We are IntechOpen, the world's leading publisher of Open Access books Built by scientists, for scientists

6,300

Open access books available

172,000

International authors and editors

190M

Downloads

Our authors are among the

154

Countries delivered to

TOP 1%

most cited scientists

12.2%

Contributors from top 500 universities

WEB OF SCIENCE™

Selection of our books indexed in the Book Citation Index
in Web of Science™ Core Collection (BKCI)

Interested in publishing with us?
Contact book.department@intechopen.com

Numbers displayed above are based on latest data collected.
For more information visit www.intechopen.com

Corporate Governance Ideology, Human Resource Practices and Senior Staff Salaries

Nicholas Black and Peter Stokes

Abstract

This chapter examines the link between corporate governance ideology and HR (human resource) practices involved in the important and ongoing issue of senior staff salaries. In the spirit of financialization and hyper-individuals, the mainstream corporate governance ideology promotes beliefs about competitive pay and managerial power. These beliefs shape the design and implementation of HR practices by legitimizing the ‘common-sense’ assumption that senior staff members should, primarily, be rewarded for meeting corporate goals. However, our discussion critiques the use of this corporate governance ideology for encouraging myopia and silence amongst remuneration committee members in response to growing inequality. This is exemplified by an inductive analysis of remuneration committee minutes taken from British universities ($n = 67$). Interestingly, this example also highlighted a marginalized belief about sacrificial leadership that countered this growth under alternative ideology in the spirit of altruism. The chapter recommends the radical proposal that remuneration committees should expand their remit beyond only considering senior staff salaries and promote HR practices that will embed altruism and equality.

Keywords: HR practices, pay, universities, remuneration committees, corporate governance

1. Introduction

Rising senior staff salaries is a contentious and ongoing human resources management (HRM) issue that received widespread prominence in the United Kingdom (UK) and United States of America (USA) after the 2008 financial crisis [1]. It is also likely to remerge in response to COVID-19 as many on the workforce may be prone to experiencing pay stagnation, zero-hour contracts, redundancies and work intensification in response to falling stock values and the economic recession. For organizations, being able to legitimize such inequality is particularly important as, according to the social contract tradition, socio-economic cooperation is dependent upon everyone believing they receive a fair stake of the economy [2]. However, legitimizing inequality is becoming increasingly harder as important institutions like the UNDP [3] and World Economic Forum [4] are campaigning against it.

Remuneration committees – also known as ‘compensation committees’ in the USA context – play a key function in determining senior staff salaries [5]. Past

studies focus on their important role in corporate governance, but the conventional understanding of how remuneration committees operate has historically focused primarily on agency theory and quantitative methods approaches [6]. In tandem, HR practices have typically embodied a shareholder-centric ideology rather than wider stewardship considerations [7, 8]. While these predilections may coincide with the spirit of financialization and hyper-individualism, there have recently been calls for HRM to return to its ethical roots – being born out of concern for human welfare – and promote more socially responsible and ethical HR practices [9]. This chapter aspires to respond to this need by exploring what HR practices remuneration committees are using to pay their senior staff and identifying the underpinning ideological norms. Equally, this chapter explores what alternative ideologies of corporate governance exist and theorizes how HR practices could be used to halt rises in senior salaries. Overall, this chapter seeks to answer the research question: How can HR practices be used within remuneration committees to promote equality?

2. Literature review

2.1 Ideology: the design and implementation of HR practices

The concept of ideology is used to describe a system of beliefs that are widely taken-for-granted and are assumed to be common-sense, natural and non-ideological by most of society [10]. Particularly for this book chapter, understanding the role of ideology is important because it socially conditions semiosis and it has a dialectic relationship with social practice. Or in simpler words, ideology represents the shared values that shape people in society accept as legitimate, and in turn, shapes how people in society behave. Although, ideologies can have different degrees of naturalization and some members of society could subscribe to alternative ideologies or draw upon multiple ideologies. Only mainstream ideologies, in that everyone shares them, become naturalized as background knowledge.

Ideology plays a central role in ordering all social interactions, including creating, reproducing and changing relations of power, hierarchy and exploitation [11]. HR practices that promote rises in senior staff salaries and inequality, like all social practices, have traces of ideology implicitly embedded within them. The values of the academic designing and producing the HR practice embeds their own ideological assumptions. Equally, the values of practitioners implementing and interpreting the HR practice also embed their own ideological assumptions.

While it might appear normal to most of society, the field of HRM itself has even been proposed as promoting a managerialist ideology and has been used criticized for facilitating the intensification of work and the commodification of labour [12]. The fundamental assumption underpinning most of HRM is unitarist, which is the belief that employee benefit from advancing their employers goals and their interests are intertwined [13]. The difference between reality and rhetoric has been subject to significant debate [14], nevertheless, within the context of contemporary capitalism, HRM is considered background knowledge and a core component of any organization.

