Chapter 2
HRM Practices in Human Capital-Intensive Firms:
An Empirical Study of IBM Corporation

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ABSTRACT

This chapter focuses on examining the human resource management (HRM) practices that are used in human capital-intensive firms (HCIFs). In the specialized literature on HCIFs, human resources (HR) are recognized as constituting an infinite value potential. Nevertheless, we know little in the literature about "how to manage" these HR in the specific context of HCIFs. First of all, in this chapter, a literature review provides a clarification of the HR's key concepts (human capital, competence, and talent) on the one hand and introduces the relevance to study HRM practices underlying human capital management on the other hand. Then, based on the case study of IBM Corporation, a synthesis of the wide variety of HRM practices is proposed into three processes: identifying, assessing and developing, and finally, motivating and retaining human capital. The IBM case is representative of the HCIFs insofar as the company puts its human capital at the heart of its overall strategy and, in order to do this, provides a sophisticated HRM policy and, in addition, has implemented formalized HRM practices. For IBM, the aim is to improve resource assets of its employees necessary to generate innovation, value, and performance.

INTRODUCTION

In the current competitive environment where intensive and repeated innovation plays a fundamental role (Brown & Eisenhardt, 1997; Lew & Sinkovics, 2013), many firms are part of a development process based on knowledge-intensive products and/or services (Starbuck, 1992; Makani & Marche, 2010). According to Cézanne and Saglietto (2016, p. 62), Human Capital-Intensive Firms (HCIFs) are identified as "small and large innovative modern firms operating in both knowledge-intensive service sectors and high-tech manufacturing industries whose results in terms of the growth of production and/or turnover are better than those of other types of firms". HCIFs are built on "resources that are, by nature, intangible, inalienable and difficult to reproduce instantaneously" (ibid., p. 63). In other words, they are built on specific human capital which is defined as the skills, knowledge and competencies that produce value only within the firm in which it has been accumulated (Becker, 1964).

According to Armstrong and Taylor (2014), Human Resource Management (HRM) includes activities covering strategic HRM (SHRM), human capital and knowledge management, corporate social responsibility (CSR), organization development, resourcing (including HR planning, recruitment, selection, and retention), learning and development, performance and reward management, employee relations and well-being, as well as international HRM (IHRM). HRM consists of a set of HRM practices, which, according to Ngo et al. (2008), are defined as mechanisms to develop HR internally in order to optimize the skills, knowledge, and ability of the employees and to increase their motivation. These practices are notably aimed at employee selection, recruitment, development, and retention (Marchington et al., 2016).

In a context of strengthening HCIFs, the question of HRM practices has become a rising issue both for companies and management research. Companies are interested in jointly managing human resource development and developing innovative products and services. In the specialized literature on HCIFs, human resources are recognized as constituting an infinite value potential (Becker et al., 1997; Cézanne and Saglietto, 2014). Human capital can be regarded as the prime asset of an organization and businesses need to invest in that asset to ensure their survival and growth. As explained by Armstrong and Taylor (2014), HRM aims to ensure that the organization obtains and retains the skilled, committed and well-motivated workforce it needs. Studies of HRM practices in HCIFs environments have emphasized the difficulties of operationalizing human capital management (Fulmer & Ployhart, 2014; Nyberg et al., 2014). As stated by Fulmer and Ployhart (2014), we consider that contributions are limited in the specification of HRM practices that are used to manage human capital. In other words, we know little in the literature about 'how to manage' human resources in the specific context of

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