



PART 1

The role of human resource management

Part contents

1	Introduction to human resource management	1
2	Human resource planning and resourcing	41
3	Work and job design	74

Chapter 1

Introduction to human resource management

LEARNING OUTCOMES



After studying this chapter, you should be able to:

- ✓ **identify** the historical developments and their impact on HRM
- ✓ **outline** the development and functions of HRM
- ✓ **understand** the differences between HRM and personnel management
- ✓ **evaluate** 'hard' and 'soft' approaches to HRM
- ✓ **understand** how diversity is an issue in HR practice
- ✓ **consider** the HRM as an international issue.

The opening vignette gives a somewhat pessimistic view of the role of people in the workplace. Often it is the job of the human resource manager to develop policies and practices that serve the organisation, but she or he also needs to think about the people. If the people are nurtured then the organisation can develop. As can be seen below, this was not the case with Enron.

Enron: something's got to give

Human beings are not governed purely by their own self-interest, so our management and HR systems should not assume they are.

For more than a year, Andrew Fastow – the erstwhile chief financial officer of Enron and the key architect of the off-balance-sheet entities that caused Enron's sudden death – ran rings around the prosecutors investigating the collapse of the energy giant.

Suddenly, he has pleaded guilty to charges that are likely to land him in prison for 10 years, forfeited \$29 million he personally made from operating the off-balance-sheet entities, and agreed to fully co-operate with the prosecutors.

What caused Fastow's about-turn was the likely indictment of his wife, Lea Fastow. The only condition he made for his plea bargain was that he and his wife should not go to prison at the same time. He wanted to ensure that his two children had at least one parent at home. Basically, he sacrificed his self-interest, as he saw it, to protect the interests of his children and, to a lesser extent, those of his wife, who was also his high-school sweetheart.

This was the same Andrew Fastow who designed Enron's entire management system around a firm faith that employees pursued only their own self-interest. 'You must allow people to eat what they hunt,' he used to say, 'only then will they hunt well.' It was this philosophy that made Enron adopt one of the most extreme systems of individual incentives: when you started a new venture within Enron, you got phantom stocks relevant only to your venture. As long as your efforts made money, you got rich, irrespective of what happened to other parts of the company. As a result, everyone in Enron, including Fastow, acted like hunters – looking out only for themselves. The results of such behaviour are now well known.

This is an interesting contrast, and it is by no means unusual. Most managers know that they themselves, and most other people, care about others close to them in their personal lives – their children, old friends, perhaps even some of their neighbours – and that they would happily incur some costs to help these people. At the same time, they also believe that, at work, people care only about their own self-interest. Even if they do not explicitly believe that, they design their companies' organisational and managerial processes as if the motivation to voluntarily help others has no role in the office or the factory.

The facts are clear. Most people pursue their self-interest. At the same time, except for a pathological few, most people also have an innate preference for helping others. And they like to help others not just as a means to further their own self-interest but also as an end in itself. This is equally true for people's personal and work lives. Also, this is not something as grand as altruism; it's much more mundane than that – it's how just all of us ordinary folks are.

What would happen if senior managers recognised that it was possible to build an organisation in which people derived as much joy from the success of others as from their own success, and designed their management processes accordingly? It would vastly change those processes.

As an example, make a quick inventory of your HR processes and put them into two categories: those that reinforce the self-interest-seeking behaviours of people, and those that support their helping others. Look at concrete processes and mechanisms, not abstractions like values which, unless translated and embedded in specific practices, have little effect on behaviours. How long are the two lists? Can you do something to rebalance them?

One possible difficulty you may face is that you do not quite know what you can do to support the more co-operative behaviours. For example, what specific kind of incentive systems might you use? What kind of decision-making processes can you adopt? Structurally, too, what can you do to hardwire non-selfishness – which is not at all the same thing as becoming a saint and not the obverse of self-sacrifice – in your organisation?

These are among the key questions that we, fellows of the Advanced Institute of Management Research, will be trying to answer. Much of the existing management research makes the same assumption as Fastow made about what motivates people at work. We will question and

broaden these assumptions with the aim of coming up with rigorously researched theories that are not victims of pessimism about people, and that will, we hope, help you build high-performance organisations that are also delightful to work in. Watch this space.

Source: Sumantra Ghoshal, *People Management*, 12 February 2004, p. 23.

Discussion questions

- 1 What is the point of HR if employees are only out to serve themselves?
- 2 What role could the HR manager play in building an organisation that celebrates the success of others rather than individuals?

The opening vignette gives a disturbing view of management practices. Enron encouraged employees to lose sight of organisational goals, in an attempt to serve their own goals. The chief financial officer of Enron, Andrew Fastow, encouraged self-interest by offering employees shares, which reflected the value of the business they brought to the company. The result: a culture of selfishness, which encouraged greed and ultimately destroyed the company. As an HR manager, your role in organisations will not be solely related to the concrete mechanisms of human resource management, such as the functions, but also abstract values, such as culture.

Whether you work as a supervisor in a supermarket with responsibility for the checkout operators, the general manager of the local branch of a multinational bank, the union representative for a major airline or the director of HRM in a technology organisation, you will be responsible for managing people. You may have decided to choose people management because you have a love of people, but empathy for people is not necessarily what makes human resource practitioners effective. According to Hunt (1999), what is important for HR managers, is an understanding of the structures and climate in which people's potential can be released, developed and rewarded. Andrew Fastow of Enron, although misguided, discovered this in his famous quote: 'You must allow people to eat what they hunt – only then will they hunt well.' However, he failed to understand the necessity of developing the whole organisation and the results are history. The Enron view of people management is not the view taken by all organisations. The John Lewis Partnership, for instance, also believes in giving its employees, or 'partners' as they are referred to by the company, a stake in the organisation. It achieves this by encouraging workers to co-operate to fulfil the company's aims. In turn, employees are rewarded with a share of the profits.

This book introduces you to the role of the people manager and human resource specialist. It also should be useful for general managers wanting to successfully manage and develop their employees. The book is designed not only to introduce you to the underlying theories and concepts that inform human resource practitioners but also to current practices necessary for the functions of HRM. At the moment, human resources (HR) is in a constant state of change, with Hunt (1999) suggesting that one of the following could happen.

- Human resources goes into decline – outsourcing and downsizing has removed the HR specialist from organisations and placed the HR role with the overworked line manager.

vision

The view of how the organisation sees itself developing and achieving its objectives.

- Human resource management is an important function, which will begin to play an important role in top management. The HR function will be closely integrated into the **vision** and strategy of the organisation.

- Human Resources will continue as it has done in the past, due to the limitations of labour markets, unions, legislation, etc. This implies that it stands still and does not develop.

Whatever the view of HR and how it develops in the future, it is important to understand where it has come from and what has influenced it. To set the scene of where we are today, we will now take an overview of the historical developments of the profession. A historical time line is illustrated in Exhibit 1-1.

The history of HRM

The late nineteenth century

Wherever people have needed to be employed there has been some form of people management. Although it has only been in recent years that a consistent view has emerged on how to develop people.

At the end of the nineteenth century many workers were employed in the manufacturing sectors, where they had to put in long hours and conditions were often harsh. The welfare state did not exist and no work could mean destitution. However, even in such unenlightened times some employers did value their workers and took on a **paternalist** role for their employees. Such famous names as Cadbury, Rowntree and Bournville, all chocolate manufacturers, and Lever, a soap manufacturer, all

paternalist

An employer viewed as a father figure in the organisation.

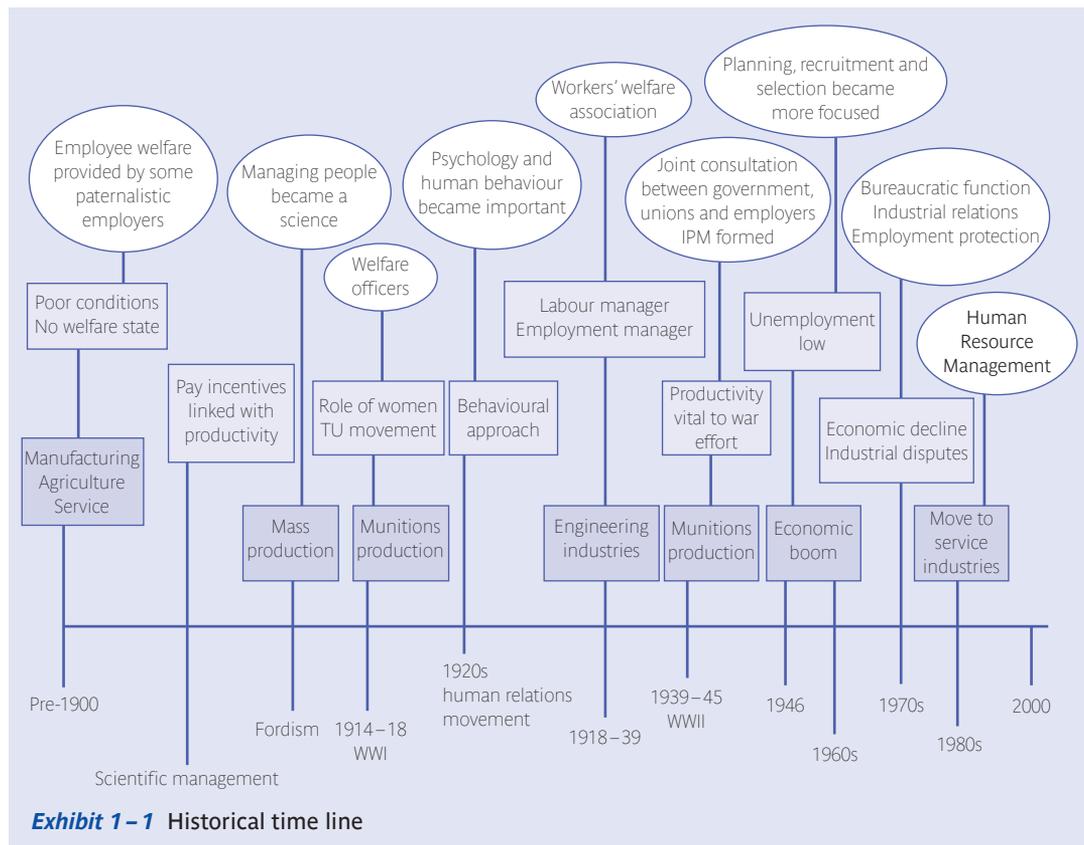


Exhibit 1-1 Historical time line

took their employees welfare very seriously and established the provision of health and education as part of their role as a responsible employer. These enlightened employers tended to be Quakers and were some of the first employers to employ welfare officers. The welfare officers were often women and were concerned not only with visiting sick employees but also with supervising moral welfare. Pressures were also coming from an emerging labour movement and trades unions were gaining influence with a campaign for 'industrial betterment' (Cannell, 2004).

The 1900s also saw the development of personnel management as a professional body, with the formation of the Welfare Workers' Association, a forerunner to the CIPD.

Scientific management

Human resource management as we know it today, also developed from a range of theories from sociologists, psychologists, and management and organisational behaviourists. One of the earliest can be traced back to the United States in the early 1900s with the development of 'time and motion' studies, which would find the 'one best way' of performing a task. The father of what became known as **scientific management** was Frederick Taylor. Taylor replaced haphazard rules of thumb with precise measure principles. He was one of the first to emphasise the prediction of behaviour and encouraged the use of training and other management techniques to influence work outcomes. Taylor identified the skills needed for

scientific management

An early 1900s movement, which held that the scientific observation of people would reveal the one best way to do any task.

a particular job and would hire and train workers to perform to the required standards. Employees were rewarded with a 'differential piece rate' pay system that rewarded work output. Many managers took on the ideas of Taylor, often without the pay incentives. Although Taylor publicised his ideas as a success, the reality was threats of industrial action, redundancies and disgruntled management (Rose, 1975).

