Network-driven approach to human resources management

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Abstract:

Aim: Many authors point out to networking as a new paradigm in management sciences. For perceiving people in the organization through the lens of social relations connecting them allows for utilizing the emerging mechanisms together with accounting for the ties between employees. The aim of the paper is to contribute to the knowledge about HR management by identifying the meaning and possibilities in terms of the application of traditional and modern instruments supportive in building social relationships and in achieving effects brought about by the high level of organization’s social capital.

Design / Research methods: In its character, the paper is a review. The research methodology encompasses a critical review of literature concerned with the functioning of social relationship network in an organization and a synthesis of theories and studies outlined in literature referring to HR management tools and the possibilities in terms of their application with a view to foster organization’s social capital.

Conclusions: The findings obtained from the literature research confirm the key importance of human relationship management for the organization’s effective functioning. A crucial role in shaping social relationships play the practices of HR management used in organization. The existing tools may also prove useful for the new function which is the development of social capital as a source of gaining competitive advantage by a firm.

Value of the article: The paper’s novelty is manifested in that it has adopted a network perspective, and thereby identifying the new role to be played by HR management as a system supporting the development of organizational relationships. This approach allows for taking into account network mechanisms shaping organization’s social capital while designing strategic human resource management.

Implications of the research (if applicable): The paper presents the results of a critical analysis and synthesis of theses which have been verified to some extent in other countries. They may inspire other scholars to conduct research in the context of Polish organizations.

Keywords: human resources management, networks, relationships, recruitment
JEL: L14, L22, M12, M5
Introduction

The network paradigm has emerged in management sciences as an alternative to the perception of an organization as an elementary group linking individuals it is composed of (Salancik, Burt, 1995). This approach, however, is atomistic and as such neglects the crucial aspect of people’s functioning in an organization, which is the relationships linking them to one another. On the other hand, organizations are often viewed in a holistic way as a single collective whole (Czakon, 2012:14). The systems approach, meanwhile, assumes that a system creates an assemblage of elements distinguished from the environment, including relationships between them which enable these elements to act as a single whole striving to achieve a common goal (Johnson, Fremont, Rosenzweig, 1964: 367). Still, the relationships tend to be perceived from the perspective of formal links present in organizations which are reflected in the organizational structure. And yet people are also linked to one another by informal relations, creating a network of ties that is much harder to duplicate. This, however, does not imply that their role is of little significance in shaping behaviors within an organization, such as, for example, a sense of belonging (Kuipers 2009).

In today’s economy, knowledge management is becoming one of the key sources of competitive advantage (Kaše, Zupan, 2009: 615). Managing knowledge workers and the relationships between them is therefore becoming one of the major challenges facing HRM. Also, nurturing the quality of these links provides an opportunity to influence knowledge resources owned by an organization. The aim of the paper is to identify the HRM’s role resulting from having adopted the network perspective in viewing the functioning of an organization. Taking into account, as an important source of competitive advantage, the significance of forming social relationships and the social capital these relationships bring about allows for changing the perception from which we view the functions and application of the tools available in firms’ HRM systems. Understanding the mechanisms involved in the functioning of social relationship networks enables one to tailor these systems more effectively to the new function which the development of social relationships is becoming.

From the perspective of management, the following relationship characteristics are important (Lengnick-Hall, Lengnick-Hall 2003: 56):
- Dynamics – relationship fluctuates over time, which means that we can delineate its past, presence and future. Previous experiences shape the expectations towards the other person and provide a context for evaluating the current behavior of a partner.

- Mutual impact – it means that both parties interact with each other.

- Relationship expectations – they develop based on how the relationship is perceived, its type and the roles played by others.

- Multidimensional relationships – as people can be linked by relationships of various nature: professional, personal, friendship, etc.

**Organizational relationship networks**

We come across relationships at all levels of the organization’s operations. Daniel Brass, Joseph Galaskiewicz, Henrich Greve and Wenpin Tsai (2004: 795) argue that organizational relationships should be investigated on both the cross-organizational level, and individual and group level within an organization. Therefore each of the entities mentioned could be an actor in the network. A similar division of relationship dimensions has also been presented, although in an extended way, by Mark Lengnick-Halla and Cynthia A. Lengnick-Hall (see Figure 1).

