

HR transformation or path dependent rigidity?

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HR Transformation or Path Dependent Rigidity?

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Abstract

This paper uses path dependence theory to examine the success of HR transformation measures including shared service centres, e-HR and HR outsourcing. Despite an embrace of these measures, the HR function remains locked-in, unable to shake free from its historically administrative roots. HR transformations themselves involve significant change and these responses conform towards a self-reinforcing process creating nothing more than a predefined response and outcome. The process orientation of path dependence highlights the factors that contribute to HR function lock-in and the ever-shifting HR identity and remit, their impact on senior manager perceptions and HR competencies appear to play a key role in this, confirming that lock-in is heavily dependent upon cognition, resources and organisational and professional norms. The paper contributes to the theoretical underpinnings of HRM and suggests that the process-outcome approach of path dependent theory is more likely to contribute to HR practice as well as HR theory.

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Introduction

The HR function has struggled to carve an identifiable niche within organisations. Further the various permutations of the HR function which have been influenced, to a large extent, by best practice thinking seems to have done little to nurture the transformation of the strategic nature of the HR function. The consensus approach has been to view strategic HRM from the universalist and contingency perspectives (Boxall and Purcell, 2003; Kinnie et al. 2005) which build on Schuler and Jackson's (1987) view that business strategy and HR practices should be aligned. For Wright and Snell (1998) the contingency approach of enabling HR strategy to adjust to the organisational and wider context is problematic. The contingency perspective, in line with Porter's approach (Boxall and Purcell, 2003; Paauwe and Boselie, 2005), assumes that implementation can be carried out as planned, that the environment is stable, and that there is adequate time for the changes to acquire legitimacy and the outcomes to be realised, without taking into account issues such as bounded rationality and leadership decision making. This approach focuses on the long term and frequently ignores other shorter term strategic requirements which provide the flexibility to respond to short-term unplanned events (Wright et al. 1998; Paauwe and Boselie. 2005). These perspectives provide a foundation for adopting a different way of approaching HR transformation – path dependency theory.

Path dependence theory views organisations as products of their past with values and strategies integral to corporate memory, shaping the organisation's response to external and internal stimuli (Sydow et al., 2009). This paper contributes to the theoretical underpinnings of HRM and suggests that an ex-poste analysis of unplanned events is important in assessing HR-transformation outcomes, moreover it is possible to gain insight into the nature of events needed to shake the system free of its history and to understand when contingency and randomness become an exogenous shock.

The paper is set out as follows: First the theory of path dependence is explained and a rationale is provided for its application to the HR function. Second the contemporary business environment is analysed in order to contextualise some of the forces shaping the HR function. This is then followed by an examination of the changes that have been applied to the way in which the HR function is delivered, often referred to as "HR transformation" including shared services, E-HR and HR outsourcing. The final section analyses some of the impacts of these 'transformative' measures and discusses these in the context of path dependence theory. The paper concludes with a reflection on the implications of the findings of this literature and suggests areas for further research.

A World in Crisis

The recent global financial crisis, epitomised by the collapse of Lehmann Brothers, has provided an opportunity for the HR function to demonstrate its value in enabling the organisation to cope with the fallout from the changed economic environment. At the same time however, it provided an opportunity to reflect on the extent of the role of HR in supporting 'extraordinarily high bonuses' (Martin and Gollan, 2012) or failing to prevent the

culture that led to the behaviour in financial institutions responsible for the crisis. However, the economic crisis also highlighted the impact of globalisation as the surplus of Asian funds financed American deficits against a backdrop of financial under-regulation (Sheehan and Sparrow, 2012) and the interdependency within the Eurozone caused further destabilisation as the impact of government intervention pushed some states, where public finance had not been managed efficiently, almost into bankruptcy (Zagelmeyer and Gollan, 2012).

The impact of these crises were felt in areas such as the loss of business, consequent unemployment, financial problems leading to pressure to reduce labour costs (Zagelmeyer and Gollan, 2012) at both strategic and operational levels. The HR function had spent the previous decade increasingly developing a focus on the business from being a support function, following Ulrich's (1997) business partner model. This was often accompanied by attempts to reduce transactional HR through shared services, e-HR and outsourcing in order for business partners to concentrate on the more strategic transformational role (Caldwell, 2008). The crisis and subsequent impacts required both strategic and operational actions and as Zagelmeyer and Gollan (2012) observe, HR worked at the interface between several critical domains.

