

# **Human Resource Management in the Context of High Uncertainties**

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## **Abstract**

This paper develops and extends the existing body of literature on human resource management (HRM) and contextual uncertainty. We identify and explore the consequences of present uncertainties of a broad scale and scope for the practice of HRM. We then review salient bodies of theorising, and map out relevant areas of application. This is followed by a presentation of some of the most recent work on uncertainty and HRM that is encompassed in this collection, which brings to bear evidence from around the world.

**Key words:** contextual uncertainty, emerging economies, resilience, institutional context, MNE, societal culture

## **Introduction**

Although business and management literature talks a great deal about unexpected events, the present condition is characterized by ones that transcend past human experience in terms of global scale and scope. This includes climate change, pandemics, and the unforeseen consequences of present technologies. In recent years, we have witnessed numerous political crises, wars and conflicts in many parts of the world. What is notable is that political instability is no longer confined to emerging economies. The boundaries between developed countries, with their seemingly mature institutions, and emerging ones seem less clear cut. Supranational organisations and political bodies, long credited for helping to bring peace, stability and economic progress, face unprecedented challenges, while the resurgence of the power of monopolies and oligopolies challenges the power of nation states. Such political tension is intertwined with the economic sphere. There has been a resurgence of protectionism. Economically, more than ten years on from the previous financial crisis, parts of the world are still reeling from its aftermath.

Within academic research, different definitions of uncertainty have been proposed and adopted, each of which has added to our understanding of uncertainties. Miller (1991) classifies uncertainties into three main categories based on their nature: general environmental, industry, and firm-specific, with the first being the main focus of the special issue. Environmental uncertainties, or state uncertainty, can be understood as the environmental factors that affect the business context across industries and firms (Miller, 1991; Milliken, 1987). Over time, scholars have proposed different typologies to aid our understanding. Some categorisations focus on the nature of the specific event or incident in question. Miller (1991), for example, highlights five aspects of uncertainties within the broad environmental spectrum, including political uncertainties, government policy uncertainties, macroeconomic uncertainties, social uncertainties, and natural uncertainties.

Others conceptualise uncertainties through their common characteristics, regardless of the specific event or incident in question. The first characteristic of environmental uncertainties is the lack of information available in relation to the changes in the environment (Milliken, 1987). While some of the direct consequences, such as the impact of the pandemic on medical professions, can be expected to be in alignment with the findings of studies on excessive demands and emotional exhaustion (e.g. Ererdi et al., 2021; Naveed & Rana, 2013), it is generally difficult to establish a cause-effect relationship (van der Vorst & Beulens, 2002; Duncan, 1972; Lawrence & Lorsch, 1967), including how the change in the external environment has resulted in changes in factors that are affecting firms and individuals, such as customers' preferences, and the purchasing power and supply chain (Bhantngar & Sohal, 2005). The more volatility, complexity, and heterogeneity in the external environment, the harder it is for decision makers to predict the general nature of the changes. For example, the current pandemic has halted the global mobility of workers and the practice of expatriation; it has also triggered an acceleration in working from home, which was not anticipated.

While a firm may have a general sense of the number of people who will be working from home, they cannot predict how long such an arrangement will last, how that will affect performance within the context of family life, or the health, wellbeing and motivational impact that this can have on their employees, particularly for expatriates who are unable to return home (Ererdi et al., 2021). Although there is an extensive body of work on communication processes and the linkages to power relationships within and between organisations (Reuenanen & Kunelius, 2020), this literature assumes that communication encompasses a great deal of traditional face-to-face interactive activity within the workplace (Chriss, 1995). The consequences as to when this is wholly (or almost wholly) supplanted by virtual interactions such as via a meeting platform (e.g. zoom) remain uncertain. However, an emerging body of literature suggests that virtual interactions may lead to less empathy (Andrejevic & Volcic,

2020), more confrontational styles of interaction, and may cause a lengthening of the working day and work–life balance issues (Stich, Tarafdar, & Cooper, 2018). In the case of MNEs, it may also lead to a reduction in cross-cultural awareness.

Much uncertainty surrounds what a return to normal will look like. Many organisations have realised that it is possible to make substantial rental savings through homeworking, while retaining or increasing productivity (Hensher et al., 2020). Again, at a time when there is growing public concern as to excessive air miles, and when many organisations have similarly realised that it is possible to get by without international face-to-face meetings, there may be a permanent reduction in business travel, especially as it remains unclear as to whether the budget airline model can be revived (Lew et al., 2020). However, historical evidence on past pandemics has suggested that societies were quick to revert to at least the trappings of the status quo before the event, and it may well be that this will be the case again, especially given the influence of powerful political lobbies (e.g. office property landlords) on politicians to find ways of encouraging such a return; a notorious if somewhat premature example is the UK Government’s ill-advised August 2020 ‘get back to work or lose your job’ campaign.

The second characteristic is that the effect of the uncertainties is hard to measure accurately (Milliken, 1987). It is very difficult to predict the future competitive situation, its possible effects, and/or the consequences of a firm’s behaviours (Duncan, 1972; Pennings, 1981; Pennings & Tripathi, 1978; Pfeffer & Salancik, 1978). The difficulty in assigning probabilities as to the likelihood of future events is compounded by the fact that uncertainties not only create isolated, sector-specific challenges, but also create intertwined direct and indirect effects, with the latter particularly hard to measure. For example, a pandemic is not only a problem of public health; it can also affect other external factors such as the general state of the economy and policy making. Factors such as an unexpected decrease in purchasing power and the uncertain duration of a government’s stimulus package can have a significant

impact on firms through changes in the labour market, consumers' preferences and competitors' responses.

