

# Individualization of Society and its Impact on HRM

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## Introduction

An HR manager of a Swiss food-processing company recently told me: „I am looking for team-players, but I am getting individualists.“ This statement points to a critical aspect in the development of the Western societies. Sociologists mostly agree that we are facing a new wave of individualization which causes a variety of consequences for our societal and political structures, organizations and coexistence in daily life. The main causes for this development seem to be the following (Beck 1986):

- growing prosperity and wealth,
- increased level of education,
- social welfare institutions,
- the request for mobility of the labor market.

The background assumption of this paper is therefore: Emerging economies will face an increasing degree of individualization as their prosperity and educational level increase.

I will first discuss the concept of individualization. To exemplify the different dimensions of the phenomenon I will recapitulate two actual debates in the field, one taking place in Germany, the other in the US.

Then I will present a conceptual framework combining different aspects of individualization and discuss the consequences for organizational theory and research.

I will finally illustrate the framework using the example of HRM practices.

### **The Concept of Individualization - Two Actual Debates**

As the individualization debate is very broad, touching a whole range of research fields, I will focus on two actual, prominent discussions. One taking place in Germany since middle of the eighties, called „Individualisierungsdebatte“. The second one is an important research field in Cross Cultural Psychology (CCP), mainly discussed in the US, focusing on cultural and individual differences between the dimensions of individualism and collectivism (IC). Both discussions seem to be quite independent in their focus, methodologies and theories according to their different research fields but are somehow connected by the multidimensionality of the term individualization.

In the scientific community of IC-scholars IC is treated as a cultural as well as an individual construct (Allik/Realo 1996, Wagner 1995). As an individual construct it can be interpreted as personal value-orientation. On a cultural level it is defined as a pattern of shared attitudes, values and beliefs around a particular theme. Its key attributes summarized by Triandis (1995) are the following:

1. Conceptions of the self (autonomous vs. group-dependent),
2. Goal priority (individual vs. group goals),
3. Impact of social attitudes and norms on individual behaviour (weak vs. strong),
4. Emphasis on harmonious relationships (weak vs. strong).

The results of research in this traditions are e.g. country-rankings of IC orientation like Hofstede's 1980. In organization theory the same dimensions of IC are discussed mainly by scholars of organizational behavior and psychology like e.g. Moorman/Blakely (1995).

The main advocate in the German debate is Ulrich Beck, a German sociologist. Beck diagnoses a new wave of individualization in the Western European countries since the sixties (Beck 1986). The process of setting free of the individual is seen as a liberation from traditional institutions like religion, gender-roles, families or social classes. Through this process the individual is allowed but also condemned to constantly construct its own biography. Along with the liberation from old institution new dependencies are emerging, like e.g. from the labor market. Chances and risks, in the earlier days managed by the families or communities, are now left to the individual. Therefore Beck is talking of a risky freedom (Beck/Beck-Gernsheim 1994).

The main consequences of this development are (Beck 1986, Beck/Sopp 1997):

- increased variety of biographies and lifestyles,
- increased vertical and horizontal differentiation of social structure,
- decreased importance and impact of traditional institutions,
- changed quality of modern institutions (in the sense of subjectivation),
- new hybrid forms of work ranging between unemployment and employment,
- shift from the dependency on person-oriented institutions to more abstract, impersonal institutions.

The „normal biography“ of the traditional worker of the early industrialization is replaced by something called biography of options, reflexive biography, do-it yourself biography, risk biography or patchwork biography.

The US debate is rooted in psychology, the German one in sociology. The US debate is taking about values, the German one about structures. The former is focusing on individuals and cultures, the latter on societies.

The conclusion that can be drawn for organizational theory is, that individualization seems to be both a multilevel and a multilayer phenomenon.

### **Consequences for Organization Theory and Research - A Multidimensional Framework**

The phenomenon of individualization can be analyzed at at least four different levels:

1. Cross-Cultural level
2. Societal/cultural level
3. Organizational level
4. Individual level

As a multilayer concept individualization has a visible and an invisible face. It can be treated as a phenomenon of values, attitudes and beliefs or as the structural expression in the sense of an artifact.



