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Strategic Human Resources Management: Between the Resource-Based View of the Firm and an Entrepreneurship Approach

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STRATEGIC HUMAN RESOURCES MANAGEMENT: BETWEEN THE RESOURCE BASED VIEW OF THE FIRM AND AN ENTREPRENEURSHIP APPROACH

Most often entrepreneurship is studied at the individual level of analysis. Recent attempts both within theories of the firm and strategy theories of competition have pinpointed the need to refocus the analysis of entrepreneurial phenomena at the organizational level (Kor, Mahoney, Michael, forthcoming; Mahoney and Michael, 2005). The idea that firm resources have a subjective dimension and are a reflection of multiple interactions between a firm's managers and employees holding heterogeneous views about the use of resources, has sparked the resurgence of interest in firm level entrepreneurship (Foss, Klein, Kor, Mahoney, forthcoming). One of the consequences of these disciplinary and theoretical developments is an increased awareness of the need to integrate related management fields, such as human resources management (HRM), into the effort to analyze and understand the determinants of entrepreneurial action within the firm.

This paper is an attempt to illustrate some of the avenues through which Austrian and entrepreneurship theory ideas are further incorporated in management sciences as part of the aforementioned disciplinary evolutions. The paper uses as a vehicle the case of a subfield emerging at the disciplinary boundaries of human resources management theories, theories of the firm and strategy theories of competition: *strategic human resources management*. In other words, it uses the concrete example of strategic human resources management (SHRM) to show why and how the evolutions in the field may lead to a renewed focus on entrepreneurship and how they reinforce the idea that entrepreneurship is an indispensable element of the intellectual toolbox one uses in management and organization science.

The paper will proceed as follows. First it will briefly introduce SHRM. The prevailing research questions that have been raised within SHRM as a field of research will be outlined, and the strong theoretic connection that SHRM has established with the resource based view (RBV) of the firm will be presented. Then the paper will outline some of the difficulties introduced by the Barney's (1991) version of the RBV in the study of the relationship between human resources and the sustained competitive advantage of the firm. That will lead to an illustration of the ways the RBV of the firm makes room for theories of the entrepreneur. The limits and potential of the concepts originating with the Austrian theories of the market process will be explored in the subsequent section. The last part of the paper will outline innovative research directions rooted in insights framed by knowledge-based and entrepreneurship theory and will illustrate their potential by introducing and exploring the problem of "spontaneous managerial entrepreneurship".

1. STRATEGIC HUMAN RESOURCES MANAGEMENT AND THE RESOURCE BASED VIEW OF THE FIRM

The empirical research agenda of the strategic human resources management field explores the relationships between human resources and human resource management practices on one hand and organizational effectiveness on the other. It has generally proceeded from a relatively narrow theoretical basis and it has followed the notable paradigm changes in the field of strategy with a time lag (Wright, Dunford & Snell, 2001).[1] Nevertheless, with Barney's 1991 influential article discussing the value, rarity, inimitability and non-substitutability criteria (hereon VRIN) against which firm resources could be judged as sustainable, SHRM research has become firmly connected to the RBV literature.

Barney's article shows how, in one form or another, human resources display the VRIN criteria and thus are exceptionally qualified to generate sustained competitive advantage

[1] There have been numerous attempts to systematize the empirical SHRM research inquiring into the relationship between human resources and human resources management practices and firm performance. At least four distinct theoretic perspectives have been pointed out in the literature: i) the universalistic or "best practice" approaches linking individual HR practices to various performance measures , ii) the "external fit"or "contingency" approaches analyzing the effect of various HR practices on firm performance contingent upon firms' competitive strategies, iii) the internal fit or "configurational" approaches attempting to identify internally consistent clusters of HR practices, and iv) the recent complex RBV perspective which has launched a research agenda focused on the emergent properties of firms' HRM practices systems. For a review of the SHRM literature see Bamberger and Meshoulam (2000). Colbert (2004) offers a good systematization of the SHRM literature from the RBV perspective.

