Human Resource Management: Institutionele grondslagen, historische ontwikkeling en perspectieven voor de economie van de 21ste eeuw
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Summary

Between the second and third industrial revolution global economy appears to be in a state of transition. At the beginning of the second industrial revolution (c. 1875 - 1975), labor market institutions arise that can be considered as being reasonably successful. The question is, whether these institutions can adequately solve the problems of the economy of the 21st century. A century that is characterized by the changing nature of assets and the production of knowledge and the increasing importance of human capital causing the foundations of the economy to change. The implications for Human Resource Management, or personnel management, that emerged as a (business) institution on the foundations of the 20th century economy, are the subject of this research.

Institutions (the formal and informal rules designed by people intended to regulate behavior) have also led to specific governance models for companies, and forms of internal organization of the company regarding structure and processes, such as a specific resource allocation process. Institutions regulate property, facilitate long-term contracts, reduce complexity as in alternate ways of acting and provide the context in which managers can make decisions in spite of incomplete information.

To gain insight in the way existing problems can be solved efficiently and to understand in which way the field of HRM could further develop, the developments in the United States (where HRM originated) and in the Netherlands have been identified first. Since the institutional foundations of HRM have been formulated outside the domain of HRM, i.e. in company law, labor law and in neo-classical economics, they will be used as the starting point of this study which will help gaining scientific distance.

The premise of this study is therefore:
In what way will Human Resource Management develop within the economy of the 21st century as a result of institutional and operational developments in the present economy?

The theoretical foundation of HRM and its theoretical context are described in chapter 2. A grand theory about HRM has not been developed to date. Theory in the field of HRM as an independent discipline, is still developing but is too often based in the paradigm of 20th century economy. Furthermore there is no common understanding of the concept of Human Resource Management. The theoretical school generally adhered to that of the behavioral perspective.
addition, the resource-based view of the firm (RBV) is often applied. The theory that has been developed until now regarding HRM provides insufficient insight into a broader historical development of HRM and it doesn’t present an un-equivocal outlook on the social and economic context in which HRM has been established.

HRM theories have a number of limitations. Most current HRM theories do not adequately reflect changing ownership relations. In the traditional company, the Chandlerian Modern Business Enterprise (MBE), property rights coincide with the company’s physical production assets. Through labor legislation managers gain managerial control over workers in the form of the right of instruction (as opposed to contract work). This right of instruction enables the employer to determine the employee’s performance (output) as well as the manner in which the employee should proceed. Based on this, Taylor’s Scientific Management could be applied. Taylor assumed that workers originally determined their own approach toward carrying out their work. Taylor’s theories were aimed at relieving them of their personal knowledge, to systematize and reorganize, assuming that both entrepreneurs and workers would eventually benefit as a result of greater efficiency. In today’s economy, knowledge is an increasingly important source of labor, contrary to what it was in the 19th and the first half of the 20th century when labor was based, to a much lesser extent, on personal knowledge and was generally related to physical exertion. Due to the ever-increasing autonomy of knowledge workers, who more and more demand their part of the residual claim, employment relationship is fundamentally changing. Not until the production of knowledge becomes an endogenous factor in the production function at the beginning of the 20th century, because companies set up their own R & D labs around 1900, are we able to speak of a knowledge economy. This knowledge economy relates to the exploitation of codified knowledge, for example established in patents, where in today’s 21st century knowledge economy, the non-codified, person-related knowledge, developed within the overall organization, is becoming increasingly important.

Another limitation in HRM theories is the role and function of HRM. In fact, the theoretical models such as the RBV merely indicate that a relationship exists between HRM tools and HRM strategy, that the organizational context is important and that organizational, social and individual effects exist. However, the influence of separate variables is not taken into account, there are no prerequisites that the variables must meet in order to be of any consequence and to what degree they depend on each other. It could be stated that the theory lacks a clear way of being put into practice, and therefore a model (to help managers make decisions) to determine the use of the human capital factor is missing, while existing methods that do make an effort to determine the human capital factor lack a theoretical underpinning.
A final limitation of the existing theoretical frameworks is that, initially, they are not focused on the exact functioning of HRM but on its effect, especially where it concerns the success of the company.