Changes within the global context have provided an opportunity for HRM scholars to redefine the debate about the strategic nature of the HR function, especially as HR processes are globalised and organisations adjust to loss of markets and changed business models (Sheehan and Sparrow, 2012). In a similar way they also provide an opportunity to explore the 'transformation' of the HR function and to understand the limiting factors to transformation through path dependence using the financial crisis as the 'external shock wave' (Zagelmeyer and Gollan, 2012: 3288) that potentially provided the opportunity to 'shake the system free of its history' (Vergne and Durand, 2010:752).

Path Dependence

Path dependence (PD) is considered by Sydow, Schreyogg and Koch (2009:689) as a "broad label indicating all kinds of imprinting effects of the past on organizational behaviour", implying that organisations are shaped by their history. Thus, path dependence "is about increasingly constrained processes that cannot easily be escaped" (Vergne and Durand, 2010: 736). In response to the perceived lack of theoretical rigour in studies examining phenomena through the lens of PD, attempts have been made to model the conditions through which PD can be analysed. Vergne and Durand (2010) use formal logic grounded in the use of mathematical tools to provide an understanding of how PD occurs. Theoretically PD should be measured through computerised modelling providing counterfactual investigations into the causal reasoning behind specific outcomes thus reducing PD to a series of "data associations" (Vergne and Durand, 2010:751).

A different approach is taken by Sydow et al (2010) who model the occurrence of PD and suggest the analysis of three distinct phases including a) preformation - a single historical event which b) leads to formation - the self-reinforcing processes and c) then causes a lock-in situation. Thus it is an event within a particular context that triggers a particular reaction and the learning that occurs from this event informs subsequent responses to similar occurrences. Sydow and Koch (2010) highlight the tapered/funnel effect of the PD process in which a range of alternatives are available within any given situation, but the decision taken depends upon the preferences of a group causing a particular pattern of responses to form over time, thus narrowing the choice of available action. This lock-in is highly dependent upon

cognition, resources, organisational and professional norms thereby causing a high degree of inflexibility.

Sydow et al's (2010) main point of departure from Vergne and Durand (2010) is the explicit awareness of the need to take into account the emotional reactions of organisational constituents and their subjective influence over the decision making process. Indeed, it is the notion of agency and the individual's co-construction of reality that suggests the need to view PD not so much as deterministic but rather a dynamic process in which constituents seek to shape organisational decisions. Individuals are shaped by their past, they have aspirations for the future and these influence the decisions taken in the present. Garud et al; (2009:769) refer to this process as 'path creation' where "conditions are...constructed by actors" mobilising "specific events from the past in pursuit of their initiatives". Thus, contingencies enable particular constituents to further their own particular course of action.

The continued need to substantiate the existence of the HR function exemplifies the interplay between both the complexity of path dependence and path creation. On the one hand, path dependence suggests that organisational constituents actively shape or stymie the role of the HR function according to past expectations and experiences, and on the other hand, the HR function continually seeks to reinvent its role and reverse its demise. It is important to consider HR's past before examining the value of HR transformation.

Transforming the HR function

Path dependence suggests that organisational responses depend upon norms, values, culture and environments. Organisational responses are built upon past experiences and research conducted on the historical roots of the HR function suggests dissatisfaction amongst organisations with their HR or personnel function. As early as 1975, Foulkes suggests that personnel managers were merely failed line managers who exhibited no interest in the organisation. This is compounded by Tyson and Fell (1987:136), who at the time suggested that personnel managers had no right to be involved in strategy, later echoed by Storey (1989:21) confirming a lack of credibility within the function and a general remoteness from business need. Those working within the personnel function gained a reputation for proactively protecting their own existence through the enforcement of a bureaucratic maze (Armstrong, 1986), securing an 'administrative' and 'operational' reputation (Gennard and Kelly, 1994, Sisson and Storey, 2001); and stimulating Watson's (1986:181) vivid description as "a velvet fist in an iron glove." Needless to say, personnel departments became regarded as inflexible rule-makers, eliciting resentment by constraining line management power and decision making (Gennard and Kelly, 1997, Legge, 2005), removing authority from those possibly better placed to exercise it.

Legge (2005), provided some explanation through three vicious circles for HR where the lack of status led to not being able to recruit suitable talent, leading to lack of skills and consequently lack of status. Equally uncertainty of success criteria led to poor prioritisation and becoming involved in reactive but necessary tasks, trapping them in another cycle of line managers giving them more reactive tasks (Guest and King, 2004) and the business partner finding themselves pulled back into traditional or transactional activities (McCracken and McIvor, 2012). An HR function not involved in decision making involving people, led to people problems and fire fighting, often with partial solutions, therefore giving a bad

impression of HR's ability and a subsequent reluctance to involve HR strategically in the future.