2.2 Context: financialization and hyper-individualism

The features of contemporary capitalism have been described using multiple terms, but two of the most popular are financialization (i.e. translating all societal and organizational aspects into monetary terms) and hyper-individualism

(i.e. a reification of single person interests over the collective), which is the context within which many organizations, including British universities, are said to operate in. Financialization has numerous definitions but the one particularly pertinent to this present chapter is the ascendancy of the shareholder value orientation representing the ideological driver behind organizational behavior [15]. While obviously, not every organization maximizes shareholder value, these are believed to be exceptions rather than the rule due to market competition. Essentially, organizations that invest their resources in social or environmental activities are said to be jeopardizing their market position and risk being takeover by financially stronger competitors that only maximize economic returns [16]. The role of HR within this context is limited and has been summarized as focusing on cost control, talent management and identifying value-adding employees as opposed to influencing corporate governance decisions [17].

Financialization shares many similarities with hyper-individual within contemporary capitalism, but the former focuses on organizational behavior, whereas the latter focuses on individual behavior. Hyper-individualism believes that everyone will maximize their economic self-interest, even at the expense of others, and this is the ideological driver behind individual behavior [18]. Within a meritocratic organization, competition and markets are believed to be the primary mechanisms for deciding recruitment, reward and promotion. Essentially, staff who are more capable will receive more of these opportunities, which will eventually allow them to become senior and receive higher salaries [19]. The role of HR within this context is limited to the alignment of individual economic interests with their employer and has been summarized as focusing on reward strategies, talent management and high-performance work systems [7] rather than collectivist alternatives [20]. While both sets of HR practices have different ideological underpinnings, the former HR practices associated with the context of hyper-individualism and financialization are more common and also coincide with the mainstream corporate governance ideology.

2.3 Mainstream corporate governance ideology

Corporate governance is broadly defined as the system of rules, laws and factors that control the operations of a company [21], and as part of this, decisions over senior staff salaries are seen to be very important [22]. However, it is rarely framed as an HR issue [17] but instead understood through two opposing beliefs about competitive pay and managerial power [6]. The former believes that markets and optimal pricing contracts are responsible for rises in senior staff pay [23], whereas the latter believes that senior staff use their influence to increase their pay by extracting rent from their organization [24]. While these beliefs reflect opposite propositions, they share the same ideological assumptions. Both are underpinned by agency theory, which is the assumption that the separation between ownership and management leads to problems such as moral hazard and adverse selection [25]. Thereby, the ideological purpose behind corporate governance is to align the interests of managers with their shareholders [15] and the legitimacy of rising senior staff salaries is dependent on whether it benefits shareholders.

Within modern capitalism, it is often assumed that senior staff may not always act in the best interests of shareholders and at given opportunities will pursue their self-interest by, for example: shirking their responsibility; 'empire building'; engaging in suboptimal risk-taking; seeking excessive compensation; and supporting nepotism. Accordingly, the normative solution is using the board of directors and HR-coordinated remuneration committee to monitor and control the level of pay for senior staff by aligning the interests of senior staff members with shareholders [5].

Supporters of competitive pay seek to prove that there is a relationship between pay and performance which negates the principal-agent dilemma by illustrating that rises in senior staff salaries coincide with higher returns for shareholders. Supporters of managerial power aim to establish that there is a relationship between pay and power which the principal-agent dilemma causes by illustrating that rises in senior staff salaries do not coincide with higher returns for shareholders. In terms of empirical evidence, there is a vast number of studies validating both beliefs however neither approach is deemed to provide a complete explanation [6].

Implicitly within agency theory, corporate governance is about aligning the interests of those who manage the organization with those who own the organization [26]. Although, the dominance of this shareholder perspective is being somewhat eroded by the stakeholder perspective [27]. The latter approach suggests that corporate governance is about aligning the interests of those who manage the corporation with all stakeholders. While this provides an alternative measure of performance, ultimately it does not matter whether senior staff are being paid for creating shareholder value or stakeholder value, the consequences for pay are the same and it is merely a set of different performance metrics. The ideological purpose of the HR-coordinated remuneration committee thus continues to align rises in senior staff salaries with rises in performance, regardless of whether the corporate goal is to create value for only shareholders or all stakeholders. Worryingly for HRM at the senior level, remuneration committees do not need to concern themselves with rising senior staff salaries or workforce concerns about growing inequality as long as there is increasing performance to legitimize them both.

2.4 HRM at the senior level

Concerns about rising senior salaries and growing inequality are often believed to be important because of social responsibility and ethics [28], but mainstream corporate governance ideology is not necessarily equipped to encompass morality. Equally, the dominant approach to HRM could be criticized for not being equipped to understand these same concerns as HR practices often embody the same shareholder-centric ideology [29]. While HRM is not usually represented with staff membership to senior level committees and board, when it is, the HR director tends to act as a strategic business partner [30, 31]. HR within the business partnership role limits itself to promoting organizational goals, which has arguably been causing the profession to lose touch with employees and wider stewardship concerns [32]. HRM pursuing organizational goals may lead to a strategic mindset where HR practices are only a tool to create shareholder value [33] instead of advocating more employee-focused HR practices and improving the welfare of all staff [34].