(SCA), i.e., paths to economic rents that would be difficult to replicate by competitors. As Wright et al. (2001) note: "Though the field of SHRM was not directly born of the resource-based view (RBV), it has clearly been instrumental to its development" (702). It is particularly important that among the articles that marked the emergence of the RBV (Wernerfelt 1984, Rumelt 1984, Barney 1986, Dierickx and Cool 1989, Prahalad and Hamel 1990), the article that captured the attention of the SHRM field was Barney's 1991 article. The reasons for the centrality of Barney's (1991) article in the field appear to be threefold: First, it employs an all encompassing definition of firm resources, that enlists explicitly human resources. Second, it puts a special emphasis on resource heterogeneity as an internal source of sustained competitive advantage. And third it plays on the direct connection that HR researchers perceived between HR, the VRIN criteria and the associated mechanisms indicated as barriers to imitation (i.e. path-dependency, causal ambiguity, and social complexity).

Barney's 1991 article had multiple theoretical consequences for SHRM. Two of them are noteworthy. First, the article pointed to the need to specify the notion of human resources. That resulted in a prime classification of human resources as individual KSA (knowledge, skills, abilities) + motivation (behaviors) + HR practices (Wright, McMahan & McWilliams, 1994). Second, it suggested the need to evaluate the potential of human resources in generating sustained competitive advantage against a set of waterproof criteria for SCA. The components of the human resource pool were judged against Barney's VRIN criteria. That sparked an initial debate over what are the most replicable elements of the HR pool, i.e. the skills/motivation components vs. the HR practices respectively. Wright et al. (2001: 703-6) summarize this decade long debate by showing that it stabilized in the form of two main orientations. The first suggested that HR practices "are easily imitated and/or substituted, and thus cannot by themselves be a *source* of sustained competitive advantage. Therefore, the source of sustained competitive advantage lies in the human resources themselves, not the practices used to attract, utilize and retain them" (Wright et al. 1994: 317, emphasis in original). By "human resources themselves" it was understood the knowledge, skills and abilities of the employees combined with (or in statistical language "mediated" by) their motivation to put these individual characteristics to use for the benefit of the firm. The second orientation, represented by authors such as Lado and Wilson (1994), criticized the overemphasis on the role of the behaviors of employees which were believed to be "observable and transferable from one organizational setting to another" (700) and reached the contrary conclusion: The systems of HR practices ("as opposed to individual practices") were more likely to display the VRIN criteria.

Despite the relative simplicity of the argumentation adduced in support of these views, this early encounter between HRM theory and Barney's 1991 article established a lasting connection between the RBV of the firm and SHRM. Nonetheless, despite the frequent invocation of the RBV of the firm, SHRM applied research generally resulted in an accumulation of empirical regularities meant to confirm the link between various aggregations of HR practices and, consistent with strategy, firm level performance measures. Yet, consistent with Priem and Butler (2001) critique of the RBV, empirical research rarely tested the RBV's main theoretical tenets.

Later attempts to develop SHRM's connection to strategy followed the trends in strategy theory. In an attempt to surpass the conceptual framework provided by Barney's 1991 article, Wright et al (2001) argued the need to connect the SHRM literature to knowledge-based and capability theories of the firm. In the same vein, Colbert (2004) attempted to infuse the RBV of the firm as applied to the analysis of human resources, with complexity theory, thus focusing the attention on organizational processes and the emergent properties of organizations. Overall, the focus was on a more refined understanding of human resources as heterogeneous firm resources and on the view of organizations as social entities with dense knowledge structures, the coordination of which required adequate HRM practices. To sum up, despite the promising start, the research direction induced by Barney's RBV stalled rather soon.

