



A risk perspective on human resource management: A review and directions for future research



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ABSTRACT

Arguing the value of effective HRM practice has long been a focus in the HRM literature. However, there is also a case for identifying the risks presented by inappropriate or absent HRM practices. Although risk management has been established in the broader management literature for over two decades, human resource related risks have not featured as prominently as other types of risks. HRM as a discipline has a role to play in addressing this situation and raising awareness of human resource issues as risks for the organization. A review of papers published since the year 2000 in a broad range of high quality management journals, identifies that limited research has thus far taken a risk management perspective on human resources. Although the HRM and risk management disciplines stand to benefit from drawing the two areas together, this review concludes that further research and development of the phenomenon of human resource risk management is needed.

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1. Introduction

The large majority of the research and literature in the area of human resource management (HRM) focuses on the positive impact of HRM systems and practices. Outcomes such as employee well-being, organizational effectiveness and wider societal contributions have long been the focus to argue that HRM can make a positive contribution to the organization and broader society (for example, see Beer, Spector, Lawrence, Mills, & Walton, 1984). Indeed, the argument continues to be made that effective HRM has the potential to have significant impact both within the organization and in the broader societal context (Jackson, Schuler, & Jiang, 2014).

However, just as effective HRM can have a positive impact, there is also a case for considering the risks of ineffective, inappropriate or absent HRM practices. With the increasing focus on identifying and evaluating risks in organizations (Haimes, 2005), risk management has become a key strategic priority. It is expected that businesses adopt and integrate risk management practices into their operations, and this expectation has seen a range of standards such as the ISO 31000:2009 Risk management principles and guidelines (International Organization for Standardization (ISO), 2009) emerge, accompanied by a multitude of tools and frameworks. This focus on risks and the subsequent tools and frameworks has primarily focused on financial and physical risks, largely neglecting the area of HRM and any people-related risks beyond those of health and safety. So from both a HRM and a risk management perspective, it would appear that there is an opportunity for risks related to HRM to be further acknowledged, explored and integrated into established risk management processes.

The purpose of this article is therefore to review the management literature since the year 2000 in order to analyze the extent to which the discussion of human resources and HRM practices adopt a risk perspective, and to identify potential future research

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in this area. Empirical and theoretical articles were reviewed to identify those that recognize human resources as a source of risk and/or HRM as a way to mitigate organizational risk. Analyses were conducted of these articles and the contributions they make to advance this agenda. Based on this review we are then able to identify future research opportunities to address the gaps identified in order to better shape future research for mutual benefit in the area where HRM and risk management intersect.

2. Risk and risk management

There has been much debate around the definition and meaning of the term “risk”, and indeed there is not a single, widely-accepted definition for this term in the academic literature (Hagigi & Sivakumar, 2009; Lehtiranta, 2014). Definitions of risk typically range from those that focus on the potential negative outcomes of lack of predictability in the business environment (e.g. Jablonowski, 2006), to those that argue that risk represents the variability of outcomes (which may be positive or negative) (e.g. Jaafari, 2001; Osipova & Eriksson, 2013). Uncertainty is a term often used interchangeably with risk (e.g. see Sydow & Frenkel, 2013) or is included as an element of the definition of risk for example, “we view risk broadly as the uncertainty inherent in potential outcomes for a business entity” (Hagigi & Sivakumar, 2009, p. 287). More specifically, Holton (2004) suggests that risk comprises two essential components; exposure and uncertainty, and both must be present in order for risk to exist. Exposure requires that there be a personal interest in an outcome, and uncertainty exists if the possibility of that outcome cannot be assured. Aven (2010) summarizes a range of definitions suggesting that fundamentally a risk comprises: an event, consequences, and probabilities (or uncertainties). It is this definition that we have adopted for this review noting the existence of consequences (positive or negative) and uncertainties when dealing with the human resources of an organization.

Different disciplines also tend to view risk through different lenses, and the topic of risk and risk management has been explored by a range of business disciplines such as economics, strategic management, and behavioral science (Elahi, 2013). Regardless of the different discipline perspectives and foci, risk management has become an important business activity as the business environment and uncertainties within it continue to grow. Risk management is considered to involve the identification, analysis, evaluation, control and monitoring of risk and uncertainty (Baker, Ponniah, & Smith, 1999) in order to avoid or minimize the potential negative impacts on organizations. The use and implementation of risk management has been driven by the aims to prevent losses, mainly financial, and secure successful achievement of business objectives. Based on an investigation of the history of risk management, Dionne (2013) estimates that modern risk management perspectives developed between 1955 and 1964. With its initial use connected to market insurance and financial institutions, risk management gradually evolved into the corporate function of today, the main purpose of which is to enable the organization to manage risks and uncertainties (Dionne, 2013).

Importantly, risk management is not simply about compliance or about stifling risk-taking; Elahi (2013) argues that in a world of complexity and rapidly changing environments, effective risk management may be a source of competitive advantage. In the field of risk management, and in the broader business literature, there is growing recognition that one of the key risks in a business is human capital (Hinton, 2003) and risk management as a discipline is cognizant that “human resources loss” has the ability to significantly impact the organization and its ability to deliver the business strategy (Nickson, 2001, p. 26). Nickson (2001) in fact argues that as human resources inherently involve a level of uncertainty, and as risk management's main focus is uncertainty, forging the two fields of risk management and HRM is critical.

Over the years risks have been identified and categorized in a variety of ways. Hagigi and Sivakumar (2009) suggest that risks can be categorized at the broadest level in terms of their origin; exogenous (external to the organization) or endogenous (within the firm). Endogenous risks were seen to cover issues such as management attitudes and organizational practices (Hagigi & Sivakumar, 2009) and could be seen to encompass the human resources of the firm and the associated uncertainties linked to these. Alternately, Dionne (2013) also categorized risk and suggested that within the operational risk category, issues relating to employees (such as employee errors) should be considered. In these types of categorizations, human resources are often acknowledged as an element of organizational risk, albeit in a limited way.

So whilst in the risk management sphere, the human element is implied in some frameworks, the question remains as to whether or not there is widespread recognition of the wide range of risks that human resources present in an organization and how effective HRM practices may serve to mitigate some of these risks. This paper therefore addresses this question, undertaking a review that focusses on the extent to which HRM is viewed from a risk perspective in the literature.

3. HR risk in the literature

3.1. Scope of review

To identify and analyze literature that consider risk as it relates to human resources, we undertook a comprehensive review of a wide range of articles, but used a number of steps to place limits on this review. We restricted our review to articles published since January 2000 (search conducted on 28 July 2015). The period since 2000 has seen the emergence of risk management as a discipline (and business imperative), in part in response to significant financial collapses in the early years of the new century (Dionne, 2013) and therefore this period represented an appropriate timeframe from which to gather articles relating to contemporary risk management.

The choice of journals to include in a systematic review is always a contentious issue, as ensuring sufficient breadth of review and yet allow for depth of analysis requires the careful consideration of search parameters. Some reviews have chosen to begin with a list of specific journals (e.g. the top 20 management journals – see Werner and Ward (2004) or Gomez-Mejia and Balkin

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