HRM often accepts, implicitly or explicitly, the mainstream ideology of corporate governance by focusing on aligning the interests of employees with employers as per the unitary perspective [13]. For example, the HR practices of performance-related pay, talent management and marketization have been uncritically used within HRM to legitimize increasing senior staff pay as they correspond with increasing levels of performance [7, 8]. These HR practices assume that employees are motivated by pay and will maximize their self-interest. These HR practices also assume that organizations can use pay as a mechanism to align both of their interests and ensure employees maximize their performance. However, none of these HR practices are born out of concern for human welfare or seek to promote more socially responsible and ethical HR practices that are increasingly demanded [9]. Rising senior staff pay and pay inequality will continue under these ideological assumptions, which is problematic as, according to the social contract tradition, socio-economic cooperation is dependent upon everyone believing they receive a

fair stake of the economy [2]. Therefore, this chapter seeks to explore what alternatives ideologies and HR practices exist that could promote equality.

3. Methodology

To provide an inductive example of how corporate governance ideology influences the design and implementation of HR practices, a case study about across British universities is developed. The data collection was based on partially redacted document meeting minutes in remuneration committees ($n = 67$) and items such as registers, agendas, appendices and lists of figures. The number of sets of minutes analyzed ranged from one to nine across each university and they were taken from different points of time, but the majority of meetings took place after 2009. Also, information has been redacted in the minutes to make individuals unidentifiable.

The data analysis was based on three analytical steps [35]. The first step was to identify all the data fragments that directly or indirectly referred to senior staff pay by reading and interpreting the text within the context of their creation. The second step was an iterative process of open coding which grouped these data fragments into first-order HR practices. Some data fragments referred to multiple HR practices and these fragments were codable more than once. Data fragments that made claims about senior staff pay, but did not communicate directly or indirectly any rationale were discarded. The final step employed an iterative coding process which aggregated the HR practices into beliefs and ideologies about corporate governance.

4. Findings and discussion

The analysis identified seven different HR practices and these were aggregated into three different beliefs about corporate governance (see **Table 1.**). Two of these beliefs – competitive pay and managerial power [6] – coincided with the mainstream ideology of corporate governance as they sort to align the interests (or pay) of senior staff with the interests (or performance) of the organization. The six HR practices that it underpinned were common to all remuneration committees and it was evident from the analysis that the members considered this to be background knowledge within the context of financialization and hyper-individualism [7, 8]. Interestingly, there was also a marginalized belief that emerged about sacrificial leadership, whereby senior staff conscientiously went against their self-interest by giving up their pay and instead used this money to promote the interests of other stakeholders and appeared more considered about stewardship.

While beliefs about competitive pay and managerial power were more commonly used and naturalized by remuneration committee members, this alternative belief about sacrificial leadership merits serious consideration and could provide a strong platform to promote equality. This behavior contradicts agency theory [25] since senior staff are not motivated by self-interest and there is no need to align it to the organization. Equally, this behavior contradicts mainstream corporate governance [5] since there is no need to pay senior staff to increase their performance. Senior staff giving up part of their salary or refusing a pay rise in the spirit of altruism has not been previously discussed in the ideology of corporate governance. Yet, altruism could be beneficial in helping remuneration committees to overcome problems such as myopia and silence [36]. The narrow focus on performance and the unwavering acceptance of best practice has arguably led to senior staff salaries rising without being sufficiently challenged.

	Competitive pay	Managerial power	Sacrificial leadership
Beliefs about corporate governance	Senior staff are motivated by pay and their performance is dependent on whether their self-interest is aligned with their organization.	Senior staff are motivated by pay and will advance their self-interest at the expense of their organization given the opportunity.	Senior staff are not motivated by pay and will perform to the best of their ability, even at the expense of their self-interest.
HR practices used	Performance-related pay promotes paying senior staff according to how they perform for their organization. Talent management advocates paying senior staff according to how difficult they are to replace and how much value they add to their organization. Marketization focuses on paying senior staff according to the market forces of supply and demand.	Stakeholder consultation suggests remuneration committees should seek opinions from others about senior staff salaries. Appraisal system focuses on the rules and procedures used by the remuneration committee to determine senior staff salaries. Compensation costs focus on how affordable the senior staff salaries are to their organization.	Employee participation focuses on paying senior staff according to their own wishes.
Impact on HR-coordinated remuneration committee	It encourages committee members to be myopic and act as accomplices to rising senior salaries in the context of financialization and hyper-individualism.	It encourages members to be silent and act as bystanders to rising senior salaries in the context of financialization and hyper-individualism.	It encourages members to be ethical and act as opposition to rising senior salaries in the spirit of altruism.

Table 1.
Results.