2. SHRM AND THE LIMITS IMPOSED BY THE STATIC RESOURCE BASED VIEW OF THE FIRM

The main reason why Barney's theory has led to a dead end is that it eludes the problem of entrepreneurship while it ignores the problem of the diverse origins of resource heterogeneity (or more precisely, the tension between the Ricardian and entrepreneurial origins of that heterogeneity). In order to understand this point, one needs to take a step back and focus on the specific theoretical difficulties that Barney's 1991 version of the RBV introduced within SHRM. Some of these difficulties, relating in particular to the validity of the VRIN criteria, have been already discussed in the broader strategy literature and below I will only attempt to explain these critiques in the context of SHRM. Yet some other limitations are specific to SHRM and are of a special interest in the context of this discussion/conference. The reason is that they are responsible for the delayed incorporation of the RBV streams of the literature infused by entrepreneurship theory. A brief focus on these two categories of difficulties helps us to better specify the significance of an entrepreneurship infused RBV of the firm.

The value, rarity, inimitability and non-substitutability criteria

As one may expect, the validity of the VRIN criteria has been questioned. For instance, Priem and Butler (2000) pointed out that the source of resources' value is unclear in Barney's (1991) article and is seen as disconnected from the market process. Also, given equifinality, Eisenhardt and Martin (2000) questioned the relevance of the inimitability and non-substitutability criteria. These critiques seem particularly suitable within SHRM. Even more, using the VRIN criteria as *a post factum* explanation of strategic competitive advantages is quite different from using them as instrumental, actionable standards to determine the *potential* of particular resources to generate such advantages. Seen as an action, imitation is a process that unfolds over time, a fact that introduces an element of uncertainty as to the results of the imitation process itself.

Inimitability

Studies of HR practices illustrate that those exposed to the theoretical concerns raised by Barney's VRIN criteria, were less inclined to see inimitability and non-substitutability as issues that would deter imitation processes. On the one hand, the transfer of practices among competing firms was seen as always implying a mutation, partially because of the causal ambiguity and partially because learning is underlined by idealization (Taira 1996:

107-8). Models are by definition taken to be positive, followers are inclined to idealize them. Hence, where imitation relies heavily on processes of learning and interpretation (as is almost always the case with managerial practices) it is not entirely foreseeable where imitators will head the model they start with. In fact, the end results of imitation processes might remain unknown to both leaders and followers. Looking at the century-long transfer of managerial practices between the U.S. and Japan, Taira (1990, 1996) concluded that in the 1920s the Japanese firms struggled to adopt what *they* thought to be Taylorism and Fordism, while in the 1980s American firms were interested in what *they* thought to be Japanese practices of lean production.[2]

The imitation of HR practices includes an effort to understand their contextual efficiency and to mentally map their benefits and applicability under changed circumstances which is often underlined by idealization. Empirical studies support this conclusion. Goshal and Bartlett's (1994) study of the revival of Phillips' semiconductor division in the early 1990s documented how focused benchmarking of key competitors (imitation) may result in a commitment to *non-incremental* improvements that set the stage for radical change in key dimensions of the strategic organizational context such as stretch and discipline.[3] Briefly, the process of imitation can be highly creative and there is no guarantee that a resource judged to be "inimitable" at the outset (for reasons of path-dependency, causal ambiguity, or social complexity) will provide sustained competitive advantage, essentially because strict replication of a resource or capability is rarely the goal or the end result of successful imitation processes.

[2] For example, American managers generally understood the management-labor joint consultation system (*rōshi kyōgisei*) as an advisory body, "subject to management discretion", whereas in Japan it has binding effects (Taira 1996:108). On similar lines, Aoki (1990: 11-12) pointed out that in the U.S. Japanese practices such as lifetime employment and the seniority system are believed to be a guarantee of the Japanese work system, whereas in reality discharge and demotion in mid-carrier act as credible threats in the Japanese firms. Yet these reciprocal misperceptions did not deter the efforts to replicate such managerial practices, or the broader management systems to which they belong.

[3] In the same vein, Stopford and Baden-Fuller (1994) analyzed the process of renewal in seven large European manufacturing companies that moved from near-bankruptcy to industry leadership positions. Their study describes benchmarking as generally "unsophisticated in both scale and scope", and on very similar lines with Goshal and Bartlett, benchmarking is shown to be rather a mean to increase ambitions to innovate – a way "to leapfrog what became the opposition" (529) - than a limited effort to "catching-up".