Contemporary thought highlights the centrality of the HR function through the development and differentiation of an organisation's human assets (Becker et al., 2001, Lawler III, 2005, Lawler and Boudreau, 2009) with the role of the HR function to deliver these competencies by recruiting, improving and protecting these intangible assets, improving employee well-being, customer satisfaction, company profits and investor confidence (Seemann, 2005, Ulrich and Smallwood, 2005). Ulrich's (1997) business partner model seeks to integrate HR professionals with business processes and outputs (Ulrich and Brockbank, 2009:5) through four key roles: the administrative expert focusses on processes and efficient systems; the change agent assists the organisation in responding to organisational change; the strategic partner executes HR strategy but also formulates and drives business strategy; and the employee champion fosters organisational commitment through better relations and formal systems. Each of these roles is operationalized through "a series of partnerships" (1997:237). These form an 'HR community' comprising HR professionals, staff professionals, line managers and the use of vendors (including subcontractors, outsourcing vendors and consultants).

The business partner role is later augmented and incorporated into four supporting HR functional roles (Ulrich and Brockbank, 2009): Corporate HR (a focus on the bigger strategic picture); Embedded HR (working with line managers) – both subsumed under the title of business partnering; HR specialists (providing technical expertise); and service centres (facilitating access to HR information via intranets reducing paper weight and chains of bureaucracy). These form the "three legged stool" model and together they constitute the notion of "HR transformation" increasing the added value of the HR function through greater customer orientation, efficiency and business alignment. Thus, the professional logic of the HR function – those outputs associated with HR transformation - are supported by a "delivery logic" including shared service centres, e-HRM and outsourcing (Farndale et al., 2009:545). Yet, when these HR transformations are considered alongside the path dependent constraints to what extent is it possible for these new HR transformations to challenge the perception of the HR function? Each of these transformation mechanisms will now be discussed in turn.

Shared Services

Shared service centres (SSCs) are defined as "the internal consolidation of business support services that were formerly handled by individual business units" (Redman et al., 2007:1486) and are considered an "innovation in organisational structure" with service users specifying their requirements (Reilly, 2000:10). SSCs provide the benefits of central decision making and decentralised and responsive delivery (Farndale and Paauwe, 2008:108). They are described as a "business within a business" engaged in setting up contracts with its internal customers (Meijerink and Bondarouk, 2013:489). As a result, SSCs are able to respond to the need for greater customer orientation, cost efficiencies, quality improvements and organisational change, standardisation and control – centralising activities in order to avoid duplication (Boglund et al., 2011, Reilly, 2000, Janssen and Joha, 2006, Farndale et al., 2009), combining both transactional activity – meeting the administrative needs of the end-user, and transformational activity – developing the quality of human capital within the organisation and providing greater opportunity for more strategic HR involvement (Boglund et al., 2011, Meijerink et al., 2013, Farndale et al., 2009). Moreover, Farndale and Paauwe (2008) suggest

that the division between transactional and transformational HR made possible through SSC provides much needed role clarity for the HR function. Through the integration of back-office functions supported by range of self-service mechanisms including e-HR systems for absence, holidays and expenses, mail boxes and telephone and face to face contact (Boglund et al., 2011, Farndale et al., 2009), the responsibility for HR shifts both to line managers and employees (Cooke, 2006, Reilly, 2000). SSC activities appear to be driven by the need for efficiency measures converging through mimetic isomorphic pressures – with organisations seeking legitimacy through the adoption of perceived best practice (Farndale et al., 2009, Farndale and Paauwe, 2008). The copying of best practices results in unplanned implementation and therefore the ability of SCC to transform the role of the HR function remains contested (McCracken and McIvor, 2012, Farndale and Paauwe, 2008).

Boglund et al (2011) show that rather than being defined by customers, shared service centre offerings shift more towards managerial self-interest. This possibly explains Meijerink and Bondarouk's (2013) findings of dissatisfaction amongst end-users over workload, response times and problem solving. Expectations of the HR function increase with a requirement for broadening remit, yet these are constrained by a perceived lack of competence and while shared services may result in greater standardisation, the results for the HR function are demotion and a restriction in organisational influence. SSC activity forces the HR function to adopt administrative fire-fighting type roles (Boglund et al., 2011, Meijerink and Bondarouk, 2013), thus lending support to the concerns expressed by Redman et al; (2007) and their fear of job loss and deskilling amongst HR professionals.

