

**Stability and change in strategizing routines:
a practice-theoretical approach to strategic HRM systems**

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Abstract

With our paper, we would like to contribute to the current strategy-as-practice research by examining the role of routines for stability and change in strategy that has not yet been explored intensively. To analyze the question of how routines shape stability and change in strategy, we compare the specific strategizing routines of two different strategic human resource management systems: internal labor markets versus high-commitment HRM systems. On the basis of Giddens' (1984) social theory, it will be argued that the different strategizing routines in these two consistent strategic human resource management systems embody a duality of structure and agency like all social phenomena. We will further show that strategic human resource management is an interesting field for strategy-as-practice researchers because it offers a very close link to the organizational members who should be re-integrated into the theoretical analysis.

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1 Introduction

As a result of an 'interpretative turn' in contemporary social theory, a number of theories of social practices were introduced by such prominent authors as Pierre Bourdieu (1972), Anthony Giddens (1979, 1984) and the late Michel Foucault (1984 a, b) in the last third of the 20th century. These practice theories overcome the dualism of individual and society (Giddens 1984) and represent a conceptual alternative to other forms of social theory. In particular, they offer a different localization of the social and a new conceptualization of the agent, the body and mind, of social knowledge and social structures: 'The turn to practices seems to be tied to an interest in the 'everyday' and 'life-world'" (Reckwitz, 2002: 245) of human actors. We can witness his renewed interest in social practices, especially in the field of management and organizational studies, where authors are increasingly engaged with the 'practice turn' in sociology (Whittington, 1997; 2006). In particular, a practice theory approach has been central for our deeper understanding of organizational knowledge (Cook & Brown, 1999; Brown & Duguid, 2001; Orlikowski, 2002) and organizational routines (Feldman 2000, 2003; Feldman & Rafaeli 2002; Feldman & Pentland, 2003; Pentland & Feldman, 2005). Following this praxeological path, scholars in the strategy-as-practice field understand strategy as social activity of human agents (Whittington, 2006; Balogun, Jarzabkowski & Seidl, 2007; Jarzabkowski, Balogun, & Seidl, 2007). They refer to the social-theoretical vocabulary that practice theory offers to analyze what organizational members actually do while they produce and reproduce strategic practices through their everyday interactions over time.

In the constitution and reproduction of strategic practices – understood as recurrent interaction patterns – the routinization of processes plays a major role. 'Recurrent interaction patterns provide a 'practice lens' for studying organizations, an analytical lens that helps understand how practices are influenced by (organization) structures and how they constitute them in turn (Giddens, 1984; Orlikowski, 2002)' (Becker, 2005: 819). However, although there is an extensive amount of literature on organizational routines, their role for the stability and change of organizational strategies has not been investigated yet. Taking this into account, the central aim of this paper is to analyze from a practice theory perspective how routines shape *stability* and *change* in strategy. As our field of application we choose the strategic human resource management (SHRM) that has not yet been substantially taken into account in the strategy-as-practice research. SHRM is especially suitable for this target as it offers the closest connection to the human agents and provides an explicit link between micro and macro perspectives. To develop our argument

we will proceed in the following steps: We will begin by delineating three central and inter-linked concepts of the strategy-as-practice perspective – strategy praxis, strategy practices and strategy practitioners (Whittington, 2003, 2006) – that we will draw upon as basic vocabulary in our practice-theoretical approach to strategic HRM systems. By introducing the concept of organizational routines, we will show the great impact that routines have on organizations in general and on the process of strategizing in particular. We will discuss the potential of routines to generate organizational stability and change, in a next step we will illustrate the interactions within organizational routines and will differentiate between two central dimensions – structure versus agency – that are afterwards applied to the topic of strategizing. In this connection, we will draw some central distinction between normative and actual structures in strategizing, and operational and strategizing routines that lead us to the roots of questions concerning organizational stability and change. Starting from the resourced-based view of strategy, we will then outline the basic assumptions and premises of SHRM and consistent SHRM systems. In an institutional analysis (Giddens, 1984), we will illustrate the main characteristics and central effects of the structural dimension respective structural framework of two ideal type consistent SHRM systems – internal labor markets (ILM) versus high-commitment (H-C) HRM (Baron & Kreps, 1999) – to subsequently compare the stability tendencies and change potential of strategizing routines in these contradistinctive SHRM systems in the following chapters.

2 Central concepts of the strategy-as-practice approach

As an alternative to the macro-level focused strategy research that has dominated the management literature for over the last three decades (Johnson, Melin & Whittington, 2003), the central aim of strategy-as-practice scholars (ibid.; Balogun, Jarzabkowski & Seidl, 2007; Jarzabkowski, 2003, 2004, 2005; Jarzabkowski, Balogun & Seidl, 2007; Whittington, 1997, 2003, 2004, 2006) is to overcome the theoretical reduction of strategy to 'a few causally related variables' (Jarzabkowski, Balogun & Seidl, 2007: 6) and to emphasize the role of human action and strategy practitioners that construct, shape and enact strategies through their day-to-day activities. From this perspective, strategy 'is not something that an organization *has* but something its members *do*' (ibid.). Instead of being the property of an organization, strategy 'is conceptualized as a situated, socially accomplished activity' (ibid.: 7). Johnson, Melin & Whittington (2003), who shift scientific attention to the micro-level phenomena, introduce the term of 'strategizing' to describe the 'doing of strategy'. The concept of strategizing emphasizes the processual character of

strategies that are accomplished through the practices of organizational members. In this view, a successful strategy is not a static capability or a stable disposition of an organization as seen in today's management literature; strategy rather implicates a dynamic component: it is an activity that can be better described as a process of strategizing and as an 'ongoing social accomplishment, constituted and reconstituted as actors engage the world in practice' (Orlikowski, 2002, 249).

Referring to Whittington (2006), Jarzabkowski, Balogun & Seidl (2007) recommend three central elements as the basic conceptual framework and vocabulary of the strategy-as-practice perspective: 'praxis, practices and practitioners' (p. 8).

'Practice' (*Praxis*) in the singular represents merely an emphatic term to describe the whole of human action (in contrast to 'theory' and mere thinking).' (Reckwitz, 2002: 249.)

In connection with this general definition of praxis, the praxis of strategy can be defined as the whole of the '[s]ituated, socially accomplished flows of activity that strategically are consequential for the direction and survival of the group, organization or industry' (Jarzabkowski, Balogun & Seidl, 2007: 11). Strategy praxis encompasses 'all the various activities involved in the deliberate formulation and implementation of strategy' (Whittington, 2006: 619). It can be seen as structured in sequential episodes of board meetings, team briefings, power-point presentations and strategy workshops etc. 'In this sense, strategy praxis is the intra-organizational work required for making strategy and getting it executed' (ibid.).

In contrast to praxis, practices can be defined as the following:

'A 'practice' (*Praktik*) is a routinized type of behaviour which consists of several elements, interconnected to one another: forms of bodily activities, forms of mental activities, 'things' and their use, a background knowledge in the form of understanding, know-how, states of emotion and motivational knowledge.' (Reckwitz, 2002: 249.) 'Likewise, a practice represents a pattern which can be filled out by a multitude of single and often unique actions reproducing the practice' (Ibid.: 250.)

The term practices therefore has two dimensions: On the one hand, practices guide the activities of human agents as their background knowledge and, on the other hand, they are the actual activity themselves carried out by human agents (Whittington, 2006). From a strategy-as-practice perspective, social practices can be considered strategic to the extent that they relate to strategic outcomes and direction as well as to the competitive advantage and survival of an organization (Johnson, Melin & Whittington, 2003). Strategy practices include implicit and informal activities as well as formal and explicit actions that are governed by accountability. For example, formal and informal meetings and conversations,

official strategy workshops, management processes that are partially implicit and embody firm-specific knowledge, analysis of strategic planners etc. The whole range of strategy practices is of peculiar interest for the strategy-as-practice approach that aims to analyze the actual doing of strategy in all its facets that is enacted and shaped by human agents – the strategy practitioners (Whittington, 2003; Jarzabkowski, Balogun & Seidl, 2007).

‘The single individual – as a bodily and mental agent – then acts as the ‘carrier’ (*Träger*) of a practice – and, in fact, of many different practices which need not be coordinated with one another. Thus, she or he is not only a carrier of patterns of bodily behaviour, but also of certain routinized ways of understanding, knowing how and desiring.’ (Reckwitz, 2002: 249.)