Another significant aspect of imitation processes concerns the limited capacity of first movers to assess the inimitability of the resources they control. This capacity is usually limited by the unforseen institutional constraints that interfere with the process of imitation in the case of second movers. What practices are targeted for imitation by different competitors may be context-specific and institutionally constrained. Looking at pay practices in retail specialty stores Eisenhardt (1988) found, for example, that pay compensation practices were subject to efficiency considerations, but that stores' choices also conformed to institutional pressures. Equifinal efficient compensation practices were sorted through path-dependent decision-making, with priority given to practices favored at industry-level. Yet, the presence and potency of such institutional constraints may not be self-evident to one trying to rule out *a priori* whether a certain HR practice or set of practices are imitable. Even in the case of apparently straightforward, individual work practices the perceptions of first-mover entrepreneurs as to what might be subject to benchmarking and imitation might be quite erroneous. For example Les Dietzman, a long time top manager at Dayton Hudson (later Target) explained that it was not before he joined Wal-Mart that he realized how unique the training of personnel, a practice he thought easily imitable - was at Dayton Hudson: "I guess I thought that's the way all retailers were. I come to find out that Dayton's and Hudson's put special emphasis on training, and it has really served me well" (quoted in Rowley 2003: 133, emphasis added). Hence, the ability to assess whether a resource is imitable is strongly dependent on the capacity to assess the institutional context in which second movers act as well as on the correctness of such perceptions of the competitive environment.

Non-substitutability

On the other hand, the issue of substitutability of HRM practices is exceedingly difficult to tackle given the inability to assess the complete *range* of alternative paths to market success. In particular, it is exceedingly difficult to assess what particular HR practices can substitute for each other (Colbert 2004) and what sets of practices may represent in fact equifinal solutions across different work-contexts. Nevertheless, as have been often remarked, empirical studies that invoke the RBV as their theoretical rationale only rarely test its assumptions *per se* (Barney 2001; Priem and Butler 2001; Wright et al. 2001) and often recognize as sustainable, resources that fail the VRIN criteria. SHRM is no exception.[4]

The non-substitutability criteria becomes even less operational when it comes to judging what type of processes and what functional areas can substitute for each other. For instance, whether radical changes in the marketing methods or product design could be a substitute for some components of the HRM system, or for that matter whether or not potential substitutes to a resource may originate in companies with which the firm has at least a remote connection (Simon 1993:135-6). Detecting non-substitutability simply demands excessive *ex ante* cognitive abilities. As Eisenhardt and Martin (2001) put it "equifinality, renders inimitability and immobility irrelevant to sustained advantage" (p. 1110). It is clear that, from this point of view, firms operate with a more modest definition of sustained competitive advantage than indicated by Barney (1991). Given bounded rationality it is difficult to imagine that firms are able to identify "any current and *potential* competitors" and to detect whether "efforts [by other companies] to duplicate that advantage *have ceased*" (Barney 1991:102, emphasis added). In fact, the very same causal ambiguity that hinders competitors' knowledge of the sources of competitive advantage also surrounds the ability of the leading firm to have a comprehensive understanding of the counter-moves taken by competitors. In the end, even if facts could be firmly established and the cessation of imitation processes could be declared, given equifinality, this finding is uninteresting. In this case, the relevant question would be why did efforts for duplication cease.

By-passing the link between resource heterogeneity and entrepreneurship

[4] For example, although their study invoked the RBV conceptual umbrella, Collins and Clark (2003) found that top management team (TMT) networks, an "information capability" described as a critical source of competitive advantage in high-technology firms, can be developed trough multiple methods. The study suggests at least two equifinal avenues through which this capability could be built: the use of TMT incentive pay, tight to organizational performance, and a set of HR practices comprising training, evaluation and rewards that increase within-firm networking. Even more, the study found that firm performance could be enhanced through the direct effect of just one single practice (TMT incentive pay) or alternatively, through the compound effect of a set of HR practices that supported TMT networks.

