

THE HRM-MD DOUBLE ACT

Frank BOURNOIS and Catherine VOYNNET-FOURBOUL

Introduction

The study of strategic leadership and top management teams blossomed in the 1980s. There had indeed been previous studies by Barnard (1938), on the roles of the top executive, and by Mintzberg and Stewart (1982). The idea now gaining prevalence in this area of research is that company results are the direct reflection of the characteristics and actions of a small group of top executives [Finkelstein & Hambrick 1996] heading the organisation. This presupposes that human bias, social filters and idiosyncratic processes at the top of organisations can have a substantial impact upon competitive behaviour [Hambrick & Cho Chen 1996]. Initial research was centred upon the Chairman and Managing Director as individual leader and then, in the mid-80s, it moved its focus to the upper echelon as a whole team. The underlying hypothesis is that the characteristics and functioning of the top management team are better predictors of the organisation's results than the characteristics of the CEO on his own [Hambrick & Mason 1984]. Thus a growing number of researchers has sought to understand the internal functioning of top management teams.

The end of the 1990s saw the birth of numerous works on the new order of company management. In 2002, the Chair of Business Management was created at ESCP-EAP¹. Recent literature on management has insisted at length upon the concept of *corporate governance* and has emphasised the relationships between companies and their stakeholders. In today's changing environments, there is an acute need for a robust top management team willing to take on challenges and to "transform questions of corporate governance into management advice: this is the arena for top management!" [Albert et al., 2003].

1. Demographic trends in top management teams

Analysis of the make-up of the top management team aims to explain a variety of group phenomena (turnover, conflicts and interpersonal relationships, innovation, etc.). Within this category, the demographic composition of the management team is the object of a well-developed line of research [Finkelstein & Hambrick 1996]. Associated factors are to do with individuals: sex, age, number of years in post, number of years working as a member of the executive committee, original job, level of academic qualification and the companies worked in: age of the company, number of members of the management team, company status (private, public, non-profit making) [Barsade & Alii 2000].

The main results of the demographic trends study show that:

¹ École Supérieure de Commerce de Paris and École des Affaires de Paris.

- the less demographic distance there is between the company chairman and the board of directors, the less likely it is that managing directors (MDs) justify their choices in the name of shareholder interest [Westphal & Zajac 1995].
- it is less easy to predict the attitudes and behaviour of heterogeneous teams than of homogeneous teams [Smith 1994].
- CEOs and MDs who see themselves as similar to their team believe that their team's perspectives conform to their own perspectives and delegate more easily a greater part of their decision-making powers.
- a broad spectrum of perspectives, increased cognitive resources and the ability to resolve group problems are characteristics of a heterogeneous management team [Hoffmann & Maier 1961]. However, this same heterogeneity produces "negative" effects such as less innovation or a diminution of the exchange of information.

2. The double act at the heart of the management team

The extent to which members of the executive committee feel they belong to the entity called "management team" is crucial to the understanding of their relational efficiency. The level of interdependence of the team raises a question about the meaning of the concept of "management team". Are we not in the end dealing with a simple group of top executives [Hambrick 1994]? But the interdependence of the team has an impact upon the nature and quality of its decisions. The results obtained are sometimes due to a group process or at other times to much more individual contributions [Michel & Hambrick 1992]. For Hambrick [1997] management teams are composed of strong individuals who have few meetings and who do not always share the same vision. Behaviour at this stage is characterised by an orientation towards oneself and relative isolation. How many times have we not been told: "the member of a management team is bound to be isolated when there is nobody above him to direct him". They can stimulate teamwork at operational levels below their own responsibility, but they are sceptical as to the value of and possibilities for teamwork at the top of the company. C. Longenecker [2001] has studied why the members of an executive committee do not really work as a team:

- personality conflicts and oversized egos
- conflict of aims and purposes
- systems of reward based upon individual performance
- inefficient leadership by the boss

Whether an executive committee acts as a team rather than as a simple group depends more upon the emotional composition of the group than upon the nature of the tasks to accomplish or of the roles held. Individuals need above all to be integrated socially [Katz & Kahn 1978] and integrated into the team processes; it is interpersonal relationships and behaviour which explain the variations in team

performance [Higgs & Dulewicz 1998]. If a management team is to work, then the place of teamwork as a contributing factor to the success of the organisation has to be determined. This is no doubt the most essential aspect of the Managing Director (MD) and Human Resources Manager (HRM) double act: when this duo has a cooperative relationship marked by exchanges of information and resources and by the common search for solutions, it is because they both realise the importance of cooperative contributions to organisational success.

3. The ‘inner circle’ and company management

The theory of the inner circle gives the context for a precise positioning of the double act in relation to the entourage of the top executive. The inner circle (*entourage*, in the sense given by Bournois in 2004) brings together around a central point (the member of the management team) different concentric layers composed of actors (internal or external to the company) whose involvement (operational and emotional) varies and helps the top executive to exercise his/her responsibilities. They constitute the inner circle or ‘personal bodyguard’ of the top executive. The theory of the inner circle [Redding & Kamm, 2000] leads naturally to the question of the positioning of the HRM within these concentric layers around the Managing Director. What is his/her degree of proximity given that his/her status is not equal to that of the MD, who has nonetheless often chosen him? How does he act as constructive opposition when he finds himself thereby in contention with the other members in the same concentric layer as himself?