Fordism

The USA was also leading the way in developing large-scale industrialisation with car manufacturers such as Henry Ford. Ford continued with the scientific management approach and developed an assembly line where the workers were allowed a minimum amount of time to complete a task before the car moved to the next stage in the production process. Employees unable to keep up were fired; this led to a high level of absenteeism as well as high employment turnover. To counteract the high staff turnover Ford introduced 'the five dollar day' bonus, which would double workers' wages. However, the bonus was payable only to employees whose moral and work ethic was seen as appropriate both at home and at work. Management control was also increased, through the use of job evaluation and a pay system that was matched to the difficulty or status of the job. Workers had to be with the company six months to qualify for the scheme, and young people under 21 and women were not eligible (Benyon, 1973). With mass production the role of managing people became a science and managers were expected to have not only technical expertise but also managerial ability. In the UK, however, reliability and the ability to impose discipline were seen as far more important than technical knowledge.

The human relations movement

human relations

The movement which proposed the view that the social side of work was important for improving performance.

The **human relations** movement began to grow in the 1920s with Elton Mayo and the famous Hawthorne experiments. This shifted the view of people management away from the mechanistic principles of scientific management and towards a behavioural approach of satisfying the social needs of workers. The results of the Hawthorne approach taught managers that concern for people did not mean lower production, but the reverse. This was seen as an anti-Taylor perspective as it argued against Taylor's 'One Best way', although it agreed with Taylor's idea of sufficient rest breaks for workers.

Research in the UK was also emerging from the National Institute of Industrial Psychology (NIIP). It investigated methods of work and its relation to fatigue and concluded that fatigue, was not only psychological but also physiological. The resulting research, by what became known as the human relations school and other work psychologists, identified the importance of the human factor of work. They discovered that people were more effective if they were allowed a say in how to perform tasks and that social relations were often more important than money in maintaining morale.

The First World War

The war years of 1914–18 saw major developments in personnel management. The Munitions of War Act 1915 passed to ensure a sufficient supply of labour to munitions' factories made the provision of welfare services compulsory. This led to a large increase in the number of welfare officers, many of whom were men as it was considered more appropriate from them to oversee the welfare of boys.

However, women were also being recruited in large numbers to replace the men sent to the trenches. This led to some bitter disputes with trades unions, which saw craftsmen's jobs being filled by unskilled women. It led to the government having to enter into discussion and consultation with the unions (Cannel, 2004).

Another development was the role of 'labour officers', needed to assist in the recruitment, selection, discipline and industrial relations on the shop floor of unionised workers. Labour officers also had to interpret the many government directives concerning the employment of civilians in wartime and aspects concerning discipline and dismissal. Many Labour Officers were male and came from an engineering and works management background (Evans, 2003).

Between the wars

The engineering industries developed the role of the personnel manager, and job titles such as 'labour manager' or 'employment manager' became more common. Their role was to handle recruitment, dismissal, absence and pay. Pay negotiations were becoming more common and officials appointed by employers' federations negotiated national pay rates with the unions.

The inter-war years also saw the emergence of the title 'personnel manager', in companies such as Marks & Spencer. The personnel manager dealt with many of the functions of the human resource that we know today. However, senior management more often dealt with any industrial relations problems (Cannel, 2004).

Personnel was not the only name to change: the Worker's Welfare Association, after evolving through several name changes, finally became the Institute of Labour management in 1931, and eventually the Institute of Personnel Management (IPM) in 1945.

The Second World War

The 1939–45 war saw more government regulations introduced to regulate employment and increase morale in a bid to boost the war effort. The role of the welfare and personnel manager was seen by government as a vital part of the drive to greater efficiency. Strikes were also made illegal and productivity improvements became part of a joint consultation and negotiation between unions and the government. By the end of the war the personnel profession had expanded and had approximately 5300 practitioners; many of the HRM practices in use today can trace their origins back to the war years.

The post-war years

With the post-war years came a time of economic boom, with manufacturing at its peak. Unemployment was low and personnel practices such as planning, recruitment and selection became important aspects of the personnel manager's role. During the war much of the personnel role had been to implement government rules, and the emerging personnel profession tended to be very bureaucratic and based on function (Cannel, 2004).

Industrial relations also took on a new role. During the war years negotiations were centralised and often government led. With large companies now developing their own employment policies, negotiations became more and more decentralised with local shop stewards and local bargaining. Official and unofficial strikes became damaging to the economy and the UK became notorious for its poor industrial relations. Eventually, a report by Lord Donovan in 1968 criticised employers, managers and unions for their failure to negotiate and failure to plan for industrial relations strategies. Much of the criticism of the failure of industrial relations was directed at the failure of employers to give personnel management a high priority. The higher profile of personnel today can partly be seen as a response to the criticism made by Donovan (Cannel, 2004).

The 1960s also saw the introduction of new legislation, such as contracts of employment, training and redundancy payments. The 1970s saw the introduction of equal opportunities legislation and employment protection, but there were also attempts to control trades union activity. The economy was also in decline and personnel departments were not only expected to implement the new legislation, but also directives on pay regulations to curb the spiralling inflation. New techniques needed to be developed to improve performance and much of the work done by social scientists, management and organisational behaviour theorists in the USA such as Herzberg's theory of motivation, found their way into the personnel departments.

The main features of personnel management as it is today were in place by the end of the 1970s and are summed up by Cannel (2004) as follows.

- **The collective bargaining role** – centred around dealing with trades unions and the development of industrial relations strategies.
- **The implementer of legislation role** – implying understanding and implementing a growing amount of legislation.
- **The bureaucratic role** – implementing a series of rules about behaviour at work, dealing with recruitment, managing absence, and so on.
- **The social conscience of business role**, or 'value champion' – a residue from the welfare worker function.
- **A growing performance improvement role** (in some organisations and sectors) – about integrating the personnel function with business needs and taking a more strategic view.

Looking at the historical context can help us to understand how human resource management has developed into a profession and how it is continuing to increase in importance.

The rise of HRM

The election of a Conservative Government under Margaret Thatcher in 1979 marked a change in shift from collectivism to individualism. Legislation was introduced to control the perceived abuse of union power by banning sympathy strikes and removing the concept of the ‘closed shop’, where union membership was compulsory. High unemployment of over three million, and the decline of the manufacturing industries, also led to decline in the strength of the unions.

The 1980s also saw the term ‘human resource management’ (HRM) introduced to the UK from America. The meaning of the term has led to many debates and academic discussions, as can be seen below. To some, it was seen as a way of minimising the trades unions’ influence, and the name change from ‘personnel’ symbolised this. Others saw HRM as a more strategic role in the achievement of organisational objectives, with an HR director at board level. Before moving on to the personnel management versus human resource management debate, developments through the 1980s and 1990s, such as the rise of the training specialist, as well as the reward, resourcing and diversity specialists that exist in many large organisations are now seen as an important part of the personnel function.

As can be seen throughout the last century, the role of the HR professional continues to evolve, develop and have a significant impact on the effectiveness of organisations. Although the debate between personnel and HRM has continued into the twenty-first century and this is discussed in the following section.

Personnel management versus human resource management

Personnel management is often considered an old-fashioned name for human resource management, and in some organisations there may well be little difference between the old personnel department and today’s HR department. But HRM can also mean a particular philosophy of the role of HRM in organisations, and how people are developed and nurtured to achieve organisational goals.

The foundations of HR activity

The traditional view of HRM can be explained by the four objectives that form the foundation of the human resource activity. These can be identified as staffing, performance, change management and administration objectives, and are illustrated in Exhibit 1-2.

These are the underlying objectives that support the HR function and enable managers not only to ensure compliance with legislation but also to enable a move towards strategic development, which will be discussed in the next chapter. An explanation of why they are important is given below.

Staffing objectives

Staffing ensures that the right staff are available at the right time in the right place. This involves identifying the nature of the job and implementing a recruitment and selection process to



ensure a correct match. Staffing objectives also need to ensure that once the people are recruited they can be retained, either through a reward package and/or development process. There is nothing new about this, as can be seen from the overview of the history of HRM: even Henry Ford had to offer an incentive of the ‘five dollar day’ in an attempt to reduce staff turnover, and today many workers in the financial sector eagerly await their end-of-year bonuses. How these objectives are achieved will be revisited in subsequent chapters on planning and resourcing, recruitment and selection, and retention.

Performance objectives

These are a continuation of the staffing objectives. Once the staff are in place they need to be motivated to perform. This can take place through the development processes. Performance targets may be introduced through an appraisal system where employers invite members of staff to discuss their performance and future ambitions and develop strategies to enable them to be met. House of Fraser stores use the appraisal system not only to identify future managers but also to enable sales staff to receive training, either in work-related issues such as customer care, or personal development areas such as improving IT skills. Training and development are often used to close the gap between current performance and expected future performance. But, as House of Fraser identified, they can also be used for maintaining commitment and empowerment, which in turn will improve performance. Performance objectives can also identify the disengaged worker, who for whatever reason no longer feels committed to the organisation. Again strategies can be put in place to return these workers to fuller participation in the workplace. Many of these issues will be discussed in later chapters on learning, training and development, and managing and developing performance.

Change-management objectives

These are required if organisations are to be effective in developing an innovative and fast-moving organisation that can keep up with the fast pace of development in a modern society. Organisations need to be adaptable and flexible, which means that policies and objectives need to be in place to manage change. Many of the IT industries need to be adaptable and fast changing to keep up with changes in modern technology. For example, Apple Computers’ market share was in

decline due to the monopoly of the Microsoft Windows operating system, but it has reinvented itself with the iPod, and is now leading the way in music technology. Without change-management objectives Apple would have found it much harder to respond to rapid changes. For this reason the recruitment, selection and development strategies all need to feed into the change-management objectives. The need for change management is identified in the chapter on strategic management and is also covered in the chapter on current issues and new developments.

Administration objectives

These need to be complied with in order for the organisation to operate smoothly. Employees need to be paid regularly, tax needs to be collected to comply with legislation, and data need to be accurate and relevant to the organisation's goals. Employment legislation needs to be adhered to and records maintained, where appropriate, to demonstrate this is happening. The need for administration objectives will be further developed in subsequent chapters covering legislation, equal opportunities and managing for diversity, as well as those that deal with remuneration, reward, retention and training.

When companies expand rapidly, they need to ensure that their administration systems are adequate for their needs. One such market research company, based in St Albans, expanded from a team of two people to an organisation employing 20 people. There were no systems in place to deal with the increase, and this resulted in poor allocation of tasks, not knowing who was on duty and at what time, as well as staff not being paid on time. The result: demotivated staff and a high staff turnover, which eventually affected business performance.

Distinguishing between HRM and PM

workforce centred

Refers to personnel managers who concentrate on protecting the workers from managers.

All the above objectives need to be taken into account, whether personnel management or HRM. However, personnel management is viewed as **workforce centred** and more operational in focus. Personnel managers recruit, select and carry out administrative procedures in accordance with management's requirements. They act as a bridge between the employer and the employee. As a result, personnel managers were seen as functional specialists rather than strategic managers and often had little power or status in the organisation. The personnel manager needed to understand the needs of the manager and the employee, and articulate those needs to both sides.

Some organisations, however, see HRM as a particular approach in the management of people. HRM can be seen as a radical new approach linked to strategy and viewing people as assets who need to be actively managed as part of the long-term interests of the organisation. HRM can be viewed as a radical integrated approach to the management of people in an organisation and, as such, can be seen as a general management function. Where personnel managers can be viewed as specialists, HRM can be seen as the responsibility of *all* managers, particularly senior managers, and as such is proactive rather than reactive. Guest (1987) identifies the differences in his model (see Exhibit 1-3).

Guest (1987) shows a model of HRM that is commitment based, which is distinct from compliance-based personnel management. According to Guest, HRM is:

- linked to the strategic management of an organisation
- seeks commitment to organisational goals
- focuses on the individual needs rather than the collective workforce

	Personnel	HRM
Time and planning	Short-term, reactive ad hoc marginal	Long-term, proactive, strategic, integrated
Psychological contract	Compliance	Commitment
Control systems	External	Self-control
Employee relations	Pluralist, collective, low trust	Unitarist, individual, high trust
Structures and systems	Bureaucratic/mechanistic, centralised, formal	Organic, devolved, flexible
Roles	Specialist/professional	Largely integrated into line management
Evaluation criteria	Cost minimisation	Maximum utilisation (human asset accounting)

Exhibit 1–3 The differences between personnel and human resource management
Source: Guest (1987).

- enables organisations to devolve power and become more flexible
- emphasises people as an asset to be positively utilised by the organisation.