Therefore, the research questions cannot be addressed using the existing theoretical models. A new framework is needed in which the above-mentioned issues can be addressed and analyzed. This new framework must be developed and the first phase is to investigate the foundations of HRM.

The dogma in economics that best meets these requirements is that of institutional economics, where the concept of institution is key. This study is based on the diagram of Williamson in which a four-layer structure is applied with a corresponding time scale that enables adding a historical dimension to the study of HRM, which up to now is (almost) non-existent. The theoretical concepts that are relevant to the study of the (top) layer L1 (the institutional environment) originate from the social sciences, such as those of the second modernity from Ulrich Beck. The second layer (L2) relates to the institutionalization, the third (L3) to its corresponding governance and the fourth (L4) to its being put into operation. This diagram offers the possibility to compare the development of the old institutions that originated from specific circumstances, to the technical and other conditions as they occur in the economy of the 21st century.

One of the research methodologies used in searching for a new theoretical framework for HRM was the one developed by Glaser and Strauss within the context of the idea of grounded theory. Five research methods have been applied: a literature review, interviews, case studies (AkzoNobel, Cordaid, KLM Cargo, the Ministry of the Interior and Kingdom Relations, TMC and the Ministry of Defense (especially the mission in Kandahar), (text) analysis of the largest HRM discussion forum on LinkedIn in the Netherlands called HR Community and the attendance of a peer group of young professionals that are part of the Dutch professional association of HR advisors: NVP.

In chapter 3, the research findings will be presented. The position of the researcher is that of the reflective practitioner. This refers to a professional who verifies his theoretical knowledge against practical experience and on these grounds adjusts his theoretical concepts. A deliberate choice was made for a descriptive, hermeneutic approach instead of a deductive one, thus avoiding, consciously or unconsciously, that assumptions and principles of current theories and beliefs dominate, giving new ideas a lesser chance.

The case studies show that the companies and institutions are in a transitional phase in the economies of the 20th to the 21st century, which is characterized
by an HRM policy largely based on the paradigm of the 20th century economy, i.e. the separation of capital and labor as codified in company and labor law. The themes that characterize the economy of the 21st century are visible in the cases (sensing and sense-making, reporting along different axes, contribution-related remuneration, individual, tailor-made employment contracts), but the predominant picture of HRM policy is that of the 20th century (traditional job descriptions and job ratings, compensation on the basis of collective labor agreements (CAO), command and control). None of the cases show an integrated approach of the four levels of Williamson's diagram. The common denominator in most of the cases is the influence of the external environment.

No one appears to be looking for new HRM tools that are consistent with the institutional changes. The question what these institutional changes mean to the organization of HRM is not (clearly) posed. First and foremost the existing HRM instrumentation is being used, sometimes adapted in minor ways. The job structure is modified, MD programs are being used, another emphasis on the control by managers is researched, the new remuneration system is being adjusted. New HRM instruments that are closely related to changing paradigms, values, views of humanity, ownership of knowledge, other forms of reporting or remuneration have hardly been encountered, at least not within a clearly defined framework. However, a number of organizations is looking for new manners of assessment or lines of accountability. In the cases, this search from low commitment to high commitment is recognized, often implicitly, whereby existing institutional frameworks serve as a starting point.

HRM policy within the investigated companies and institutions is subject to change due to the changes that occur both inside and outside the organizations. We see a functionalist approach and thinking in terms of functions is at the heart of this. Sharing and exchanging information is important, as are teams and knowledge management, although generally these are options more so than reality. Putting this against Williamson's diagram, it appears that activities mainly occur at levels L3 and L4. The specific Dutch context ensures that the key role that is played by the state and the presence of existing institutions such as trade unions and consultation frameworks result in the fact that existing HRM instruments are maintained. The role of HRM as a professional is not evident and is not important in changing the institutions or in creating new institutions. There seems to be no ambition to pursue this.