Strategists make, shape and execute strategy, they perform the strategies and carry the strategy practices (Whittington, 2006). The strategy-as-practice perspective, therefore, calls for a broader conceptualization of who a strategist is than offered by the dominant definitions in the strategy literature. This research agenda goes beyond top managers, their decision making and the formulation of strategies. It focuses on the implementation of strategies through a wider group of important strategists on the level of middle management and the operational base as well as external actors like strategy consultants and investment bankers. These actors may not have a formal strategic role in the firm, but they actually construct the every-day strategy practices through their individual identities and specific experience of being a strategy practitioner: ‘While their action and influence in strategy may be unintended at the firm level, they are significant for firm survival and competitive advantage’ (Jarzabkowski, Balogun & Seidl, 2007: 12). Strategists shape the modes of strategizing ‘through *who* they are, *how* they act and *what* practices they draw upon in that action’ (ibid.: 10). In the process of strategizing strategy practitioners, strategy practices and strategy praxis are interconnected: Strategy practitioners produce strategic practices to shape the firms praxis of strategy and coincidental strategy praxis forms the strategists (Whittington, 2006). So the strategy-as-practice perspective refocuses on the human agents and the social dynamics of strategizing to analyze what strategy practitioners actually do while they enact firm strategies.

‘Our central research interest focuses on explaining who strategists are, what they do and why and how that is consequential in socially accomplishing strategic activity.’ (Jarzabkowski, Balogun & Seidl, 2007: 19.)

3 Organizational routines and strategizing

From this practice-theoretical starting point, we will now turn to the concept of organizational routines that is central for our analysis of the stability and change potential

of strategizing routines in different SHRM systems. We will, therefore, describe dominant metaphors, main characteristics and central effects of organizational routines to, thereafter, analyze their stability and change potential in general. We will, furthermore, analyze and differentiate two different but mutually constitutive dimensions of organizational routines (Feldman & Pentland, 2003; Pentland & Feldman, 2005): structure versus agency (Giddens, 1984).

3.1 Organizational routines: main characteristics and central effects

Although there is an extensive amount of literature on organizational routines, their role for the stability and change of strategies has not been investigated yet. To analyze the importance of organizational routines in strategizing, we will first of all give a brief overview of the organizational routines literature.

Organizational routines represent a central concept in organizational analysis. Especially in the mid-1990s 'routine' could be seen as a 'keyword' in many papers of organizational scholars (Feldman & Pentland, 2003; Cohen et al., 1996). Since Stene (1940) introduced the concept to the scientific community, routines have been regarded to be a central organizational mechanism through which the majority of a firm's tasks are accomplished because organizational routines ensure the coordinated activities of a large number of organizational members. For this stream of research, the works of March & Simon (1958), Cyert & March (1963) and Thompson (1967) are of particular importance. Furthermore, Nelson & Winter's 'Evolutionary Theory of Economic Change' (1982) can be seen as a 'milestone' in this field (Cohen et al., 1996; Feldman & Pentland 2003; Becker, 2004). More than twenty years of research have passed since Nelson & Winter (1982) put the topic of organizational routines 'center-stage' (Becker, 2004). Unfortunately, many ambiguities and inconsistencies have been manifested in the increased literature on organizational routines (Cohen et al. 1996; Feldman & Pentland 2003; Becker, 2004; Becker et al. 2005). However, although the existing literature is very divergent, a core definition can be identified: 'There is considerable agreement in the literature that organizational routines can be defined as repetitive, recognizable patterns of interdependent actions, carried out by multiple actors' (Feldman & Pentland, 2003: 95).

From the extensive and quite diverse literature on organizational routines, Feldman & Pentland (2003) identify three *dominant metaphors*: (1) routines as habits or skills of an organization (Stene, 1940; Simon, 1945; Nelson & Winter, 1982), (2) routines as performance programs (March & Simon, 1958; Cyert & March, 1963) and (3) routines as

genes (Nelson & Winter, 1982). Against this multifarious background, Becker (2004) develops a fundamental review of the literature on organizational routines and identifies their main characteristics and central effects on organizations. We can differentiate eight aspects as *main characteristics* of organizational routines. First of all, routines are *activity patterns* (1) that are *recurrent* (2) and *collective* (3) (Becker, 2004). They involve multiple actors (Feldman & Pentland, 2003) that belong to several organizational units and are based at different places: 'Historically, the term 'routines' clearly referred to recurrent *interaction patterns*, that is, *collective* recurrent activity patterns' (Becker, 2004: 645). Becker (2004) points out that there is a great disagreement in the literature whether these recurrent activity patterns are *'mindless'*¹ (Ashforth & Fried, 1988) or *'mindful'* (Feldman, 2000) respective *'effortful'* accomplishments (4) (Pentland & Reuter, 1994; Feldman, 2003). The next characteristic of routines is central for the explanation of organizational change: *routines are processes* (5). These processes are *context-dependent*, *embedded* and *specific* (6): 'Routines are embedded in an organization and its structures, and are specific to the context' (Becker, 2004: 651). They are specific in three ways: Routines are, first of all, 'relation specific' depending on the particular actors and their implicit knowledge involved. Due to local learning processes, routines are furthermore 'locally specific'. Last but not least routines are 'historically specific' because at a certain moment in time internal and environmental constellations will be unique. So especially for the development of organizational routines 'history matters' (Nelson & Winter, 1982; Teece, Pisano & Shuen, 1997). Their *path-dependency* (7) is a central characteristic: 'Recognizing that routines change in a path-dependent manner highlights the importance of feedback effects' (Becker, 2004: 653). Last but not least routines are *'triggered'* (8): they are initiated by 'actor-related triggers and external cues' (Becker, 2004: 653).

Besides these central characteristics routines have several positive *effects on organizations* (Becker, 2004): Routines have the power to *coordinate* and to *control* (1) the complex organizational activities because they enable the simultaneous and consistent interactions of multiple actors.

'A routine, as way of doing something in an organization, has two aspects. One is like a recipe or a program. The other is the way the work is divided up among individuals and organizational sub-units, and coordinated and managed.' (Becker et al., 2005: 778.)

¹ In Becker's (2005) opinion the 'effortlessness' of organizational routines can be seen as 'a performance outcome of recurrent interaction patterns' and 'not as a characteristic of recurrent interaction patterns' (Becker, 2005: 828).

In this coordination process routines provide the participants with concrete instructions and establish an implicit *truce* (2) (Nelson and Winter, 1982) between organizational members who give orders and those who receive the instructions. To a certain degree, these instructions are accepted ‘without conscious questioning of the authority of those who give the orders’ (Becker, 2004: 656). So organizational routines ‘foster coordination’ for at least two reasons: First of all, as a decision base they allow the participating actors to form confident expectations of each others behavior in future periods and second of all, the resulting decisions have a high degree of ‘mutual fit’ (Becker, 2005: 827).

Besides these positive coordination effects, organizational routines, furthermore, *economize on the limited cognitive resources* (3) – in form of a ‘limited information processing and decision-making capacity’ (Becker, 2004: 656-657) – of individuals. They enable the human agents to focus attention on non-routine activities and to respond to recurring and familiar occurrences with a semi-conscious performance of routinized actions. Routines, thereby, reduce uncertainty (4): In insecure and especially pervasively uncertain situations routines enable the organizational members to be and remain capable of acting. Routines support rule governed and predictable behavior because they fix parameters and economize on cognitive resources and, thereby, set them free. They promote cognitive efficiency and, furthermore, reduce complexity: The routinization of processes ‘may be viewed as an uncertainty decreasing strategy’ (ibid.: 658).

Becker (2004) identifies two additional positive effects of organizational routines: *stability* (5) and *storing knowledge* (6). We will come to the central aspect of stability in the next section (see chapter 3.2) where we will make the interplay of stability and change the subject of discussion, at this point, however, we will focus on the sixth effect of organizational routines: their capability to save knowledge: ‘Routines store knowledge’ (ibid.: 660) and can be seen as the ‘memory’ of an organization (Nelson & Winter, 1982). They especially store the firm-specific production knowledge that is primarily implicit and collective and enables organizations to perform distinct activities (Foss 1996; Langlois & Foss, 1997). So the concept of organizational routines refers to a dynamic component: the embeddedness of organizational knowledge in organizational routines. Several authors emphasize that organizational routines represent a key repository of organizational knowledge and the building blocks of organizational capabilities (Nelson & Winter, 1982; Teece, Pisano & Shuen 1997; Makadok, 2001; Dosi, Faillo & Marengo, 2003; Becker, 2004).