Guest (1987) sees HRM as a distinct approach to managing the workforce and argues that, although personnel management will also select and train staff, it is the distinct approach in the selection and training that matters. HRM's approach should be linked to high performance and commitment rather than compliance. Guest (1997) recognises that, although empirical evidence is only just beginning to show the link between HRM and performance, evidence is already suggesting that HRM works. The view from industry is also suggesting that HRM is taking on a strategic role in industry. The CIPD (2003) HR survey identified HR issues as now being regularly discussed at executive boards and HR managers seeing their role as that of a strategic business partner, with the HR function now focused on achieving key business goals and developing employee capabilities.

Storey defines the elements that differentiate HRM as follows:

- Human capability and commitment: Storey argues that this is what differentiates organisations.
- Strategic importance of HRM: it needs to be implemented into the organisational strategy and considered at the highest management level.
- The long-term importance of HRM: it needs to be integrated into the management functions and seen to have important consequences for the ability of the organisation to achieve its goals.
- The key functions of HRM: seen to encourage commitment rather than compliance.

Storey (1992) identifies a model with 27 points that differentiate HRM from personnel and industrial relations (IR) practices. Storey's model is based on an ideal type of organisation and is a tool used to present what Storey sees as the essential features of personnel and HRM in an exaggerated way.

Storey identifies four categories in which the 27 points fit. These are: beliefs and assumptions, strategic concepts, line management, and key levers, which include the functions of HR such as selection, pay, and so on.

Storey's model can be viewed as an 'ideal type' of HRM and has been used as a tool for research and analysis of organisations. In practice, HRM would use some elements of his 27 points but would be extremely unlikely to include all of them. As such the model is useful as a research tool but does not reflect what happens in practice (see Exhibit 1-4).

Storey's (1992) 27 points of difference identify personnel management as being bureaucratic, based on rules and procedures and seen as a separate function from general management. On the other hand, HRM is seen as related to the business need, and central to the corporate plan and the responsibility of all managers.

Storey (1992) proposes another model as a means of comparative analysis, for identifying the shift organisations may take from personnel management to HRM. This is illustrated in Exhibit 1-5.

Storey (1992) suggests in the model depicted in Exhibit 1-5 that, for an organisation to gain competitive advantage, a strategic response needs to be given to the beliefs and assumptions of the organisations and that line managers should take on part of this role. Line managers would have a responsibility for the change in key levers, which would move the organisation away from being locked into bureaucratic procedures towards becoming a flexible organisation that would encourage commitment through performance-related goals.

Storey not only identified the shift towards human resource management, he also described two approaches to HRM as 'hard' and 'soft', these approaches are discussed below, after the 'Stop and reflect' exercise.

Stop and reflect

Where would you prefer to work?

Consider the main differences between personnel and human resource management. Would you prefer to work in a company that follows personnel management practices or HRM practices?

Defining HRM: soft versus hard HRM

hard HRM

Views people as a resource used as a means of achieving organisational goals.

soft HRM

Encourages employers to develop strategies to gain employee commitment.

Within the HRM view, two approaches have been identified. Storey (1989) labelled these two approaches **hard HRM** and **soft HRM**. The 'hard' approach, rooted in manpower planning is concerned with aligning human resource strategy with business strategy, while the 'soft' approach is rooted in the human relations school, has concern for workers' outcomes and encourages commitment to the organisation by focusing on workers' concerns.

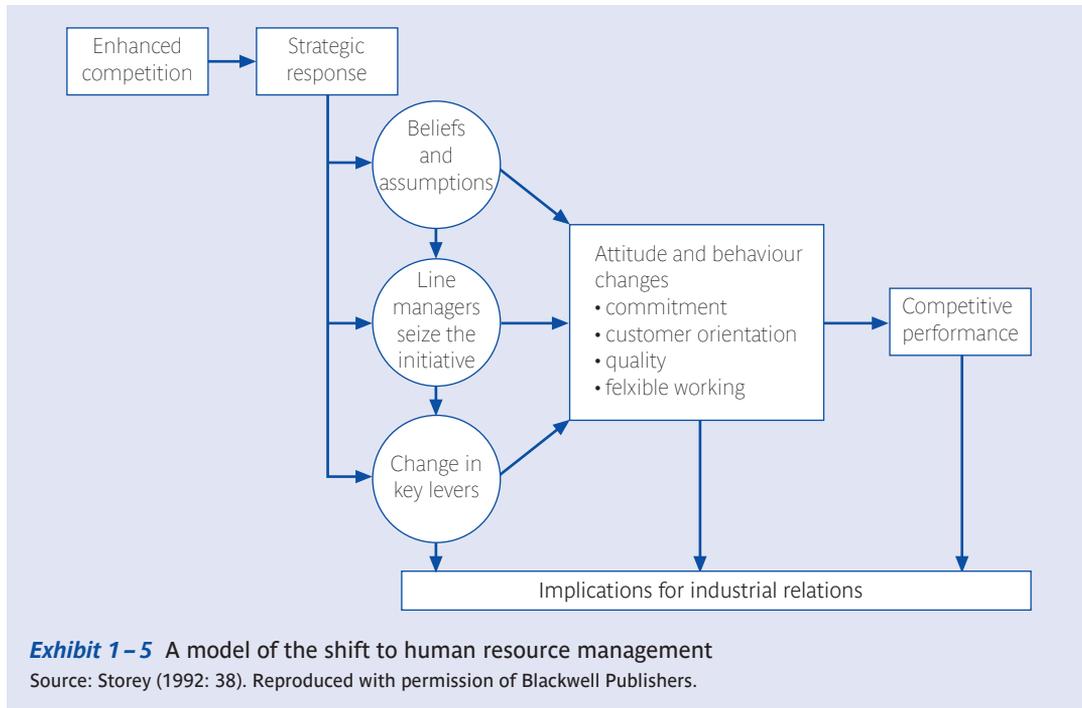
Soft HRM

The soft view of HRM, developed by Storey (2001), popularised a distinctive approach to managing the human resource. Beer *et al.* (1984) proposed the Harvard model as a means of improving managers' methods of managing people. Walton (1985) argued that the role of

Dimension	Personnel/IR	HRM
Beliefs and assumptions		
1 Contract	Careful delineation of written contracts	Aim to go 'beyond contract'
2 Rules	Importance of devising clear rules/mutuality	'Can-do' outlook; impatience with 'rule'
3 Guide to management action	Procedures	'Business need'
4 Behaviour referent	Norms/custom and practice	Values/mission
5 Managerial task vis-à-vis labour	Monitoring	Nurturing
6 Nature of relations	Pluralist	Unitarist
7 Conflict	Institutionalised	De-emphasised
Strategic aspects		
8 Key relations	Labour management	Customer
9 Initiatives	Piecemeal	Integrated
10 Corporate plan	Marginal to	Central to
11 Speed of decision	Slow	Fast
Line management		
12 Management role	Transactional	Transformational leadership
13 Key managers	Personnel/IR specialists	General/business/line managers
14 Communication	Indirect	Direct
15 Standardisation	High (for example, 'parity' an issue)	Low (for example, 'parity' not an issue)
16 Prized management skills	Negotiation	Facilitation
Key levers		
17 Selection	Separate, marginal task	Integrated, key task
18 Pay	Job evaluation (fixed grades)	Performance related
19 Conditions	Separately negotiated	Harmonisation
20 Labour management	Collective bargaining contracts	Towards individual contracts
21 Thrust of relations with stewards	Regularised through facilities and training	Marginalised (with exception of some bargaining for change models)
22 Job categories and grades	Many	Few
23 Communication	Restricted flow	Increased flow
24 Job design	Division of labour	Teamwork
25 Conflict handling	Reach temporary truces	Manage climate and culture
26 Training and development	Controlled access to courses	Learning companies
27 Foci of attention for interventions	Personnel procedures	Wide-ranging cultural, structural and personnel strategies

Exhibit 1-4 27 points of difference between personnel and IR practices and HRM practices

Source: Storey (1992: 38). Reproduced with permission of Blackwell Publishers.



HRM was to develop strategies to gain employees' commitment, not to be a means of controlling them.

Beer *et al.* (1984) suggest that managers need to be more responsible for HRM. The Harvard model opened the debate in the 1980s and proposes four human resource categories, as is demonstrated in Exhibit 1-6.

The issues proposed by Beer *et al.* (1984) argue that managers need to take responsibility for employee influence, human resource flow, reward systems and work systems, regardless of the size of the organisation. They recognise that different stakeholders have different interests and, for an organisation to be effective, managers need to take these interests into account.

Employee influence

This refers to how managers disperse their power and authority throughout the organisation while ensuring that the organisational goals are met.

The human resource flow

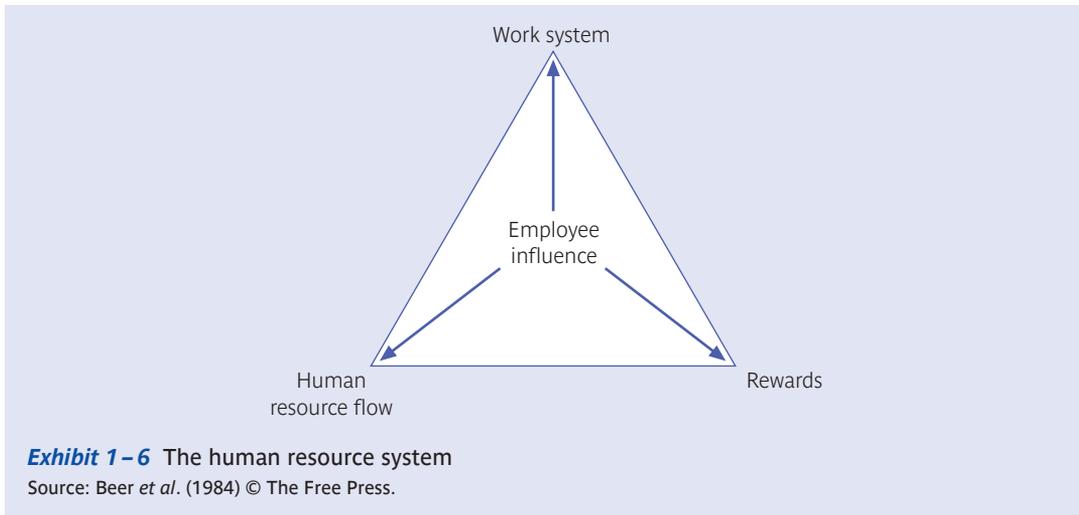
This refers to issues of recruitment, selection, development and ending the contract for the people in the organisation. The model argues that managers must work together to ensure that the right people are in the right place at the right time.

Rewards systems

These are concerned with how employees are rewarded for their work. They include monetary reward such as pay, bonuses and profit sharing, and non-monetary rewards such as holidays and health insurance. They are also concerned with intrinsic rewards such as job fulfilment and empowerment, which help to maintain a motivated and productive workforce. The **Harvard model**

Harvard model

A soft model of HRM to encourage employee commitment through employee influence, HR flow, reward and work systems.

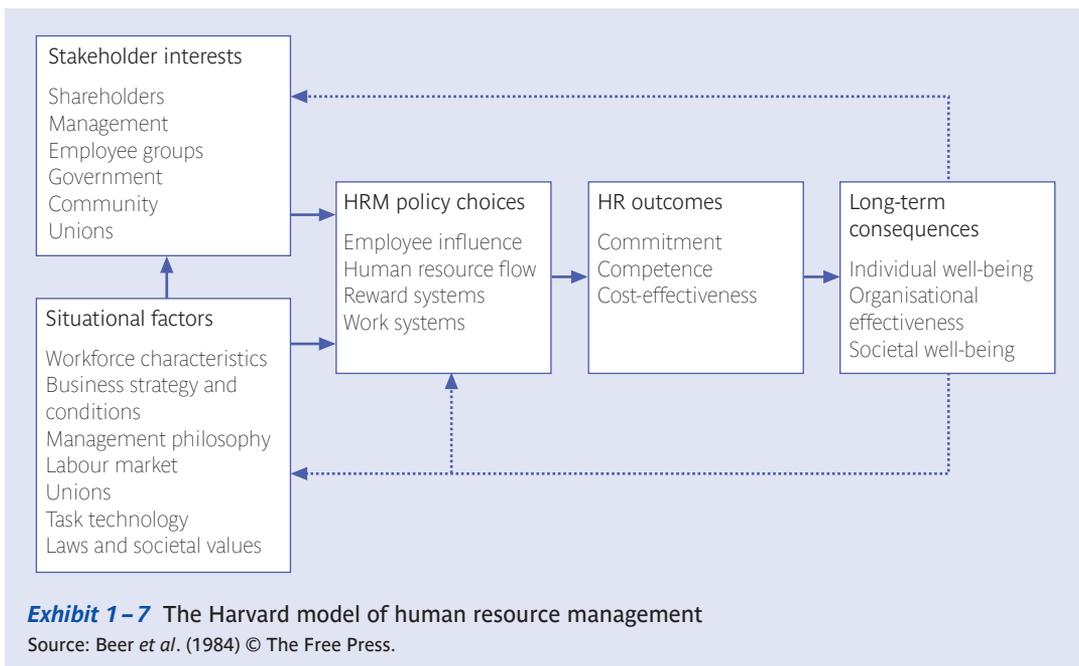


recommends that employees are involved in the design of the reward system, while managers must ensure it is consistent with the organisation's goals.