Adherence to the existing institutions, as in the Netherlands to the existing system of labor relations, can partly be explained by the path-dependency theory: to change what exists and to which everyone is accustomed, is more complicated than to invent something new. Such a statement however, bears the risk of historical
determinism. The institutional relationships and the HRM linked to this, are based on separation of capital and labor, while in reality, due to the increasing economic importance of human capital, this is no longer the dominant structure of conflict in society. To ignore this may lead to social conflict and economic retardation. Instruments like HR analytics, the so-called ‘New Ways of Working’ and other novelties are merely refinements that perpetuate the existing institutions.

In line with the findings in the cases, the results of the reviewed discussions on the Internet forum also show an emphasis on levels L 3 and L 4. The discussion subjects suggest that the participants are seeking a new equilibrium (and management issues play a prominent role) between high and low commitment. The existing institutional frameworks are also the point of departure in these discussions.

When looking at the topics, current relevance appears to be high and the emphasis is on operational issues. In this respect, the research findings are consistent with the cases. Only occasionally a level L 1 topic is on the agenda. A notable exception is the topic concerning views of mankind, even though this discussion also started with an operational question, i.e. what are the ideas and assumptions behind the models, methods and tools?

From the examples of the peer group an image emerges of young HR professionals who are serious about their work, but are faced with companies and institutions that determine the codes and the patterns of behavior that are (still) unknown to them and that can (sometimes) make them insecure. Often, they change jobs (all members of the group now have another position). Given the small numbers we are talking about, far-reaching conclusions cannot be drawn from this. But it does concern a group that was followed for a relatively long period of time (two years) and the participants differ more than average from the average starting HRM advisor.

The study material didn’t offer any organizations showing HRM to be well aware of its role in the changing economy by anticipating on it with the development of new instruments. Instead of retaining, developing and offering opportunities to young talent, these people are obliged to adjust to the organization, which reduces the opportunities for innovation and change.

The results of the collected data show HRM in the Netherlands to be well aware of a number of fundamental interior changes, as well as changes in the context of the companies and institutions and it is also aware that it needs to act on these changes. The fact that HRM itself will have to change, where function, tasks, role and organization are concerned, has not been been addressed. The current institutional framework is taken as a starting point and within that framework changes
are allowed to take place. The biggest problems seem to be with the manage-
ment of the company. In the search for low commitment to high commit-
ment that is apparent in all cases and in the discussion group, management seems to
obstruct the formulation of new policies. The management of the companies
in HRM should play a leading role in this quest. Because HRM professionalism,
as previously indicated, is little developed in the Netherlands, it is unlikely that
HRM will take the lead in this. The fact that the necessary conditions (a review
of company law and employment law) to start formulating new HRM principles
have not been met (yet), should not be an excuse for HRM not to advocate such a
necessary revision.

The development of the internal organization of the MBE is described in chapter
4. The question here is, what kind of interaction can be established between
personnel function and the creation of the MBE, which contextual issues were
relevant in the development (design, objectives, functions, scope) of the per-
sonnel function and which institutions were of importance. The birth of large
enterprises is directly linked to the emergence of the railways and the telegraph
in the United States, from which large markets came into being, together with the
capital-intensive heavy industries that required economies of scale. Because this
growth was accompanied by a shortage of labor forces, workers were imported
on a large scale, mainly from Europe.