Barney's static version of the RBV has delayed the connection between SHRM and streams of the RBV literature more closely connected to entrepreneurship theory. Lumping together distinct Ricardian and entrepreneurial sources of heterogeneity was particularly counterproductive for the understanding of the role of human resources in the generation of sustained competitive advantage. By contrast, earlier streams of the RBV literature had emphasized the role of entrepreneurship in the generation of resource heterogeneity and invoked a broader range of economic rents – Ricardian as well as entrepreneurial - in the discussion of sustained competitive advantage (Penrose 1959, Rumelt, 1984; 1987).

The few examples used above (see also the footnotes) illustrate the limited ability to operationalize the static RBV theory within SHRM. The "actionable" implications of this static version of the RBV were limited, and overcoming them required a theoretical repositioning of the field that was itself difficult to propel. As Boxal (1998) noted "simply saying that hard-to-imitate resources are necessary for competitive advantage, and that human resources are especially valuable in this sense, does not get us very far" (266). Yet, given Barney's (1991) influence on SHRM, the conceptual effort had been concentrated on the definition of human resources and on imaging ways in which they would relate to firm performance (as a surrogate measure of sustained competitive advantage). The field made little progress in connecting itself to theories of the firm that placed emphasis on the entrepreneurship potential residing in human resources. Even more, it had difficulty in coping with the incorporation of different concepts of rents in the strategy literature describing fundamentally distinct logics in the production of firm-level heterogeneity (Teece, Pisano & Shuen, 1997). There was indeed little questioning as to what theory of the firm would be suitable for the understanding of the role of human resources in the generation of sustained competitive advantage and why.

To sum up, the case of Barney's approach in SHRM illustrates the limits of an approach that ignores the role of entrepreneurship and ignores the key problem of the origins of heterogeneity. The field of SHRM is not an example of marginal relevance for our topic. On the contrary, human resources management requires by its very nature that we incorporate problems of human action, creativity, discovery, adaptability. But this, in turn, requires identifying the mechanisms through which heterogeneity comes about and not only criteria for recognizing heterogeneity, once it has been somehow accumulated within the firm. It cannot be limited to pointing out that resource heterogeneity is an important source of SCA and that that is a good thing. Barney's RBV becomes less of a vehicle and more of a straightjacket. Barney illuminates and points in the right direction. Unfortunately, this theoretical apparatus cannot deliver.

3. THE AUSTRIAN PASSAGE

Could Austrian theory help? The answer is "yes," but only up to a point.

> Austrians have developed an explanation of economic rents and more specifically of profit using the notion of entrepreneurship. The theoretic rigor required to produce explanations of profit as a residual income category detached the notion of the entrepreneur from that of real life business men. The result is difficult to assimilate within more applied inquiries into the role of the entrepreneur in economic and social life. In the extreme theoretic stance of the pure entrepreneur of Austrian economics, (Knight, 1921; Kirzner, 1973) the entrepreneur is a resource-free individual with a more or less blank psychological profile – a theoretic abstraction difficult to integrate outside the borders of theories of the market process inquiring into the origins of profit.
>
> Yet the highly abstract theoretic construction of the pure entrepreneur attached profit (entrepreneurial rent) to the operation of human action in a universe characterized by radical uncertainty.
>
> A consequence of this fundamental insight is that it permits to discriminate between theories of the firm that operate under equilibrium versus open ended universe assumptions respectively, (i.e. it allows to separate the Knight-Penrose theories of the firm from the Coase-Williamson-nexus of contracts approaches

(This is important for SHRM because the strong assumption of opportunisms in TCE has debilitating consequences for management theory and practice (Goshal and Moran, 1996).

That is to say that the specific contribution of the Austrian theory regarding the theory of the firm lies in the creation of a general theoretical framework. That framework, including concepts such as market process and entrepreneurship, allows us to understand better the limits of the standard approaches to the Coase-Williamson tradition (Boudreaux & Holcombe, 1989). In this light the functioning of the firm should be seen in the context of uncertainty and not as a mechanical choice between forms of governance.