Work systems

This refers to the organisation of work to ensure that it is efficient and productive and, again, can meet the organisation's goals. Work systems need to ensure that the communication channels work and the correct technology is in place at the various levels of the organisation.

As can be seen from Exhibit 1-7, the human resource system forms one part of the Harvard model and cannot be considered without taking into account stakeholder interests, situational factors, HR outcomes and the long-term consequences of decisions.



Stakeholder interests

This refers to shareholders who have a financial interest in the business. These range from the management, who need to ensure that organisational goals are met, to employee groups, either formal or informal. Externally, the government also has an interest in how organisations operate; this includes legislation to ensure that people are protected and to monitor how the organisation contributes to the economy. Often in communities where one type of organisation is a major employer, the community may also have a stake in the organisation. This was the case in the 1980s when, with the demise of the coal mines and manufacturing industries, many communities were destroyed as people moved away to find work. Unions may also have an interest in the organisation and, although many unions lost their power after the 1980s, workers still have the right to belong to a union and employers have a duty to recognise this.

Situational factors

These include the characteristics of the workforce, which in turn include labour markets, union representation, laws and societal values. Questions need to be asked such as: Who are they? Where do they come from? What is the culture? The business environment also needs to be considered, such as the economic conditions, strategic issues as to the direction of the organisation, and the management philosophy that drives the organisation. The technology and work systems also need to be taken into account to ensure that the workers can be effective.

These lead to the HRM policy choices of employee influence, human resource flow, reward systems and work systems, which were illustrated in Exhibit 1-6.

HR outcomes

These follow on from the HRM policy choices and are concerned with commitment, competence, congruence and cost-effectiveness. Managers need to ask: 'How can we gain commitment from our workers to enable the achievement of organisational goals? How can we ensure we have a trained and competent workforce who are able to perform productively? How can we sustain congruence; in other words, ensure that our workers are compatible with the management style and will fit in with other employees?' Finally, how can managers ensure they are cost-effective while maintaining employee satisfaction?

Long-term consequences

These follow on from HRM policy and outcomes and refer to individual well-being. Will the outcomes ensure that individuals are looked after and their needs considered? Will the organisation still be able to be effective and compete or provide a service in the external market? How will the HR outcome satisfy the wider needs of society and the community as a whole?

Managing diversity is another important issue for managers today, which is why HR managers need to be aware, not only of legislation, but also how it can affect the morale of employees. Managing for diversity ensures that all employees can feel valued as part of the organisation. An example of this is illustrated in the 'Managing diversity' box.

The soft view of HRM proposed by the Harvard model recognises the importance of people and that stakeholder interests are more likely to be met if HR policy choices and outcomes ensure the long-term consequences of individual well-being, which impact on societal well-being and increase organisational effectiveness. The Harvard model suggests that organisations that encourage employee influence in decision-making are likely to be more effective provided they are consistent with organisational goals. Guest has developed this model further as is discussed below.



A pain in the neck: tied-down dress codes

A significant judgment in January 2004 (*Thompson vs Department for Work and Pensions* – unreported, EAT 0254/03), the EAT (Employment Appeal Tribunal) overturned a tribunal decision that Matthew Thompson, who works for JobCentre Plus, had been treated less favourably on the grounds of his sex by being required to wear a collar and tie at work. Another 6950 other male JobCentre workers have lodged similar complaints.

All JobCentre staff were required to dress ‘in a professional, business-like way’. Men were required to wear a collar and tie, women to ‘dress appropriately and to a similar standard’. Thompson said this was unlawful sex discrimination.

The tribunal’s decision was based on men being required to wear clothing of a particular kind, whereas women were not, and on a ‘higher standard’ being imposed on men than on women. The EAT said the question for the tribunal should have been whether the level of smartness required for all could be achieved for men only by requiring them to wear a collar and tie. The appeal from the Department for Work and Pensions (DWP) was allowed and the case was remitted to a differently constituted tribunal. Both sides were given permission to appeal.

Although the employer’s appeal was successful, the case serves as a timely reminder to employers to avoid any allegations of unlawful discrimination by applying a sensible approach to dress codes and to be flexible in trying to accommodate individual needs. Employers are entitled to request their staff to dress in an appropriate manner and, while there can be different rules to reflect the conventions of dress for men and women, there must be an even-handed approach so the ‘package’ as a whole is not discriminatory.

With legislation against religious discrimination now in place, employers should have already reviewed their dress codes to ensure provisions do not constitute indirect discrimination – for example, preventing Muslim women from wearing a *hijab* (headscarf). In some cases, dress codes can be adapted to allow employees to wear the required items/adornments. Where indirect discrimination is concerned, employers may be able to objectively justify applying the dress standard – for example, when religious dress requirements conflict with health and safety or hygiene rules.

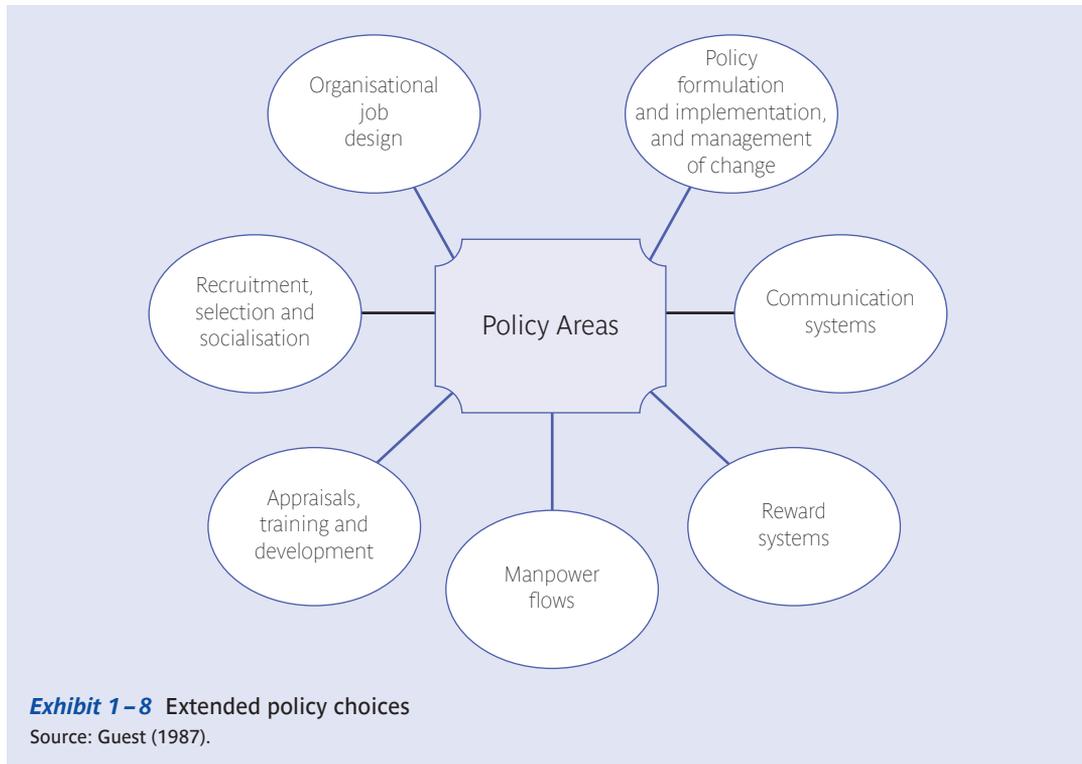
Source: Makbool Javaid, *People Management*, 12 February 2004, p. 19.

Discussion questions

- 1 Do you think the JobCentre uses personnel management or HRM?
- 2 How would you deal with such an issue to prevent it going to a tribunal?

Development of the soft HRM model

Guest (1987) extended the Harvard model’s four HR policy choices of employee influence, human resource flow, reward systems and work systems to a total of seven. These seven policy areas (illustrated in Exhibit 1-8), included: organisational job design; policy formulation and implementation and management of change; recruitment, selection and socialisation; appraisal training and development; manpower flows; reward systems and communication systems. The correct policy choices will lead to HR outcomes of commitment, competence and cost-effectiveness, and result in the long-term consequences of individual well-being, organisational effectiveness and societal well-being.



Organisational and job design

This is similar to the Harvard model's *work systems* and includes how the design of a job fits into the organisational design. It takes into account the suitability of the tasks and technology used to achieve organisational goals. The design of organisations should reflect a high commitment model to HR and demonstrate how work design can be related to organisation strategy. For example, workers would be empowered to take control of their work as a means of increasing commitment to the organisation. The organisational structures would be designed to enable this to happen, power is more likely to be dispersed and management would be less authoritarian.

Policy formulation and management of change

This means using HR policy to identify and manage change in a business environment. This extends from the Harvard model, which had not identified change as a separate policy. It is especially important in a fast-changing business environment to manage change effectively to ensure competitiveness. Apple computers managed to develop the iPod and gain competitive advantage by having policies for managing innovation and change.

Recruitment, selection and socialisation

This is covered in the Harvard model's **human resource flow**. As the name suggests, it covers aspects of how and where employees are recruited, selected and inducted into the organisation, to ensure that they will be suitable in achieving organisational outcomes. However, this is more than just having the right people in the right place at the right time: it also needs to ensure that the workforce will be involved in the achieving of organisational goals.

human resource flow

The movement of people through the organisation, from recruitment and selection to termination of employment.

Appraisal, training and development

This is not covered in the Harvard model as a separate policy. Guest (1987) argues that policies are necessary to ensure that employee performance is evaluated, which in turn ensures that the appropriate training and development take place. The aim is for a motivated, skilled, involved and contented workforce. Competing commitments, such as union involvement and work/life balance, would be identified and strategies would be developed to ensure that workers are able to be fully committed.

Manpower flows

These ensure that systems are in place to monitor employees throughout their life in the organisation. They can provide information on how staff are promoted or why they may leave the organisation. The Harvard model covers this in its *workflow* policies. It is important, as high staff turnover can indicate a problem with morale. Poor morale leads to poor productivity and low commitment to the organisation.

Reward systems

As with the Harvard approach, these cover the type of monetary and non-monetary rewards the organisation uses to maintain employee commitment. It needs to ensure that appropriate rewards are available, desirable and achievable. For example, if performance-related pay is part of the reward system then the criteria for achieving qualifying targets need to be transparent and achievable. If targets are imposed that are perceived to be out of reach, employees are less likely to feel committed to achieving them.

Communication systems

This refers to the processes the organisation has in place to ensure that efficient communication takes place and that information can be shared between employees and managers. Communication is seen as a vital part of ensuring employee participation and commitment. In a high-commitment organisation communication would be open and effective. Employees need to feel they are listened to and their opinions and concerns taken into account. Employers cannot be expected to meet the goals of the organisation if these have not been communicated to them, which is important for a high-commitment organisation. Poor communication also often leads to a disgruntled and dissatisfied workforce and poor employee relations.

Guest (1987) continued with the theme of a soft HRM model, but argued that policies and practices should be designed to achieve the organisational outcomes of strategic integration, employee commitment, workforce flexibility and quality. This is demonstrated in Exhibit 1-9.