Unfortunately, a limitation of economic theory is that much more attention is devoted to accounting for present value than for accurately costing future value (Singer, 2011). This has meant that there is an inertia when it comes to dealing with global heating, as well as the threat of future pandemics and other high probability events. When it comes to HRM, this translates into a focus (if there is one) on the present rather than future well-being of employees, and the consequences in engagement, commitment and productivity of terms of the strategic choices made by managers today.

The third characteristic of uncertainty is the inability of firms to anticipate the impact of the different response options. The complexities highlighted above create challenges for organisations in formulating their responses to the uncertainties. While uncertain situations present both threats and opportunities to firms, and therefore widen the range of options at their disposal (Ereerdi et al., 2021), the unpredictable and often unprecedented nature of most uncertain events means that there is little data and information for firms to analyse. The lack of processing capacity, therefore, means that firms are often unable to make accurate predictions about the impact of their subsequent business strategies and chosen control actions (Milliken, 1987; van der Vorst & Beulens, 2002). Yet, despite that, tremendous pressure has been put on managers to make swift managerial decisions in such a context, which intensifies the risk involved in the decision-making process.

There is a substantial body of work on human behaviour that confirms that the human brain reacts differently to bad and to good news (Coutts, 2019). In the case of the former, there is a tendency to denial and inaction, especially when threats are abstract and not immediately physically visible (Coutts, 2019). This means that managers may be a lot better at dealing with day-to-day business problems than either existential threats and/or fundamental challenges to

existing ways of doing things (Coutts, 2019). An inability to even make decisions around practices (in the hope that inaction will somehow mean that old models and ways of doing things will somehow persist), is likely to add to uncertainties. Many so-called uncertainties or shocks were widely predicted in advance, but often those who had a chance to do something about them closed their eyes in the hope that they would not eventuate.

These uncertainties (whether genuinely unknown or not) are complex and can have a deep impact on how organisations, whether multinational corporations or domestic businesses, operate. While these uncertainty contexts are various in nature, the key common theme is the unexpected changes they have brought, creating considerable ambiguity for businesses, and having important human resource implications. Practically, every firm is exposed to some level of uncertainty at both micro and macro-levels (Miler, 1991). Lawrence and Losch (1969), for example, outline in their study that an organisation's internal structural arrangement is contingent upon the demands of the external environment (Lawrence & Losch, 1969). Macro-level uncertainties stem from contexts which often have far-reaching repercussions on market supplies and demands, forcing firms to make fundamental changes in their operations (Pfeffer & Salancik, 1978); this, in turn, can have an impact on the ways in which human resources are managed within firms (Boxall & Macky, 2009). The threat-rigidity model predicts that uncertainties may push firms to adopt risk-averse practices (Staw, Sandelands, & Dutton, 1981).

In the western, liberal economy where the reliance on share ownership and external financing is great, the pressure of satisfying multiple stakeholders is likely to increase the need for short-term cost savings in various business functions, including human resource management (Hall & Soskice, 2001). The disconnected capitalism thesis (Thompson, 2003) suggests that, under such pressure, firms would typically forgo commitment-based and involvement-focused HR systems in pursuance of a 'low-road' strategy (Cook et al., 2016;

Lahteenmaki, Storey, & Vanhala, 1998); examples are redundancy, a retrenchment of the training and development budget, a reduction in compensation, incentive and other financial rewards, and a reversion of worker-level HR outcomes from commitment towards control and the erosion of mutual-gain HR practices (Charlton, 2008; Felstead, 2016; Hauff, Alewell, & Hansen, 2014; Lallement, 2011; Thompson, 2003); these measures seek to improve operational efficiency and flexibility (Heyes, 2011; Mulholland, 2011) and potentially maximise the short-term benefits for the shareholders. Although many of these cost-cutting practices may be initiated in times of stability, the onset of uncertainty often speeds up and intensifies their implementation (Appelbaum, Batt, & Clark, 2013). Undoubtedly, the above changes alter the dynamics between organisations and workers (Ramsay, 1977), with employee outcomes ranging from a demotivating effect causing job strain, to an increase in productivity due to the threat of job loss (Tsao, Newman, Chen, & Wang, 2016; van de Voorde & Beijer, 2015).

On the other hand, uncertain contexts present opportunities to entrepreneurial and visionary organisations (Ramsay, 1977). A crucial role of management involves devising mitigation strategies that could reduce the adverse impact of environmental uncertainties, which would enable an organisation to survive and even prosper (Pfeffer & Salancik, 1978). Therefore, organisations are not merely passive recipients of uncertainty outcomes; rather, they can proactively reshape their strategies in order to adapt to the changes in context. While retrenchment is a popular mitigation strategy that reduces HR functioning costs, it is arguably a short-term strategy. Organisations may pursue longer term strategic changes by adapting to changes in customer habits and labour market conditions arising from the uncertain situations (Cook et al., 2016). To do so requires considerable creativity and flexibility and openness to change (Heyes, 2011; Lallement 2011). With studies long asserting connections between HR practices and the development of creativity, innovation and organisational flexibility (Jiang et al., 2012; Kozica & Kaiser, 2012; Knox & Walsh, 2005; Seeck & Diehl, 2017; Shipton et al.,

2006), HR strategies may give competitive advantage in the face of uncertainties, which others can replicate or reverse engineer (Fields et al., 2006). For instance, while cutting training and development budgets is commonplace during uncertain situations such as a recession, training and development could stabilise the workforce, enhancing workers' innovation and flexibility (Roche, Teague, Coughlan, & Fahy, 2013). Moreover, as employee commitment may drive long term performance gain (Wall & Wood, 2005; Wood & de Menezes, 1998), visionary firms may choose job enlargement and job intensification to enhance their workforce flexibility, rather than exploiting the temporary heightened labour market power by dismissing workers and re-employing them on poor contractual terms (Cook et al., 2016). Nevertheless, these practices may have a demotivating effect in the longer term if they are used persistently (Cook et al., 2016).