**Figure 1. Types of relationships within organization**

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<th>Individual</th>
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<td>Individual</td>
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M. Lengnick-Hall and C. Lengnick-Hall demonstrated the key types of ties connecting actors of individual relationship types. The links between individuals in an organization are, as a rule, outlined by applying the structural or relational approach. This division stems from Mark Granovetter’s works on the phenomenon of information diffusion on labor market (Granovetter
1973). Granovetter, a sociologist from Stanford, argues that networks connecting actors are characterized by specific structural features such as social closeness, density, strength, symmetry and a range of ties. The actors’ relational embeddedness in the organization focuses on the content of ties, and thus what is sent through the network. Considering the studies of the aforementioned scholars, one should stress the particular importance that is attributed to so called weak and strong ties. This breakdown into the two categories is done based on the criteria such as frequency of contacts, emotional closeness or supporting professional ties by the existence of a social tie (Granovetter 1973: 1361). Strong ties enable one to build densely knitted homogenous networks which facilitate internal cohesiveness, identification, trust and tacit knowledge sharing. Tacit knowledge is individual and specific, known only to its owner and difficult to formalize (Nonaka, Takeushi 1997: 8). Among the benefits of this type of ties, one often mentions such features as lower cost of obtaining information, speed and better matching of the information and knowledge received. Moreover, the weak ties are also of significance to organization. As M. Granovetter (1985) argues, they very often represent bridges, that is, knots linking other different networks which are otherwise not connected. Likewise, Ronald S. Burt (2002) noted the existence of this phenomenon, claiming that such ties allow structural holes, which exist between diverse networks densely knitted and strongly linked internally, to be eliminated. Weak ties are paramount for actors, for they make it possible to access completely new, previously unknown and inaccessible within a particular network, knowledge and information resources.

Rob Cross and Jonathon Cummings conducted a study showing the existence of a correlation between employees enjoying relationships which go beyond organizational, physical and hierarchical boundaries, and their good performance at work (Cross, Cummings 2004: 928-937). The authors argue that such persons play the role of a link between diverse, otherwise unconnected networks, thanks to which they have access to various pieces of information. Having access to other networks facilitate comprehension and acceptance of knowledge obtained from other sources, especially if actors are linked by common competences or passions (Reagans, McEvily 2003: 243-244). Such benefits are most likely to be provided by a large number of weak ties. It is, however, also important to have ties inside the cohesive, dense networks, for they ensure that coherent norms, trust and cooperation are built, as they allow for sharing knowledge, transferring information whose nature is that of tacit knowledge, being tailored to the recipient’s needs (Granovetter 1985: 490, Reagans i McEvily 2003: 245-247).
In terms of the effectiveness of ties, what is also of relevance is knowing which actors in the network have the necessary information, for the likelihood of turning for information to a specific person depends on the knowledge regarding this person’s information resources, her or his evaluation, the opportunity of reaching a particular person, receiving information in a timely fashion and the perceived cost of obtaining information (Borgatti, Cross 2003: 432). Furthermore, the ability to cross boundaries established by the organization positively influences performance. This pertains both to searching for information beyond the organization’s boundaries and within them, but beyond the boundaries of the department, where an employee is appointed to. That this kind of boundary crossing is key for efficient flow of knowledge and information has been highlighted, among others, by Morten Hansen (2002) or W. Tsai (2001). The employee’s performance improves along with an increase in the number of ties whose feature is going beyond such barriers as an office, city or country.

Individuals making up groups are also actors in the organization’s relationship networks. At this point it is important to consider individuals both in their formal and informal form. In the first case, membership usually arises from the organizational solutions involved in work distribution, which is reflected in the organizational structure. For informal groups, on the other hand, the criteria for group inclusion and exclusion may be diverse (Mor-Barak, Finder, Wind 2001: 70-90). Social identity theory holds that people tend, not only in social but also in organizational life, to perceive others through the lens of similarities and differences. The similarities perceived in terms of values, interests or specific demographic characteristics allow for developing a sense of identity which determines the way people relate to one another. Consequently, they can, for example, communicate better or feel stronger empathy. As the studies conducted by Michaile Mor-Barak and Sangmi Cho suggest, a sense of inclusion has a tremendous influence on the organization’s employees’ involvement and top performance (Mor-Barak, Cho 2008: 119).

With respect to the relations binding an individual to the organization, it is worth recalling the phenomenon of psychological contract. This is an unwritten agreement based on mutual relations which binds employee to employer and on which the bilateral expectations regarding work output and corresponding reward are based (Coyle-Shapiro, Kessler: 907-908). In literature, the distinction that is frequently cited with respect to this type of relationship is the distinction between transactional elements and relational elements contained in the agreement. Samantha D.
Montes and P. Gregory Irving write that relational contracts are based on emotional relationship and focus on internal and subjective elements with their basis being formed by mutual trust between both parties (Montes, Irving 2008: 1368). Such elements include growth opportunities and personal support. The transactional contracts, on the other hand, are based on elements which are easy to calculate with their nature being essentially that of a payment. Employees take into consideration here a sense of balance between work effort and how it is rewarded by employer.