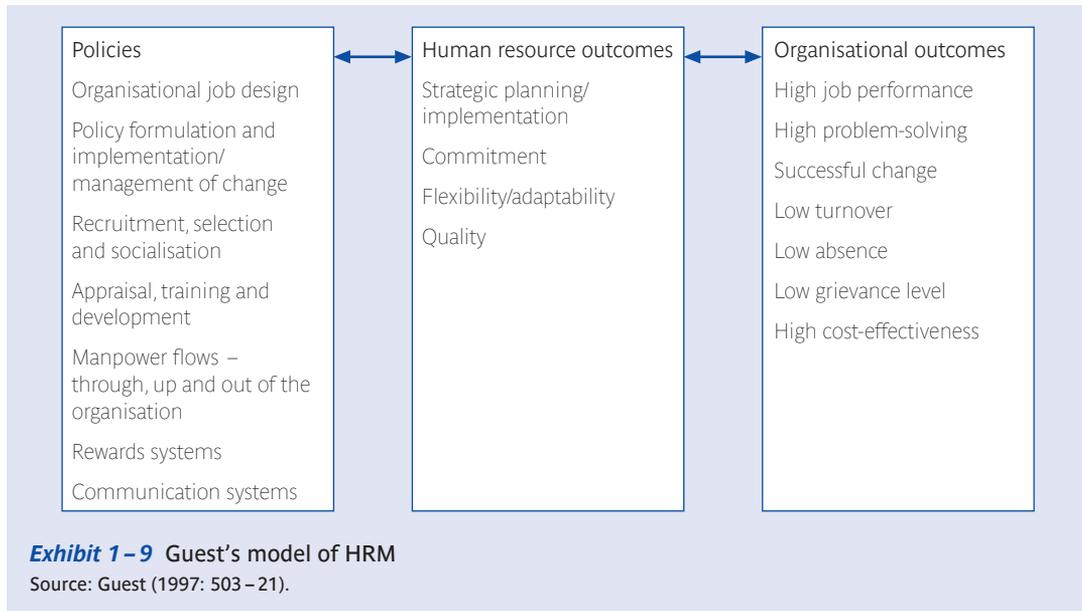
The distinguishing feature of Guest's model is that HR policies should be designed to achieve the following outcomes.

Strategic integration

strategy

The process of envisioning and planning to create a match between organisational competencies and goals.

This ensures that the HR policies and business policies are integrated. It argues that HR strategies and planning form part of a manager's role and that the HR **strategy** should form part of the business strategy and not be treated as a separate entity. This means that managers take responsibility for the human resource and need to ensure that they have the right people in the right places to ensure that the business strategy can be achieved.



Employee commitment

This encourages employees to have 'buy in' to the organisation, which in turn encourages high levels of productivity. Commitment is gained through 'winning their hearts and minds', rather than imposing management sanctions. This means that the employment relationship should be more than an economic exchange where employees receive a financial reward for their services. It should also include a psychological relationship of shared goals and values, and a sense of belonging.

Workforce flexibility

This ensures that the workforce is adaptable and flexible; this in turn will mean that the organisation can respond to changes. Training to enable increased flexibility will be integral to the HR strategy and will be designed to encourage a motivated, skilled and involved workforce.

Quality

A high-quality workforce will ensure that the products and services provided are of the highest standards. The drive for quality will be encouraged through a high-commitment model, which also encourages effective commitment to the organisation.

Guest (1987) argued that the HR outcomes will result in organisational outcomes of high job performance, high problem-solving ability, a greater ability to adapt to change and improved cost-effectiveness. The HR outcomes will also reduce employee turnover, absence and grievances. However, Guest proposes that this will happen only if a strategic approach is taken to integrate HRM policies into business policies and they have the support of all the managers in the organisation.

Keenoy (1990) criticises Guest's model as being too simplistic and unrealistic in that it would be hard to implement in a realistic working environment. In response, Guest (1997) argues that progress in the UK in integrating HR policies has been slow and, for soft HRM to work, managers need to take into account social market attitudes and develop long-term thinking through consultation within the workforce. Many managers do not take a long-term view for their organ-

isations and, as a consequence, many HRM policies are also short term and follow fashion rather than ensuring long-term commitment to the organisation through its people.

Both the Harvard model and Guest's model represent the soft approach to HR. The ideas they propose should create highly committed workforce managers who have concern for workers' outcomes and are able to link these to the organisation's outcomes. In conclusion, the soft approach to HR ensures that employees are competent to perform, are committed and that this is congruent with organisational goals, which in turn should result in cost-effective HRM and lead to the organisation achieving competitive advantage.

An alternative approach to HRM identified by Storey is the 'hard' approach which is discussed below.

Hard HRM

Michigan model

The model that develops hard HRM as a means of using people as an organisational resource to achieve organisational goals.

Storey (2001) identifies the 'hard' model of HRM as that proposed by Fombrun *et al.* (1984), also referred to as the **Michigan model**.

The 'hard' model of HRM emphasises that employees should be treated as a means of achieving the organisation's goals. This means that employees are a business resource and successful organisations are those that best deploy their human resources.

'Hard' HRM assumes that increasing performance will be the manager's main reason for improving HRM. Fombrun *et al.* (1984) argue that the external environment of increased competition and market instability will necessitate HRM strategies be designed to achieve the goals of the organisation.

Fombrun *et al.* (1984) also argue that organisations exist to accomplish a mission or achieve objectives, and strategic management takes into account three interconnected issues of mission and strategy, organisation's structure and human resource systems. See Exhibit 1-10 to find out how these fit together.

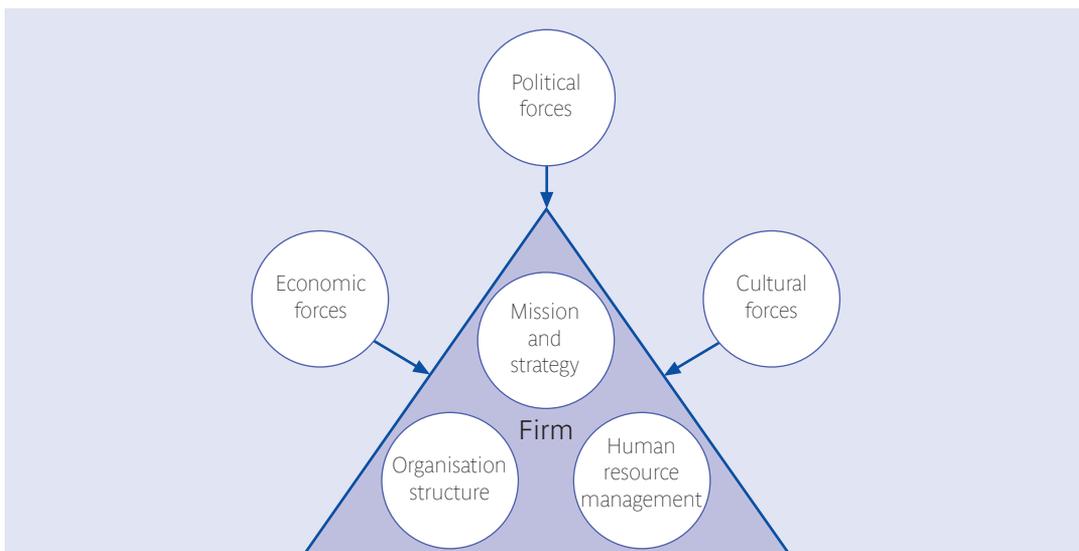


Exhibit 1-10 Strategic management and environmental pressures

Source: Fombrun *et al.* (1984: 41) © 1984 John Wiley & Sons. Reprinted by permission of John Wiley & Sons, Inc.

Mission and strategy

mission

The fundamental purpose of an organisation that defines the nature of its business and provides strategic direction unifying human and other resources.

This refers to the organisation's reason for being. The **mission** articulates the organisation's fundamental purpose and defines the nature of the business. It is there to unify human and other resources. Organisations exist to achieve a mission and managers need to think strategically about how people are managed and deployed to this end.

Organisation structure

This refers to the requirements and tasks needed to achieve the organisation's goals. These include accounting systems and communication networks, as well as the personnel required at the different levels and the tasks to be accomplished.

Human resource management systems

These establish the need for people to be recruited and developed, which in turn will enable them to achieve the organisational goals and maintain performance.

The Michigan model shown in Exhibit 1-10 recognises the external and internal forces of HRM as a triangle. Management decides the mission and strategy, it designs the organisational structure to meet the strategy and mission, and integrates and organises HRM to fit in with the structure and to fulfil the mission and strategy. The mission, strategy, organisational structure and human resource management cannot operate in isolation. They also need to respond to the external forces of politics, economics and culture. Once these have been taken into account, managers can begin to design the human resource system.

Devanna *et al.* (1984) describe the four functions of the cycle as follows:

“

Performance is a function of all of the human resource components: selecting people who are best able to perform the jobs defined by the structure, appraising their performance to facilitate the equitable distribution of rewards, motivating employees by linking rewards to high levels of performance, and developing employees to enhance their current performance at work as well as to prepare them to perform in positions they may hold in the future.

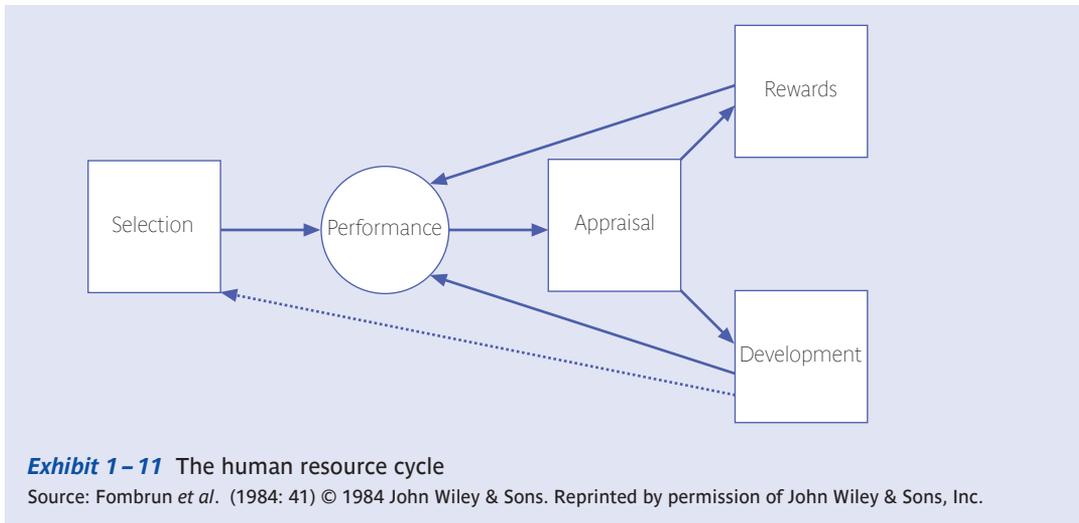
”

The Michigan model's human resource cycle is illustrated in Exhibit 1-11. Fombrun *et al.*'s concept of HRM was influenced by much of the well-known literature on management style, such as Mayo (1933), Chandler (1962) and Galbraith and Nathanson (1978).

The Michigan model is based on strategic control, organisational structure and systems put in place for managing people. It identifies the need for human assets to be managed to achieve strategic goals. Motivation and rewards are important but only as a means of achieving the organisational mission and goals.

An organisation operating 'hard' HRM would aim to have a rational fit between the organisation's strategy, structure and HRM systems. The management style would see employees as a means of achieving business goals, and employees would be valued only if their worth had a positive effect on business strategy. The hard model of HRM is much closer in its philosophy to free market thinking with the use of hiring, firing and cost-cutting to ensure that the human resource is fully utilised.

Empirical research by Truss *et al.* (1997) into large organisations such as BT, Lloyds TSB and Hewlett-Packard has not produced evidence of organisations' systematic and consistent practice



of HRM. However, it did find that employees were strategically controlled in order for them to achieve organisational goals, which is consistent with the hard approach. Strategic Human Resource Management is developed in more detail in Chapter 2. Whatever definition of HRM is used it needs to be explored in the context of the organisation and in the context of how the human resource is managed.

The context of human resource management

Human resource management can not take place in isolation from the internal organisation or the external environment where the political, economic, societal, technological and international context can have an impact on how the organisation operates and how HRM is managed within that context. The **context** within which HR takes place will impact on organisational policies and have implications for the functions of HR. One example is the Beardmore Conference Hotel, whose flexible benefits reflected the local society and culture as well as the economic environment, where managers recognised the need to attract and retain staff at that time.

context

The external and internal environment within which HR operates.