3.2 Stability and change of organizational routines

A further and very important effect of organizational routines is their capacity to generate *stability* and, therefore, efficiency, predictability and legitimacy in organizational interactions (Becker, 2004; Feldman & Pentland, 2003). Especially the dominant approaches to studying organizational routines – routines as habits (Stene, 1940; Simon, 1945; Nelson & Winter, 1982), performance programs (March & Simon, 1958; Cyert & March, 1963) and genes (Nelson & Winter 1982) – conceptualize routines as stable (Feldman, 2003). Due to their recurrence, organizational routines provide stability for two reasons: First of all, when routine results are satisfactory and no other way of problem solving has to be found, they spare the limited cognitive resources of involved actors as mentioned above. So if established routines do not have to be changed, existing contracts and common understandings do not have to be modified and transaction costs can be reduced (Becker, 2004). Besides the reduction of costs, stability of organizational routines allows valuable feedback effects and so ‘provides a baseline against which to assess changes, compare and learn’ (ibid.: 659). However, although there are feedback processes within the reproduction of an organizational routine, negative feedback might be ignored by the performing agents. In the worst case such ‘defensive’ routines (Argyris, 1985, 1990) can lead to ‘structural inertia’ (Hannan & Freeman, 1984). Especially time pressure ‘increases the likelihood of routine choices’ and ‘a preference for those routine responses which are rehearsed most often’ (Becker, 2004: 650). From this perspective organizational ‘routines are seen as the antithesis of flexibility and change, locking organizations into inflexible, unchanging patterns of action’ (Feldman & Pentland, 2003: 98).

Nevertheless, in principle organizational routines are not inert because their processual character implies internal dynamics (Feldman & Pentland, 2003; Becker, 2004; Pentland & Feldman 2005).

‘The internal structure of a routine can produce a wide range of different outcomes on the continuum between ‘very stable’ and ‘constantly changing’, depending on circumstances.’ (Pentland & Feldman, 2005: 794-795.)

Due to the fact that at a certain moment of time environmental constellations will be complex, the probability that an exact reproduction of the routine can be performed in a subsequent iteration is very low. General rules and routines that govern the coordinated actions of a large number of organizational members have to be incompletely specified and, therefore, have to be interpreted by the performing individuals who adapt the established routines to local and situated demands (Becker, 2004). There are several

reasons for the performing actors to adapt and, thereby, change organizational routines: For example, when existing routines do not produce the intended outcomes or as a result of existing routines new problems occur and then have to be solved. Furthermore, routine outcomes can produce new organizational resources that offer new opportunities for the performing actors (Feldman 2000; 2003). So routines almost always are 'in flux' (Becker et al., 2005: 776) and 'cannot be understood as static, unchanging objects' (Feldman & Pentland, 2003: 95). They are both: a source of stability *and* change (Becker, 2004; Feldman & Pentland, 2003; Pentland & Feldman, 2005). Routines have a 'dual nature' (Feldman & Pentland, 2003: 112) and in addition to this play a central role for the flexibility of an organization (Pentland & Reuter, 1994). Due to the worldwide globalization, the deregulation of markets and consequentially increased competition and fast paced technological change in many industries firms have to be very innovative. 'Large organizations operate in complex environments, often across multiple products, industries and geographies' (Allen & Wright, 2006: 14-15). They permanently have to introduce new products and have to improve their manufacturing and/or service processes. For this reason, existing routines have to be quickly adjusted to changing environmental factors. Some routines are even explicitly designed to produce change, for example, new product development routines and therewith connected learning processes (Becker, 2004).

However, from this perspective the focus of attention should not be directed to 'meta-routines' or 'routines for changing routines' like total quality management, but rather to 'something more basic: the inherent capability of every organizational routine to generate change, merely by its ongoing performance' (Feldman & Pentland, 2003: 94). The performance of organizational routines always is improvisatory:

'As with musical improvisation, the degree of divergence from the score may vary considerably, from minor adjustment to cadence and dynamics to near total reinvention (Weick, 1998).' (Pentland & Feldman, 2005: 796.)

As a result of adaptation processes, routines are 'continuously emerging' (Pentland & Feldman, 2005: 794). They can be seen as key components of organizational learning and as repositories of organizational capabilities that involve a high amount of implicit knowledge (Becker, 2004; Feldman & Pentland, 2003). Because tacit knowledge evolves and continually changes in its application, routines in particular are a source of *endogenous change* (Becker, 2004) - as a 'change that comes from within organizational routines' (Feldman & Pentland, 2003: 112). There are many reasons for endogenous and incremental changes in organizational routines: especially the interdependences of interrelated routines

and between actors or a changing usage of artifacts that in sum might result in a more substantial or even a gradual organizational change (Becker, 2004; Becker et al. 2005). In this context, the performing actors play a crucial role as central drivers of change:

'Practitioners' reliance on .. practices is not simply passive, however. Praxis is an artful and improvisatory performance. ... By reflecting on experience, practitioners are able to adapt existing practices; by exploiting plurality, they are sometimes able to synthesize new practices; by taking advantage of openness, they may be able to introduce new practitioners and new practices altogether.' (Whittington, 2006: 620.) 'Practices are carried out against a background of rules and expectations, but the particular courses of action we choose are always, to some extent, novel.' (Pentland & Feldman, 2005; 796.)

So the focus of attention is switched, on the one hand, from the episodic to the continuous change of organizations and, on the other hand, from external pressure and the explicit change of routines through managerial decision making to their incremental and primarily endogenous changes triggered by the performing practitioners (Feldman, 2000; Feldman & Pentland, 2003; Pentland & Feldman 2005).

'However, even where there is considerable high-level managerial control, there generally is a range of flexibility within which the routine can 'evolve' without management being involved.' (Becker et al., 2005: 779.)

3.3 Dimensions of and interactions within organizational routines

The notion of stability and change in organizational routines refers to specific interactions within organizational routines: routines are 'generative systems with internal structures and dynamics' (Pentland & Feldman, 2005: 793) and can not be seen as 'static objects' (ibid.: 794). However, not all conceptualizations of organizational routines take this into account. A first group of researchers treats the 'entire routine as an undifferentiated 'black box'' (ibid.: 793). Especially the dominant approaches to studying organizational routines as habits, performance programs and genes of an organization treat them as black boxes and so diminish the central role of routines as mindful and effortful accomplishments of human actors. These conceptions, therefore, implicate a lack of agency (Feldman, 2003; Feldman & Pentland, 2003; Pentland & Feldman, 2005). Rather than seeing organizational routines as collective human activities, much of recent research in strategic management and organizational studies focuses on collective and individual-less conceptualizations of routines and capabilities (Felin & Foss, 2005).

A second group of routine scholars do not treat them as black boxes; even so, they only study certain routine parts, for example, their behavioral patterns and, for that reason, blind out important aspects for our understanding of routine dynamics.

‘For some questions, routines can be taken as a unit of analysis without considering their internal structure, but there are many research questions for which it is useful to consider the parts of routines either separately or as they interact. We discuss the importance of understanding the internal structure and dynamics of organizational routines for exploring core organizational phenomena such as stability, change, flexibility, learning and transfer.’ (Pentland & Feldman, 2005: 793.)

The third, and for our paper, central position to conceptualize organizational routines is to explicitly differentiate and study different aspects or dimensions of organizational routines and their interactions (Feldman & Pentland, 2003; Pentland & Feldman, 2005). This perspective ‘brings agency, and therefore, subjectivity and power back into the picture’ (Feldman & Pentland, 2003: 95). Feldman’s and Pentland’s (2003) central aim is to offer a new ontology of organizational routines that takes the specific process through which organizational routines change into account:

‘Our goal here is to create a new theory of organizational routines that retains the valuable insights of prior work while enabling us to account for the empirical observations that expose the limitations of this work.’ (Feldman & Pentland, 2003: 100.)

Pentland & Feldman (2005) consider different distinctions that can be applied to analyze the two aspects of organizational routines: structure versus agency (Giddens, 1984), objective versus subjective (Bourdieu, 1990), disposition versus behaviour (Hodgson, 2003) and ostensive versus performative (Latour, 1986). Feldman & Pentland (2003; 2005) themselves follow Latour’s (1986) terminology and identify two interrelated dimensions of organizational routines: (1) an ostensive aspect as an abstract idea or pattern of a specific routine that can ‘be thought of as a narrative, or a script’ (Pentland & Feldman, 2005: 796) of organizational routines and (2) a performative aspect as specific actions of organizational members at a certain time and space ‘that bring the routine to life’ (Feldman & Pentland, 2003: 94). ‘Like structure and agency, these two aspects are mutually constitutive; the ostensive does not simply guide performances (as a script guides a play); it is also created from the performances’ (Pentland & Feldman, 2005: 795). In the following chapters we will refer to Feldman’ & Pentland’s (2003; 2005) work to describe the different dimensions of organizational routines in strategizing, however, we will follow Giddens’ (1984) terminology to emphasize the duality of structure.