The above summary illustrates that the precise nature of the relationships between uncertainties and HRM remains contentious. A further layer of complexity is that the ways in which organisations deal with uncertainties are largely dependent on the environmental context that they are embedded in. These differences stem from various historical and cultural specificities as well as variations in political, economic and social systems (Hofstede, 1980; 1991, Holmes, Miller, Hitt, & Salmador, 2013). Studies have found that people from different cultures perceive and interpret uncertainties in particular ways (Gunkel, Schlägel, & Engle, 2014; Hofstede, 1991) which influence their choice of whether to embrace or to avoid what comes (Engelen, Schmidt, & Buchsteiner, 2015). They have also suggested that people from different cultures develop different mitigation and learning strategies as coping mechanisms (Kim & McLean, 2014). Unsurprisingly, studies have found considerable variations, not only in terms of the nature of uncertainties faced by organisations in different countries, but also the ways in which organisations choose to deal with them (Grote, 2007).



## **Supporting ways of coping with and adapting to uncertainties**

One stream of literature on uncertainties focuses on how employers can help the employees cope with an uncertain and changing environment. At the time of uncertainties, employees can play a strong role in helping organisations to steer away from troubled waters and develop a sustained performance despite the difficulties. However, while having a job in an uncertain context can provide income security, it may also bring stress, anxiety, and burnout (Ab. Wahab et al., 2020; Ererdi et al., 2021), affecting employees' psychological and emotional wellbeing and relationship with the job (Ab. Wahab et al., 2020; Reade, 2009). How employers handle employees' concerns during such difficult times affects employees' perceptions and attitudes towards the organisation. Poor handling potentially leads to anger, disconnection and other negative emotions (Mainiero & Gibson, 2005), and in turn, results in absenteeism, leave taking and job separation (Alexander, 2004; Howie, 2007). Studies have found that perceived organisational support is crucial for bringing about employee commitment and motivation (Reade, 2009). The question is how these valuable human resources can be best facilitated.

Organisational culture is being seen as a crucial enabler in supporting employees to cope with uncertainties (Cooke, Liu, Liu, & Chen, 2019; Lewis et al., 2016). Studies have found that organisations can display adaptability in times of uncertainty that is contradictory to their expected dominant behaviours and responses (Meyer, 1982). Such an ability is supported by an organisational culture and ideologies that embrace openness and risk taking, a structure that is facilitative to change, and opportunities for employees to invest their energy in making changes happen (Meyer, 1982). Davies, Stoermer and Froese's (2019) study of Korean expatriates found that resilience is positively related to work adjustment and the effect is particularly strong when the expatriates perceive their organisational culture to be inclusive. Branicki, Steyer and Sullivan-Taylor's (2019) study focuses on uncertainties created by day-to-day stressors as opposed to those created by a one-off extreme event, and found that issues

such as continually feeling stressed and anxious about impossible, unpleasant, unsupported and seemingly pointless work slowly chipped away the employees' self-efficacy, self-esteem and self-determination, and, in turn, demoralised them. Consistent with the view that resilience is a process (Kossek & Perrigino, 2016), their study points to the importance of a micro-process of managing resilience, and in particular, developing a resilient organisational culture through coherent HR practices. These foster healthy and supportive relationships between managers and workers, ensuring an emotional connection between them and establishing functions that can be effectively developed and maintained over time.

The second issue which arises from the management of uncertainties is the perspective that firms should plan to mitigate and manage risks (Gannon & Paraskevas, 2017; Morris & Calamai, 2009). Van der Vegt, Essens, Wahlström and George (2015) suggest that firms should take a pro-active approach in preventing and mitigating risk associated with uncertainties and ensure that employees are well-prepared for the potential challenges arising. These proactive practices can include information provision, communication, and clear policy and standards (Gannon & Paraskevas, 2017). Coutu (2002) explores how the development of a disaster preparedness programme prior to a disaster, involving repeated drills, rehearsals and preparation, as well as multiple contingency planning and alternative back-up plans that can be quickly materialised when the established plan is not working, would enable employees to feel confident to deal with changes when they eventually occur (Coutu, 2002). Such a view has important implications for HRM. For example, when an expatriate is entering an uncertain context, rigorous contingency training for the expatriate to prepare for unexpected events would enhance their self-efficacy and ability to deal with different eventualities (Gannon & Paraskevas, 2017). Empirically, it is found that firms are increasingly taking issues such as terrorism into the account in their HR planning (Ezerdi et al., 2021; Reade, 2009).

A body of social theory has argued for some years that the modern condition (even prior to the irrefutable evidence of global heating) is fraught with greater risks brought about by societal and technological changes (Phan & Wood, 2020). Established social structures (e.g. the nuclear family, political orders built around broad social consensus) are under more pressure than ever, while ways of organizing work are much more dynamic with new applications of technology (Kalleberg & Vallas, 2018). Blowback from the natural world has heightened these risks, adding to underlying social and political tensions within and between nations (Phan & Wood, 2020). In turn, it could be argued that in many settings, HR is really about managing – and mediating – discontinuities in physical and social ecosystems.