Context has many layers, which build up to impact on how the organisation does business. Exhibit 1-12 demonstrates how organisations operate within a given context.

Context has many layers, which build up to impact on how the organisation does business. Exhibit 1-12 demonstrates how organisations operate within a given context.

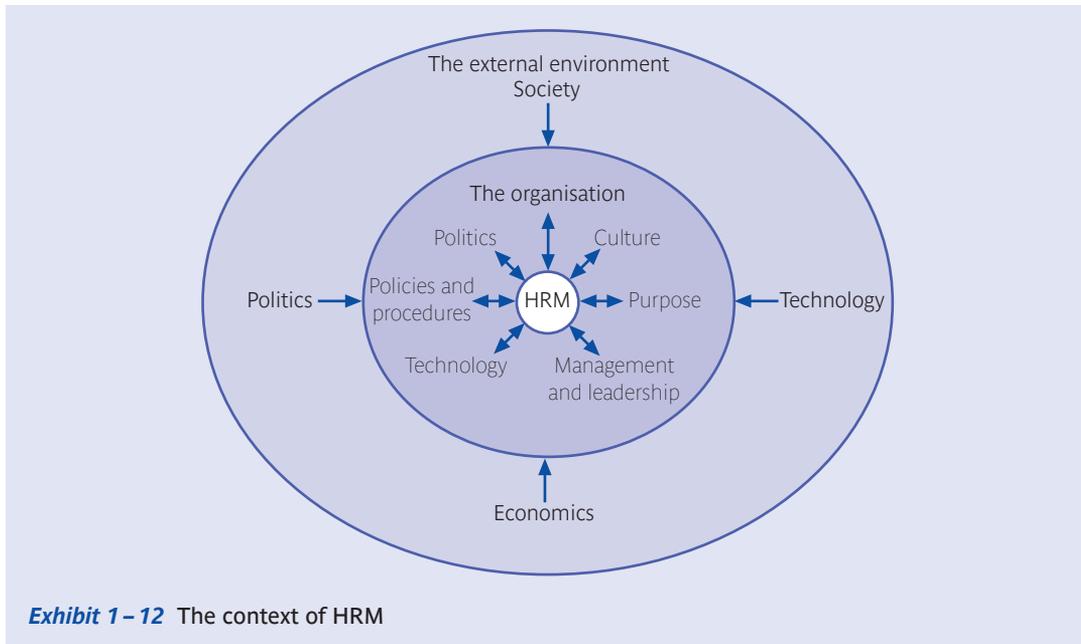
The organisational context

To operate successfully the organisation needs to ask itself the following questions. What business are we in? How can we carry out our business to be as effective as possible and to meet out **stakeholders'** needs? The organisational context is also influenced by the external context; it

stakeholders

Identifiable clusters of people who have an economic and/or social interest in the performance of an organisation.

interacts with its environment and this in turn impacts on HR. For this reason, HR practices need to be designed to reflect the organisational context. However, in a fast-changing working environment this is often difficult to achieve: new technologies are developed, governments and attitudes change. Policies should inform practice, but these need to be flexible enough to



respond to the influences of the external environment. For example, changes in working hours have meant changes in policies, which in turn have led to changes in practice, which in theory should have meant a reduction in working hours for some workers.

The external context

The external environment influences the external context of the organisation. An organisation would not be effective if it ignored the external context of politics, economics, society and technology. In London and the south-east of England, there is a shortage of key workers, such as nurses and teachers and many workers have been employed from abroad to fill the vacancies. For organisations, this means a review of policies to ensure that new workers' needs are considered.

open system

System influenced by the external environment and inputs, making them complex and difficult to control.

On the practical side, new aspects of training may have to be delivered to meet language needs. To do this an organisation needs to operate as an **open system**, which can change to meet the needs of its external environment. Katz and Kahn (1966) identify open systems as those that interact with the environment; this makes them complex and difficult to control.

The political context

The political context not only refers to the type of government in power at the time, but also whether the country is democratic or not. In the UK the political context changes depending on which political party is in power. In the past, the Conservative Government has tended to favour the employer over the employee; an example of this was the removal of the minimum wage. Traditional Labour Governments have focused on the employee and have had close links with the unions. With New Labour the lines have become somewhat blurred: although they have reintroduced the minimum wage, they have also formed close links with industry by encouraging public/private partnerships. With every change of government the HR practitioner needs to identify the impact on the organisation and the HR department.

The economic context

The economic context refers to the health of the nation. If business is booming and unemployment is low, it may be harder to find and retain staff. In times of economic decline, unemployment increases and a greater choice of labour is available to the employer. However, economic decline may also mean that your organisation has to ‘downsize’ and the HR department will then face the dilemma of dealing with redundancies. An organisation may also need to answer to shareholders, who expect to see a healthy return on their investment. For the HR professional this could mean developing operations overseas where labour is cheaper, such as Prudential moving its call centres to India. It may also mean outsourcing some or all of the functions of HR, as the organisation pursues its competitive advantage.

The social context

The social context refers to the culture, politics, leadership and management style that influence the organisation. The example of Enron in the opening vignette is an example of how culture, politics, leadership and management style can influence an organisation. An HR manager must be able to identify the culture within which the organisation operates. This means she or

culture

The pattern of learned behaviours shared and transmitted among the members of society.

he needs to recognise and understand the values the organisation is trying to promote. However, they also need to understand the **culture** and society from which their employees are recruited. Schein (1985) offers the following as a definition of culture as:

“

a pattern of basic assumptions – invented, discovered or developed by a given group as it learns to cope with its problems of external adaption and internal integration – that has worked well enough to be considered valuable and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems.

”

Many industries in the past have grown up in particular regions. For example, coal mining in the north-east of England, steelworks in Wales, pottery in the Midlands, financial services in London. Even though many of these industries have now gone, society often clings to the past tradition. As new industries move in, the HR manager needs to adapt and change the culture to match the new organisation.

An HR manager should not underestimate the importance of the societal context of business as, in many instances, businesses have foundered due to a lack of understanding of the culture. Examples are EuroDisney Paris, whose lack of understanding of European culture and its failure to embrace all things American, had a serious impact on business, or Wal-Mart in Argentina, which failed to understand how the Argentines liked to shop, and could not understand why business was not booming in its bright and shiny new supermarkets.

The technological context

The technological context refers to the technology available for the organisation to use. In today’s world, technology has a major impact in ensuring an organisation can maintain competitive advantage. For the HR manager it means keeping up to date with the technology available and the implications for using that technology. Thirty years ago the HR manager would have kept paper records, probably with the minimum of information. Today, the HR manager is expected to collect tax and national insurance, administer pensions and keep

the information secure to comply with legislation such as the Data Protection Act. The HR manager also needs to ensure that staff are trained and developed to allow the company to embrace a fast-changing technological environment. Then there are the implications of technology replacing people or using technology to relocate sectors of the organisation such as customer services. There are also the new ways of working made possible through the use of email, videoconferencing and the Internet, where organisations can exist virtually. The HR manager needs to understand how to manage in the context of technology.

The global context

Today, many organisations operate in a global context. Globalisation is directing HR managers to develop an international strategy, which can impact on the activities of the HR department. Managers need to work across cultures and direct activities either externally from the home country or internally in the host country. This means the HR manager needs to have an understanding of international issues; each chapter of this book includes an ‘International perspectives’ feature to give the readers an insight into global issues.

The ‘International perspective’ box below gives an insight into the changing nature of HR in an international context.

The role of the HR manager

The ‘International perspectives’ feature talks about the functions of HR and how they need to be organised to achieve a sufficiently integrated approach to management. The role of the

organisational goals

The desired outcomes of an organisation that enable managers to assess and measure performance.

manager is to enable individuals to achieve **organisational goals** and objectives. Managers get things done through people. To do this successfully, they need to know who these people are, where they are from, how they can be developed not only for personal fulfilment but also to help achieve the organisational goals, and the impact of external constraints such as legislation, competi-

tion, employee relations, and education and training. The HR manager needs to know how these come together to form the function of HRM (see Exhibit 1-13).

The different functions of HR

Exhibit 1-13 demonstrates how the HR manager has to juggle the different functions of HR in the internal environment of the organisation while keeping an eye on what is happening in the external environment. The functions of HR will be dealt with in more detail in later chapters. Below is a brief overview of each of these functions.

Planning, resourcing and retention

Managers need to know how many staff they will need in order to achieve the organisational goals. They need to identify where the staff will be needed, how many and at what times. This is especially important in organisations where business fluctuates, such as the retail and hospitality sectors. Managers also need to be able to identify the level of skills required. The general manager of your local Tesco knows that Friday and Saturday are likely to be the busiest days. S/he can look back at the past sales history and identify peak times. The store manager will ensure that s/he has trained checkout operators available, extra customer service staff and shelf

Into Africa

A move to shared services has transformed HR in a major South African bank. Could its new service centre handle back-office work for other countries?

South Africa offers a sophisticated business community, a large labour pool, relatively low wage costs, and a language and cultural fit with potential key buyers in Europe and North America. But its fledgling offshoring industry faces tough competition from India, China and other countries where labour costs are lower, or those such as Ireland, where the technological infrastructure is more developed. Until recently, as the chief executive of one company told a local financial magazine, the country had failed to land a 'big, recognisable brand name'. But the laying of a fibre-optic cable connecting Europe to South Africa in February 2003 is making a difference.

One company that has started down the offshoring path, by taking over the back-office processing work of an American insurance company, is Absa. Absa was formed in 1991–92 out of four existing banks. With around 30,000 employees, it is South Africa's leading bank and has, for two years running, been voted the best company to work for in the country. Absa's decentralised business model gives strategic business units (SBUs) freedom to operate in a corporate governance framework, although there are enterprise-wide management processes and standardised practices. SBUs have access to a number of specialist functions, including HR.

Under a new structure for the function, launched in November 2002, account executives provide business-aligned, strategic advice to SBU management teams. If they need specialist help they turn to a 'design and development group' that has expertise in OD, employment equity, learning and development, 'employee wellness' and other specialist areas. Staff organised along similar functional lines in five centres across the country implement strategy – for example, by delivering development programmes or supporting line managers in difficult disciplinary cases.

The first port of call for both managers and employees on any people management issue is the employee self-service and manager desktop application on the bank's people management portal. If this does not provide an answer to their query they can make a telephone call or send an email to the contact centre in Johannesburg. There are currently 20 people working in this shared service centre, with 14 taking routine first-tier calls and the rest handling more complex second-tier queries. Between them they deal with 800 calls per day.

Unlike many HR service centres in the UK, which opt for people with good interpersonal skills rather than HR knowledge, Absa employs HR professionals in its contact centre. It has found that staff without an understanding of HR issues struggled. This could be because first-tier calls are more complex than those taken by HR service centres in the UK.

Another contrast with UK practice is that those taking second-tier calls are organised along functional lines. They specialise in OD, learning and development, employment relations, recruitment and reward or performance management. This arrangement seems to work well where there are questions on regulations or standard processes to answer. It works less well where the question is more philosophical or context-specific.

Employee wellness does not have its own specialist agent, as this activity has been outsourced. In the past the emphasis was on face-to-face counselling, and there has been criticism of the switch to a more impersonal telephone service. Similar criticism has been levelled at telephone helplines in the UK. But at Absa, where employees have to deal with such things as discovering they have AIDS or the trauma stemming from a bank robbery, this is clearly a matter of some seriousness.



Finally, as part of the new people management structure, a number of personnel activities have been devolved to line managers. The bank has pursued this policy quite vigorously, emphasising the move from a 'support' to a 'specialist' role for the function. Yet people management has helped managers through the change process.

The shared services approach to HR that Absa has created leads South African practice. Absa starts with a competitive edge over its South African counterparts. It can compete on economies of scale with other call centre facilities, given that it has the largest call centre in the country, with 1500 operating seats. And, with respect to HR, it is unusual in already having a shared services operation up and running.

But the bank is not getting too distracted by the thought of generating profits from selling HR services externally. It is still looking critically at ways of improving the current model. A review recently initiated by the people management executive committee, and facilitated centrally, gathered the opinions of both the function's own staff and its internal customers.