Organisations implement varying shared service models. Despite these differences, they experience common complaints of a lack of availability of performance data, conflicting information, poor planning and a shortage of expertise within the HR function (Farndale et al., 2009, Meijerink and Bondarouk, 2013). SSC implementation is expected to reduce costs through the reduction of HR personnel and the rationalisation of premises (Reilly, 2000, Cooke, 2006), yet Farndale et al's (2009) findings show that staff costs comprised the largest cost of running SSC, with only 8 per cent and 1 per cent of the budget spent on technology and training respectively. These findings are particularly important as training enables employees to improve SSC service levels and enhanced technology would suggest that HR professionals have more time to dedicate to more strategic activities. Indeed, findings elsewhere suggest that the HR function struggles to find time for the suggested transformational benefits of SSCs (Redman et al., 2007) Instead, the HR function experiences an overlap in their roles and the transformational aspects of HR policy were omitted from the HR professional mandate (Farndale et al., 2009).

Shared services outcomes depend on whether the SSC is co-located (working within the focal firm) or housed remotely. In the former, organisational changes brought about by SSC are more easily accepted, whereas in the latter the HR function experiences remoteness and a lack of identity with a greater intention to leave the organisation (Redman et al., 2007, Cooke, 2006). Indeed, the separation of functional specialisms tends to hinder engagement in knowledge exchange (Meijerink and Bondarouk, 2013). This is exacerbated by the need for greater involvement of end-users and their failure to input effectively into the process. These influence the perceptions of HR's customer service orientation and rather than streamlining knowledge management processes, the central pooling of knowledge and the requirement for greater input elsewhere creates the potential for a dangerous inconsistency in HR responses. This is particularly dangerous when combined with the growing perception amongst HR end-

users of increased monitoring, work intensification, task fragmentation and a sense of resentment over a lack of employee representation (Redman et al., 2007, Cooke, 2006).

Moreover, research on SSC reveals that line managers have little need to consult their business partners because of the nature of the service provided by SSC. Therefore the extent to which organisations require business partners, and the manner in which the three-legged stool provides transformative capacity for the HR function, is brought into question (Boglund et al., 2011, Farndale et al., 2009).

E-HRM

E-HRM is broadly defined as “the administrative support of the HR function in the organisation by using internet technology” (Voermans and van Veldhoven, 2007:887) and is considered a direct response to the need for effective and efficient HR service delivery with benefits such as reducing cost, increasing responsiveness and accountability, providing a greater sense of organisational progress (Reddington and Hyde, 2008). E-HRM includes the use of intranets, self-service applications and wireless devices increasing the speed with which employee demands can be serviced. While employees are less likely to receive face-to-face HR support for transactional service areas (Florkowski and Olivas-Luján, 2006, Tansley et al., 2001, Reddington and Hyde, 2008), e-HRM increases the transparency of HR systems through the centralisation of employee data in areas including rewards, development and employee resourcing, at the same time as enabling such data to be used more flexibly, both in terms of time and location throughout the organisation (Tansley et al., 2001, Panayotopoulou et al., 2007). Such systems enable the HR function to assess HR performance against a range of HR metrics and assists the generation of management information used to guide strategic decisions (Parry and Tyson, 2011). Thus, technology provides the ability to streamline transactional HR service but can also link strategically to the broader organisation through Enterprise Resource Planning systems which feed into organisation-wide knowledge management systems (Florkowski and Olivas-Luján, 2006). It is for this reason that e-HRM should not be confused with HR information systems (HRIS) as the latter is limited to those working within the HR function. Instead HRIS is considered a subset of e-HRM and effects interaction between all members of the organisation (Marler and Fisher, 2013, Ruël et al., 2004).