The concept of the MBE as it developed in the 20th century turns out to be the
specific institutional context within which HRM has been developed, albeit in a
number of limited variations. HRM as a so-called business institution, within the
concept of the MBE turned out to be the answer to a number of issues that arose
because linked to the concept of the MBE, two dichotomies were implemented:
the separation of capital and labor and the separation of the right of use and
the usufruct of means of production. Because the MBE was an answer to the
then necessary capital accumulation and capital intensity and thus focused on
capital productivity, the uncertain element of labor had to be restricted. This was
achieved by fixed ex-ante determined wages and by using specific measures in
business operations to prevent the employees, though not in all cases, to transfer
personal knowledge into economic value. Apart from that, the output of indivi-
dual employees was often difficult to evaluate, which made job descriptions and
job ratings necessary. Through functionalism, HRM also played an ideological
role, particularly in the United States. The HRM function as it has developed, was
pre-eminently an instrument within the concept of the MBE (as is, for example the
function of management control) and (socially) for the benefit of the MBE which
has since remained its sole function. The lifting of the principle of co-location in
the MBE was one of the main elements that had to be compensated by HR tools.
Beginning at the middle of the last century, a number of changes occur, the most
essential of which is the growing importance of information and the added fact
of the increasingly growing economic importance of intangible assets, especially
human capital. Where the MBE used to be particularly focused on the exploitation
of physical assets and the representation of the interests of the investors, the 21st
century company needs to focus on the most valuable asset, that of human capi-
tal. Enterprises and the key factors therein focus on those stakeholders on whom
they depend: the holders of capital. In the economy of the 21st century, the cards
are being reshuffled and various interests and their resulting dominant positions
will change. This calls for redefining and reconsidering the relevant supporting
institutions. The existing institutions no longer (entirely) fit the newly emerging
issues. Intangible assets are not only increasing in importance, but even more
interesting is the fact that knowledge is personal and partly tacit. This raises the
question whether institutions that have been developed in the economy of the
19th and 20th centuries such as the Intellectual Property Rights (IPR), labor law
and company law, will still be able to carry out an equally central and guiding role
in the economy of the 21st century, as they did in the former century. Another
consequence will be that new labor relations will have to be developed where
the most important question will be that of ownership. The difference with the
‘old’ economy is that the limits (of knowledge and of property) are not so easily
defined. Not only are new institutions needed as a tool to reduce insecurities, the
relevant question is whether the prevailing character of institutions is in need of
revision. Instead of arrangements in which a longer time perspective is often the
starting point, it is very well possible that more pragmatic and flexible structures
will become more important. Of the three types of control mechanisms (market,
bureaucracy and clan) that are mentioned by Ouchi, the clan is probably the most
promising. Communities like Facebook, Linkedin, eBay, Creative Commons ,
Kickstarter, Car2Go et cetera are already functioning as such. It is to be expected
that in the company of the 21st century ownership of knowledge will at any rate
become an important design factor. The question is whether the development of
new institutions will not begin too late with the ensuing danger that opportunistic
solutions instead of pragmatic solutions will prevail.

The thesis that will be formulated in chapter 5, based on seven transformations
surrounding the topic of work, is that the nature, role and position of paid employ-
ment in society, both within organizations and within the life of the individual, has
been subject to several major transformations in particular during the last quarter
of the 20th century, but that the function of HRM has not transformed accordingly.

Penrose’s ‘Theory of the Firm’ was used towards this end, although this theory
has not taken a final form, nor is it in any way unambiguous. Penrose assumed
that an enterprise consists of an administrative planning unit and a combination
of a number of means of production. Her views resulted in the Resource Based
View (RBV) of the firm. Although the RBV considers knowledge of employees, as an asset important to the production capacity of the company, it places particular emphasis on the aspect of competitive advantage: to what extent can the specific combination of input of a company be distinctive, relative to other companies. The fact that knowledge can be an integral part of labor is not taken into account in the considerations of the RBV.