The third issue that arises from the literature is how employers can support employees with their emotions and wellbeing in the process of change adaptation (Gannon & Paraskevas, 2017; Ramirez et al., 2016). Uncertainties bring about considerable anxiety and stress to employees (Coutu, 2002), affecting their physical and mental health and motivation (Hui & Lee, 2000; Pollard, 2001). Therefore, in uncertain circumstances, developing psychological capital to withstand challenges is crucial (Luthans, 2002; Youssef & Luthans, 2007). Resilience, or the ability to overcome and recover from severe adversities or setbacks, and to cope with implementing changes and performing under considerable pressure, is seen as crucial in the context of uncertainties (Carmeli & Markman, 2011; Linnenluecke, 2017; Walker, Holling, Carpenter, & Kinzig, 2004; Williams & Shepherd, 2016). It has been suggested that resilience is ‘arguably the most important positive resource for navigating a turbulent and stressful workplace’ (Avey, Luthans, & Jensen, 2009, p. 682).

At an individual level, resilience is perceived as both a crucial capability and a process that enables employees to adapt to the changes in job demands as the uncertain situation arises (Kossek & Perrigino, 2016). Studies have shown that people who are resilient are more able to make effective adaptations and to cope with major life events and traumatic experiences

(Fredrickson, Tugade, Waugh, & Larkin, 2003; Waugh, Fredrickson, & Taylor, 2008). Furthermore, resilient individuals are more able to learn proactively and attain personal growth through overcoming challenges, both at work and personally, and to recover from such an ordeal (Youssef & Luthans, 2007). This suggests that both work-related adjustments and social support enable employees to adapt to an uncertain context (Bader, 2015; Bader & Berg, 2014; Bader & Schuster, 2015; Bader, Schuster, & Dickmann, 2015; Gannon & Paraskevas, 2017; Suder et al., 2017).

Resilience was initially perceived as an innate trait, but as psychologists found that resilient people often possess higher levels of positive emotion and openness to new experiences (Carmeli et al., 2013; Tugade & Fredrickson, 2004), it has been suggested that employee resilience involves skills and attributes that can be developed through appropriate organisational interventions (Cooke et al., 2019; Wang et al., 2014). Therefore, research is beginning to look at how organisations could play a proactive role in enabling their employees to develop resilience in the workplace (Carmeli & Markman, 2011; Cooper, Liu, & Tarba, 2014; Luthans & Youssef, 2007; Ollier-Malaterre, 2010; Robertson & Cooper, 2011; Robertson, Cooper, Sarkar, & Curran, 2015; Stajkovic, 2006).

In particular, studies are beginning to explore the types of high-performance HR practices which may have greater impact on an individual's resilience and may lead to enhanced levels of employee engagement and in-role performance (Wang et al., 2014). Bardoel, Pettit, De Cieri and McMillan (2014) highlight a set of HR practices that can reinforce social support for employees, including work-life balance practices, flexible work arrangements, employee development and assistance programmes, and occupational health and safety systems, which could improve employee resilience (Bardoel et al., 2014). Others highlight the provision of training such as situational awareness training, resilience coaching, humanistic counselling, and mindfulness techniques to help individuals create significance in

their lives from adverse situations, to steer away from backward thinking about a hopeless situation to become forward looking, and to develop concrete goals in the long term that can be looked forward to when surviving, even though the short term is far from guaranteed (Contu, 2002; Frankl, 2017; Gannon & Paraskevas, 2017). This reflects back on earlier comments about negative human reactions to bad news; the brain may be wired in a certain way (survival mode: fight, flight or freeze), but social interactions and interventions may help make for better coping.

One key emphasis within the resilience literature is the need to ensure that a consistent, distinctive, and embodied HRM message across the HR system has been cohesively implemented (Bardoel et al., 2014; Branicki et al., 2019; Cooke et al., 2019). Khan et al.'s (2019) study on the telecommunication sector of Pakistan found that the adoption of a bundle of mutually reinforcing HR practices, if implemented effectively, can support the development of employee resilience in a context of rapid sectoral liberation and diffusion of western practices that involve considerable changes and uncertainties. Cooke et al.'s (2019) study on the banking industry in China found that the adaptation of western high-performance work systems plays a role in increasing the level of resilience demonstrated by the employees amidst intensifying global competitive pressure, and improves their engagement with the organisation. Branicki et al.'s (2019) study recommends the provision of training to enable employees to develop positive cognitive attitudes towards challenges and problem-solving skills, as well as other resilience traits.

Finally, there has been increasing interest among academics in trying to understand the impact of HR practices on employee resilience as well as organisational performance (Bardoel et al., 2014; Cooke et al., 2019; Robertson et al., 2015). Studies found that organisations can support employees in developing their psychological capital such as self-efficacy to bolster their ability to handle change, and to develop learned optimism (Bakker & Demerouti, 2008;

Seligman, 1998) by choosing to embrace positive rather than negative thoughts about the impact of uncertainties (Avery et al., 2009; Luthans 2002). In turn, resilient employees are likely to be more engaged with the organisation, evidenced in their demonstrated sense of dedication, rigour, and absorption in their work (Cooke et al., 2019). However, resilience is often presented in non-material terms; that is, in the belief that problems with resilience can be sorted out with better communication, pep talks or top down initiatives to entice employees to interact better; but the employment contract is central to HRM (Hyman, 1997), and in the end, employees who are secure in their employment and incomes are likely to be much more resilient than those who are not; this obvious fact that it is too often denied or ignored in the literature.