The Austrian emphasized the knowledge problem and the problem of coordination. Given the relationship between the market process and the firm, both facets of the same larger process of knowledge coordination, one could easily see that the problem of coordination of knowledge within the firm emerges as a key to the theory of the firm (Grant 1996, Sautet 2000). In addition to that the problem of various types of knowledge and their various roles and dynamics within the firms is illuminated.

This brief overview of the crucial contribution of the Austrian approach shows that this perspective has the potential to advance the understanding of the dynamics of the firm beyond Barney's RBV. Yet, at the same time, the Austrian approach complicates the analysis. It is not clear for instance in what measure the conceptual tools introduced by the Austrians could be operationalized in an empirically fruitful way. This is especially problematic when it fails to capture those aspects of the firm operation in which the "pure entrepreneur concept" fails to do justice to the empirical richness of the entrepreneurial phenomena. And thus, we are left with a fundamental tension: On the one hand, Austrians offer us a robust conceptual framework that illuminates and explains organizational and firm-related phenomena in innovative and sophisticated ways. On the other hand, those very concepts are resistant to operationalization especially when dealing with those phenomena illuminated by them, such as knowledge coordination within the firm or intrapreneurship (or entrepreneurial activity within the firm). In other words, the Austrian theory comes to rescue SHRM from the point where RBV has exhausted its potential. However, the Austrian theory has its own limitations, too.

4. FIRM-LEVEL ENTREPRENEURSHIP: FORMAL AND SPONTANEOUS MANAGERIAL ENTREPRENEURSHIP

Austrian theory helps to push the agenda further beyond Barney's static RBV up to a point where new direction and horizons can be detected. Some of those directions are in fact an extension of Austrian theory itself. Other directions may be related to a creative development of spontaneous order theories based on the study of various forms of knowledge and knowledge processes and more precisely of the interplay between individual knowledge and collective knowledge. This point could be illustrated by a closer look at the problem of knowledge coordination within the firm. As it has already been mentioned, HRM could be conceptualized as a knowledge-management problem. If that is the case, one may look at HR practices as firm-level solutions of knowledge-management-and-coordination problems. An overview of the entire range of HR solutions and arrangements shows that they cluster in two categories. There are two types of HR practices: *formally designed practices* and *emergent practices*, or practices that are not explicitly designed by the top of the organizational hierarchy—an equivalent of the spontaneous order arrangements identified at the macro level by Hayek.

A further analysis of *emergent practices* leads to another interesting observation. The *emergent practices* may seem to be in fact a manifestation of "diffused entrepreneurship". As such, they are a factor leading to an increase the heterogeneity of the firm. I have already noticed how the notion of resource heterogeneity is playing a role in sustained competitive advantage. A focus on *emergent practices* reveals the degree in which our current understanding of resource heterogeneity (and by implication, of competitive advantage) is incomplete. More specifically, it shows that there is a source of heterogeneity that has escaped our analysis. Actually, it goes undetected because is usually seen as a routine capability of the firm.

Indeed, firm-level heterogeneity is not simply a consequence of intrinsic resource heterogeneity or of autonomous evolutionary processes. Firm-level heterogeneity is also the product of human agency in dealing with uncertainty (Rumelt 1984). Faced with uncertainty, entrepreneurs, including managers, develop different expectations or beliefs about the future value of resources, and it is these beliefs that inform the acquisition and recombination of resources and lead to heterogeneous resource bundles across firms (Barney 1986). As a consequence, beliefs and managerial judgments may be regarded as a distinct category of firm resources (Alvarez and Busenitz 2001) that have the capacity to further enhance the heterogeneity of firms' other classes of resources

As Sautet (2000) points out, complex organizations face an analogue to the Hayekian (1945) knowledge dispersion problem that occurs in markets, namely that valuable and oftentimes tacit knowledge is dispersed throughout the firm in different employees. Necessarily, then, entrepreneurship within firms is not limited to the apex of the organization, but cascades down the organizational hierarchy to encompass many individuals, communities of practice, and organizational units (Bartlett and Ghoshal 1993). Yet, while knowledge dispersion in the market is signaled by price differentials and can be resolved through arbitrage entrepreneurship (Kirzner 1973), the dispersion of knowledge within firms requires alternative, non-market, managerial mechanisms of learning and knowledge coordination.