**Figure 1**

Overview over the German and US debates of individualization

	<b>USA</b>	<b>Germany</b>
<b>Main advocates</b>	Triandis H.C. (1995)	Beck U. (1986)
<b>Research tradition</b>	CC-Psychology	Sociology (Theories of Reflexive Modernity (Beck/ Giddens/ Lash 1996))
<b>Focus of analysis</b>	Cross-cultural comparison of values, beliefs and attitudes	Social structural analysis like forms and variety of modern lifestyles
<b>Units of analysis</b>	Individuals, sets of cultures	Societies
<b>Denotation and connotation of term</b>	Individualism <ul style="list-style-type: none"><li>• as a state</li><li>• in contrast to collectivism</li><li>• connotation: self- centredness, often negative</li></ul>	Individualization <ul style="list-style-type: none"><li>• as a process</li><li>• in contrast to tradition</li><li>• liberation from traditional institutions</li><li>• choice as blessing and curse</li><li>• connotation: positive</li></ul>

		(autonomy) and negative (anomy)
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The combination of the two dimensions (layers and levels) results in a conceptual framework with eight different perspectives on individualization like they are presented in figure 2. They are of course not independent of each other and can either be in a certain correspondence or reveal some incongruences and contradictions.

The framework offers an integrated view of the phenomenon allowing a multilevel, multilayer argumentation. It allows to systematize current research and it stimulates new questions for organizational research like for example: What happens if an individualized organization hires collectivistic individuals? Or like: What happens to an organization with a low structural variety in an individualized society?

In figure 2 the framework is presented and the different perspectives on individualization are exemplified.

The following discussion about HRM will serve as an example how to map some of the perspectives for a specific scenario.

### **HRM Practices - An Example**

In the following discussion HR practices are conceptualized as part of the organizational structure. I will put up a scenario using three different perspectives of the framework (figure 2). The question of the following discussion will be:

What are the consequences for HR practices, if the individuals of interest are mainly individualistic oriented (perspective 1), if the cultural code of the society in focus is individualistic (perspective 5) and if the structure of the society in focus is pluralistic (perspective 6).

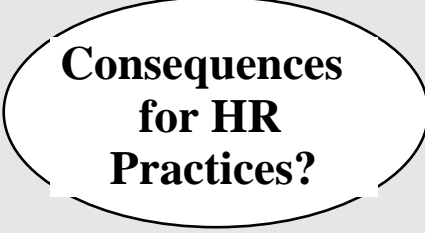
The selection of three perspectives does not mean that the other perspectives are not important. It just means that in the following discussion the other perspectives are neglected and that the argumentation is explicitly limited to the fractions of landscape that are lit up by three different spotlights.

**Figure 2**

The Concept of Individualization - Dimensions and Perspectives of a Framework

		<b>Layers</b>	
		Values/Beliefs	Structure
<b>Levels</b>	Individual	Individual values and beliefs (e.g. IC or individualistic vs. traditional)	Sovereignty of individual action  Pattern of individual action (e.g. leadership style)
	Organization	Organizational cultural code (e.g. IC) Mode of collective attribution  Degree of homogeneity vs. heterogeneity of org. culture	Variety of structural arrangements  Degree of options offered by structural arrangements  Diversity of workforce
	Society/Culture	Culture of society (e.g. IC)  Mode of collective attribution  Degree of homogeneity vs. heterogeneity of culture	Structure of society  Variety of structural and arrangements  (e.g. Pluralism of biographies and lifestyles)
	Set of Cultures	Differences and similarities of cross cultural patterns of values	Differences in structural arrangements of different societies

**Figure 3**  
Scenario for Evaluation of HR-Practices  
**Layers**

		Values/Beliefs	Structure
<b>Levels</b>	Individual	<b>1</b> Individuals are individualistic and self-centred	
	Organization		<b>4</b> 
	Society/Culture	<b>5</b> Cultural code of society is individualistic (e.g. attribution for success and failure to individual)  Culture is heterogenous	<b>6</b> Structure of society is pluralistic with a variety of biographies and lifestyles

**Discussion from Perspective 1**

Individualized employees can be expected to have very different motivational structures and preferences.