Admittedly, only one HR practice was identified supporting this alternative ideology about corporate governance. However, it is possible that other HR practices might have been used if remuneration committees could expand their remit. For example, training and development, workforce planning, and recruitment and selection of senior staff could have helped embed altruism by allowing senior staff to be chosen based on their morality rather than solely economic competence. Also, this would avoid traditional complaints about senior staff deciding to increase their own pay and supporting claims about managerial power [24]. Within the context of financialization and hyper-individualism, senior staff would typically exploit this system and increase their pay, however, carefully recruiting, promoting and training senior staff to ensure that they embody the spirit of altruism could be somewhat beneficial.

4.1 Competitive pay

It was found that every remuneration committee used HR practices about performance-related pay [37], talent management [38] and marketization [39]. These HR practices were also implicitly used to legitimize rises in senior pay under the ideology of corporate governance, which was either about maximizing shareholder

value [15] or stakeholder value [27]. While British universities do not have shareholders as depicted in agency theory [25], they shared the same preoccupation with increasing organizational performance by aligning it with the self-interest of senior staff. For example, it was explicitly stated that individual performance appraisals corresponded with the pay of senior staff and there was a mathematical relationship between the two:

'link between the level of performance assessed in personal reviews to be between 1 and 5 and a corresponding range of percentage awards between x and y.'
(University 1)

While most of the discussion in the minutes appeared to be focused on individual performance, it was claimed that it coincided with wider university performance metrics. The importance of performance-related pay also coincides with agency theory and the belief that pay aligns the interests of the senior staff members with their university [25]. The remuneration committee acted upon this belief effectively as confirmed during a committee meeting that the targets set for senior staff directly contributed towards wider university performance targets:

'...performance-related pay (PRP) elements linked directly to objective evidence-based delivery against the University's testing suite of Key Performance Indicators'
(University 3)

Although, pay rises were not just driven by the HR practice of performance-related pay combined with increased levels of individual performance, but also by wanting to retain their senior staff as part of the HR practice of talent management. The valued added by senior staff was believed to be high and without offering them sufficient reward then it was feared that the most talented would – per their self-interest – leave their university in search for more money [40]. Consequently, the university's performance would suffer:

"In addition, the view was expressed that the University would not become 'Scotland's leading University' if it was not able to retain and reward its very best staff." (University 16)

As part of the talent management process, salaries of senior staff in other institutions were systematically collected, compared and used to decide what would be a suitable reward [41]. It ensured that their senior staff could not be tempted by other institutions. This data set was usually prepared by the head of HR or external consultants and was referenced in the minutes or attached as an appendix as illustrated below:

'Document REM12/21 which provided information to assist the Remuneration Committee in determining the salary for Executive Board members with effect from 1 August 2013.' (University 6)

Universities sought to pay their senior staff the same or more than their competitors – other universities – and there appeared to be a 'war over senior talent.' It was common for universities to poach senior staff from other institutions and motivate them to leave by offering them more money. This competition for talent created a ratcheting effect on pay, which was amplified as senior staff also told their current employer about these increased offers. Essentially, senior staff were maximizing

their self-interest by pitting employers against each other and taking advantage of their bargaining power:

'Salary increases given to X members of XXXX staff, who had received job offers from another University. Salaries were increased to retain these individuals in XXXXX.' (University 7)

The final HR practice that coincided with this belief about competitive pay was remunerating senior staff according to the market. As with the latter two HR practices, it was seen to be in the interest of universities not to be left behind and pay their senior staff the same level as their competitors, which was considered to be the market rate. If any senior staff member was considered to be paid lower than their market worth then the remuneration committee sort to rectify it by giving them a pay increase, otherwise it was implied that they might leave [42]:

'This was in recognition of the scale and scope of his responsibilities and the fact that his salary progression since appointment [Name of Vice Chancellor] had been suppressed...following years in which salary increases had been minimal.' (University 32)

It was also considered necessary to pay the market rate to attract new senior staff members. Across several remuneration committees, it was also noted that British universities had to pay a premium to attract senior staff who had the necessary talent and could improve their performance. It appeared that all British universities were also trying to recruit the same employees, which was pushing up demand and their salaries:

'the role of Faculty Dean for the Business School may require the use of market supplements to appoint the right person.' (University 30)

The problem with beliefs about competitive pay is that it was encouraging myopia amongst remuneration committee members. These HR practices were focusing only on aligning the self-interest of senior employees with performance, which arguably limited the scope of their decision-making and put senior staff in a position of temptation to act selfishly, to which most of them succumbed to. Given the naturalization of the mainstream corporate governance ideology, none of these remuneration committees considered engaging in alternative HR practices, such as, workforce planning or training and development and sort to make all their senior staff dispensable by increasing the supply of talent and decreasing their market worth. In theory, this would allow universities to manage their senior staff like any other employee and if one of them received a better offer from a rival university then they would be in a position to bid them farewell as they have someone ready and just as talented to take their place. In the context of contemporary capitalism, this would also provide them with a competitive advantage as their rival would be paying more for the same amount of talent and this may discourage poaching senior staff from other universities.