According to Giddens’ (1984) social theory, organizational routines embody a duality of structure and agency like all social phenomena. ‘They consist of both abstract understandings and specific performances’ (Pentland & Feldman, 2005: 794). We are taking this into account and will differentiate and analyze two dimensions of organizational routines and their interactions with physical artifacts (Feldman & Pentland, 2003; Pentland

& Feldman, 2005): organizational structures and specific organizational practices as two related and recursive dimensions. From this perspective, routinized social practices have a dual sense. They are 'something that guides activity' and, at the same, time they represent the 'activity itself' (Whittington, 2006: 619).

'On one hand, routines can be characterized as abstract patterns that participants use to guide, account for and refer to specific performances of a routine. ... On the other hand, routines can be characterized as actual performances by specific people, at specific times, in specific places.' (Pentland & Feldman, 2005: 795.)

The *first dimension* or the structural aspect represents an abstract and partially narrative description of organizational routines (Feldman & Pentland 2003; Pentland & Feldman 2005) that takes the form of a explicit and implicit collectively held knowledge about a specific organizational routine. So the structural dimension refers to the existence of collective knowledge structures – rules and authoritative or allocative resources (Giddens, 1984) – that enable organizational members to refer to, guide their work activities and to account for their behavior (Feldman & Pentland, 2003). However, at the same time these structural aspects of organizational routines constrain the actions of organizational members. So, all together organizational structures can be seen as the virtual order of an organization and its reproduction.

'For practice theory, the nature of social structure consists in routinization. ... Structure is thus nothing that exists solely in the 'head' or on patterns of behavior: One can find it in the routine nature of action. Social fields and institutionalized complexes – from economic organizations to the sphere of intimacy – are 'structured' by the routines of social practices. Yet the idea of routines necessarily implies the idea of a temporality of structure: Routinized social practices occur in the sequence of time, in repetition; social order is thus basically social reproduction.' (Reckwitz, 2002: 255.)

As an abstract property of a social community, social structures are subject-less and outside of time, they exist only in the instantiations in social practices and as memory traces of knowledgeable human agents (Giddens 1976, 1984). Because of the fact that contexts differ in organizations, the 'general rules and procedures' that organizational members refer to while they perform a certain organizational routine 'have to be incompletely specified when transferred across contexts' (Becker, 2004: 651). Since contextual details always 'remain open – and must remain open – for the routines to be carried out' (ibid.: 648, *as well as* Pentland & Feldman, 2005; 797), the structural dimension cannot imply specific performances of organizational routines (Feldman & Pentland, 2003). Especially 'the understanding of the abstract pattern may not be the same from person to person, from event to event or over time' (Pentland & Feldman, 2005: 797). So in the course of time the structural aspect of routines is varied through its enactment by organizational members in their day-to-day activities.

The *second dimension*, the agency dimension as the actual performance of organizational routines by human agents, refers to reproduced social practices that create, maintain and modify the structural dimension of the organizational routines (Feldman & Pentland, 2003; 2005). In contrast to the abstract social structures, social practices are situated, spatially and temporally located and presuppose a subject (Giddens, 1976). Indexicality (Garfinkel, 1967), situatedness and context-dependence are the central characteristics of social practices.

The specific interaction of the two recursive and mutually constitutive dimensions of organizational routines determines the degree to which routines can change, to which they are flexible and to which extent they can be transferred to other contexts (Feldman & Pentland, 2003; Pentland & Feldman, 2005).

‘Some routines show a lot of variation; others do not. Some are flexible; others are not. Some are easy to transfer; others are not. These variations may seem like noise or bad measurement, but they are not. They are indications of underlying phenomena and dynamics.’ (Pentland & Feldman, 2005: 794.)

These dynamics within in organizational routines represent the firm-specific process of the recursive constitution of particular organizational structures – certain organizational rules and resources – and unique organizational practices over time. This firm-specific structuration process can be seen as ‘an on-going opportunity for variation, selection, and retention of new practices and patterns of action within routines and allows routines to generate a wide range of outcomes, from apparent stability to considerable change’ (Feldman & Pentland, 2003: 94). It is mediated through firm-specific modalities of structuration: interpretative schemes, norms and facilities (Giddens, 1979; 1984). Especially artifacts² as physical manifestation or trace of organizational routines play a major role in the reproduction and structuration process of organizational routines:

‘In any practical setting, these aspects of an organizational routine may be codified or prescribed, as well as enabled and constrained, by various artifacts. Artifacts take many different forms, from written rules, procedures and forms to the general physical setting (e.g. a cubicle farm).’ (Pentland & Feldman, 2005: 795-796.)

3.4 Routines in strategizing

We will now turn to the role organizational routines play for the process of strategizing: In the every-day constitution and reproduction of strategy practices, the routinization of

² Referring to Pentland & Feldman (2005) artifacts like, for example, ‘rules and written procedures can serve as a proxy for the ostensive aspect of a routine’ (Pentland & Feldman, 2005: 796). However, they can not be equated with the ostensive aspect of organizational routines (ibid.).

strategies plays a major role because it ensures stability and continuity in strategy praxis and ontological security for the strategy practitioners.

‘Social practices are routines: routines of moving the body, of understanding and wanting, of using things, interconnected in a practice.’ (Reckwitz, 2002: 255.) ‘Routine, psychologically linked to the minimizing of unconscious sources of anxiety, is the predominant form of day-to-day social activity. Most daily practices are not directly motivated. Routinized practices are the prime expression of the duality of structure in respect of the continuity of social life. In the enactment of routines agents sustain a sense of ontological security.’ (Giddens, 1984: 282.)

As practices gain a ‘habitual, taken-for-granted character’ (Giddens, 1984: 376), they become more and more routinized over time. The strategists use their reflexive monitoring of action and their mutual strategic knowledge to generate ‘regularized types of acts’ (Giddens, 1976: 75), for example, strategic team meetings, strategy workshops and annual planning cycles. In contrast to the normative and planned strategies as official terms of reference, routines in strategizing can be seen as the actual strategic processes that are enacted by the strategy practitioners. As a specific type of organizational routines, routines in strategizing embody the two dimensions of the duality of structure as well: Strategic rules and resources are the medium and outcome of the strategy practices they recursively organize. To appropriate the context-independent overall strategy into situated strategic practices and to orientate their strategy work across time and space, the strategists draw upon firm-specific modalities of structuration, for example, collectively shared interpretative schemes in form of a specific business strategy that consist of ‘standardized elements of stocks of knowledge’ (Giddens, 1979: 83) and are connected to certain resources like a defined marketing budget. From this perspective, the focus of attention is directed to the knowledgeable human agents that reproduce and change their strategizing routines over time: Strategy practitioners share strategic knowledge that represents an action enabling structure and is enacted in the day-to-day strategy practices.

‘A specific social practice contains specific forms of knowledge. For practice theory, this knowledge is more complex than ‘knowing that’. ... In a very elementary sense, in a practice the knowledge is a particular way of ‘understanding the world’, which includes an understanding of objects (including abstract ones), of humans, of oneself. This way of understanding is largely implicit and largely historically-culturally specific This way of understanding is, of course, a collective, shared knowledge’ (Reckwitz, 2002: 253-254.)

This collective strategic knowledge represents the structural dimension of strategizing routines that the strategy practitioners refer to. The performing strategists enact and reproduce the strategic routines over time and, therefore, generate *stability* in the firms’ strategizing. However, in the sense of structuration theory (Giddens, 1984) the reproduction of social practices respective strategizing routines always implicates an

endogenous *change* that is based on the reflection and interpretation accomplishments of human agents.

Considering the process of strategizing and the relationship between *routines* and *strategies* some *distinctions* seem to be helpful. Descriptions of routines as structured behavior and interaction may be related to *normative structures* as structural elements and moments with validity or assertive claim and/or to *actual structures* that may be observed in the activities and performances of organizational actors. In this sense, we understand *strategies* as normative structures that shape organizational interactions and are either developed, planned, decided upon or implemented within an official organizational strategic planning and control process or – in case of *emergent* strategies (Mintzberg & Waters, 1985; Mintzberg, 1989) – are elements of actual structures which are then legitimized by strategic decision-makers.

‘Strategies are both plans for the future and patterns from the past.’ (Mintzberg, 1989: 27.) ‘Actions simply converge into patterns. They may become deliberate, of course, if the pattern is recognized and then legitimized by senior management.’ (Ibid.: 31.) However strategies ‘need not be deliberate – they can also emerge, more or less’ (ibid.: 29).

