



Why do firms seek to share human resource management knowledge? The importance of inter-firm networks[☆]



Carlos Martin-Rios^{*}

University Carlos III of Madrid, Spain
Center for Organizational Learning and Transformation, Rutgers University, United States

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ABSTRACT

This study untangles the social processes and inter-firm mechanisms underlying human resource management (HRM) knowledge networks. The research questions serve to advance understanding of why HRM knowledge flows between firms under contractual relationships and in the absence of formal relationships. The study analyzes data from a complete network of 51 high-technology firms located in a science and technology park to report the structural properties and relational dimensions of inter-firm flow of HRM knowledge. The results from this social network analysis show that the firms in the study actively engage in the sharing of HRM knowledge. Specifically, the results not only indicate the preeminence of formal ties but also of relational factors relating to firm legitimacy, prestige, and collaborative interaction. Participation in inter-firm knowledge networks appears to be an effective tool for obtaining HRM knowledge as well as for enhancing legitimacy and prestige between firms and developing trust and reciprocity within collaborative relationships.

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1. Introduction

In order to succeed, firms not only need to channel resources into developing or refining ways of managing their employees but also need to learn from each other, acquiring other firms' best practices in managing people and adapting those best practices to their specific organizational requirements (Kang, Morris, & Snell, 2007). Building up knowledge of how to manage employees is a critical source of competitive advantage for firms (Grant, 1996). Indeed, previous research on human resource management (HRM) shows that firms that manage their employees according to a specific set of HR policies and practices obtain higher financial returns and long-term economic benefits that guarantee superior organizational performance (Huselid, Jackson, & Schuler, 1997). Despite the appeal of this argument, scholars engaged in HRM research focus primarily on HRM decisions at the intra-organizational level and

on the idea that HR practices must fit in with organizational strategy in order to produce performance enhancements (Delery & Doty, 1996). Research incorporating HRM into inter-firm relationships (Brass, 1995; Kinnie, Swart, & Purcell, 2005; Mirvis, 1997) is less substantive.

Although this notion may provide valuable insights into explaining flows of HRM knowledge, scholars in the HRM field have only recently begun to explore the external contextual and relational factors that potentially influence HRM decisions (Paauwe & Boselie, 2005; Subramony, 2006). Until now, the literature has lacked empirical evidence of the socially embedded nature of inter-firm HRM knowledge exchange and how these flows of HRM knowledge are translated into higher-level outcomes. Such outcomes are potential sources of competitive advantage, via organizational learning and organizational innovation (Paauwe & Boselie, 2005).

Additional work is necessary to empirically explain the notion of HRM knowledge flow and the context in which such knowledge is exchanged among inter-firm relationships. Knowledge of HRM is not static; the exposure of firms to the experience of others in acquiring and developing organizational capabilities, and how they learn from it, increases their executives' knowledge. Thus, the need for further research on HRM knowledge sharing is all the more evident. For example, popular management books and articles offer firms and individual HR managers information about effective practices that reportedly work well in other companies (Abrahamson & Fairchild, 1999; Mazza & Alvarez, 2000; Rynes, Giluk, & Brown, 2007). There is also certain evidence of the role of professional service firms in the diffusion and legitimation of HRM knowledge (Kimberly, 1981). Interestingly, while the role of HRM in

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^{*} Department of Management, University Carlos III of Madrid, Calle Madrid 126, Madrid 28903, Spain. Tel./fax: +34 856 1261/5707.

E-mail address: carlos.martin.rios@uc3m.es.

fostering intrafirm and inter-firm knowledge flows has been the subject of organizational research (Legnick-Hall & Legnick-Hall, 2003), less is known about the dynamics involving exchange of HRM knowledge across organizations (Kossek, 1987; Morishima, 1995).

The absence of a body of research on the inter-firm flow of HRM knowledge may largely be due to the theoretical principles that for the most part govern the field of HRM. One such theory is the resource-based view (RBV) of the firm, which influences the field of strategic HRM. The RBV shifts emphasis away from external factors (such as industry position) toward internal firm resources (such as a firm's human resources) as sources of competitive advantage. As a result of its internal focus, the RBV may fail to generate research on inter-firm HRM knowledge sharing. This study takes a step towards integrating literature on RBV and HRM, along with the literature on the influence of social networks in inter-firm relationships.

The objective of this paper is to empirically analyze the strategic and relational factors that determine a firm's intention to participate in HRM knowledge networks: Why do individual firms actively participate in sharing HRM knowledge? And, in particular, how are these players identified and influenced? According to the literature on inter-firm knowledge sharing, several factors determine the level of embeddedness of partners in their networks. With regard to the current study, the focus is on the factors that some authors report as having a greater impact on knowledge sharing: partnership, credibility, strength of collaborative interaction, and perceived utility (Easterby-Smith, Lyles, & Tsang, 2008; Parmigiani & Rivera-Santos, 2011). I then adopt the social network perspective to analyze empirically how these factors favor inter-firm HRM knowledge sharing. This analysis is especially relevant for the successful management of knowledge flows, particularly with respect to the levels of collaboration that are required for independent firms to actually exchange HRM knowledge with each other.