E-HRM systems are an important tool with which to manage and legitimise the HR function (Hussain et al., 2007), offering the opportunity for HR to increase their strategic involvement primarily through the redistribution and devolution of HR tasks with employees and managers assuming much greater responsibility (Reddington and Hyde, 2008, Ruël et al., 2004). Therefore, the co-requisites of e-HRM include greater employee involvement in HR and competent HR professionals who are able to develop e-HRM systems with a good understanding of the business (Panayotopoulou et al., 2007, Bell et al., 2006). Yet, for any strategic gains to be achieved it is important to include strategic considerations during the decision making phase (Schalk et al., 2013) and if not managed carefully e-HRM creates a range of possible side-effects including: the disappearance of the ‘human side’ of HRM, poor employee communication, low job satisfaction and employee morale and concerns over data protection (Reddington and Hyde, 2008, Phillips et al., 2008). Meijerink and Bondarouk (2013) show the propensity for an over reliance on e-HR systems with their case study using 15 databases covering payroll, absence and other benefits – in most cases HR employees experienced difficulties in retrieving information from these systems and end-users failed to

regularly update these systems. This poses a particular threat to the HR function as the receptivity and use of e-HRM by employees is considered a key litmus test of the extent to which e-HRM can impact the reputation of the HR function (Haines and Petit, 1997, Voermans and van Veldhoven, 2007, Alleyne et al., 2007), yet much will depend on whether e-HRM is considered a strategic facilitator or merely a means of automating HR information.

It is perhaps for this reason that Marler and Fisher (2013) and Schalk et al; (2013) posit that there is little empirical evidence supporting the claim that e-HRM leads to a more strategic HR function or that e-HRM decisions are related to strategy. Moreover, the evidence that does support HR's increased involvement in strategy provides anecdotal support only and HR professionals have little idea of the extent to which their decisions have any strategic value (Parry and Tyson, 2011:348). Tansley et al; (2001) explain that managers have a limited view of e-HRM and fail to acknowledge its positive spillover effects. New technology is implemented in the manner which reflects historical organisational practice and done so only to facilitate managerial control. HR managers experience the "lock-in" associated with path dependence, through maintaining their mapping logic between the old manual processes and the new e-HRM processes, ensuring adherence to the status quo without considering the innovative power and connectivity of the entire system (Tansley et al., 2001). Such myopia increases the extent to which e-HRM is limited to the improvement of transactional processes only (Ruel et al., 2007).

HR Outsourcing

HR Outsourcing (HRO) involves the use of "an external company to carry out activities previously carried out within the organisation" (Bailey et al., 2002:83) and it is expected to send positive signals to organisational stakeholders demonstrating HR's commitment to best practice and aligning business solutions to business strategies (Baron and Kreps, 1999, Sako and Tierney, 2005). Outsourcing should not be confused with shared services. The former involves the contracting out of HR provision previously performed in-house to a third party provider while according to Bergeron (2002) the latter supports a more collaborative approach.

Through externalisation of HR activities such as training and development, recruitment and selection, payroll administration, and legal advice, (see for example: Alewell et al., 2009, Chiang et al., 2010, Sheehan, 2009) organisations are able to utilise the specialist knowledge of vendors, providing the chance to increase productivity and quality without increasing staff numbers (Dess et al., 1995, Greer et al., 1999, Shen, 2005, Klass, 2008). Gilley and Rasheed's study (2000) reveals that firms pursuing innovative differentiator strategies experience positive impacts when outsourcing peripheral and transactional activities and greater efficiencies are achieved alongside increased productivity and responsiveness, improved process control, better tracking of customer satisfaction and improved protection of employee confidentiality (Halvey and Murphy-Melby, 2000, Lever, 1997, Rubery et al., 2002, Stroh and Treehuboff, 2003, Alexander and Young, 1996, Marchetti and Wilson, 2006). In addition, HRO shifts responsibility for capital investment and the subsequent monitoring of service provision to the vendor (Alexander and Young, 1996, Lilly et al., 2005).

While the literature examining the process and benefits of HRO is well developed, empirical evidence on HRO impacts on the HR function is less so. Research conducted by Delmotte and Sels (2008) in Belgium suggests that it is the strategic HR function that is more likely to

outsource their HR activities with positive associations between HRO and the size of the HR team, the amount of HR policies and practices and the board level presence of HR. This provides counter evidence to Sheehan's (2009) notion that those HR professionals with more power will avoid outsourcing for fear of diluting their own power base. However, it does corroborate the findings of Tremblay et al (2008), and Klass et al's (2001) theory that strategic HR departments will engage outsourcing and those who are not strategic will avoid outsourcing for fear of the threat it poses.