While creating more senior talent would increase university HR costs in one sense, it may decrease them in another as the university is paying their senior staff less money and it would be a transfer of costs rather than additional. Increasing the supply of senior staff may also hinder the ratcheting effect by removing the need to align their self-interest with performance. Like other employees within the university context, it is unfair to give senior staff special privileges and pay them more for performing well as, surely, it should be expected that they will act to the best

of their ability regardless. Senior staff who do not perform could be transitioned into another role or dismissed rather than not rewarded because the university has already planned and developed a possible replacement. While expanding the remit of remuneration committees beyond just pay so as to include these other HR practices is not in the self-interest of senior staff, it would be in the interests of British universities to spread their resources and opportunities amongst everyone as it would lead to a more skilled workforce and more equality [8]. However, such HR practices have not been considered, primarily, because they contradict the dominant assumptions underpinning corporate governance.

4.2 Managerial power

It was also found that every remuneration committee used HR practices related to stakeholder consultation [43], appraisal system [44] and compensation costs [42] which also justified rises in senior pay. While British universities are not a corporation, they appear – in principle but perhaps not in practice – to share the same preoccupation with following best practice and limiting the power of senior staff to pursue their self-interest at the expense of their organization [24]. For example, it was explicitly stated that they engaged in stakeholder consultation over senior remuneration to provide an independent perspective [42]. While many of the reports were confidential, it is assumed that these best practices were encouraging senior salary increases as there were significant increases that year found when examining their financial reports:

*‘The recommendations took account of best practice within the Russell Group and the recent guidance issued by the Russell Group (appendix B of the report).’
(University 17)*

Nevertheless, not every stakeholder was encouraging pay increases and several remuneration committees noted that the UK government, trade unions and student bodies had written letters to them. These letters were generally requesting universities to show restraint in increasing senior staff pay. While these letters were noted and read, they were rarely acted upon by most remuneration committees and senior staff salaries continued to rise. Nevertheless, considering stakeholder opinions created the appearance that their decision-making was inclusive:

‘The Committee also noted the letter... which stated that: ‘We are very concerned about the substantial upward drift of salaries of some top management. We want to see leaders in the sector exercise much greater restraint as part of continuing to hold down increases in pay generally.’ (University 14)

Remuneration committees also allegedly followed best practice by employing bureaucratic HR processes, specifically when undertaking senior staff appraisals. None of their pay decisions was made *ad hoc* and data were systematically collected and analyzed to determine whether a salary increase was justified or not through an evaluation scheme. No individual could abuse their power to avoid or manipulate this process [45]. For example, when someone asked for a pay rise it was said to the head of HR:

‘...put the new Secretary/Clerk role through the job evaluation process to establish whether or not the additional responsibilities would put the role into the next pay band.’ (University 50)

The appraisal system methodology appeared justified as it was transparent and all senior staff were said to be judged against the same standardized procedure. Essentially, the remuneration committees were acting upon policies that had already been decided and nothing was arbitrary. Self-interest appeared to be managed and limited through rules and regulations that ensured objectivity. For example, it was said that:

'Clear guidance...developed for the HR website, clarifying the method of application and all potential outcomes regarding salary.' (University 17)

While the remuneration committee was usually composed of senior staff members, to remove the possibility of claims about them pursuing their self-interest inappropriately, they would leave the room during their appraisal and this removed the opportunity for bias. For example, it was written:

'To manage potential conflicts of interests, the VC, COO and Clerk to the board withdrew from the meeting for those agenda items under which their own remuneration was being considered.' (University 60)

The final HR practice, which was underpinned by beliefs about managerial power, was compensation costs. Generally, it was suggested that the cost of senior staff remuneration was both relatively small, affordable and non-excessive. Indeed, many remuneration committees claimed that the total cost of senior staff remuneration was 'insignificant' in comparison to their overall expenditure and its growth has been consistent in relation to previous years. For example, it was written that:

'[Senior staff remuneration] ...remained low at 3% of the total cost, the same percentage increase as in 2012.' (University 45)

The remuneration committee minutes also often mentioned a specific budget allocated to them, which was approved by an additional and more senior layer of bureaucratic scrutiny. This helped them avoid claims about managerial power and under most circumstances, they kept within this budget, which gave their decision-making the perception of following best practice. However, on occasion, it was mentioned that they exceeded it and drew on the formerly discussed belief about competitive pay to legitimize their managerial behaviors as illustrated below:

'The Committee is aware that this sum is greater than that originally approved by Court, but considers that it is appropriate in the context of the submissions it received and the lower than usual budget that had been set.' (University 53)

Remuneration committees accepted that senior staff needed to be remunerated at a competitive level and their budget should be large enough to do so. Equally, remuneration committees suggested they needed a sufficiently large budget to expand and recruit additional senior staff who are talented. However, it was explicitly stated that this needed to be affordable:

'Members agreed that the recommendation would enable staff to be rewarded to their contribution within an affordable framework that provided the University with the flexibility to increase staff recruitment.' (University 49)

The problem with remuneration committees believing that they needed to limit managerial power was that it encouraged silence amongst remuneration committee

members. These HR practices were focusing only on processes and as long as they implemented best-practice then the outcomes of their decision-making could not be disputed. The issue is that the underpinning of these best-practices coincided with the ideology of corporate governance and beliefs about competitive pay. Essentially, committee members could not criticize senior staff for acting selfishly and instead normalized this behavior by having supposedly objective policies and procedures for deciding how much more money to pay them each year.