The organization of this paper is as follows. The first section discusses the conceptual background for inter-firm knowledge networks and provides the analytical framework to be tested in this study. Next is an explanation of the social network research methods, followed by a report detailing the setting in which data on inter-firm knowledge were collected. The results section tests hypotheses regarding the reasons for firms to form inter-organizational networks in order to exchange HRM knowledge. High-tech firms located in a science and technology park managed by a public university provided complete network data. This data set the stage for general observations on the HRM knowledge sharing dynamics between firms and the relational reasons for such exchange. The final section provides concluding remarks and lines of future inquiry.

2. HRM knowledge sharing in inter-firm relations

The changing economic and market environment compels organizations to establish complex relationships with other firms. In this web of relationships, the generation, acquisition, transfer, and exchange of knowledge is one the most crucial resources for firms (Grant, 1996; Nonaka, von Krogh, & Voelpel, 2006). Recently, scholars have begun to investigate aspects of knowledge sharing in inter-firm networks, defined as voluntary arrangements among independent firms that entail the exchange, sharing, and joint provision of various forms of knowledge (Powell & Grodal, 2005; Sammarra & Biggiero, 2008). Much knowledge, particularly managerial knowledge with rich tacit dimensions, is often transferred informally through processes of socialization and internalization (Powell, Koput, & Smith-Doerr, 1996). Of the various types of managerial knowledge, this paper studies the exchange of specific knowledge on human resource management, defined as “the pattern of planned resource deployments and activities intended to enable an organization to achieve its goals” (Wright & McMahan, 1992: 298).

A variety of network configurations exist, ranging from vertical or hierarchical to horizontal or collaborative arrangements. As such, it is possible to illustrate the flow of HRM knowledge as a continuum between pure diffusion and active dissemination: in the first case, the spread of knowledge about HRM is largely horizontal, informal and decentralized (Williamson & Cable, 2003) and in the second, the spread is dyadic often through vertical hierarchies, and is formal and centralized (Kinnie et al., 2005). With few exceptions, research on HRM knowledge flow remains limited to the more formal types of active dissemination in the field of international HRM, including the transfer of HR practices from the headquarters of multinationals to subsidiaries (e.g., Björkman & Lervik, 2007; Lawler & Hundley, 2008; Martin-Rios & Erhardt, 2008), and more or less formalized transfer of HRM knowledge within international joint ventures and strategic alliances (Schuler, Jackson, & Luo, 2004). This literature builds on the substantive body of research into intra-organizational knowledge transfer between headquarters and subsidiaries (Bartlett & Ghoshal, 1998; Tsai, 2001). A lot less research attention is focused on more cooperative, less instrumental, inter-firm arrangements as an important venue for HRM knowledge sharing, despite the amount of interest shown in knowledge creation and exchange in inter-organizational relationships (Håkansson & Ford, 2002; Johnston, Peters, & Gassenheimer, 2006).

Whether its focus is on highly formal strategic/innovation networks among alliance partners, or on less formal groups such as technological clusters of SME, existing research on HRM knowledge flow analyzes the pattern of diffusion of particular HR practices. For example, Williamson and Cable's (2003) study of top management team selection decisions shows that the wider social context, specifically inter-organizational network ties, shapes organizational HR decisions such as the hiring decisions of Fortune 500 companies. Other studies explore the role of universities, business schools, professional firms and consultants in the production and diffusion of management practices such as TQM (Westphal, Gulati, & Shortell, 1997), the spread of HRM ideas and practices in Italian magazines and newspapers (Mazza & Alvarez, 2000), inter-firm diffusion of HR IT innovative practices (Florkowski & Olivas-Lujan, 2006), and patterns between US firms' innovative orientations and how they approach new HR practices (Mirvis, 1997).

Regarding the reasons for HRM knowledge sharing, research suggests that arguments fall broadly into two categories: the “internal” or “external” benefits to the organization. The first category points towards an internal, strategic HRM argument that seeks to disseminate HRM knowledge as a means of driving organizational performance. The second category draws on factors other than organizational performance to address the potential of HRM knowledge sharing. For example, Sanchez, Kraus, White, and Williams (1999) state that the need to stay competitive may lead firms to search for and imitate innovative solutions developed by other firms. An exchange of this kind may happen among firms that participate in industry events (Stam, 2010), or via benchmarking to scrutinize an existing practice in other firms (Sanchez et al., 1999).

To date, however, few researchers have specifically explored inter-firm HRM knowledge flow, and consistent research aimed at elucidating the appropriate reasons for firms to take part in collaborative networks where HRM knowledge sharing may take place is still lacking (Martin-Rios, Erhardt, & Septiem, 2012).

The study's conceptual model addresses the transactional (formal) and embedded (relational and instrumental) components of HRM knowledge sharing (see Fig. 1). This model proposes that HRM knowledge flows across organizational boundaries for various reasons. Clearly, there are potentially positive consequences for firms that participate in inter-firm HRM knowledge networks. However, as the next section shows, a lack of research in this area means that the author anticipates doubts regarding the benefits of sharing HRM knowledge.

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