Process theories of motivation as e.g. Vrooms expectancy theory (1967) suggest that if either of the three variables expectancy, instrumentality or valence grow, leaving the others unchanged, the effort of the individual will grow.

If the preferences get very heterogeneous it becomes difficult to foresee the valence of a certain goal for an individual. One solution to this problem is to offer more choice. E.g. if an individual can choose between different kinds of incentives, it gets more probable that its motivational structure is matched. Its effort to perform will grow.

The proposition therefore is:

*If an organization is confronted with individualistic employees, organizational structures (and therefore HR practices) should offer more choice and variety.*

### **Discussion from Perspective 5**

Institutional theory proposes that organizations get infected by their cultural environment. In the context of individualization Scott/Meyer (1994) propose: „Formal organizations must deal with these rather forward and much differentiated people...Organizations differentiate and expand to meet the new heroic individuals...and the organizational infrastructure for dealing with individual members expands.“

The proposition therefore is:

*If a societal culture becomes individualized, the organizations (and therefore HR) will adopt the cultural and structural variety.*

### **Discussion from Perspective 6**

The theory of reflexive modernity of Ulrich Beck states individualization as a main trend of modern societies. Individuals are set free of traditional institutions and are forced to make up their own choices. Therefore the importance of institutions decreases in favour of individual action.

The proposition therefore is:

*If the structure of a society is individualized, institutions like organizations (and therefore HR practices) will offer more choice (emphasis on action) and adopt more structural variety.*

Arguing from three different perspectives with a mapping of theories we come to more or less the same conclusion:

Organizations (and therefore HR practices) will and should get more and more individualized concerning their structures (Goshal/Bartlett 1997, Drumm 1989, Keller Pfrunder 1995)).

Some possible consequences for HRM practices of such a proposition are listed in figure 4.

**Figure 4**  
Consequences for HRM Practices

<b>HRM Practices</b>	<b>Possible Consequences</b>
Selection and placement	Offer of idiosyncratic jobs
Compensation	Choice between different incentive systems
Development and training	Choice of different training levels and packages probably matched with qualification based pay
Career-planning	Choice of different career paths
Job design	Choice of place and amount of working hours and working place
Appraisal	Voluntary appraisal with self-selected criteria
Contracting	Choice between different contracts (as proposed in the sham-rock organization (Rousseau 1995))

Obviously there will be certain limits to such a concept of individualized HRM practices. One of the problems will be to integrate such a plurality of values and structures. The answer may be found in concepts such as corporate culture or organizational trust.

An other limit is the law system of the society in focus. E.g. in most societies there are laws for social insurances which guarantee a certain equalness among the employees.

The third problem is the degree of system complexity. Individualization will cause more transactional costs than standardized solutions so that the amount of additional costs has to be compared to the gain of additional performance through raised levels of motivation. In addition an increased level of complexity will create a need for more management capacity.

An other problem is an ethical one. Through the continuous choice of preferred arrangements the employees reveal information about themselves. The asymmetry of information between the principal and the agent diminishes in favour of the principal. In case of critical information (as for example the choice of a certain insurance type for a pregnant woman) this can be ethically questionable.

### **General Discussion of the Framework**

The framework is of course not restricted to HRM matters.

It helps to structure the rather heterogeneous discussions about individualization and individualism in general by offering an integrated view of the phenomenon.

It allows to systematize current research streams and reveals the assumptions behind the different concepts.

Additionally it allows to create different scenarios for different situations, individuals, organizations or cultures.

The multilevel, multilayer argumentation stimulates new research questions and promotes a mapping of theories.

Yet there are certain critical aspects and unsolved questions in the proposed ideas.

In the current state of development the framework is more a draft than a definite concept. The different perspectives have to be evaluated more profoundly taking into account more of the current research efforts and results.

Further there are uncertainties about the appropriate methodologies. Whereas the value-layer seems to be more adequately recorded through qualitative research methods, the access to structural aspects is apparently more successful through quantitative methods. The combination of both is a matter of a well-known dispute among scientific scholars.

Last but not least there remains the question of appropriate criteria to select some of the perspectives to approach a certain research question. Finally that should not turn out to be only a matter of interest or taste.

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