### **Culture, institutions and HR practices**

A key debate in international HRM is the extent to which national context influences the adoption of different HR policies and practices to suit specific needs (Cooke, Veen, & Wood, 2017; Cooke, Wood, Wang, & Ween, 2019; Demirbag, Tatoglu, & Wilkinson, 2016). Studies have long found that formal and informal institutions in which individuals are based are underpinned by a broadly shared cognitive understanding and acceptance in relation to certain beliefs (Schooler, 1996), values (Hofstede, 1980), norms, priorities (Sirmon & Lane, 2004), and assumptions (Huang & Harris, 1973) and over time, these become the governing codes of societies (Holmes et al., 2013; North, 1990; Redding, 2005; Williams & Vorley, 2015; Zucker, 1987). In turn, cultural and institutional differences determine ways in which people perceive and respond to changes in external environments, directing the types of responses that firms would come up with when facing uncertainties (Chattopadhyay, Glick, & Huber, 2001; Hofstede, 2001).

In terms of cross-cultural approaches, numerous studies have found that firms from different countries exhibit different threat-rigidity responses when faced with situations beyond their control (Staw et al., 1981). For instance, the perception that the external environment is a challenge that needs to be controlled is far more prevalent in western societies with a more individualistic focus, compared to those from eastern cultures, such as China, which often taken a more passive, accommodative approach, focusing on harnessing the internal energy within the firm to come up with the most appropriate response (Fields et al., 2006; Hofstede, 2001). Other work suggests that cultural differences may determine differences in decision-making when uncertainties are faced. Davies (1997), for example, found that, while rules and procedures are relied on more by managers from collectivist cultures during times of uncertainties, managers from more individualistic cultures exercise discretion to ensure flexibility.

Field et al. (2006) found that, in an uncertain economic situation, power distance between superiors affects preferences in performance assessment, a point that reinforced previous findings from Redding and Wong (1986) and Hofstede (2000). In the Chinese culture, employees see performance appraisal as a visual/physical reminder of the moral connection between workers and the firm, thereby binding them together, while in the US, employees may resent limitations on individuals' roles and scope to exercise their discretion at work, which affects their performance at times when changes and flexibility are required. Field et al. (2006) highlight substantial differences in terms of training provision in times of uncertainties. In the western context, training and development may be considered non-essential and are dramatically reduced during times of uncertainty (Field et al., 2006); but in a high power distance, collectivist culture, they are considered as a moral obligation to employees (Hui & Tan, 1996) and as a reward to bind workers to the company in the longer term (Drost, Frayne, Lowe, & Geringer, 2002). Therefore, organisations in such cultures would increase investment

in training and development in times of uncertainty, to reinforce their moral connection with staff (Field et al., 2006).

It has become quite fashionable to critique Hofstede, given the obvious clunkiness of the cultural taxonomies and apparently unscientific bases of their development (McSweeney, 2002). However, his work does raise a fundamental truth; cultures vary around the world and have important effects on behaviour within and between organisations. Yet, recent work on culture highlights that cultures are dynamic, and seemingly immutable cultural features are often reinterpreted or realigned to suit different purposes (Comaroff & Comaroff, 2019). Again, there is much cross-fertilization and hybridity between cultures (Comaroff & Comaroff, 2019). Further, cultures are likely to change by accident, or because it is in the interests of some or other societal grouping to redefine them to suit their economic and/or societal interests (Comaroff & Comaroff, 2019). This raises the question of how cultures relate to institutions. Traditional structuralist sociology would simply see culture as yet another institution (Parsons, 1972). However, while culture undeniably serves social and economic purposes, it is important to recognize that culture may also operate in other spheres of social life that are poorly aligned to any economic purpose.

In HRM and international business literature, comparative institutional analysis has increasingly been applied as the theoretical lens to describe and explain the adoption and diffusion of organisational forms and practices across institutional contexts (Demirbag et al., 2014; Hall & Soskice, 2001). From a very different starting point (Coasian economics and socio-economics vs traditional sociology), this supplements earlier work that looked at path dependence and the dissemination of practices at firm level (Schotter, Meyer, & Wood, 2020; see also Björkman, Fey, & Park, 2007; DiMaggio & Powell, 1983). In terms of comparative institutional analysis, the Varieties of Capitalism approach and the broadly compatible Business Systems theory suggest that both formal institutions, including laws, regulations, and



the strength of collective bargaining, and informal institutions, such as norms, conventions and other informal practices, can significantly vary in the ways organisations and market operate (Whitley, 1994). Although early work focused on broad societal differences, in recent years, considerable attention has been paid to the impact of these formal and informal institutions on HRM and employment relations, applying a longer term historical framework from the institutionalist perspective to explain how different HR practices are formed and develop over time (Wilkinson & Wood 2012; Wilkinson, Wood, & Deeg, 2014; Wood & Bishoff, 2019). The HR strategies adopted by firms within a country would typically reflect the dominant norms and values of the managers and employees, as well as formative historical developments, and institutionalisation of, inter alia, labour market practices (Bond, 1996; Boxall & Purcell, 2000; Fields et al., 2006; Gooderham, Nordhaug, & Ringdal, 1999; Trsgaskis, 1997).

As people may interpret, react, and respond differently to uncertainties, organisations would typically deploy different HR strategies that are most aligned with the preferences and expectations of their employees (Fields et al., 2006). Fong and Wyer's (2003) comparative study of managers in the US and China found that managers in the two countries adopted different approaches towards managing employee relations in the context of labour market uncertainties. While the former evaluates employee relations choices based on possible economic benefits, the latter, with a stronger emphasis on collectivism, tended to focus on group coherence, with minimisation of the risk of loss as a priority.