The Knowledge Based View of the Firm (KBV), which builds on the RBV, adds the element of knowledge as a carrier of value and value creation by the company, by which knowledge is ascribed a more important role than is the case with the RBV. The KBV assumes that knowledge is a key source of competitive advantage. Arrow also emphasizes the importance of knowledge and information, similar to some views of the KBV: “What is the role of the firm in standard economic theory? It is a locus of knowledge, as embodied in a production possibility set”. The knowledge that forms the company in Arrow’s definition, is encoded in different ways: in machinery, patents, work instructions, software, systems, procedures, routines, but to a large extent also in managers and employees in the form of non-codified, personal knowledge (tacit knowledge).

One of the consequences of the rise of the modern labor organization was the creation of what Marx designated as alienation: the separation of ownership, control and the right to the economic value of the use of that ownership, respectively the exercised control. This resulted in a gradual decline of the autonomy of the workers. In the 19th century the status of the craftsman also changed. At the same time contrary to this movement, we see the emergence of a number of institutions that formed a protective shell surrounding labor in the form of unions, employers’ organizations, the High Council of Labor, the Law on Company Boards and the Law on the collective labor agreement (CAO). For a long time during the 20th century a balanced situation existed. This changed by the end of the 20th century. The nature and organization of labor, the manner in which organizations are shaped, the role of labor in the lives of people and the growing importance of, in particular, the non-codified knowledge within labor, resulted in the fact that ever more cracks appeared in the structure of labor institutions. It seems that these institutions are no longer the answer to today’s problems and certainly not to those of the future in so far as we are able to observe and predict these. The development of labor in the 20th century is largely determined by the industrial development and has led to a process of increasing disintegration of labor, capital and knowledge, meaning these three elements are no longer united in a single person. This is a gradual development that already started in the 11th century but was strengthened and accelerated as a result of the first and second industrial revolution, the separation of capital, knowledge and labor being the result. The organizational vehicle in which this took shape was the MBE. The result
was that labor was considered a commodity that could be purchased. At the institutional level, in the western world in the 20th century a system of laws and regulations developed at a national level (L 2) that was highly influenced by the institutional developments in the United States and can be considered a reaction to the social developments of that time; both political (World War I, the fear of communism) as well as with regard to the development of values (amorality due to the migration to the U.S.). Contrary to the disintegrating character of labor, it was the appearance of institutions like these that caused a strong integrating effect. The institutions were geared towards preventing social unrest and uniting employers and employees. The Versailles Treaty of 1919 explicitly referred to this and resulted in the creation of the ILO that, certainly in Europe, played an important part in shaping labor relations.

The transformations of labor occurring by the end of the 20th century, show an increasing process of integration: workers gradually regain more influence over their work and are able to adopt (partly as a result of higher educational levels) a growing independent attitude in general and towards their employers in particular. Authors such as Nauta, Gratton and Beck expect that the individual’s choice in finding work will become more diverse and that the experience of labor will have a substantively different content. The growing number of self-employed people in the Netherlands during the last 10 years seems to support this.

The most far-reaching transformation of labor is the increase of the knowledge component of work in combination with the fact that the tacit aspects of knowledge become more important and that this knowledge, by definition, is person-related. Knowledge is no longer a commodity that can be bought but an intangible asset to be used by a company. Thus, labor becomes more embedded. Institutionally speaking, on a national level (in the Netherlands) a weakening of certain institutions can be observed: unions lose legitimacy and mutual consistency, increasing pressure is put on the SER (The Social and Economic Council of the Netherlands) and on the system of social security. However, a discussion within these institutions about the changing foundations is not apparent, even though new developments, like the growing number of independent workers, should be approached by the existing institutions rather than by newly created institutions. It seems as if the new nature of labor is insufficiently recognized and that the current frameworks are the points of reference for the study of these new phenomena.

When set against Williamson’s diagram the developments are forming into an image of a reintegration of labor, capital and knowledge, which seems to be a return to the period before the industrial age but which is essentially different. The transformations of labor caused a number of fundamentally different stands: information/knowledge as a production factor is more person-related. The wor-
Kers enjoy a greater autonomy compared to the 19th and the first half of the 20th century which means, among other things, that the importance and the role of certain institutions, such as trade unions, that used to offer an important supporting (but also conservative) structure in the 20th century, is now changing.