In other words, strategies are prescriptions (rules, norms, forms, values, roles) that guide and canalize organizational interaction processes in a particular way. A set of *operational routines* belongs to each strategy. They are consistent with these prescriptions and, therefore, are officially legitimized. In contrast to these operational routines, there are *strategizing routines* that may be more or less consistent with institutional normative meta-structures which are supposed to organize the strategic planning and control process. This process may roughly be divided into two parts: the creation of new and the adaptation of old strategies (*strategy formulation*) on the one hand and the transformation of strategies in operational routines (*strategy implementation*) on the other hand. The actual structures of organizational routines normally differ from normative structures addressing the same sphere of organizational interaction. This is evident for strategies as normative reference schemes for actions because strategies usually cover only a small portion of possible structural characteristics of routines. Think for instance of organizational norms that are not included in strategies but guide organizational behavior. With respect to the efficacy of strategies, especially those aspects of organizational routines are important that are in conflict or inconsistent with strategies: organizational culture may not be in accord with strategic intentions, interests, and rationalities, furthermore, capabilities of individual and collective organizational actors may impede or inhibit the execution of strategies.

Turning to the relationship between *corporate* or *business strategies* and *HR strategies* as subgroups of organizational strategies that is central for our analysis of stability and change of strategizing routines in different consistent SHRM systems, it is useful to conceptualize an HR strategy as a description of a set or bundle of special HR practices that are intended to influence the behavior of organizational members in a way that the conflicts and inconsistencies between business or corporate strategies and operational routines mentioned above are reduced. Concretely speaking, we refer to those practices in job design, staffing and recruiting, compensation, training, promotion etc. that close the gap between the respective *normative* and corresponding *actual* structures of organizational routines by stabilizing or changing capabilities, rationalities and interests of organizational actors as well as elements of organizational cultures. Inspired by Devanna, Fombrun & Tichy (1984) a dominant view has postulated that in a ‘vertical alignment’ (Wright & McMahan, 1992) the strategic planning and control process starts with the formulation of the corporate and business strategy, and then affiliates with the search for HR strategies that may help to facilitate the accomplishment, efficacy and success of corporate and business strategies. However, we prefer the conception of a two-way adaptation process because in certain situations it may be easier and more effective to change the corporate or business strategies than to change the dominant organizational behavior (Allen & Wright, 2006). This goes together with the conception of HR strategies as SHRM systems of internally consistent HR practices that views organizational strategies as an external context factor that recursively can be influenced by the HR practices, especially in the long run (Baron & Kreps, 1999).

Before we start our discussion of two ideal-type examples of consistent SHRM systems in the next chapter, we would like to focus attention to an important aspect of the differences between *normative* and *actual structures* of behavior that leads us to the roots of questions concerning the stability and change potentials of organizational respective strategizing routines: the reflection and learning of individual and collective organizational actors. Depending on the character, perception and internalization of normative structures to evaluate and possibly change the past performances of routines in the future, these individual and collective reflection and learning processes may more or less attend and *stabilize* or intermittently interrupt and *change* the flow of organizational interaction routines. This is especially true with respect to organizational routines that are more or less embedded in a complex network of long-range relationships between organizational members who develop mutual expectations influenced by the perceptions of the

significance, domination and legitimization dimension (Giddens, 1984) of these relationships.

To analyze the question of how routines shape *stability* and *change* in strategizing, we will compare the specific strategizing routines in two different SHRM systems – ILMs versus H-C HRM systems (Baron & Kreps, 1999) – in the following chapter that can be seen as consistent systems of HR practices and, therefore, as ‘ideal types’ on a theoretical continuum. Through a methodological bracketing and concentration upon the structural properties of SHRM systems³, we will develop an institutional analysis of the two ideal type SHRM systems. First of all, we will describe the structural dimension respective the structural framework of ILM and H-C SHRM systems to additionally discuss the efficiencies of these distinctive frameworks and therewith related stability tendencies and change potentials of HR strategizing routines.

‘According to structuration theory, two types of methodological bracketing are possible In institutional analysis structural properties are treated as chronically reproduced features of social systems. In the analysis of strategic conduct the focus is placed upon models in which actors draw upon structural properties in the constitution of social relations. Since this is a difference of emphasis, there is no clear-cut line that can be drawn between these, and each, crucially, has to be in principle rounded out by a concentration upon the duality of structure.’ (Giddens, 1984: 288.)

4 Stability and change in strategizing routines: a comparison of two ideal type human resource management systems

Before we analyze and compare the stability and change potential of two ideal type SHRM systems, we will give a brief overview of the research field of SHRM and its basic assumptions. We will draw attention to specific combinations of consistent HR practice bundles in SHRM systems and will illustrate why external and internal consistency of SHRM systems can lead to central benefits.

4.1 Strategic human resource management and consistent SHRM systems

‘It has been said that the most important assets of any business walk out the door at the end of each day.’ (Allen & Wright, 2006: 4.)

In recent years managers as well as strategy scholars have been increasingly trying ‘to understand how one of the last truly competitive resources’ – the human resources – ‘can be managed for competitive advantage’ (Allen & Wright, 2006: 4). This has especially led to the formation of a relatively young field of research that was inspired by the work of

³ ‘Concentrating upon the analysis of the structural properties of social systems, it should be stressed, is a valid procedure only if it is recognized as placing an *epoché* upon – holding in suspension – reflexively monitored social conduct. Under such an *epoché* we may distinguish three structural dimensions of social systems: signification, domination and legitimation.’ (Giddens, 1984: 31.)

Walker (1978) and finally initiated by Devanna, Fombrun & Tichy (1984): The strategic human resource management that is based on the strategic management as well as the human resource management literature. For the last decade the research fields of strategic management and SHRM have been converging around several theoretical issues, for example, knowledge, dynamic capabilities, learning organizations and leadership (Wright, Dunford & Snell, 2001; Snell, Shadur & Wright, 2001). SHRM scholars have been trying to connect these two approaches to explain how human resources sustain competitive advantage and, therefore, are central for organizational success. Until now the SHRM research has been primarily based on the resource-based view of strategy⁴ that offers the closest link to the human resources as internal properties of organizations (Allen & Wright, 2006; Wright, Dunford & Snell, 2001; McMahan, Virick & Wright, 1999). Since the resource-based view (Wernerfeldt, 1980; Barney, 1991) became the predominant paradigm in strategic management in the 1990s the focus of analysis has been driven from the market-based view of strategy (Porter, 1980) and the organizational environment to the internal, both physical and intellectual, resources of a firm.

The 'RBV provided a legitimate foundation upon which HRM researchers could argue that people and the human resources of a firm could in fact contribute to firm-level performance and influence strategy formulation' (Allen & Wright, 2006: 8). 'In sum, the RBV, with its focus on the internal resources possessed by a firm, has given the field a theoretical understanding of why human resources systems might lead to sustainable competitive advantage and provided the spark to generate empirical research in this vein' (Ibid.: 9.)

Empirical studies (Huselid, 1995; MacDuffie, 1995; Delery & Doty, 1996) have emphasized that specific bundles of HR practices lead to a higher firm performance (Allen & Wright, 2006). From this perspective especially the firm-specific combination of complementary and interdependent HR practices in a certain SHRM system, for example a specific ILM, is of peculiar interest because it can constitute a strategic resource that meets the necessary conditions stated by Barney (1991) (Lado & Wilson, 1994; Snell, Youndt & Wright, 1996; Barney & Wright, 1998)⁵. HR practices of successful competitors cannot be imitated easily because they may not be compatible with the strategy or context of the copying organization or can be inconsistent with the already existing HR policies and practices in the firm (Baron & Kreps, 1999). As far as Wright, Dunford and Snell (2001) are concerned, there are three central components of HRM that constitute a strategic

⁴ For critique of the RBV see, for instance, Priem & Butler (2001 a; b).

⁵ However, only a system of combined HR practices offers the potential to be a source of sustained competitive advantage. Wright, McMahan & McWilliams (1994) argue that individual HR practices cannot generate a sustainable competitive advantage for a firm because the individual HR practices could easily be imitated by rivals. They consider the firm-specific human capital pool to have a greater potential for being a strategic resource (Wright, Dunford & Snell, 2001).

resource and are influenced by the combination of HR practices in specific HRM systems: (1) the 'human capital pool' as 'stock of employee knowledge, skills, motivations and behaviors', (2) 'the flow of human capital through the firm' (Allen & Wright, 2006: 10) and (3) 'the dynamic processes through which organizations change and/or renew themselves' (Allen & Wright, 2006: 11) respective the HR strategizing routines of different *consistent* SHRM systems that are central for our paper.

