles were

published. Over the next five years consulting firms began offering packaged exercises, which resulted in a tremendous increase in the number of centers. EEO legislation also provided a coercive impetus for adoption, since a center was a way to legitimize the selection and promotion of employees. Although about 30,000 individuals now go through assessment centers each year (Byham, 1977), there is a trend to discontinue the centers. The wane in the enforcement of EEO laws, the high cost of operating the centers, and the advent of new environmental uncertainties are factors attributing to the decline.

Assessment centers had a number of features that facilitated their marketing. These characteristics, which are common to such other widely packaged techniques as quality circles, are ease in communication and divisibility. These factors have been found to be related to the diffusion of such technical advances as color TVs and NOW checking accounts (Kimberly, 1981). There is also evidence that publicity value enhances adoption irrespective of financial cost (Nelson and Seiber, 1976). The recent increase in the number of companies offering child care assistance (corporate child-care centers have tripled since 1982) and fitness programs (*Newsweek*, 1985) exemplifies the rapid diffusion of costly innovations with great publicity value. While all innovations have *some* publicity value, those related to benefits and training may be easier to publicize than those involving sensitive management issues such as compensation or performance appraisal programs.

5. INNOVATION ANTECEDENTS DIFFER FOR STRONG AND WEAK CULTURE FIRMS

Although Proposition 2 suggested that innovation tends to occur during organizational slack or in times of crisis, it may be these factors are more important impetuses in weak culture firms than in strong culture ones. A common feature of strong culture companies such as IBM, McDonald's, and others touted by *In Search of Excellence* is the attention given by top management to HRM issues. Executives' attitudes toward HRM issues and the HR department, and the rewards and costs for HRM innovators establish norms, values, and behaviors regarding personnel management. As a VP of personnel said to Foulkes (1980: 326):

> The real answer lies with the guy at the top and his philosophy and his top management team. This is terribly important, for there are many things that can get you off track. In our company what we did was like a religion. Dedication was required and there had to be faith that what we did would pay off.

The philosophies of leaders, especially the founders, regarding the way employees should be treated become institutionalized while they are ailve and after their departure (Peters and Waterman, 1982). Some scholars submit that strong culture firms are less susceptible to environmental pressures (Kochan and Cappelli, 1984: 150). In these companies, top executives use their own beliefs and personalities to imbue a culture and to shape employees' behavior. Case study data (e.g., Foulkes, 1980) suggest these firms are concentrated in the fastest growing and most profitable industries. Strong culture companies may also be less likely to be faddish in their personnel management. As IBM founder T. J. Watson stated on the occasion of his retirement (Forster, 1983: 97):

> I have *never* changed my policy, nor my ideas in dealing with people. I am *never* going to, and *neither* are the people who carry IBM over the next generation and the next. (emphasis added)

Regardless of whether the current leadership inherits a strong cultural legacy or is simply highly attuned to environmental forces, top management needs to view HRM innovation favorably and be interested in HR issues or it simply will not occur. Major innovations in HRM only occur when senior line management takes the lead. Adoption is influenced not only by the top executive's attitude on HRM progressiveness, but also by the nature of the relationship with the HR department, the implementer of HR policies. Three measures of the stature of the HR department are: a direct reporting relationship between the top HR executive and the CEO, HR issues play an integral part in strategic planning, and frequent job rotation between HR and line functions. Over half of the VPs of HR in Foulke's (1980) study of personnel policies at large nonunion companies reported directly to the CEO. HR managers at these companies fulfill not only HRM maintenance functions (Katz and Kahn, 1966) but also are more attuned to business concerns so they can operate as boundary managers between functional departments. These HR executives make it their business to know the business. In summary, while strong culture can create a HR legacy, the current stature of the HR department may be equally important. It reflects the professional integration of HR issues into the firm.

Obstacles to Innovation

A recent study (Schuster, 1985) concluded the main reasons why firms are not more innovative are: the tendency to maintain the status quo in HRM, the lack of hard data available on the effective-

ness of HRM practices, the difficulty in measuring their impact, and the propensity to have a short term payoff time frame. While these reasons are certainly contributing factors, overall, the main deterrent to innovation is the reward structure in many organizations simply does not motivate actors to innovate in HRM. People tend to get promoted for their success in meeting objectives affecting the bottom line and not for those related to HRM innovation.

As Myrseth (1977) notes, organizations will innovate if the *potential payoff* for adopting offers some economic or social benefits. Even in the absence of any direct need, adoption may sometimes occur when it is "encouraged by members of the super system having influence over the rewards coming to members of the user system through the formal reward structure" (p. 130). Unfortunately, as Walton (1975) observed in his study of work redesign, the payoff for adoption is often much less for subsequent adopters than for pioneers. Some firms have attempted to institutionalize their encouragement of HRM innovation by offering awards to individuals who are renowned for being good managers of people (e.g., IBM) or by including assessment of the ability to develop subordinates on the performance appraisal (e.g., Hitachi). Overall, most firms do not tend to have sufficient rewards encouraging HRM innovation.