In addition to the HR practices noted earlier – workforce planning and training and development – remuneration committees could expand their remit to include recruitment and selection of senior staff. The basis of managerial power is the assumption that senior staff are selfish and will maximize their interest at the expense of the organization and these best practices limit it. However, the remuneration committee should seek to employ selfless senior staff members in the first place that will work hard, regardless of whether it is in their self-interest, instead for the greater good of their university and higher education. While according to the spirit of financialization and hyper-individualism there is no possibility of recruiting selfless senior staff members, there was an alternative spirit about altruism found within the minutes and this fits with the below belief about sacrificial leadership. It is possible that the ideology of corporate governance is a self-fulfilling prophecy that is encouraging senior staff to be selfish rather than it being a fundamental part of human nature [46].

4.3 Sacrificial leadership

Indeed, the final belief diverged from the previous two in that it aimed to legitimize pay stagnation instead of pay rises for senior staff. This ideology also diverged in that it was not underpinned by corporate governance [6] and did not base itself on self-interest and performance. Instead, sacrificial leadership was about how senior staff refused a pay rise, despite being legitimate according to the other two belief, because of personal ethics about altruism. It refuted the underpinning assumption of agency theory that senior staff pursued only their self-interest and it needed to be aligned with their university. For example, a remuneration committee acknowledged that the vice-chancellor had met his performance metrics but also opted to donate his salary to a student scholarship fund and he was applauded for it:

‘The Committee considered the Vice-Chancellor’s achievements and agreed with the Chair of Court’s comments that the Vice-Chancellor has continued to lead by example in donations to the university.’ (University 17)

The above vice-chancellor was not the only one to donate part of their salary away and it was common enough for other remuneration committees to have openly discussed this behavior during their meetings. Self-interest appeared not to be the driving factor behind the actions of all senior staff as the HR practice of employee participation showed:

“It was noted that there had been previous examples where vice-chancellors returned a portion of their pay to institutions.” (University 37)

Senior staff were not automatically given a pay rise and under normal circumstances, they either had to apply for it or it was integrated into their performance appraisal. In the former case, it was an individual choice whether to apply or not and there were years when no one submitted anything:

'Given that there are no submissions for increases to salary in addition to the usual award of nationally agreed pay rates, it may be that the meeting will be relatively short.' (University 12)

In the latter case, some senior staff made the individual choice to write in the comment section of their performance appraisal that they did not want to receive a pay rise and their employee participation process reduced inequality:

'The committee was extremely pleased with performance in the last year but recognized comment in review and agreed an additional award should not be made this year.' (University 20)

There was also another example when the remuneration committee recommended a large pay rise to their vice-chancellor as there was a disparity following beliefs about competitive pay. However, the vice-chancellor refused a pay increase. While he finally succumbed to the pressure of the other members and made compromise of a small pay rise, it was clear that some vice-chancellors are not motivated by money and this opposes their self-interest:

'...whilst an increase was agreed, this was lower than that recommended by the Committee, and consequently the Vice-Chancellor's salary remained within the lower decile when benchmarked against UCEA data and compared against Scottish Vice-Chancellors of similar sized institutions.' (University 1)

As illustrated above, this new ideology of corporate governance based on altruism did not go unopposed and the HR practice of employee participation was often contested. For example, at one university the executive team were supposedly contradicting the concept of market forces by refusing to increase their pay. Nothing was done to stop them but it was said that artificially lowering their pay levels may make recruitment harder in the future:

"noted the possibility of compression on the pay scale for Executive members at the University and concerns regarding future recruitment to the role." University 18

At another university, where the vice-chancellor had refused any substantial pay increase for several years, the head of HR was asked by the committee chair to calculate the implications of his sacrifice. It was also claimed that the consequences of his actions had prevented other senior staff from receiving pay rises and had reduced their motivation. While no reference is made to performance and no managerial action was taken at the next meeting, implicitly it was assumed that performance would be better if they raised the pay of their vice-chancellor and other senior staff:

"The Director (Human Resources) agreed to identify the salary level the Vice-Chancellor would currently be receiving if he had accepted the average pay awards since starting at the University. ...a flattening of the Vice-Chancellor's remuneration had a detrimental effect on other senior staff" (University 67)

Notably, employee participation within the remuneration committee process was never used to justify increases in senior pay, likely because it contradicts beliefs about managerial power [24]. Nevertheless, there were several instances when senior staff members took it upon themselves to oppose their pay rises and acted against their self-interest. It is argued this new approach was beneficial for British

universities and the spirit of altruism should be encouraged as a new ideology of corporate governance. Senior staff who perform to the best of their ability and will act against their self-interest for the betterment of their university appears a positive force for higher education. Specifically, it would promote more harmonious workplace relations by reducing inequality between senior and rank-and-file staff. Remuneration committees expanding their remit to consider HR practices about training and development, workforce planning and recruitment and selection in addition to employee engagement is recommended. Under this enlarged remit it may also be beneficial to change the name of this committee as their scope is expanded beyond remuneration.