The *consistency* of SHRM systems as combination of coherent HR practices is a central aspect: According to Baron & Kreps (1999) the external and internal fit of HR practices in a SHRM system respective their alignment with the external contextual factors and their internal consistency plays a major role and generates fundamental advantages. On the one hand, the organization's HR policies and practices have to fit together and, at the same time, they have to fit into the broader context of the organization. Baron & Kreps (1999) define '*five factors*'⁶ that have to be considered for the *external* consistency of HR practices and are distinctive for different SHRM systems like the ILM and the HC HRM strategy: (1) the economic, social, political and legal external environment, (2) the work force especially demographics etc., (3) the specific organizational culture as established values, norms of conduct, work attitudes, (4) the required technology and work organization in a broad sense and, last but not least, (5) the fit of the HR practices with the demands of the organization's overall strategy (Baron & Kreps 1999).

However, Baron & Kreps (1999) argue that the most relevant consistency dimension is the *internal* one, because the whole of HR practices 'can be more than the sum of the parts' (p. 38). The internal consistency of HR practices refers to the degree to that all HR practices of a SHRM system are consistent and complementary, that means that they 'fit together so that they make a coherent whole, are mutually reinforcing and are applied consistently' (Torrington, Hall & Taylor, 2005: 35).

‘.. HR policies cannot be considered piecemeal. ... HR practices either work together as a package or they fight each other. Quite different “packages” or systems can work well together in the same setting, while a mix of bits from each will fall flat.’ (Baron & Kreps, 1999: 10.) ‘If a firm’s HR system fits well with one specification of strategy, technology, workforce, culture, and environment,

⁶ Baron & Kreps (1999) define their 'five factors' as a checklist for general managers to analyze and understand the environmental setting of their organization: 'As with any checklist, this one is incomplete and, in some cases, has overlapping categories. But we (and you) will find it very useful for filing away the "facts" about a particular organizational context and for disciplining your thinking about the HR issues involved in specific settings' (Baron & Kreps, 1999: 11). However, there are certain caveats about the five factors that managers have to take into account: Managers should not take them too seriously and should remember that they can influence them: 'So as you examine the five factors in specific cases, keep in mind that they aren't fixed and unalterable, but neither are they infinitely adaptable. The key is to fit them to HR practices and HR practices to them to the greatest extent feasible, where the fitting goes in both directions' (p. 34).

then it is bound to fit some other set of factors poorly. In HRM there is no one size that fits every situation.’ (Ibid.: 33.)

There are three aspects of *internal consistency*⁷ that are important and interrelated through their rationales: (1) *single-employee consistency* as the consistency among different elements of a firm’s SHRM system that bear on a single employee, such as compensation, recruitment, and performance evaluation practices, (2) *among-employees consistency* the consistent and similarly treatment of different but similarly-situated employees within the organization and (3) *temporal consistency* and continuity in form of a continuity and consistency of an organization’s HR philosophy, premises and practices over time.

These essential consistency premises are met by the two ideal type SHRM systems – ILM and H-C – identified by Baron & Kreps (1999) and have certain benefits for an organization.

‘Very distinct arrays of HR policies can fit a given external environment quite well *if* the arrays are internally consistent; and for the same reason that internal consistency is valuable, it isn’t easy to tinker successfully with such arrays at the margins, nor, once established, to reconfigure the array from scratch.’ (Baron & Kreps, 1999: 38-39.) ‘The key is consistency of message ... simplicity and consistency promote learning.’ (Ibid.: 202.)

Baron & Kreps (1999) state that there are at least five *benefits* as result of internal consistent SHRM systems: (1) a *higher efficiency through technological complementarities* in the HR practices, for example, an aligned screening and training of employees and further the economization on costs of administration (2) the initiation of *more effective learning processes* concerning the nature of the employment relation, (3) the aiding of social learning in the organization, (4) the *improvement* in the initial *matching of the employees to work settings* that reduces turnover costs and (5) the fostering of feelings of *distributive justice*.

4.2 The structural dimension of two consistent SHRM systems: main characteristics and central effects

Baron & Kreps’ (1999) aim is to ‘construct frameworks by which ... general managers ... can better analyze and craft HR policies’ (p. 4) in their organization. In the following chapter we will now describe the main characteristics and central effects of the structural dimension of the two consistent HRM systems – ILM and HC HRM.

4.2.1 The structural framework of internal labor market strategies

⁷ ‘The three different aspects of consistency may themselves be mutually inconsistent. There are also often real conflicts to be resolved in seeking alignment of HRM with the business context while simultaneously preserving single-employee, across-employee, and temporal consistency.’ (Baron & Kreps, 1999: 59.)

‘An ILM is a coherent system of HR practices that complement one another.’ (Baron & Kreps, 1999: 186.) ‘Thus, the term ILM is somewhat of a misnomer. An internal labor market is actually not a market at all, but instead an administrative system for allocating labor.’ (Ibid.: 168.)

Employment relationships that are defined as ILMs are a combination of the following *characteristics*⁸:

- ‘A contract (though not necessarily an explicit one) between employer and employee
- Long-term attachments between the organization and its workforce
- Promotion from within, except for a few designated entry ports
- Skill gradients reflecting on-the-job training (i.e., there are important skills that have to be learned on the job, which give rise to skill and promotion ladders within the organization)
- Formal rules and procedures governing employment relationships, including the assignment of wage rates to jobs rather than to individuals
- An emphasis on seniority
- Grievance procedures and due process arrangements designed to ensure fair treatment of employees’ (Baron & Kreps, 1999: 167-168).

Besides these central characteristics, ILMs have specific *effects* and *implications*: In ILM the initial screening and selection of employees, their development and the performance management is very important because it leads to less employee turnover and, therefore, to cost reductions. A ‘family flavor’ can be established and labor is converted from a ‘largely variable to a more fixed factor of production’ (Baron & Kreps, 1999: 177). Inside the ILMs labor market pressure is reduced and a distinctive compensation structure is implemented in form of compressed wage distributions, job related wages and seniority based reward systems.

According to Baron & Kreps (1999), there are particular *forces* that foster the emergence and development of ILMs: First of all, (1) *firm-specific skills and knowledge* endorse ILM because, when these features as well as internal networks with co-workers are necessary for higher-level positions in the hierarchy, it makes great economic sense to develop them at relative low cost within an ILM. The employer will be interested in amortizing his training costs over a long period of time. Another aspect that fosters long-term employment relationships in an ILM is (2) the building of *employee loyalty* through satisfaction and, hereby, resulting advanced *commitment*. This leads especially to reduced turnover and absenteeism. A third aspect is (3) special *incentives* in form of above market benefits and wages that are linked with the ILM hierarchy and employees opportunities for long-run growth and advancement. Furthermore, in ILM (4) advanced *screening* activities are

⁸ The seven aspects of the ILM definition are broad characteristics of ideal type ILM. However, among different companies the characteristics can vary in especially three aspects: the criteria determining and the levels of advancement, the range of employee groups that the HRM systems integrates in or excludes from the internal labor market and the cultural and structural features (Baron & Kreps, 1999).

possible that lead to greater efficiency for the following reasons: The employer is able to observe an employee's skills and endeavors more exactly and can gain superior information about its employees. For this reason, the employer can match employees and jobs in a more efficient way. When higher-level jobs can be translated into an appropriate job ladder more effective screening becomes achievable and employees are discouraged from departing the ILM because external opportunities are inferior. Additionally, ILMs facilitate (5) *staffing economics* that make the search for new employees cheaper. Due to the fact that outsiders are only employed on specific low-level entry positions, economies of scale can be realized in their unified recruitment, screening, hiring and training. Last but not least, there can be (6) *cohort effects*: Finally, when cohorts enter a firm at the same time and on the same position, there may be positive social effects for the employer, like evolving support networks, positive peer pressure in form of related performance evaluation and competition (Baron & Kreps, 1999).