Once these institutions are shaped, they became stabilised over time (Beugelsdijk Maseland, & Van Hoorn, 2015). Institutional thinking has highlighted the persistence of the influence of local cultural values in the workplace (Wood & Bischoff, 2019). Therefore, even when faced with rapid and often negative environmental change, pre-existing HRM practices and arrangements can often endure. In the Japanese context, a number of studies (Chuma, 2002; Grainger & Miyamoto, 2003) found that previous economic crises did very little to alter the

adoption of the two main HRM pillars of long-term employment and seniority hierarchy, reflecting their cultural preferences for power distance and uncertainty avoidance. Instead, firms adapted by adopting alternative practices such as reducing overtime and the temporary reassignment of workers to its subsidiaries. Similarly, Morris, Hassard and McCann (2006) found that, although economic stagnation put considerable pressure on firms to minimise costs, long term employment systems, despite being altered, remained persistent and robust, as firms strove to ensure continuity and reduce the level of uncertainties created for the workers. Dibben et al.'s (2017) study in the economically unstable post-colonial context of Mozambique showed that, despite the country's economic transition towards a socialist model, established institutions from the pre-colonial era continued to govern firms' behaviours, including the ways human resources were managed. Their study points to the prevalence of institutional influences on HRMs; the uncertainties intensified the need for improvisation by continuing to utilise pre-existing structures and resources, leading to little or no change. The reduction of resources and knowhow within firms led to an emphasis on pragmatism, where organisations offered limited training to adapt to the new environment, and relied to a large extent on informal dissemination of skills, which favoured the status quo. On the other hand, Zoogah, Metwally and Tantoush's (2018) study of five Northern African countries that share considerable historical and cultural commonalities, and where firms in these countries shared similar public sector-led economic development after independence from western powers in the aftermath of the Arab Spring, found that the divergence of HRM practices in firms in these countries began to accelerate, as the previously developed public sector-led HRM modules were no longer deemed relevant to the needs in an expanding private sector. Firms in some countries are found to be better adjusted to the challenges than others. Such differences can be explained both by the different ways they were affected by the local economic and political situation, and the long-standing differences in informal regulation and post-colonial political development.

## **Internationalisation of MNEs' uncertainties**

The above differences create considerable challenges for multinational enterprises (MNEs) entering a new country. For MNEs that are spread out across multiple locations, country level variances in economic conditions and other factors create uncertainties, but when the destinations involve emerging economies with different cultural and institutional constraints, such uncertainties intensify (Cogin & Williamson, 2014; Mellahi, Demirbag, Collings, Tatoglu & Hughes, 2013; Horwitz, 2017). Protecting the enterprise's interests from a distance in a volatile but alien context can be difficult (Cantwell, Dunning, & Lundan, 2010). The use and management of expatriates to complete strategically critical tasks becomes much more difficult when the countries of domicile are inherently less stable. However, uncertain situations often present golden opportunities for international businesses. Studies have found that the option value of MNEs on entering a country under uncertain conditions can be high (Miller, 1998). This is because government and international bodies often inject considerable investment into the affected countries in aiding the recovery and rebuilding process and, in turn, pump up the local aggregate demands, opening new opportunities for MNEs in relevant industries (Vigdor, 2008). At the same time, consumers' demand for products and services may change; demand may not necessarily decline, but what consumers want may be different. Furthermore, there are multinational organisations such as inter-governmental agencies and international relief organisations who purposefully send staff into countries experiencing crises. These considerations impact on MNE decisions to invest and reinvest in particular country settings (Oh & Oetzel, 2011), which, in turn, affects the demands placed on a firm's human resources in terms of expansion or contraction.

Research has been looking at how institutions can impact MNEs and ways in which HRM practices are being utilised to help them embed into the host's institutional environment

(Sparrow, 2012). Studies have found that MNEs are under the heavy influence of the cultural and institutional context of the country in which their corporate headquarters are located, as well as the host country where their subsidiaries are established (Ferner & Quintanilla, 1998). The main debate in HRM evolves around the notion of global standardisation versus local responsiveness; in other words, whether MNEs merely transfer their HRM practices from their headquarters and adapt to the predominant ways of doing business in the host country, or whether they bring about a new, hybrid and transglobal model of HRM (Adams, Nyuur, Ellis, & Debrah, 2017; Chang, Mellahi, & Wilkinson, 2009; Glover & Wilkinson, 2007; Tatoglu, Glaister & Demirbag, 2016).

With regard to the first argument, studies have found that an uncertain context would encourage organisations to adopt a cautious approach towards HRM when entering into a host location. A desire for stability is often intensified by the fact that many of the MNEs are relatively new international firms from emerging economies with a low level of HR capabilities compared to the larger, more established MNEs from the west (Cooke, Wood, & Horwitz, 2015; Wood, Mazouz, Yin, & Cheah, 2014). Adams et al.'s (2017) study on South African MNEs in Ghana found that most of these organisations initially transfer practices from the headquarters to avoid the initial labour market uncertainty associated with entering a new destination. They found that direct transfer of practices was more commonplace in recruitment and selection, performance appraisal, and talent management practices. This ensured that the organisation could effectively maintain control of labour quality in the context of uncertainty. The process of adjustment was incremental, involving small steps making minimal differences to adapt to the local cultural and institutional expectations, while at the same time, not diverging from the organisation's corporate culture and principles. However, although the study found direct transfer of practices was most prominent, they found the extent of reliance differed between different HRM components. Compensation and employee relations practices, for

example, were more localised, depending on local legislation and labour market factors. In fact, many emerging MNEs in Africa are noted to plunge into the low wage economies, relying on unskilled labour, which can have considerable managerial implications (Wood et al., 2014).