Instead of three separate means of production: labor, knowledge and capital, we now see an increase in the importance of intangible assets in the form of three types of capital: human, informational and organizational capital. The value of each single category cannot be measured; it is only through collectivity that they can create a certain value and meaning.

The significance of these developments for HRM is far reaching. Because the foundations of HRM have been developed in the 20th century, as well as the institutions that HRM uses or is a part of (labor law, unions, job evaluation systems, reward systems), eventually these will no longer be useful. This is most obvious in the banking sector. The reward models are ready to be revised. The current remuneration systems have their basis in Vroom's extended expectation model that is based on individualism (and behaviorism) and presume there is a relationship between individual efforts that leads to certain achievements, which in turn provides a desired reward. The model developed by Haslam is a better way to reflect on the broader range of motivations that, as is to be expected, will emerge. Workers in the economy of the 21st century will increasingly make their own choices regarding the jobs they desire and are likely to become less dependent on the government and the employers.

The future employment relationships also require institutions (for example in the form of legislation) that connect labor or delivery performance and ownership. This will partly consist of the idiosyncratic, pragmatic contracts referred to by Nauta and new types of constructions, partly based on existing legal forms.

Compared to the United States and the United Kingdom, the development of HRM in the Netherlands and its institutionalization has had a late start. A number of essential elements in (the development of) HRM in the Netherlands differ from the United States. The right of instruction and its closely related system of job description and valuation is one of the characteristics of American HRM. In the United States putting this into practice was mainly done at company level, to which goal supporting institutions emerged in the form of professional HRM staff, a professional association and in an early stage (management) courses were offered in which HRM was part of the curriculum. The system of job descriptions, developed in the United States, was adopted in the Netherlands (witness the Standardized Method), but the supporting institutions: education and a professional body and professional association were missing in the first half of the 20th
century. Another institution developed in the form of collective labor agreements, with a system of generally binding agreements that resulted in a high national coverage.

A second feature of the Dutch situation is the discrepancy between the institutions (L2) and the process of putting objectives into practice (L4). Institutionalization appears to be ambivalent which is expressed in delay (of legislation and counseling), the discrepancy between legislation and its application (Van Houten’s Child Labor Law) and the half-hearted implementation of a controlled pay policy. This institutional development has not contributed to a development of HRM into a strong institutional factor that plays a significant part on levels L2 and L3. Normative and regulative aspects alternate in addition to which paternalism also plays a part. A dominant paradigm is not in any obvious way different from the constant search for a new balance.

Over time the part played by HRM professionals is mainly operational and supportive with a slight shift in emphasis. Before World War II HRM was not all that visible. In part, this was caused by the fact that personnel management was often carried out by management consultants and by the Foundation for Psychotronics (Stichting voor Psychototechniek) established in 1928. After World War II HRM is beginning to emerge, mainly as executor of centrally (above company level) defined working conditions, through collective bargaining and job evaluation systems. Its visibility increases when, during the sixties, professional education programs emerge and a professional association is formed but so far this has not resulted in HRM becoming a professional body.

The core of the changes is that in neo-classical economics, labor up till now was considered to be a commodity purchased by the company. Labor was therefore not a part of the company. Due to the fact that personal, not codified (tacit) knowledge will become more important in the process of creating a company’s value, (future) workers possessing this knowledge will become (co-)owners of the enterprise, as personal knowledge is a material part of the company’s capital foundation.

This development touches upon the foundation of the system of labor relations as it developed in the twentieth century: the separation of capital and labor as it is defined in corporate and labor law. This may have far-reaching consequences, not only towards labor relations, but also towards the social and political conditions part of which is the system of corporate governance and therefore also towards the foundations of HRM.