In a context analysis, Baron & Kreps (1999) discuss the '*five factors*' for ILMs: ILMs are suitable for industries with a relatively stable and steadily growing demand, for *external environments* where loyalty and seniority are esteemed, where labor mobility is especially low among employees on the mid-career level and where industrial unionism is dominant over craft unionism. The *workforce* in an ILM will have a higher percentage of social homogeneous and highly educated employees that have a stable work history (marital status, children, previous work experience etc.), a high average age and tenure. The *organization's culture* will be characterized through loyalty and cooperation as basic values instead of flexibility and innovation. This will emphasize processes, stable rules and conventions. Furthermore, the ILM structure is preferential when the *technology of production and organization of work* has high job interdependencies, high task ambiguity and long delays in the measurement of performance outcomes. ILMs fit better for guardian than for star jobs and when a high level of firm-specific human capital is required that has to be developed on the job over a long period of time. It is convenient for industries that are only confronted with gentle technological change and marginal obsolescence of human capital. An organization's strategy that entails rapid growth and is based on superior quality and service as well as long-term relationships with clients fits best to ILM and will protect the company from ILM cost or dysfunctions. The corresponding financial strategy should be a stakeholder-value strategy that is independent from short-term capital market pressure and relies on internal financing resources.

Besides the advantages of ILM there are several disadvantages⁹ that can occur, such as: high costs, potential inflexibility and insularity, cultivation of mediocrity and conformity, as well as bureaucracy (Baron & Kreps, 1999).

4.2.2 The structural framework of High-Commitment HRM strategies

'High-Commitment human resource management is a general catch-phrase we will use for an ensemble of HR practices that aim at getting more *from* workers by giving more *to* them. ... In particular, high-commitment HRM consists of an array of different and highly complementary HR practices, which do or don't work well depending on the five factors' (Baron & Kreps, 1999: 189.)

H-C HRM can occur in several forms: Total Quality Management, open-book management or in traditional first-tier Japanese firms as H-C ILMs that represent hybrids. However, there are certain H-C characteristics like specific *goals* and means that all flavors of H-C HRM have in common: The highly committed employees are very flexible and deliver their full effort for the goals and interests of their firm. Because they very deeply understand their organization, employees bring in their individual power of judgment to decide what has to be done for the firm's interests in specific situations. They contribute their own ideas to improve the organizational processes (Baron & Kreps, 1999).

To achieve these official H-C goals, several corresponding and consistent H-C *means* with strong complementarities can be identified: Long-term *employment guarantees* and an *extensive screening* of potential employees, to ensure a cultural fit can be seen as the base's of H-C HRM strategies. Another important means is explicitly lived *egalitarianism*. Symbolic and compensation differences among employees that are related to specific positions in the hierarchy are 'aggressively deemphasized'. 'Everyone is part of one big team' (Baron & Kreps, 1999: 190). There is a *strong culture* of egalitarian teamwork prevalent that focuses on *superior goals*, for instance, the vision or mission of the firm such as a 'zero defects' culture. The employees are involved in *extensive socialization* processes and *training programs* like cross-training. A great emphasis lies on *self-managing teams* and *team production* that are accompanied by *job enlargement*, *job enrichment* and *job rotation* programs. Furthermore, a *premium compensation system* is implemented that includes efficiency wages and superior benefits. The *incentive compensation* in H-C HRM systems is, thereby, grounded on firm-wide, unit and team performance measurements. The allocation of *information* and the *channels of communication* are very open and go hand and hand with flattened hierarchies. Through stock option programs symbolic as well as financial *ownership* is encouraged and emphasized (Baron & Kreps, 1999).

⁹ For details see Baron & Kreps (1999; p.178-183); also for critique of ILMs (ibid.: 174-175).

The *goals* and *means* of H-C HRM are connected through specific and complementary strategizing routines: (1) recruiting, (2) training, (3) enabling and (4) motivating. Ad (1): First of all, employees who are able and willing to emit the consummate effort that is demanded have to be *recruited*. The recruitment of the appropriate – preferably immobile and stress-resistant – employees that are team players, fit into a cohesive working group and like to take over responsibility is central because H-C HR organizations invest intensively in trainings and pay offs can only be realized in long-term employment relationships. The employees do not have to possess specific skills because the required skills are developed within processes of cross-training, job rotation, enrichment and enlargement and so are gained on the job. Employees should be motivated through the intangible job characteristics instead of the tangible because otherwise the possibility of their being enticed away is very high.

‘In this regard, these aspects of the work environment all help in the recruitment process by fostering employee self-selection.’ (Baron & Kreps, 1999: 193.)

Ad (2): If selected and recruited, the employees have to be *trained* to develop their skills and knowledge so that they are able to work in the H-C team structures and know the strategy and technology of their organization well. They are supposed to contribute good ideas and improvement suggestions so they have to be flexible in their thinking and acting and, additionally, have to be self-directed and self-managing. Employees get a broad education and training that is facilitated through an open information culture to deepen their knowledge and understanding of the organizational context and its production processes. This helps them to get a ‘big-picture understanding’ (ibid.: 194) of their organization. Ad (3): By giving them employment guarantees and the necessary information, communication opportunities, autonomy and authority employees are *enabled* to deliver the required efforts and performances of a H-C system. Ad (4): *Motivation* is a crucial aspect to H-C HRM systems because employees have to be willing to use ‘their hands’ and ‘their heads’ (Baron & Kreps, 1999: 191). The key motivation features of a H-C systems are the employment guarantee, the premium benefits and wages, autonomy and authority on enlarged and enriched jobs and superior training. The base line of the H-C HRM system is a consistent combination of ‘economic incentives and social-psychological motivating forces’ (ibid.: 195) that constitutes a ‘quit pro quo’ and egalitarian culture within powerful symbols and peer pressure prohibit free-riding effects.

Similar to ILM H-C HRM systems can not only have advantages but also disadvantages: high costs through expensive recruiting and training activities, premium benefits and wages

and long-term employment guarantees. So it has to be assessed whether a H-C HRM strategy fits to the given external context factors. Employment guarantees and trainings, for example, can be very expensive when the workforce is large and badly trained and markets are declining. In a context where the external environment and the workforce demographics foster labor mobility, H-C represents the inferior choice. Furthermore, if another HC HRM employer already has been established, the labor market can be very tight and 'the cream of the local labor force' could already have been 'skimmed' (Baron & Kreps, 1999: 201). The H-C strategy, however, is adequate if a high quality of products and services is very important and process improvements are possible in the market place

4.3 Discussion: Stability and change of strategizing routines in two consistent SHRM systems

As already discussed on an abstract and more general level at the end of chapter 3.4, an analysis that takes the normative level of HR strategies as a starting point has to reflect upon possible operational routines that are triggered by the behavioral consequences of a particular set or bundle of corresponding HR practices. This reflection is, of course, considerably facilitated when considering a consistent (ideal type) SHRM system instead of a real HR strategy with conflicting or contradictory HR practices. Synthesizing the above-mentioned arguments of Baron and Kreps (1999), it is conclusive to hypothesize that internally consistent SHRM systems bring about routines of personnel selection, job design and personnel allocation as well as training, promotion and compensation that further the fitness of personnel characteristics with respect to organizational goals and job requirements.

Contemplating the dynamic relation between the development of normative and actual structures, the external context has also to be taken into account. If both corporate or business strategies and HR strategies meet the demands and challenges of the respective external context factors, the resulting organizational success will induce a reinforcing feedback mechanism that will lead to a gradual convergence of the normative and actual aspects of operational routines, especially a diminishing gap between the interests, qualifications and rationalities of organizational members and strategic goals and requirements. As a result, the level of reflection attending the performance of work routines will also be reduced so that stabilizing behavioral tendencies will increase at the expense of the change potential of routines.

Of course, this change potential is not only influenced by the implementation or legitimization of organizational strategies. Rather there will still be differences between the reason, common sense, needs and capabilities of organizational members on the one hand, and their organization-oriented and shaped rationalities, interests and qualifications on the other hand, may trigger reflection and learning as well as creative behavior. For this to happen depends on the actual situations, for instance, on organizational structures of dominance (e.g. the degree of power asymmetries in organizational relations), the diversity of organizational signification structures related to differences in professional jargon and know-how and the type and degree of interdependence between organizational jobs, teams, departments and divisions. One would expect a low level of this kind of internally induced change of organizational routines with high levels of power asymmetries, signification diversity and internal interdependencies.