The costs incurred in the adoption of HRM innovation can countervail any possible rewards. If the costs (i.e., social and economic) for adoption are too overwhelming, innovation simply will not occur (Myrseth, 1977). The economic costs include not only the direct expenses of the program but also the effects of the learning curve and any decrease in productivity during start-up. Generally, participative management programs do not tend to be effective if a measurement of success is tied to a short term increase in productivity (Zager and Rosow, 1982). Social costs for adoption involve the costs to members who will have to alter their behavior. These are related to the existing *power relations* in the firm and the extent that adoption will shift the distribution of power.

The reluctance of special groups to give up status and privileges is another reason why firms tend not to innovate in HRM, as virtually every HRM innovation will affect the power relations of existing groups. In general, the greater the adverse impact expected from implementation on the status of powerful groups, the less likely the prospects for successful adoption. Similarly, the greater the behavior modification required from the powerful groups, the less likely adoption will occur. These relationships help explain why HRM innovation in Fortune companies tends to be incremental. A major HRM innovation such as semi-autonomous workgroups would probably greatly alter power relations.

Shifts in power relations can create a performance gap to facilitate adoption (Zaltman et al., 1973). For example, the decline in blue

collar union power led to concession bargaining in the 1980s, a departure from the system of incremental adjustment followed by labor relations departments in the 1960s and 1970s (Kochan and Cappelli, 1984; 153). This innovation often occurred despite protest from professional labor relations staff that it was not possible to get the concessions management wanted. Data from Sloan case studies show that a number of firms created task forces involving line managers as well as financial, HR, and strategic planning specialists to oversee negotiations conducted by labor specialists. Unlike the labor relations staff, task force members were more likely to communicate directly with workers, often stating that their option was either concessions or massive unemployment.

6. PAST HRM INITIATIVES AFFECT THE PROSPECTS FOR FUTURE EFFORTS

As the last proposition holds, past management efforts at innovating in HRM have tremendous repercussions for new initiatives. If previous attempts were successful, then it is likely that employees will be receptive to new endeavors. If past efforts resulted in a negative experience for the social system, then skepticism and distrust are likely to arise in response to new programs. For example, if efforts to implement a quality control circle program met with dismal failure because management was not willing to alter the authority structure commensurate with new worker responsibilities, then employees will be unreceptive to future attempts involving participative management.

Similarly, if there is a history of innovating in HRM whenever there are organizing initiatives, workers will tend to see future innovations as just one more avoidance measure. The perceived history of success in adopting innovations is a critical dimension of attitude formation regarding proposed innovations. Skepticism will exist regarding new management practices not only if the organization has a poor track record, but also if there has been a propensity to be faddish. Employees working in companies beset by HR fads often disdainfully experience the "HERWEGA effect," the Here We Go Again Effect (Alderfer, 1986).

CONCLUDING THOUGHTS

The preceding discussion has demonstrated that companies adopt new work practices for a variety of often contradictory reasons. Key factors that are associated with past initiatives include: external environmental forces (e.g., unions, technology, and the labor market);

structural characteristics of the firm (e.g., size and wealth); other organizations (e.g., the government, companies renowned for their HRM practices, and consulting firms); innovation features (marketability and publicity value); organizational culture; and a company's innovation track record. While executives can probably do little to control the external environment, global organizational features, or the innovation's characteristics, they *can* influence the other factors.

Companies desiring to innovate in HRM can join professional networks comprised of leading edge HRM firms and can form alliances with professors and consultants. Top management can work to improve the stature of their HRM department by making HR executives a vital part of key decision-making, being visibly *committed* to HR issues, and constantly giving them their prioritized attention. Organizational leaders can strive to build a working environment where employees believe that executives really care about their welfare. When fads arise, HR managers should curb their temptation to rush out to implement the quick fix, which will lead to one more HR program that came and went. Although dismantling the obstacle to HR innovation cannot be done quickly or easily, the *first* step to take is to change the reward structure for HR innovators.

More conclusive research is needed to identify which factors have the greatest influence on successful adoption. In particular, scholars should focus on analyzing the impact of innovation *type*. Radical innovations (e.g., semi-autonomous work groups; Scanlon plans) might be adopted for different reasons than routine ones (e.g., the addition of dental coverage to an existing employee benefits plan). Innovations that are central to the day to day management of employees on the job (e.g., flexitime, quality circles) may be adopted under different conditions than peripheral ones (e.g., educational tuition reimbursement; fitness programs). Inquiry should also be made to determine which factors are the most critical during the different stages of innovation (e.g., initiation and implementation) that have been identified (Zaltman et al., 1973).

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