A complicating factor in answering the research question is the language being used or being available for that matter, to describe the reality of HRM that needs
to be investigated: a language that is currently determined by that same reality of and theory (or the lack thereof) on Human Resource Management. The language that now describes HRM, both in a practical-normative as well as in a scientific-analytical sense, is the language linked to the manner in which HRM has developed itself as a business institution. HRM's existing body of knowledge has not yet developed into a theory that is useful in answering the research question because the existing theory is generally focused on the question of HRM's added value to the company's operation, and not on its guiding significance or on any research of its foundations on a meta-level.

In addition, the historical and thus the institutional horizon of the current theory for HRM are not wide enough. The issue of the property of knowledge for example, receives insufficient attention. A comprehensive operational model to determine HRM's contribution and value to the company is absent. To be able to build a theoretical structure that can be used as an analytical framework for ‘contemporary’ HRM and that reflects the issues of our time, more insight into the foundations of HRM will have to be obtained.

The question whether the current labor market institutions are adequately equipped in solving nowadays labor issues must be answered negatively. Not only do the current institutions block all view on a changing reality, the culture of the pacification democracy that has developed in the Netherlands seems to have very deep roots and is still being adhered to as a guiding principle. The profession (which is currently underdeveloped on an institutional level) offers insufficient counterweight and the problem has yet to be fully recognized by the academic community, the question being that if this awareness would be present, its effects would be sufficient.

Contrary to a number of other countries (Scandinavia, Canada, Australia, the United States) the Netherlands only occasionally develop new assessment models or instruments to measure the contribution of employees to the company's results. A further elaboration and measurement of intangible capital is under development. In the Netherlands the knowledge economy is being discussed on the basis of outdated institutional models and is not related to the new labor relations. This is illustrated by the way in which the growing sector of self-employed people is being approached. Instead of developing a modern, innovative system, the emphasis is either put on that part of the self-employed population that is forced into self-employment or the self-employed are being incorporated into the existing legislation as much as possible. Only if the problem is recognized will there be any chance that existing institutions will be adapted or that new institutions will develop. There is a very real possibility that this will only happen when the need to do so is unavoidable, e.g. when knowledge workers,
on a large scale, will begin to emigrate to Scandinavia or the United States or when companies are going to establish themselves in countries that have adapted their institutions into appreciating the contribution of knowledge workers to the result of the company by way of a reward and/or a property system.

Based on the research data it can be concluded that the 21st century will exhibit a differentiated range of HRM. It will partly remain as it is at present and continue to use the existing instruments. This will be the case in those areas where the pressure to change is absent and general, codified knowledge is more important than tacit knowledge and where labor is considered a commodity. A number of areas that do feel the pressure to innovate due to competition (for example the creative sector) or to labor shortage, there is a higher chance that new HR tools will develop (see for example the case of TMC), especially in those areas with specialized labor and personal knowledge. One of the areas in which, striking developments will shortly occur, is the research sector.

The coexistence of different institutional relationships may result in confusion and conflict because on an operational level the old institutions will be retained (the Dutch industrial relations, legislation, SER), while the foundations of those institutions have become eroded or will turn against themselves.

If the Netherlands wish to find a course and a position within the knowledge economy of the 21st century, an effort will have to be made that is focused on institutional innovation, with the added problem that this innovation will ultimately have to be translated (into legislation) by the same actors who are part of ‘the regulatory elite’. In 1996, Teulings calls for holding on to the corporatist model because so far it was successful, especially on a macro-economic level. The question remains whether the changing institutional foundations should not result in a revision of the corporatistic model, if only because of the changing relationship between workers and employers and the diminishing role of the government. Another factor is, that the renewal of the institutional foundations of private enterprise production, and thus of HRM, is an international issue. Among other things it will be necessary to change the dominance of the current way of thinking about corporate governance. Innovation of the international accounting rules will also be necessary, since these obstruct the activation of investments in intangible assets and therefore investments made in knowledge.

Given its institutional dependence, HRM cannot transform independently towards the knowledge economy.