There are three other lines of complementary research which guide us in our analysis of this double act. Westphal & Zajac [1995] demonstrated the pre-eminence of social and psychological forces at work within the entourage of top executives compared with external forces. The web of relationships between company chairmen also contributes to the cohesion of their management teams [Useem 1984]. A management team is often a tangle of personalities who co-opt each other in Mark Granovetter’s [1985] restricted and embedded socio-economic universe.

4. The MD-HRM double act

Our research into 61 active HRMs reveals a little-explored subset in the field of top management teams: the relationship between MD and HRM. This two-man team enjoys a singular function at the heart of the management group. Beyond the appearance of well-defined functions, the constitution and functioning of the HRM/MD double act reveals itself to be subtle, symbolic and constantly rearranged by the actors concerned.

The operational success of this pairing can largely be explained *by the consequences of strategic complexification*. The members of this duo develop reciprocal specialisations so as to ensure a high level of efficiency. The solving of complex problems calls for an increasing variety of skills, knowledge and abilities from management teams [Bantel & Jackson 1989]. So teams are more innovative and decisions are better [Murray 1989]. Similarly, multiple relational experiences increase the diffusion of tacit knowledge and produce socialising effects necessary for the integration of large groups [Athanassiou & Nigh 2000].

In France, MD and HRM seem to be complementary, which preserves the balance of powers and the leadership of the MD. The HRM has greater participation in strategy and he is expected to have an excellent knowledge of the field. She/He plays a double role, at once propositional and iconoclastic, *without going so far as to make any dysfunctional clash, however*. The iconoclastic aspect of his/her intervention is to be likened to the techniques in force in highly efficient teams, which wish to avoid the damaging effects of excessive cohesion (Janis's "groupthink" [1982]).

In the same way we have not found any HRM who, if we refer to the work of Eisenhardt et al. [1997], spontaneously described his/her role as encouraging action (VP Marketing, Finance, Sales), ensuring planning cohesion (VP Finance, Production, Technology), or as visionary guru (President, VP Engineering, R&D), or experienced wise person (VP Sales, Head Office). His/her mastery of the concepts and practices of organisational behaviour explains perhaps why the HRM is best placed to avoid the slide towards too much emotional conflict [Amason 1996].

The complementarity between MD and HRM is a characteristic of the "conflicting management team" [Eisenhardt alii 1997], that is to say a group made up of members having neither the same ages, nor the same sex, nor the same functional origins and who frequently find themselves having to interact in a symphony of roles, which allows a radical broadening of perspectives.

Not all types of MD/HRM double act follow the same pattern. The specific context is modulated by contingent factors such as national culture, management method (continuous development, etc.) the company environment, major strategic orientation (innovation, cost-cutting, establishing of customer base, etc.) and the level of interdependence between the different units of the company.

Bibliography

- Barnard Chester, *The functions of the Executive*, Harvard University Press, 1971 reworking of the 1938 edition.
- Barsade S.G., Ward A., Turner J.D., Sonnenfeld J.A., *To your heart's content: A model of affective diversity in top management teams*, Administrative Science Quarterly, Vol. 45, N°4, 802-836, 2000.
- Bournois F., Voynnet Fourboul C., *Les liaisons complexes du binôme DRH-DG*, in Bournois F., Leclair, P., *Gestion des ressources humaines : Regards croisés en l'honneur de Bernard Galambaud*, 2004.
- Eisenhardt K.M., Kahwajy J.L., Bourgeois L.J., *Conflict and strategic choice: how top management teams disagree*, California Management Review, Vol.39, N°2, 1997.

- Finkelstein, S. and Hambrick, D.C. *Strategic Leadership: Top Executives and their Effects on Organizations*. West Publishing Company, St.Paul, 1996.
- Granovetter M., *Economic Action and Social Structure: the Problem of Embeddedness*, American Journal of Sociology, vol.91, n°3, November 1985, 581-510.
- Hambrick, D.C., & Mason, P. *Upper echelons: The organization as a reflection of its top managers*. Academy of Management Review, 9, 193-206, 1984.
- Janis I.L., *Groupthink: Psychological studies of policy decisions and fiascos*, Boston: Houghton Mifflin, 1982.
- Katz D., Kahn R. *The Social Psychology of Organizations*, second ed. Wiley, New York, 1978.
- Longenecker C.O., *Building high performance management teams*, *Industrial Management*, Vol.43, N°6, pp. 21-26, Nov/Dec 2001.
- Mintzberg H., Raisinghani D., Theoret A., *The structure of unstructured decision processes*, *Administrative Science Quarterly*, Vol.21, pp. 192-205, 1976.
- Redding J.; Kamm R., *Involve all staff in strategic planning*. Credit Union Executive Journal; Mar/Apr; Vol. 40, N°2, pp. 28-31, 2000.
- Stewart, R. (1982) *A Model for Understanding Managerial Jobs and Behavior*. Academy of Management Review. 7:1 7-13.
- Useem M., *The inner circle*, Oxford University Press, 1984.
- Westphal, J. D.; Zajac, E. J., *Defections from the inner circle: Social exchange, reciprocity and the diffusion of board independence in U.S. corporations*, Academy of Management Journal, 1995.