Surprisingly, remuneration committee members disliked this altruistic behavior and instead predominately promoted the mainstream ideology of corporate governance, despite it being financially more expensive. While the HR practices that underpin are commonly discussed with the academic literature, it is argued that they encourage myopia and silence in this setting. The preoccupation across remuneration committees with self-interest and performance was legitimizing pay increases that were not in the best interest of universities or higher education, only senior staff. Members were either bystander by passively normalizing this selfishness behavior with beliefs about managerial power or complicit by actively encouraging it with beliefs about competitive pay.

5. Conclusion

Overall, this chapter identifies three different beliefs that were found to co-exist within remuneration committees and illustrates how each socially determines different HR practices. Beliefs about competitive pay focused on performance and the alignment of senior staff interests with their organization. Equally, beliefs about managerial power focused on implementing best-practice to prevent the misalignment of senior staff interests with their organization. Both of these beliefs coincided with the mainstream ideology of corporate governance and reinforced rises in senior staff salaries. In contrast to the former two beliefs, sacrificial leadership focused on senior staff ignoring their self-interest and promoting the interests of their organization and other stakeholders. It is suggested in this chapter that adopting this marginalized belief about sacrificial leadership would be more beneficial for all organizations.

Indeed, this chapter recommends the radical proposal to embed altruism and expand the remit of remuneration committees to include developing and training, workforce planning and recruiting and selection. Organizations could thereby have a greater proportion of selfless senior staff members. While this might be difficult within the context of financialization and hyper-individualism, this marginalized belief already exists and there is growing social pressure for organizations to act more socially responsible and ethical [9]. Therefore, this chapter serves to point at how HR practices can be used within remuneration committees to promote equality within this alternative ideology of corporate governance.

IntechOpen

IntechOpen

Author details

Nicholas Black* and Peter Stokes
De Montfort University, Leicester, United Kingdom

*Address all correspondence to: Nicholas.black@dmu.ac.uk

IntechOpen

© 2021 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/3.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

References

- [1] Murphy J, Willmott H. The Rise of the 1%: An Organizational Explanation. In: Morgan G, Hirsch P, Quack S, editors. *Elites on Trial*. Elites on Trial 43: Emerald Group Publishing Limited; 2015. p. 25-53.
- [2] Bloom M. The Ethics of Compensation Systems. *Journal of Business Ethics*. 2004;52(2):149-152.
- [3] UNDP. Human development report 2011 - Sustainability and equity: A better future for all. New York, NY: United Nations Development Programme; 2011.
- [4] World Economic Forum. Global risks 2014. Geneva: World Economic Forum; 2014.
- [5] Conyon MJ, Peck SI. Board Control, Remuneration Committees, and Top Management Compensation. *Academy of Management Journal*. 1998;41(2):146-157.
- [6] Frydman C, Jenter D. CEO Compensation. *Annual Review of Financial Economics*. 2010;2(1): 75-102.
- [7] Dundon T, Rafferty A. The (potential) demise of HRM? *Human Resource Management Journal*. 2018;28(3):377-391.
- [8] Marchington M. Human resource management (HRM): Too busy looking up to see where it is going longer term? *Human Resource Management Review*. 2015;25(2):176-187.
- [9] Stahl GK, Brewster CJ, Collings DG, Hajro A. Enhancing the role of human resource management in corporate sustainability and social responsibility: A multi-stakeholder, multidimensional approach to HRM. *Human Resource Management Review*. 2020;30(3):100708.
- [10] Fairclough N. *Language and power*. New York: Longman Inc; 1989.
- [11] Chiapello E, Fairclough N. Understanding the new management ideology: a transdisciplinary contribution from critical discourse analysis and new sociology of capitalism. *Discourse & society*. 2002;13(2):185-208.
- [12] Keenoy T. HRM: A Case of the Wolf in Sheep's Clothing? *International Journal of Manpower*. 1990.
- [13] Geare A, Edgar F, McAndrew I. Employment relationships: Ideology and HRM practice. *The International Journal of Human Resource Management*. 2006;17(7):1190-1208.
- [14] Karen L. *Human resource management: Rhetoric and realities*. Basingstoke: MacMillan Press; 1995.
- [15] Lazonick W, O'Sullivan M. Maximizing shareholder value: a new ideology for corporate governance. *Economy and Society*. 2000;29(1):13-35.
- [16] Black N, Ertürk I. Financialised capitalism and inequality. In: Fadda S, Tridico P, editors. *Inequality and Uneven Development in the Post-Crisis World*. London: Routledge; 2017. p. 127-144.
- [17] Martin G, Gollan PJ. Corporate governance and strategic human resources management in the UK financial services sector: the case of the RBS. *The International Journal of Human Resource Management*. 2012;23(16):3295-3314.
- [18] Harvey D. *A brief history of neoliberalism*. Oxford: Oxford University Press; 2005.
- [19] van Dijk H, Shantz A, Alfes K. *Welcome to the bright side: Why,*

how, and when overqualification enhances performance. *Human Resource Management Review*. 2020;30(2):100688.