Another relationship dimension is concerned with the ties between different groups in an organization. Depending on multiple determinants, the structure of these ties may develop in an arrangement that is based either on collaboration or rivalry. Teams usually function on the same market but they compete with one another for the limited resources and capacities embedded in the networks located inside an organization (Tsai, 2002: 179). W. Tsai carried out research on the way these groups share knowledge. The research suggests that, from this point of view, the factors having influence on the efficiency of information flow include both the hierarchical structure and horizontal relations between the teams. However, centralization and hierarchy exert a negative impact on the emergence of knowledge flow, while social ties are linked very positively with this phenomenon. The author believes that social interactions are an indispensable element in knowledge flow, for they enable people to build trust and facilitate collaboration.

Relationships also emerge in the dimension where groups and the organization are linked. At the organizational level, there is a series of factors which can either facilitate or hamper the functioning of teams. The effectiveness will be dependent here on the ability to manage those relationships (van Knippenberg 2003: 384). The relationship networks can support groups’ functioning in the organization and their willingness to act based on collaboration so as to achieve goals that are common for the entire organization. At this point it is worth drawing attention to such aspects as trust or a sense of identity, which emerge along with the development of strong ties between groups. Moreover, conflict, excessive rivalry or a lack of relationships between teams make the achievement of common results very difficult or at times impossible at the level of the organization.

The relationship networks can also be considered at the cross-organizational level. In general, this type of ties is divided into collaborative and competitive. The forms of collaboration include alliances, joint ventures, vertical relations, e.g. agreements with suppliers, franchise, cross-sector partnerships, clusters, associations or consortia (Parmigiani, Rivera-Santos 2011: 1118-
Developing collaborative relationship networks provides organizations with a variety of advantages. Strong ties allow for knowledge sharing and building mutual trust, while weak ties enable organizations to gain access to new information, inaccessible from densely knitted networks with strong mutual links.

In 2003 Christopher Collins and Kevin Clarke carried out a study to investigate the impact of external relationships on the organization’s performance (Collins, Clarke 2003: 745-746). The authors proved that the strength of external ties was positively correlated with sales growth and stock returns, while their range exerted no significant influence on any of the mentioned performance indicators. A reverse situation was recorded for the internal network of ties in the organization. Its range was linked to sales growth but not returns on stocks, whereas the strength of ties had no correlation with any of the performance measures. A high level of mutual ties within a firm allows for identifying the firm’s knowledge resources and information needs of the individual components of the organization. In using these ties, the management team can facilitate information flow within the firm, while through external relationships it can provide access to the necessary knowledge resources from outside. That the strength of ties has no importance may result from the fact that membership in one organization implies that the necessary level of trust determining information exchange has already been reached.

One often comes across such ties in the form of relationships between the organization’s top management and the phenomenon of multiple mandates. C. Collins and K. Clarke (2003: 740) argue that social relationship networks of the top management members make up a system of their relationships with employees and other actors outside the organization. They constitute the main source of knowledge on the state of the external environment and that of the organization. Considering the fact that thanks to the use of relationship networks information is obtained at the right moment and its nature is adequate to the organization’s needs, it has the potential of becoming a major source of competitive advantage.

**HRM’s role in the development of the organization’s relationship networks**

Relationships are an important element in managing organizations, for they connect social capital with other elements of a firm. Furthermore, they support talents which has been the subject of interest of traditional HRM. They also foster building new and stronger competences.
Relationships allow organizations to reduce the losses incurred because of outgoing workers. Their development being the HRM’s responsibility plays a major role because competitive advantage arises not only from a broad resource base but also from ensuring that the talents owned are embedded in the relationship networks which the competition is unable to imitate (Lengnick-Hall 2003: 53). The HR practices can exert influence in terms of building the organization’s competitive advantage only when they support resources or competences that generate value to a firm (Collins, Clarke 2003: 740)

M. Lengnick-Hall and C. Lengnick-Hall emphasize the importance of fostering interactions by an organization through:

- Building structural designs and organizational procedures which promote discussions and communication
- Creating work environment that takes into account trust, social ties and personal engagement.