Drawing heavily on the institutional perspective highlighted in the previous section, the second argument emphasises the understanding of how a host country's regulatory, normative, and cognitive institutional processes can influence the HR practices of subsidiaries (Hannon, Huang, & Jaw, 1995; Morgan, 2007). Studies have noted considerable institutional and cultural obstacles for HRMs to implement consistent HRM practices between MNE's operations (Chew & Horwitz, 2004; Wocke et al., 2007), with considerable differences in the HR practices found across the subsidiaries of MNEs (Rosenzweig & Nohria, 1994). Cagin and Williamson (2014), for example, found that the human resource practices adopted by MNEs are contingent upon the social context of each particular subsidiary entered. This view highlights the importance of conforming in order to attain legitimacy, suggesting that MNEs are likely to mimic the local HR practices to suit the cultural and legislative environment (Kamoche, Siebers, Mamman and Newenham-Kahindi, 2015). In the context of uncertainties, responsiveness and adaptation of HRM becomes particularly important (Cagin & Williamson, 2014; Horwitz, 2012). The context of uncertainties often alters customers' needs, demands, buying habits, buying frequency, brand orientation and price focus (Rust & Lemon, 2001; Sanzo & Vazquez, 2011). HR practices that are contingent on local consumers' preferences can help firms adapt to the changing needs of the customers (Cagin & Williamson, 2014; Peccei & Rosenthal, 2001), leading to higher customer satisfaction, retention and financial performance (Cagin & Williamson, 2014). Thus, while Cagin and Williamson (2014) found that standardisation of HR practices across MNEs can be optimal in low uncertainty environments, managerial discretion involving the customisation of HRM is most important in settings involving high environmental uncertainties. The study suggests an emphasis on the

hiring process in selecting innovative managerial applicants who are experienced in handling uncertain local contexts, as well as developing tailored training programmes to provide skills to adapt to fluctuation in demand and market expectations, would enable firms to meet customers' demands and remain competitive in highly uncertain environments. MNEs could also utilise performance appraisal practices that account for local customs and offer rewards that local staff value to guide them through the expected changes in behaviours that would meet with the new customers' needs and offset the stress and uncertainties associating with changes (Cogin & Williamson, 2014). Similarly, Akande et al. (2010) found that South African subordinates in US-South African joint ventures do not want the US partners to bring in wholesale changes; instead they prefer them to consider contextual differences and make local adaption according to needs. This raises important questions about training.

This raises two much bigger concerns. The first is that the HRM and international business literature do much to draw a comforting distinction between the developed and developing world, or even more comforting, mature vs emerging markets. However, not only have many emerging markets experienced rapid growth and development without showing much inclination or willingness to converge with mature ones, but some mature markets, most notably the US, have increasingly been bedevilled with what were historically depicted as 'third world' characteristics, including infrastructural decay, political instability, and stagnation or decline in the key indices of human development. In turn, this challenges what we might see as advanced or most functional HR practices, and whether models from the 'first world' are necessarily the best or most appropriate. It also raises difficult questions as to whether choices in people management (e.g. curtailing wage, job and retirement security) might have something to do with the rise of right wing populism, and a host of other societal and economic ills (Cumming, Wood, & Zahra, 2020).

The second concern is that, as many firms in the US and the UK have come to centre their business model on what Lazonick and Shin (2019) call ‘predatory value extraction’, that is, via debt-funded share buy-backs and dividends, the liquidation of accumulated assets, and other mechanisms that do not generate real value, the traditional process of production of goods or services may become of incidental significance. This, in turn, may impart much uncertainty to the HR function; it, and a firm’s people, may become of incidental importance or little more than a liability. The uneven diffusion of this model around the world imparts a further layer of uncertainty to the HR function.

### **Emerging issues**

The aim of this special issue is to examine more closely the implementation of human resource management practices in the context of high uncertainties. The collection of articles in this special issue identifies gaps and explores new directions in this field, focusing on different natures of uncertainties, and how they impact on ways in which firms respond through their HRM practices.

Michalski et al.’s (2021) study from Mongolia examines how cultural factors affect the perception of uncertainties, in turn affecting firms’ approaches towards human resource development. The study highlights the historical factors that led to the development of certain perceptions and mindsets towards uncertainties, which in turn influence the decision-making logic of managers as well as the receptiveness of certain HRD practices amongst employees. The economic context of Mongolia is one that is typical of many emerging economies, with generally weak institutions and fast-changing political situations since its transition towards a multi-party state, creating considerable economic uncertainties. However, the authors argue that uncertainty is more deeply rooted in Mongolian societies, and that the historical nomadic

cultural context also played a prominent role in the shaping the notion of uncertainty, as well as people's responses towards it. The authors highlight a number of cognitive characteristics, including the perception of life as temporal, the normalisation of uncertainties, and the recognition of their positive aspects, as well as flexibility in handling them, that are unique in Mongolian culture. The authors argue that employers need to develop very specific human resource practices to help employees cope with the uncertainties associated with the economic, social and cultural contexts.