Overall, this process revealed a very positive response to the new HR model. Some of the feedback was inevitably backward looking and many employees thought that communication could have been better. More pertinent perhaps is the view that there was too much emphasis on structure and not enough on the skills in the HR community necessary to operate it.

The skills needs of both generalist and specialist people management staff in their new roles clearly need to be examined. This links to the question of career paths. The switch to a shared services environment disturbs traditional development routes and they need to be reinstated in a new form.

There is plenty to do to improve Absa's existing HR model. But with the foundations of a world-class operation now in place, the bank would be in strong position to jump on the offshoring bandwagon if it really does arrive in South Africa.

Source: Peter Reilly, *People Management*, 15 January 2004, p. 36.

Discussion questions

- 1 What is your view of companies that outsource their HR practices?
- 2 As an international HR manager do you see any problems in offshore HR operations?

planning

The method used to achieve organisational goals.

resourcing

The pool of resources available for the manager to use to fulfil the plan and achieve objectives.

packers to replace items. This is part of the **planning** and **resourcing** process. The retention of staff is also important, as recruiting staff is an expensive and time-consuming process. A manager needs to ensure that staff are happy in their work as not only will they be more productive, they will also be more likely to remain with the organisation.

Recruitment and selection

When the need for people has been ascertained, the next task is to find them, and ensure that the right people are selected and recruited for the organisation. If the wrong people are recruited then there could be difficulties in achieving organisational goals and business could suffer. Employees may be over-qualified for jobs and leave, or under-qualified and not be able to perform adequately. This could have serious implications for the organisation. Think of the last time you took a flight in an aircraft, whether on a low-cost carrier such as easyJet or

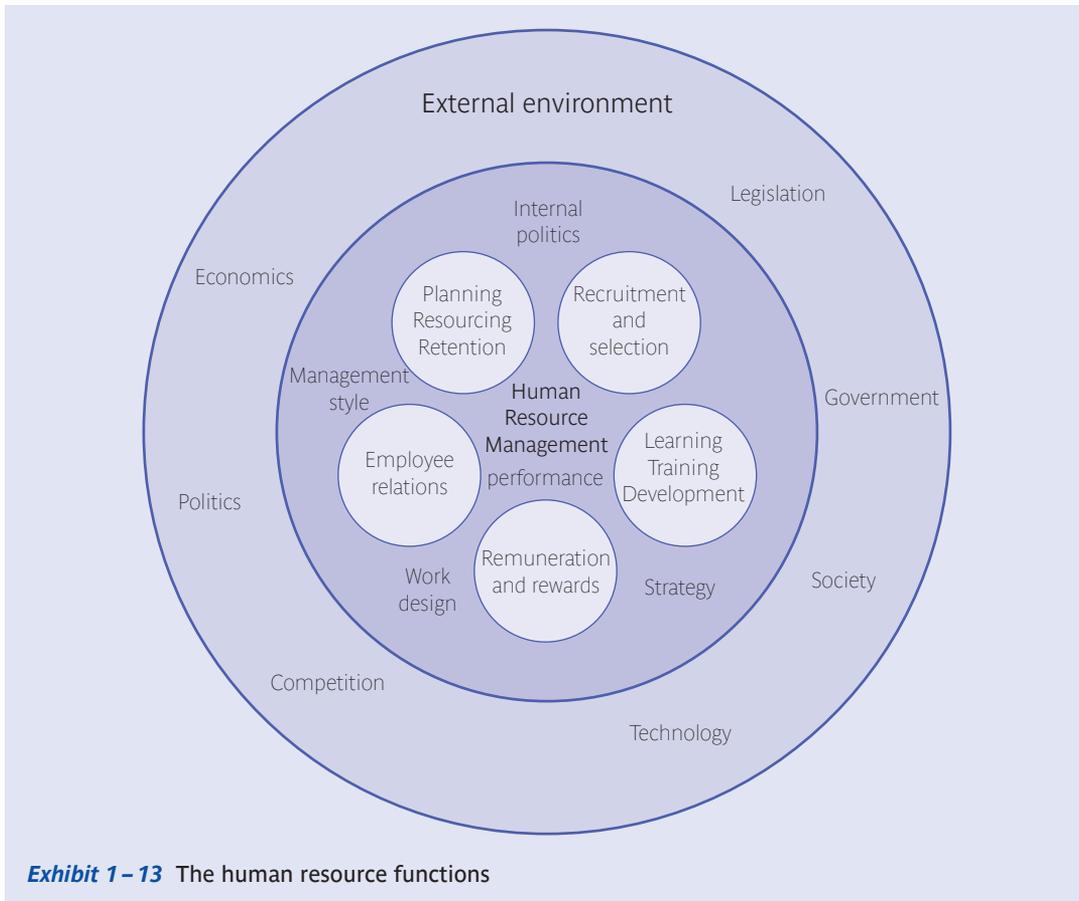


Exhibit 1 – 13 The human resource functions

Ryanair, or on one of the larger airlines such as British Airways, the company representatives you came in contact with all projected a company image. The **recruitment** and **selection**

recruitment

The procedure used to attract staff to an organisation.

selection

The methods used to identify suitable staff who will match the requirements of the organisation.

process would ensure that only those candidates compatible with company goals would be recruited. The methods used could be IQ tests or psychometric tests, or as is often the case with airlines, guidelines for acceptable weight and height. If the wrong people had been recruited there could be serious implications for passenger safety and ultimately company reputation. Recruitment and selection will be dealt with in more detail in Chapters 4 and 5.

Training and development

training

The methods used to bridge the gap between where the employee is now to where the employer wants them to be.

In order to get the best from employees they need to be trained. **Training** is done to fill gap between the skills and knowledge they have at present and the skills and knowledge the organisation wants them to have in order to fulfil set goals. It ensures that employees are able to perform to the required standard. Whenever someone new is employed they need to be trained; this may

take the form of an induction programme to make the new employee feel welcome and orientate them to the culture and working methods of the organisation, or it may be to enable the

employee to develop a new skill and become more effective. Even working at McDonald's requires some form of training from the company induction programme, where new recruits are introduced to the philosophy and culture of the McDonald's organisation, through to learn-

development

Continuous learning to enable employees to fulfil themselves in their careers, which in turn increases commitment and motivation.

ing about hygiene, health and safety, and the methods used for preparing and serving products. **Development** ensures that employees can fulfil their potential. Development goes beyond the skills required for the job and takes into account individual aspirations. A developed workforce is able to accept change and is more fulfilled and motivated. An engineering firm may have a policy of promoting from within the company. The company

needs to recognise which employees aspire to be the managers of the future, but it also needs to recognise that if the engineers are not developed they are likely to have problems, as the skills required for engineering are different from the skills required to manage an organisation effectively.

Remuneration and reward

Employees need to be paid so that they are able to live. **Pay** needs to be adequate and equitable. Money is not the only **reward** and may not motivate employees to be more productive; other bene-

pay

The monetary reward for providing a service.

reward

A monetary or non-monetary reward used as an inducement to increase performance or gain commitment.

fits also need to be looked at. These can range from benefits such as pensions, healthcare and other financial incentives, to non-financial rewards such as those that come from empowerment and job satisfaction. Employers are now realising that employees have different needs and a fixed reward system is unlikely to suit everyone. Flexible benefits are becoming more common. The Beardmore Conference Hotel, near Glasgow, is one example of an organisation that offers flexible benefits. Its employees can choose from a range of benefits, such as flexible hours, childcare vouchers,

pensions or driving lessons. With flexible benefits, an employee who needs childcare could choose childcare vouchers as part of their reward package, while older workers may prefer a company pension. The ability for employees to be able to choose their rewards means that they feel valued as individuals, which in turn means that they are more likely to stay with the organisation. Remuneration and reward are dealt with in more detail in Chapter 6.

Employee relations

Healthy relations need to be maintained with employees to ensure a productive workforce. In the event of disputes and conflict arising, managers need to be able to manage the situation successfully in order to ensure win-win outcomes. They need to be able to communicate and negotiate with unions and other employee representatives to ensure that a stable working environment is maintained. In 2003 British Airways check-in staff at Heathrow staged a walkout over new working practices. The result was hundreds of flights cancelled, summer holidays ruined and chaos at Heathrow, one of the world's busiest airports. Representatives from the union and BA then conducted angry exchanges in front of the media. Could it have been

avoided?

employee relations

The relationship and employer builds with its employees to encourage a satisfactory working environment.

The role of effective **employee relations** will be dealt with in Chapter 9.

The functions of human resource management cannot be carried out in isolation from the wider context of the organisa-

tion, or the society in which the organisation operates. The external environment can impact on how the functions are designed and implemented. This is why an HR manager needs to understand developments and changes in economics, politics, government, legislation, technology, external competition and society, and be able to manage change to respond to them effectively. An effective HR manager needs to be able to respond to current issues and new developments. Some of these are discussed in Chapter 13. The internal environment also needs to respond to external influences. To do this it may develop a more strategic approach to HRM, which is discussed in Chapter 2.

Strategy can filter through the organisation, through the managing and development of performance, discussed in Chapter 9, and by increasing employee participation and empowerment, discussed in Chapter 10.

An HR manager also needs to consider issues of work and job design in response to the demands of society and the legal implications of health and safety, stress and employee welfare, discussed in Chapter 11. Society also demands fair treatment, which means the HR manager not only has to be familiar with equal opportunities to comply with the law but also must know how s/he can value diversity to ensure employees are valued, as discussed in Chapter 12.

Human resource managers have a complex role in the organisation and, while people management is the role of all managers, it is the role of the HR specialist to develop a holistic and systematic approach to the management of people to enable the organisation to achieve its goals.

Summary

- An HR manager needs to recognise that human resource management is in a constant state of change and that they need to recognise the importance of their role as a management professional.
- HR management has progressed from an ad hoc role to the professional body of the CIPD. It can trace its routes from the paternalistic principles of the nineteenth century, through to the era of scientific management and human relations, to its current state.
- The terms personnel management and HRM are part of the debate that informs the role of the HR manager. HRM is viewed as a means of moving people along to achieve organisational goals through staffing, performance, change management and administrative objectives. Personnel management has often been seen as a bridge between employer and employee.
- ‘Hard’ HRM, characterised by the Michigan model, is seen as viewing people as a resource needed to achieve organisational goals.
- ‘Soft’ HRM, characterised by the Harvard model, is seen as a method of developing strategies to encourage employee commitment through employee influence, human resource flow, reward and work systems.
- The functions of HR include: planning and resourcing; recruitment and selection; training and development; pay and reward; employee relations. These enable the HR manager to achieve organisational goals.
- Understanding the HR context in relation to the organisational and external context is important for an effective HR manager. The organisational context refers to the structures, processes, culture and systems in the organisation, while the external environment refers to the external politics, economics, technology and society that influence the organisation and, in turn, impact on the HR professional.

Personal development

- 1 **Understand how HR is divided into different functions.** If you work for an organisation, look at its functions. When you applied for the job did you fill in an application form? How were you interviewed? Did you know what the selection criteria were? How are you motivated? Is it through pay or are there other rewards on offer? What type of training have you been offered? Could you develop a career with this organisation? This should give you an idea of how the functions of HR are carried out.
- 2 **Identify how history has contributed to the current state of HR.** A knowledge of historical developments can help us to understand the present. Do you know any organisations or managers that view people as machines required to perform to their maximum capacity? Can you see problems in the operation of this type of organisation?
- 3 **Recognise the implications of the HR vs personnel debate.** Identify a company with which you are familiar, either somewhere you work or have contact with. Does it have an HR department or a personnel department? Can you identify how the departments view themselves. Look for clues such as policies, practices, control and rewards. Do they give an indication the importance of people management?
- 4 **Determine the impact of the ‘hard’ and ‘soft’ approaches to HR.** Which model would you use as a manager? Which would be more effective for organisational performance and competitive advantage? Can you identify any organisations that follow either the ‘hard’ or ‘soft’ approach of HR? Is it effective?

- 5 Recognise the importance of the context of HR.** Identify and describe the external environment that surrounds your organisation. How does this affect the internal organisation? What is the role of HR in both the internal and external context. Are there specific recruitment policies? Are there diversity issues that need to be addressed? Is there high labour turnover? Is the HR department effective in managing in context?