4.3.1 Stability tendencies and change potentials of strategizing routines in internal labor market

We start the discussion of ILMs with an observation of the development of German employment systems after the Second World War. Until the eighties of the last century – at least in large companies of nearly all industries – planned and emergent HR strategies clearly evolved in the direction of ILMs. Considering the theory of employment systems of David Marsden (1999), this is a bit surprising (see also Felsch, 2005) because Marsden has postulated that Germany has been dominated by employment systems that follow a so-called ‘qualification rule’, where jobs are designed by means of industry- and nationwide qualification criteria and allocated to employees, who acquire their adequate occupational skills by vocational training and academic studies. Vocational training is, thereby, regulated by a national institutional system with state, employer and union representatives who decide on vocational classifications and the contents of certified qualifications. What is central here is that this work system actually supports the development and efficiency of firm-external occupational labor markets (OLM) as occupational skills dominate skills based on training-on-the-job and upward mobility for semi-skilled workers is restricted. However, not all characteristics of the German system have been in opposition to the requirements of ILMs, this is especially true for firm-specific skills and knowledge (Baron & Kreps, 1999) that are a very important aspect. In this case the ILM-adequate context factors are especially a stable and steadily growing demand for the firm’s products enabling growth strategies and a comparably low degree of price and innovation-related

competition. These conditions do not only secure the viability of ILMs but also the success of business growth strategies without high financial risks. In Germany the formerly restricted role of OLMs and a low worker mobility might also be ascribed to the institutional system of co-determination and worker's participation resulting in a strong preference for internal staffing of jobs.

Putting these arguments together, it is plausible to expect a co-evolution of ILMs and a so-called '*preserving organizational culture*' ('Bewahrungskultur') as result of strong stability tendencies of routines in ILMs that can be illustrated through three central aspects (Felsch, 2005): (1) Local sub-cultures dominate a global corporate culture, (2) there are barriers of communication between departments and hierarchical levels, and (3) leadership behavior safeguards the status quo.

Ad (1) Local sub-cultures dominate a global corporate culture :

The domination of the global culture by local sub-cultures leads to a narrow behavioral orientation of superiors and subordinates towards standard operating procedures and performance standards of one's own work unit. The identification of organizational members is much more rooted in the work group than in the firm membership. Individual behavior is dominated by the adaption to group norms of older colleagues and superiors. Group loyalty is more awarded than individual autonomy and self-reliance. A pleasant working atmosphere, satisfactory working conditions and the appreciation of colleagues are more important than challenges of solving work problems and managing conflicts. As these cultural elements are more attractive for extrinsic than for intrinsic motivated employees, mutual adaptations in the HR practices of personnel acquisition and selection will lead to the retention of more extrinsically motivated members.

Ad (2) Barriers of communication between departments and hierarchical levels:

The emphasis of a special status of one's own department is combined with degradations of other departments (departmental egoisms). There exist hostile images following the motto: 'The others are trying to distinguish themselves at our cost'. A kind of negative coordination is increased: 'If you leave me alone, I will leave you alone'. This will reduce the internal and external customer and service orientation followed by tendencies of solidification that further an introversive behavior at the expense of perceiving and handling external demands.

Ad (3) Leadership behavior safeguards the status quo:

Leadership behavior is essentially directed towards safeguarding the status and integrity of one's own organizational unit. Leaders and managers primarily use means of motivation that further the cohesion of their own work group or department and a pleasant working atmosphere. In a social sense lower and middle management is positioned closer to their subordinates than to their own superiors. They mainly support those ideas and suggestions for improvements made by subordinates that strengthen their own area of responsibility. Supervising inputs and procedures have priority compared to the monitoring of outputs, results and objectives. One of the possible consequences is that professional competencies weigh more than competencies in organizational and HR development ('managers and leaders are the best professionals').

Summarizing the most important elements of *preserving cultures* may be characterized through the following aspects: the dominance of *extrinsic motivation*, *professional competencies*, *negative coordination*, *input and procedure oriented control* as well as *control by superiors* instead of self-regulation. It is obvious that this organizational culture is bound to operational routines with strong stability tendencies and heavily *restricted* change potential. In this vein organizational routines could be defined as *defensive routines* (Argyris 1985, 1990). We would like to emphasize that preserving cultures do not have to be a necessary consequence of ILM-shaped HR practices. However, we hypothesize that a tendency to defend routines and, therewith, a high level of resistance to change could be the unintended ramifications when certain elements of business strategies as well as context and organizational variables add to the main characteristics of ILM.

4.3.2 Stability tendencies and change potentials of strategizing routines in high-commitment HRM systems

4.3.2 Stability and change of strategizing routines in high-commitment HRM

Considering experiences in Germany, the high ranking of *change management* on the agendas of central and general management since the beginning of the eighties of the last century can be interpreted as an indicator of substantial difficulties in transforming the structures and processes of big companies in a way that they are able to meet the challenges of a rising intensity of price, quality and innovation-driven competition. When faced with the challenge of rapid changing environments, the former core competencies were in

danger of developing into core rigidities, impeding the perception of new market demands and societal requirements. Looking at the internal organizational dynamics as a recurrent cycle with the phases *dissociation* from the core competencies of existing organizational routines, *designing* and *implementing* of new strategies and *routinization* of the strategy-conform new process pattern to create new and better adapted core competencies, difficulties to change efficient organizational routines seem to be unavoidable (Hennemann, 1997). The efficiency-oriented process of routinization – single-loop learning (Argyris & Schön, 1978), continuous improvement process – limits the organizational capabilities of a continuous reflection of interaction routines especially under the conditions of collective coordinated organizational action programs. In addition, the respective requisite incentive systems seem to be conflicting: stimulation of intrinsic motivation with respect to collective reflection and learning processes – double-loop learning (Argyris & Schön, 1978) – versus promotion of extrinsic motivation with monetary incentive systems related to individual performances to increase the efficiency of operational routines. As Argyris & Schön (1978) already noted, double-loop learning cannot often be observed in organizational practices.

Nevertheless, the concept of dynamic organizational capabilities (Teece, Pisano & Shuen, 1997) is directed to solve this problem. The HC HRM in the form of a consistent system of HR practices offered by Baron & Kreps (1999) can demonstrate the potentialities, context requirements and limits of this concept. At the centre of the already described features and goals of H-C HRM systems stands the vision of a partially autonomous organizational member or employee acting and being responsible in an entrepreneurial way. The contextual conditions to implement such a vision imply in the end that there is a permanent balancing between individual interests, qualifications and rationalities and the opportunities and challenges of changing environments on the one hand as well as a balancing of these organization-related individual characteristics with deeper levels of needs and capabilities that may trigger not only reactive but also creative behavior. The cooperation of these highly motivated organizational members in self-steering teams (balancing intrinsic and extrinsic needs) should be conditioned by symmetric power relations with the effect of a dynamic balance of defensive and offensive routines that guarantee attending reflection and learning processes with the potential of innovative cooperation. In case the context conditions of the cooperatively created business strategies that entail self-commitments to the collective goals lead to organizational success there will be an attending organizational culture that can be characterized as a learning culture:

Intrinsic motivations are combined with social competencies, a positive kind of coordination, self-steering mechanisms and output- or result-oriented controls. It should be clear that our existing HR systems are more or less different from such an ideal.

5. Conclusion

Much of the recent research in strategic management and organizational studies has still been focused on collective and individual-less conceptualizations of strategies and routines and, hence, implicates a lack of agency (Felin & Foss, 2005; Whittington, 2003). For this reason we have focused our attention on the knowledgeable human agents and the field of SHRM as a discipline that links the resources of human actors with strategic goals of organizations. In an institutional analysis (Giddens, 1984) of two ideal type consistent SHRM systems – ILM versus H-C HRM – we have illustrated the main characteristics and central effects of two contradistinctive structural HRM frameworks and have discussed the stability tendencies and change potential of their corresponding HR strategizing routines: The strategizing routines in ILMs have been characterized through rule systems that are centrally planned and bureaucratically structured. Strategizing routines in ILMs have been described as input-oriented and planned. In an unpropitious context, they can lead to *preserving cultures* that are bound to operational routines with strong *stability* tendencies and heavily *restricted* change potential.

In contrast, a high degree of self-organization and a looser, less strictly formalized and decentrally regulated rule system has been related to the H-C HRM systems. Their strategic processes are output-oriented, governed and controlled regarding the central goals of the organization and actors have an individual sphere of influence. These H-C strategizing routines evolve and are established through self-organization and social learning processes. As already sketched above, instead of blockading, the self-organization and social learning processes H-C systems *encourage* the flexibility and creativity of the performing actors and, therefore, enhance the *change* and innovation potentials of H-C strategizing routines.

To conclude: Through our analysis of the *stability* and *change* of strategizing routines in two different ideal type SHRM systems we have tried to show that SHRM is an interesting field for strategy-as-practice researchers because it offers a very close link to the organizational members who should be re-integrated into the theoretical analysis. The following research questions remain open and could be an interesting field for future analysis: (1) The examination of the relationship and differences between the normative and the actual structural aspects of business and HR strategies as point of reference for

performing agents, (2) the normative versus the actual reference levels of strategic planning and control processes, and, finally, (3) the ex post legitimization of emerging business and HR strategies.

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