[20] Ramamoorthy N, Carroll SJ. Individualism/collectivism orientations and reactions toward alternative human resource management practices. *Human relations*. 1998;51(5):571-588.

[21] Gillan S, Starks L. A survey of shareholder activism: Motivation and empirical evidence. *Contemporary Finance Digest*. 1998;2(3):10-34.

[22] Gillan SL. Recent Developments in Corporate Governance: An Overview. *Journal of Corporate Finance*. 2006;12(3):381-402.

[23] Gabaix X, Landier A. Why has CEO pay increased so much? *The Quarterly Journal of Economics*. 2008;123(1):49-100.

[24] Bebchuk LA, Fried JM. Executive compensation as an agency problem. *Journal of Economic Perspectives*. 2003;17(3):71-92.

[25] Jensen MC, Meckling WH. Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*. 1976;3(4):305-360.

[26] Shleifer A, Vishny RW. A survey of corporate governance. *The journal of finance*. 1997;52(2):737-783.

[27] Charreaux G, Desbrières P. Corporate governance: stakeholder value versus shareholder value. *Journal of Management and Governance*. 2001;5(2):107-128.

[28] Néron P-Y. Egalitarianism and executive compensation: A relational argument. *Journal of Business Ethics*. 2015;132(1):171-184.

[29] Guest D. Human Resource Management, Corporate Performance

and Employee Wellbeing: Building the Worker into HRM. *Journal of Industrial Relations*. 2002;44(3):335-358.

[30] Caldwell R. HR directors in UK boardrooms. *Employee Relations*. 2011.

[31] Marchington M, Wilkinson A, Donnelly R, Kynighou A. *Human resource management at work*. London: CIPD; 2016.

[32] Keegan A, Francis H. Practitioner talk: the changing textscape of HRM and emergence of HR business partnership. *The International Journal of Human Resource Management*. 2010;21(6):873-898.

[33] Martin G, Farndale E, Paauwe J, Stiles PG. Corporate governance and strategic human resource management: Four archetypes and proposals for a new approach to corporate sustainability. *European Management Journal*. 2016;34(1):22-35.

[34] Van Buren HJ, Greenwood M, Sheehan C. Strategic human resource management and the decline of employee focus. *Human Resource Management Review*. 2011;21(3):209-219.

[35] Miles MB, Huberman AM. *Qualitative data analysis: An expanded sourcebook*. 2 ed. Thousand Oaks: SAGE; 1994.

[36] Parkes C, Davis AJ. Ethics and social responsibility – do HR professionals have the ‘courage to challenge’ or are they set to be permanent ‘bystanders?’. *The International Journal of Human Resource Management*. 2013;24(12):2411-2434.

[37] Dowling B, Richardson R. Evaluating performance-related pay for managers in the National Health Service. *International Journal of Human Resource Management*. 1997;8(3):348-366.

[38] Lewis RE, Heckman RJ. Talent management: A critical review. *Human Resource Management Review*. 2006;16(2):139-154.

[39] Thompson P. The trouble with HRM. *Human Resource Management Journal*. 2011;21(4):355-367.

[40] Michaels E, Handfield-Jones H, Axelrod B. *The war for talent*. Boston: Harvard Business Press; 2001.

[41] Ogden S, Watson R. Executive pay and the search for legitimacy: An investigation into how UK Remuneration Committees use corporate performance comparisons in long-term incentive pay decisions. *Human relations*. 2008;61(5):711-739.

[42] Ogden S, Watson R. Remuneration Committees, Pay Consultants and the Determination of Executive Directors' Pay. *British Journal of Management*. 2012;23(4):502-517.

[43] Bender R, Moir L. Does 'best practice' in setting executive pay in the UK encourage 'good' behaviour? *Journal of Business Ethics*. 2006;67(1):75-91.

[44] Davis GF, Cobb JA. Corporations and economic inequality around the world: The paradox of hierarchy. *Research in Organizational Behavior*. 2010;30:35-53.

[45] Du Gay P. *In praise of bureaucracy: Weber-organization-ethics*. London: Sage; 2000.

[46] Ferraro F, Pfeffer J, Sutton RI. Economics language and assumptions: How theories can become self-fulfilling. *Academy of Management review*. 2005;30(1):8-24.