The role of HRM is to initiate, support, develop and expand the relationships. An immanent characteristic of relationships is their heterogeneity, for they reflect the differences between the individuals an organization is composed of. They are also relatively permanent because they are embedded in the organizational culture of a firm.

The crucial element shaping the relationships is the extent of employees’ involvement. This is the requirement necessary for the organization to be able to perform efficiently. Stanisława Borkowska (2009: 11) argues that the systems of high work performance are based mainly on high involvement work practices – HIWP). Here the focus are employees’ expectations and how to meet them. Among the actions HRM should undertake in this respect, Małgorzata Gableta and Andrzej Bodak (2014: 96-97) cite development of jobs, personal function realization, creating working conditions, internal communication and organizational culture. In the case of HIWP, building relationships is reinforced, which, in turn, leads to increased productivity, less staff fluctuations, increased level of innovation, improved operational performance and enhanced relationships with customers and suppliers.

Building relationships means strengthening social capital. Its strength provides an organization with a variety of benefits (Lengnick-Hall, Lengnick-Hall 2003: 54-55). Further, it ensures access to information, assistance in solving problems, development of customer base and thus increased value and strategic position. Facilitating exchange of resources between individuals
within an organization makes it possible to be more open to sharing information with persons who know each other, and that fosters innovation.

Social capital supports group’s cohesiveness within an organization and provides groundwork for cooperation. Moreover, it reinforces the building of intellectual capital, for people who know each other are more willing to share tacit knowledge. Social capital also promotes collaboration between teams through ties linking individuals from different teams. Social capital reduces the problems arising from staff fluctuations. People who enjoy positive relationships with one another within an organization, with employees and superiors, are less willing to leave their job.

The links existing between employees and their contacts from outside of the organization allow for spotting changes emerging in the surrounding environment. This is because thanks to the relationships that bind people to others they gain access to information from diverse sources, which makes them capable of viewing a particular situation from different perspectives.

Traditionally, HRM has concentrated its activities on the formal ties present in organizations (superior-subordinate), emerging problems (e.g. conflicts) and ties within the organization, while the informal ties have hardly ever been HR’s subject of interest. In seeking to develop organizational relationships one has to draw on other models. One should abandon paternalism to the benefit of partnership, which means shared responsibility for outcomes and for implementation of vision. What should underpin employees’ functioning is team work based on respect, trust and reciprocity (a sense of obligation), open communication, which is conducive to sharing knowledge and resources and commitment to one another and to the relationship (Lengnick-Hall, Lengnick-Hall 2003: 55).

HRM can contribute to the development of relationships through becoming involved in the relationship-forming process. At first, one should identify network knots, which is somewhat similar to the traditional work analysis, however, differs in that it is based on deploying network analysis tools, including graphs and maps. These tools allow individuals who play a special role in informal groups to be identified. Formal groups are easier to describe, since they are most likely to be mirrored in the organizational chart.

The first group including practices which may be used in the relationship management is recruiting employees. Cross-personal ties play a major role in the recruitment process. Roberto Fernandez, Emilio Castilla and Paul Moore emphasize that at the stage of looking for job
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candidates employers may use current employees or professional contacts as channels for information flow. These persons could be used for spreading the information about vacancy as well as suggesting suitable candidates. At times, such processes are reinforced by applying rewards for these referrals to workers who have made it possible to approach candidates in the further stages of recruitment and selection of those qualified for the job (Fernandez, Castilla, Moore 2000, s 1289). During the selection process, employers may also ask the referrers to check and confirm candidates’ competences.

One draws attention to three key benefits arising from the process thus unfolding (Fernandez, Castilla, Moore 2000, 1291-1292). This method affords better choice, better matching and social enhancement. By using referrals from employees, the horizon for candidate searching gets wider and job applicants come forward who otherwise would not do so. Better matching arises from a tendency to recommend people who are similar to our workers, which, after going through the first selection stages, ensures access to candidates with better qualifications. Social enhancement is based on reputation protection. Employers knowing that their referral will have influence on their reputation in the firm will seek to recommend only those with suitable qualifications. With these three mechanisms at work, the selection process can be shortened, which affords very tangible benefits in the form of reduced costs.

The authors also argue that there is the fourth potential mechanism. It is made up of information flow allowing for gaining access to the in-depth knowledge which is not easily available while using the usual recruitment procedures. This knowledge may refer to some personality characteristics and attitudes. On the other hand, the potential employee also obtains information about certain informal rules governing the employees’ behavior in the firm, while better knowledge of employer’s expectations allows the adaptation period to be shortened.