Makhmadshoev and Laaser's (2021) paper, set in the highly uncertain context of the post-socialist economy of Kyrgyzstan, highlights the challenges for small-and-medium-sized enterprises (SMEs) in supporting their workers through the uncertainties caused by the transition from a socialist to a capitalist economy. The study found that SMEs typically deployed one of the two, emergent, HR strategies that centre on the notion of path-dependence, with the aim of enabling workers to gain a sense of continuity while adapting to the new market-led system. On the one hand, some SMEs continued to deploy a command-and-control system, largely through establishing explicit sets of rules, procedures and expectations. This control system stems from the assumption of low trust, a mechanistic view of workers from the Soviet era. The explicit nature of this control approach has the advantage of being path-dependent, providing clear guidance to workers on how to understand the expected behaviours in a more individualised capitalist economic system. The downside of the system is that as market opportunities arise elsewhere, workers seek better pay and work conditions. Consequently, SMEs adopting this control approach suffered from high turnover, which was not a problem during the socialist era. This, in turn, discouraged SMEs from investing in workers' training and development, potentially making them less competitive in the long run. On the other hand, other SMEs implemented a commitment-based incentive system drawn from western ideologies, with the downside of being misaligned with the norms and workers'



expectations developed during the Soviet era. To combat this, SMEs adopted a distinctive approach combining autonomy with a paternalistic management style, and deployed largely group rather than individual incentives, aligning with workers' expectations that were developed through the country's culture and history.

Serafini and Szamosi's (2021) qualitative study on American luxury hotel chains compares their HRM practices in both stable and uncertain contexts. Focusing on the transitional and peripheral economies of Central Asia and the Caucasus, the study found that the cultural and historical legacies resulted in a weakened institutional context. The development of the different forms of capitalism, which contributed to the unique blend of HR practices adapted by these multinational hotel chains, typically involved a mixture of professional practices adopted from the country of origin, as well as informal practices, such as in recruitment and performance management, that aligned with the local expectations. Fulfilling such expectations could enable firms to foster a more content and stable workforce, allowing them to take a long-term view of training and development, resulting in greater productivity.

As discussed in the literature review earlier, the underlying context of a country has a significant impact on how HRM is operated within organisations. Goergen et al. (2021) examine the issue of institutional trust in the implementation of communication practices by both MNEs and their domestic peers. Instead of focusing on personal attributes and behaviours of managers, their study utilises a cross-country dataset to examine how institutional trust at the societal level can impact on the nature of communication and depth of exchanges between employers and employees within firms. The study found that in countries where associated trust is high, firms are more likely to pay careful attention to their employer-employee communication, including the sharing of business information and financial matters, and more inclined to co-determine the employment contract with their employees. The study also found

that MNEs are likely to implement consistent communication practices with their domestic peers, rather than adopt practices from their country of origin. This suggests that adapting to the local context is particularly common and crucial for MNEs.

Katou et al.'s (2021) paper, set in the uncertain contexts of Greek manufacturing, services, and trading sectors, examines the role of idiosyncratic deals (i-deals) negotiation on organisational citizen behaviour. These arrangements are "special terms of employment negotiated between individual workers and their employers that satisfy both parties' needs" (Rousseau et al., 2006, p. 977). The study found that, in the context of high political and economic uncertainties, customised and flexible employee arrangements in relation to career development can positively influence employees' perceptions of whether their psychological contract is being fulfilled. In turn, a positive perception can increase organisational engagement and commitment, as well as the display of altruistic and civic behaviours within the workplace. The findings suggest that managers have a strong role in fulfilling what was promised in the i-deal to ensure organisational commitment can be activated.

Tasavori et al.'s (2021) paper highlights how dynamic capabilities in HRM can help MNEs to adapt to chronic uncertainties. Set in the context of Iran, where the country has been experiencing recurring economic sanctions from the west, the study describes how MNEs adapt to such adverse environments by repeatedly deploying a range of dynamic capacities in their HR practices. The cases illustrated are interesting, in that they show that, rather than maximising short-term profit, MNEs placed emphasis on longer-term potential beyond the immediate sanction period. Such a long-term emphasis is reflected in their more flexible HR practices, with the aim of keeping their employees on side for potential future expansion post-sanctions. To do so, MNEs deploy highly fluid compensation practices, focusing on retaining the best managers and personnel over periods of retrenchment. As the economic cost of such a talent retention strategy is inevitably high, these MNCs also adopt flexible compensation

packages, which are cut down to the bare basics. To keep employees on side, HR departments also shift their operational emphasis by diverting funds from costs such as training and development towards satisfying the basic needs of the employees, as well as on their health and wellbeing. More importantly, the MNEs deploy honest and open communication with the employees, but also, the regular and transparent sharing of information. These practices are found to be useful in gaining trust and reducing anxiety and stress amongst employees. As and when the sanctions are lifted, even when only intermittently, these MNCs would be in a good position and the human resources within the MNEs would provide them with a strong platform from which to grow.

## **Conclusions**

It is a truism to state that the world has become a more uncertain place. Intensifying sources of uncertainty and risk include environmental blowback from human activities in the form of global warming, pandemics and the like (Phan & Wood, 2020), and endogenous changes in society and firms. What we can learn from a growing body of rigorous work on emerging economies is that, even in response to the greatest of challenges, organisations may contrive solutions that allow for coping, and, indeed, in some instances that may be superior to what has gone before them. At a time when many developed economies are facing internal and external challenges, much can be learned from HR experiments and solutions in the workplace within contexts of high uncertainty around the world. It is hoped that this collection may help encourage a greater sharing of examples of how and how not to cope with dynamic environments, where fundamental understandings and rules of the game are no longer as certain. Researchers might wish to deploy this emerging body of evidence as a basis for future theorising on how we understand organisational responses to risk, and genuine or perceived uncertainties.

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