However, it is impossible to imagine how a strategic HR function can explain poor employee impacts of HRO. According to Kitay and Wright (1999) HRO occurs when firms experience poor productivity and employee relations, and where firms generally devote fewer resources to the management of their personnel. Instead HRO is associated with transfer and redundancies, potentially leading to reduced employee discretion, commitment, performance, pay, benefits and representation (Bettis et al., 1992, Colling, 2000, Houseman et al., 2006), further denigrating any positive perceptions of the HR function. The HR professional's reputation is further endangered through the outsourcing of terminations which represents an experimental trend in devising new ways of reducing the workforce with the entire scripting of the termination process under the guise 'cold is careful' (Chafkin, 2007). This ensures that the 'outplacement' process is maintained within regulatory guidelines but threatens to deteriorate perceptions of HR as it becomes hidden behind a fortress of vendor supplied processes, unable to maintain and build fundamental relationships with internal staff (Cogburn, 2007, Lepak et al., 2005, Sullivan, 2004).

These findings are more consistent with limited involvement of HR in HRO decisions explained by HR's lack of planning and systematic benchmarking prior to outsourcing implementation (Shaw and Fairhurst, 1997). Woodall et al (2009) examine HRO endeavours and highlight the desire of HR professionals to augment personal and occupation prestige through HRO, these HR professionals possessed neither the skills required to adopt a strategic role nor the knowledge of how to engage in the process in order to secure positive outcomes. While HR professionals are aware of the need to convince senior managers of their worth and their potential contribution (Khatri and Budhwar, 2002), it would seem they cannot break out of their original mould.

Conclusions

In examining the struggle that the HR function has historically experienced in becoming strategic, inspired by what Keegan and Boselie would describe as 'normative consensus-oriented discourse' (2006: p1499), path dependence theory provides an appropriate framework for research and analysis in this field. The extant literature demonstrates that despite the implementation of mechanisms designed to enhance the HR function as outlined above, each only reinforced HR's entrenchment in administrative routines. While path dependence theory risks being considered an umbrella theory upon which all arguments are based on the assumption that 'history matters', it is clear that the historical trajectory of the HR function has played a key role in its 'sticky' nature. Sydow et al's (2010) suggestion that historical events lead to self-reinforcing processes which then lead to lock-in situations appears to hold. HR transformations themselves involve significant change and these responses conform towards a self-reinforcing process. Sydow et al's (2010) preformation stage, and the extent to which Legge's (2005) vicious circles create the lock-in of reverting to

a traditional transactional role as shown by McCracken and McIvor (2012), reinforces the ‘sustained persistency’ (Sydow et al, 2009) of the HR function quandary.

Although it is assumed that organisations learn and evolve, organisational routines dictate standard responses to exogenous pressures. Therefore it may be expected that the implementation of SSC, e-HR and HRO will not create anything other than a predefined response and outcome. The process orientation of path dependence highlights the factors that contribute to HR function lock-in and the ever-shifting HR identity and remit, their impact on senior manager perceptions and HR competencies appear to play a key role in this, confirming that lock-in is heavily dependent upon cognition, resources and organisational and professional norms. In some respects Sydow et al’s (2010) inclusion of emotional reaction in the path dependence process is clearly evidenced in the HR function and the extent to which it has morphed constantly, in a chameleon-like fashion, to reflect its environment. These changes, rather than being strategic, have been tactical, therefore limiting the ability of the HR function to create a path, as Garud et al; (2009:769) suggest, through the “mobilisation of specific events in the past”. The HR response to these changes has neglected the need for a fundamental shift in stakeholder expectations, career paths and professional competencies within the HR profession itself. Path dependence theory therefore helps to explain how the HR function has missed the chance of developing a unique identity through any prescribed means of transformation.

Suggestions for Further Research

While path dependence scholars frequently research at an organisational level, Sheehan and Sparrow (2012) suggest that a focus be placed on the function as opposed to the organisation. Therefore, research conducted through the lens of path dependence should focus on the HR function and the perceptions of HR stakeholders. Vergne and Durand (2010) question whether path dependence theory operates in the real world or whether it is solely a theoretical artefact. We propose that path dependence theory is useful as a lens through which real world issues and professional roles can be viewed. We suggest that economic crises trigger path dependence and that these can be examined through planned and unplanned events and their impacts on the HR agenda. Emphasis therefore needs to be placed on exploring perceptions of the effectiveness and contribution of the HR function from a customer perspective, as highlighted by Wright et al. (2001), in order to understand the experiences that perpetuate transactional roles. Through an analysis of unplanned events it is possible to gain insight into the nature of events needed to shake the system free of its history. Research that focuses on understanding the self-reinforcing mechanisms that cause lock-in and that use the process-outcome approach (Vergne and Durand, 2010) will be more likely to contribute to practice as well as theory.

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