There is yet another recruitment aspect which may underline the importance of appropriately developed HRM practices in building relationships within an organization. Pamela Tolbert draws attention to the fact that in the recruitment process job candidates who graduated from prestigious universities are valuable for employers not only for the quality of their education but also because of the contacts established in the course of their studies (Tolbert 1996: 343). They can afford them access to knowledge and information that are valuable from the firm’s perspective. Thus, not only professional contacts of experienced workers count but also those made by young people who have just graduated. It is likely that over time these contacts will grow weaker.
becoming weak ties, yet they will not disappear. As such they have the potential of turning into bridges ensuring information flow over the structural holes within the network.

There are also plenty HRM practices which support the process of forming relationships at the stage of employee adaptation and development. While ensuring that new employees adapt smoothly, organizations may use the position of a nurturer, which will foster creating a common ground, possibly leading to establishing more enduring relationships. Mentoring is also an effective tool for building relationships between experienced and new workers. The practice that might prove useful is also training which provides a good opportunity to get to know employees from different parts of an organization. The factor that is often neglected and yet of considerable importance is developing suitable physical work environment. Shared spaces facilitate establishing relationships. It is therefore advisable to create a social room available to the majority of employees, where they could meet and talk in isolation from their daily workstation. Such spaces make it easier to enrich the strictly professional ties with those of social nature.

According to reinforcement theories, in order to develop specific behaviors of employees, firms should apply suitable tools which strengthen relationships (Collins, Clarke 2003: 742). To give an example, members of management teams can be evaluated and rewarded for their abilities to build and sustain relationships with key external and internal actors. This will have the effect that they will seek to create broad and diverse relationship networks. Since the outcome will also depend on the level of motivation and relevant competences, firms should train members of management teams in relationship building skills. This kind of training could be carried out using the mentoring technique. Also, it is worth pointing out that it is necessary to provide appropriate conditions so as relationship networks could be developed. An illustrative solution is establishing a budget for relationship building.

Among the HRM practices supportive in the development of relationship networks, C. Collins and K. Clarke mention providing funds for expenditures used for developing job-related personal contacts, training in building relationships with key stakeholders, assessment of capabilities in terms of maintaining internal contacts with employees of other departments and discussing strategies for the development of relationships with key stakeholders. Employees should also be offered financial incentives to develop personal ties with key internal employees, they should be evaluated for their ability to develop relationships with key external stakeholders, there should be an incentive system designed to foster the development of job-related personal contacts.
with key internal stakeholders and use mentoring as to how to cultivate job-related personal ties with other employees of the firm (Collins, Clarke 2003: 744).

The studies conducted by these authors confirm that through the development and strengthening of resources related to employee relationships the HRM practices led to the firm’s better performance. The application of these tools was positively correlated with the resource, it being social networks. The practices devised to foster the network development were related to all the elements with the exception of the external range. By exerting influence on the external and internal relationship networks, the HR practices led to firm’s improved performance measured using increased sales revenues and the value of stocks.

M. Lengnick-Hall and C. Lengnick-Hall, on the other hand, argue in favor of creating communities of practice within an organization. This concept is understood as “as a process involving collective learning of people who are interested in solving a specific problem and to this end collaborate with one another for a long time in that they exchange ideas, look for solutions and create new knowledge” (J. Bendkowski 2009: 100). The authors stress that it is necessary to take specific steps by the department in charge of HRM while receiving support from top management. Among these actions, they cite recognition for taking part in communities of practice in that they are taken into account in evaluation and promotion criteria, removing barriers in the form of unfavorable regulations and providing budgets for their functioning, e.g. time, trips and teleconferences (Lengnick-Hall, Lengnick-Hall 2003: 58).

**Conclusion**

The literature review conducted in this paper emphasizes the key role played by the management of relationship networks in formulating tasks for the contemporary HRM. The practices advocated by scholars often refer to tools which organizations have already been using. Yet, what changes is their objectives, for the development of work atmosphere, understood here in its broad sense, based on trust and openness is becoming crucial. However, it is also necessary to devise specific solutions adopted within the implementation of personal function which will support employees in their development of advantageous ties to the benefit of the entire organization.
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It appears that this way of approaching the HRM analysis is not that widespread in the Polish scholarly literature. Therefore, while considering the possibilities to continue research in this area in future, one may suggest the need to confirm the findings obtained by foreign scholars in the context of Polish enterprises. Social reactions are strongly determined by culture and hence it would be worthwhile to make an attempt to verify their theses while taking into account the essential characteristics of organizational culture present in firms across Poland.

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