Formal and Spontaneous Managerial Entrepreneurship

There are two potentially complementary forms of managerial entrepreneurship, formal and spontaneous, each of which helps to set the organizational context for knowledge coordination, generation, and utilization. Formal managerial entrepreneurship is imposed by decision makers at the top of firm hierarchies and focuses on deliberately shaping the intra-firm entrepreneurial context through the mediation of formally designed systems of

HRM activities (Matusik and Hill 1998, Leana and Van Buren 1999, Bowen and Ostroff 2004). The pursuit of entrepreneurial knowledge within firms through formally designed HRM activities intersects many of the prescriptions for encouraging innovation arising from the knowledge-based view of the firm. For example, firms can create forums that allow employees with localized knowledge of product market developments to interact in ways that create innovative insights in the aggregate, such as in-house knowledge sharing conferences and cross-functional product development teams. Career development programs that allow key employees to rotate through different functional assignments within the firm may also foment ideas that cut across the more parochial concerns of a firm's hierarchical divisions. Recruitment and selection may be utilized to actively acquire individuals with innovative KSAs. Furthermore, both financial and non-financial reward systems are essential to inducing employees to share their bits of entrepreneurial knowledge. Even organizational structure may improve a firm's system of entrepreneurial incentives. For instance, firms can increase the likelihood that they could generate and exploit Schumpeterian entrepreneurial insights by creating quasi-independent organizations such as autonomous innovation reservations that shield entrepreneurial innovations from internal resistance.

Additionally, managers' discretion in implementing entrepreneurial innovations can be enhanced by change management, which invariably centers on HRM activities such as compensation, motivation, employee relations, and job design. For example, Rousseau (1996) outlines how radical organizational change can be supported by correspondingly drastic redefinitions of employees' psychological contracts in a process that she describes as unfreezing and refreezing. Thus, while the natural frequency of entrepreneurial insights within firms may be low, effectively designed formal HRM activities can significantly enhance both the likelihood that entrepreneurial insights occur and the probability that they can be successfully implemented (Kang et al. 2004).

On the other hand, spontaneous managerial entrepreneurship emphasizes workers' efforts to voluntarily organize work through individual job crafting, informal relationships, and communities-of-practice (Brown and Duguid 2001, Wrzesniewski and Dutton 2001, Orlikowski 2002). Although these informal work-related practices lay in the shadow of the organization's formal system of HRM practices, they vigorously help to shape the firm's context for knowledge coordination and exploitation and thus are an important part of firms' social capital (Leana and van Buren 1999). The discovery of entrepreneurial insights is an unpredictable process of emergent order as disparate actors blend their localized bits of knowledge and mental schemes in ways leading to unexpected combinations that can be both greater and different than their parts. Thus, it's neither possible nor desirable for management to direct all managerial entrepreneurship. As several authors note, a great deal of the work context is set up informally, based on expectations for reciprocity and tacit exchange terms set between employees (Adler and Kwon 2002; Brown and Duguid 1991, 2001; Orlikowki 2002). For example, Orr's (1990) ethnographic study describes how knowledge of how to fix photocopying machines at Xerox was almost entirely coordinated through the community-of-practice that service technicians had developed informally during such occasional events as coffee break chats. Orr shows how, in order to come up with repair solutions that were simultaneously cost-effective and face-saving, service technicians made little use of the company's formal training and regularly bypassed the rules contained in the company manual, thus, protecting the organization from its own routines.

Yet, as Brown and Duguid (1991) remark, many of the HRM practices purposefully introduced in the work context are based on the implicit assumption that "without impetus from above an organization's members configure themselves as individuals" with the consequence that " [t]he reorganization of the workplace into canonical groups can wittingly or unwittingly disrupt these highly functional non-canonical – and therefore often invisible – communities" (Brown and Duguid, 1991: 49). This assumptions affect not only the capacity of an organization to adjust its existing routines, but may also affect the likelihood of managerial entrepreneurship to bring about fertile managerial innovation.