? Discussion questions

- 1 What are the functions of human resource management?
- 2 Explain what the term 'personnel management' means.
- 3 Why are staffing, performance, change management and administration objectives important to HRM?
- 4 How does Storey define the elements that differentiate HRM from personnel management?
- 5 What does the term 'hard' HRM mean?
- 6 Guest (1987) argues that 'policies and practices should be designed to achieve organisational integration, employee commitment and workforce flexibility'. How can the HR manager implement policies and practices to achieve the above aims?
- 7 Critically analyse the Harvard model of HR. What implications does it have for the HR manager?
- 8 The Michigan model of HRM identifies the need for human assets to be managed to achieve strategic goals. What are the implications for an HR manager?
- 9 Why is it important for an HR manager to understand the context in which she or he operates?
- 10 What is the impact of technology on the practices of an HR manager in an organisation?

🔑 Key Concepts

- | | |
|-------------------------------------|-------------------------------------|
| vision , p. 5 | stakeholders , p. 25 |
| paternalist , p. 6 | open system , p. 26 |
| scientific management , p. 7 | culture , p. 27 |
| human relations , p. 8 | organisational goals , p. 28 |
| workforce centred , p. 12 | planning , p. 30 |
| hard HRM , p. 14 | resourcing , p. 30 |
| soft HRM , p. 14 | recruitment , p. 31 |
| Harvard model , p. 16 | selection , p. 31 |
| human resource flow , p. 20 | training , p. 31 |
| strategy , p. 21 | development , p. 32 |
| Michigan model , p. 23 | pay , p. 32 |
| mission , p. 24 | reward , p. 32 |
| context , p. 25 | |

Individual task

Purpose To develop an approach to strategic thinking.

Time 40 minutes

Procedure Many employers require HR professionals to think strategically. Study the job advertisement below for an assistant HR manager. Draft an application in which you persuade the employer of your strategic capabilities. You may also want to include your CV.

Alternatively, if you are just starting out in the HR field, identify the skills you would need to develop to be in a position to apply for such a job and write down the strategies needed in order to develop the identified skills.

Walco Supermarkets plc
Assistant Human Resource Manager

Salary £25K + benefits

As a member of Walco's management group, you will assist the HR manager in identifying strategic business issues and will ensure that implementation of appropriate HR solutions results in enhanced operational capability and an increase in customer focus. The role requires an individual who is capable of assisting in the pioneering of leading-edge approaches to people development and driving significant culture change.

The successful applicant will have a good honours degree in Human Resource Management or a related field and be a member of the CIPD with a view to attaining graduate status and will have one year's experience in a strategic HR/OD role. You will be resilient and flexible in handling competing priorities and will have some experience of managing change.

To apply, visit 'job vacancies' at our website: www.walco.co.uk

Walco is an equal opportunities employer

Team task

Purpose To gain an understanding of how HR professionals develop strategic thinking.

Time 40 minutes

Procedure You are part of an HR team for Walco plc, a large chain of supermarkets. Your director of HR has just come back from an MBA management weekend and has decided that the HR team needs to be more strategic. The team has decided to get together and link the functions of HR to strategy. The problem is that the organisational strategy is unclear. You looked at the mission statement on the company's website and it says 'Walco – leading on price, leading on quality.' But it says very little about how it proposes to do this. Although, it does mention that Walco's people are a valuable asset.

Each one of the team members is responsible for a different function, such as planning, resourcing, recruitment, selection, training, development, pay, reward and employee relations.

- Decide who will be responsible for which areas.
- Choose a group member to chair the meeting.
- Outline the strategies that could be developed for each of the functions.

Case study: police – marching to a modern beat; massive investment and a clear framework will increase the performance of all police forces

‘The police service is going through a period of radical change,’ says Jane Stichbury, chair of the Association of Chief Police Officers for the Personnel Management Business Area. ‘Reform is improving and enhancing the professionalism of the service and there are now better opportunities for staff than ever before.’

Indeed, the first National Policing Plan for England and Wales was published by the Home Secretary last year. This three-year plan sets out a clear framework for raising the performance of all forces, delivering improved police operation and greater public reassurance.

Coupled with an investment increase of £1.8bn over the last three years into the service, conditions for employees have greatly improved. The pay system is being modernised to improve rewards for the most difficult and demanding front-line posts, as well as increasing basic pay to boost recruitment and retention. Following extensive training, a new recruit can now expect a starting salary of £26,000 in London. A recent allocation of £20m has also been provided specifically to improve police stations, modernise officers’ working surroundings and update technology.

‘We’re also delivering an environment now that is far more supportive, where there is strong leadership and a range of new policies that offer people flexibility,’ says Stichbury. Indeed, mentoring programmes, part-time working and job sharing are increasingly common options in many forces. Support networks and welfare provisions, such as counselling, have also been extended.

In a climate where public confidence in pensions is low, police staff can also be assured of a secure retirement. ‘You can pull your police pension after 30 years, regardless of how old you were when you joined,’ says Bob Carr, head of recruitment for the Metropolitan Police Service, who will be eligible for retirement at just 49. ‘The vast majority of people go on to serve their full term. So you have security of tenure when you’re in the job and when you’ve finished.’

Police officers frequently cite the satisfaction and challenge of the varied workload as the most rewarding aspects of their jobs. Indeed, police in Britain deal with about six million 999 emergency calls a year and have cut overall crime by 22 per cent in the last five years. They are, however, faced with more and more complicated crimes, often high profile and in the public eye.

‘When a police officer comes to work they have no idea what they are going to be faced with over the next eight hours,’ says Jan Berry, chair of the Police Federation of England and Wales and a serving police officer with 28 years’ experience. ‘It can be tough as you are dealing with life and death situations, but this is part of the attraction, the challenge of being able to turn your hand and deal with a small child who is lost one second to a raging fire or shootout the next.’

There are now a record number of police officers employed by the 43 forces across England and Wales, with 5400 more officers than two years ago. However, the good news is that recruitment is still highly active. Indeed, numbers are set to increase, with a government target of 132,500 police officers by 2004. In addition, a further 4000 Community Support Officers are being recruited by forces who have limited powers to deal with low-level crime and disorder. Measures are also being introduced to increase the numbers and effectiveness of Special Constables.

When joining the police service, whether as a school leaver, a graduate or later in life as a second career, the same basic training programme will apply, lasting for 15 weeks at a National

Police Training Centre or 18 weeks within the Metropolitan Police Service. This is followed by a two-year probationary period as a patrolling Police Constable in a borough, dealing with local events such as road accidents, public order and crime incidents. Once the two years is up, promotion and specialism into one of the many areas, such as Firearms, Drugs Squad, Criminal Investigation Department (CID), Traffic Patrol or Underwater Search Teams, is a popular route.

For those with the potential to rise quickly to Inspector level or higher, there is the choice of applying for the new High Potential Development Scheme (HPD), which if successful will offer a fast-track route into some of the most challenging managerial jobs. The scheme, although tough, gives a thorough grounding in police work, with an emphasis on substantial responsibility early on. There is no age limit, and some recent successful candidates have been in their late thirties.

Competition for joining the police service is fierce, with more than 35,000 people in England and Wales applying every year. Of these, only about 5000 are successful.

Unlike many jobs, no formal qualifications are required, although an educational standard is required to pass the initial recruitment tests. Recruiters will be looking for candidates who show self-confidence, good levels of fitness and the ability to think on their feet. 'Personal qualities are more important than qualifications,' says Bob Carr. 'You need to be resourceful, determined and flexible. It's not a nine-to-five job, so someone who is willing to go out of their way to make a difference is likely to be successful.'

Source: Jacqueline Freeman, *Independent*, 30 January 2003, p. 1.

Discussion questions

- 1 If you were responsible for HR in a local police force, how would you organise the HR function?
- 2 What role would the HR manager have in managing change in the police force?
- 3 How important do you think job satisfaction is in maintaining morale?
- 4 How would you devise a policy to attract new recruits to a police force?

WWW exercise



Choose a company that you would be interested in working for in the future. Go to the recruitment section of its website.

- 1 What information is available?
- 2 Are you able to make an informed choice about your future career prospects?
- 3 Does the website give an indication of how the company views the HR function?
- 4 Why are you interested in working for this company?

Specific web exercise

The Chartered Institute of Personnel and Development (CIPD) is the professional body that represents HR professionals in the UK. Visit its website at: www.cipd.co.uk

- 1 How does the CIPD support the HR professional?
- 2 How can you use the CIPD to gain a better understanding of the HR profession?

LEARNING CHECKLIST



Before moving on to the next chapter, check that you are able to:

- outline the development of HRM
- understand the differences between HRM and personnel management
- evaluate 'hard' and 'soft' approaches to HRM
- understand the role of strategic HRM
- understand how diversity underpins HR practice
- understand the international forces that drive HRM.

Further reading

- Hendry, C. (1994) 'The Single European Market and the HRM response', in P.S. Kirkbride (ed.) *Human Resource Management: Perspectives for the 1990s*. London: Routledge.
- Hendry, C. and Pettigrew, A. (1990) 'Human resource management: an agenda for the 1990s', *International Journal of Human Resource Management* 1(1), pp. 17–43.
- Legge, K. (1995), *HRM: Rhetorics and Realities*. Basingstoke: Macmillan Business.
- Rothwell, W.J., Prescott, R.K. and Taylor, M.W. (1998) *The Strategic Human Resource Leader: How to Prepare your Organisation for the Six Key Trends Shaping the Future*. Palo Alto, CA: Davies-Black Publications, p. 5.

References

- Beer, M., Spector, B., Lawrence, P.R., Quinn Mills, D. and Walton, R.E. (1984) *Managing Human Assets*. New York, NY: The Free Press.
- Benyon, H. (1973) *Working for Ford*. Harmondsworth: Penguin.
- Cannel, M. (2004) *Personnel Management: A Short History*. London: CIPD.
- Chandler, A.D. (1962) *Strategy and Structure: Chapters in the History of American Industrial Enterprise*. Cambridge, MA: MIT Press.
- Devanna, M.A., Fombrun, C.J. and Tichy, N.M. (1984) 'A framework for strategic human resource management', in C.J. Fombrun, N.M. Tichy and M.A. Devanna (eds) *Strategic Human Resource Management*. New York, NY: John Wiley & Sons.
- Evans, A. (2003) *The History of the CIPD*. London: CIPD.
- Fombrun, C.J., Tichy, N.M. and Devanna, M.A. (1984) *Strategic Human Resource Management*. John Wiley & Sons.
- Galbraith, J.R. and Nathanson, D. (1978) *Strategy formulation: analytical concepts*. St Paul, MN: West Publishing Company.
- Guest, D.E. (1987) 'Human resource management and industrial relations', *Journal of Management Studies* 24(5), pp. 503–521.
- Guest, D.E. (1997) 'Human resource management and performance: a review and research agenda', *International Journal of Human Resource Management* 8(3), June, pp. 263–276.
- Hunt, J. (1999) 'The shifting focus of the personnel function', *Personnel Management* 16(2), February, pp. 14–19.

- Katz, D. and Kahn, R.L. (1966) *The Social Psychology of Organizations*. New York, NY: Wiley.
- Keenoy, T. (1990) 'HRM: Rhetoric, Reality and Contradiction', *International Journal of Human Resource Management* 1(3), pp. 363–384.
- Mayo, E. (1933) *The Human Problems of an Industrial Civilization*. New York, NY: Macmillan.
- Rose, M. (1975) *Industrial Behaviour: Theoretical Development Since Taylor*. Harmondsworth: Penguin.
- Schein, E. (1985) *Organization Culture and Leadership*. San Francisco, CA: Jossey-Bass.
- Storey, J. (1989) *New Perspectives on Human Resource Management*. London: Routledge.
- Storey, J. (1992) *Developments in the Management of Human Resources: An Analytical Review*. Cambridge, MA: Blackwell.
- Storey, J. (2001) *Human Resource Management: A Critical Text* (2nd edn). London: Thomson Learning.
- Truss, C., Gratton, L., Hope-Hailey, V. and McGovern, P. (1997) 'Soft and hard models of human resource management: a reappraisal', *Journal of Management Studies* 34(1), p. 53.
- Walton, R.E. (1985) *Human Resource Management: Trends and Challenges*. Harvard Business School Press.