For example, Gamble's (2003) shop floor study of HRM practices in the Chinese subsidiary of a British-owned retail firm illustrates how apparently intractable managerial problems may find their solutions at levels below the direct attention of top management or HR departments. Gamble shows how adding English first names to employees' uniforms, a rule initially intended to facilitate communication with foreign customers and mimic informality, resulted in managerial innovation when the practice weakened the social distance between workers and management that many employees had inherited from Chinese culture, effectively flattening the organizational hierarchy and changing the organizational context in ways that improved communication at work. As Gamble remarks, employees used the English names to symbolically rearticulate the hierarchy in a novel way, a radical managerial innovation that would have passed unobserved and perhaps unexploited in the absence of managerial alertness from the part of the two British expatriates and their constant reinforcement of this new practice.

Thus, a firm's effectiveness at managerial entrepreneurship should be even greater when managerial entrepreneurship's formal and spontaneous forms function in complementary ways.[5] For instance, Hargadon and Sutton (1997) describe how engineers at IDEO, a consulting product design firm, produce radically new recombinations of knowledge by relying on employees with a very diverse set of prior employment and educational experiences. Client firms, they argue, would not be able to generate such innovative designs given the limitations imposed by their narrow, industry-confined domains of knowledge. The authors note that complementarities between formal and spontaneous managerial entrepreneurship are essential to IDEO's success: "Our field study suggests that the organization's role is critical. The structure of the work, norms for collaboration, formal and informal rewards systems, and employee selection processes may help explain why IDEO, and perhaps other organizations, have employees with the skills and motivation to carry out these routines" (p. 741). Yet, HRM systems are not inert routines but artifacts of managerial initiatives carefully adjusting a firm's incentives structure to the specificities of the work context. As such they do not function as unambiguous recipes for the coordination of knowledge residing in the minds of the employees. Their

[5] The usefulness of such complementarity is not always fully acknowledged in the literature. Instead, both the writers from organizational behavioral view of job crafting (e.g., Wrzesniewski and Dutton 2001) and the sociologic view of the communities-of-practice (e.g., Brown and Duguid 1991, 2001) tend to argue that employees' natural tendency for work self-organization can be hampered by artificially designed HRM practices aimed at shaping the panoply of organizational behaviors and informal, self-governed organizational arrangements. In contrast, researchers expressing formally directed views of firms' social capital, organizational climate, and HRM activities (Matusik and Hill 1992, Leana and van Buren 1999, Bowen and Ostroff 2004) place their trust in the capacity of the HRM practices to set the organizational context on a desirable path.

composition needs to be itself discovered and permanently adjusted. This managerial maintenance of the system of HR practices may itself require innovation and on-the-spot discoveries of the right, context-specific mix of HR practices and corresponding instruments.

To sum up, emergent HR practices and spontaneous managerial entrepreneurship could indeed become focal points of the agenda studying the nature and dynamics of firms. In the context of the present discussion this is something worth emphasizing. That indicates possible research directions that could expand the entrepreneurial approach into new areas and let to new theories inspired by the Austrian and spontaneous order tradition.

CONCLUSIONS

This paper has used the concrete example of the field of strategic human resources management to show why and how the evolution of a management science discipline may lead to a renewed focus on entrepreneurship and to illustrate the point that entrepreneurship is a necessary element of the intellectual toolbox we use in management and organization science. During the argument, the case of strategic human resources management has functioned both as example of the limits and of the potential of the concepts originating with the Austrian theories of the market process. The paper outlined that potential of new research directions and illustrated that potential by introducing and exploring the phenomenon and concept of "spontaneous managerial entrepreneurship". Although the developments specific to the field of strategic human resources management sketched and discussed in this paper may or may not be generalisable to other fields of management and organization science, they have a strong theoretical importance and a special practical relevance in themselves to justify the development around them of a vibrant research agenda.

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