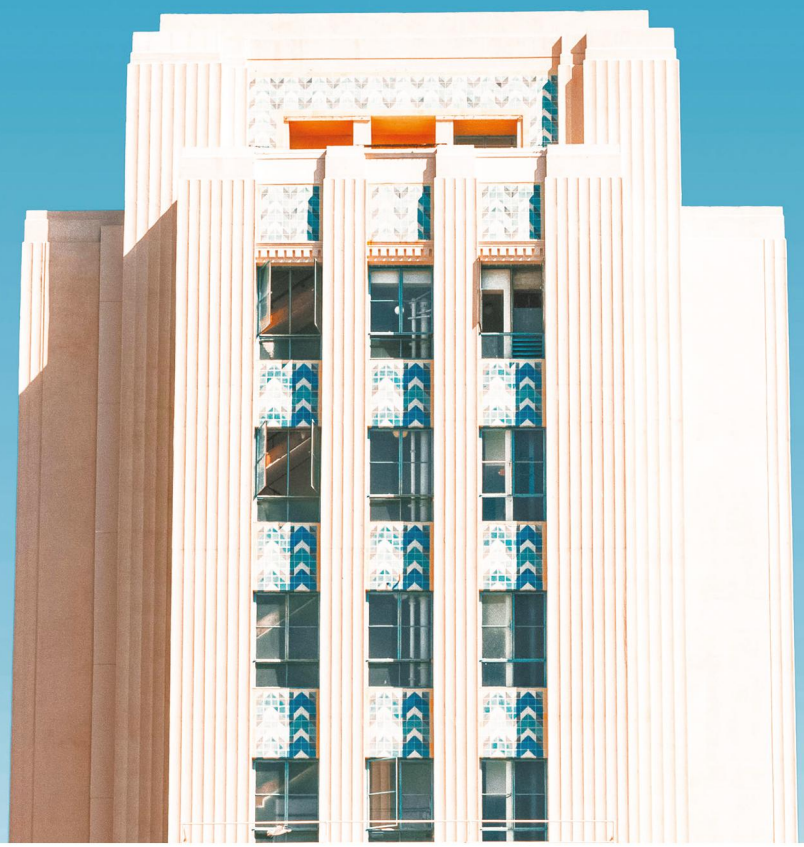
NICK WILTON

an introduction to

HUMAN RESOURCE MANAGEMENT

FIFTH EDITION



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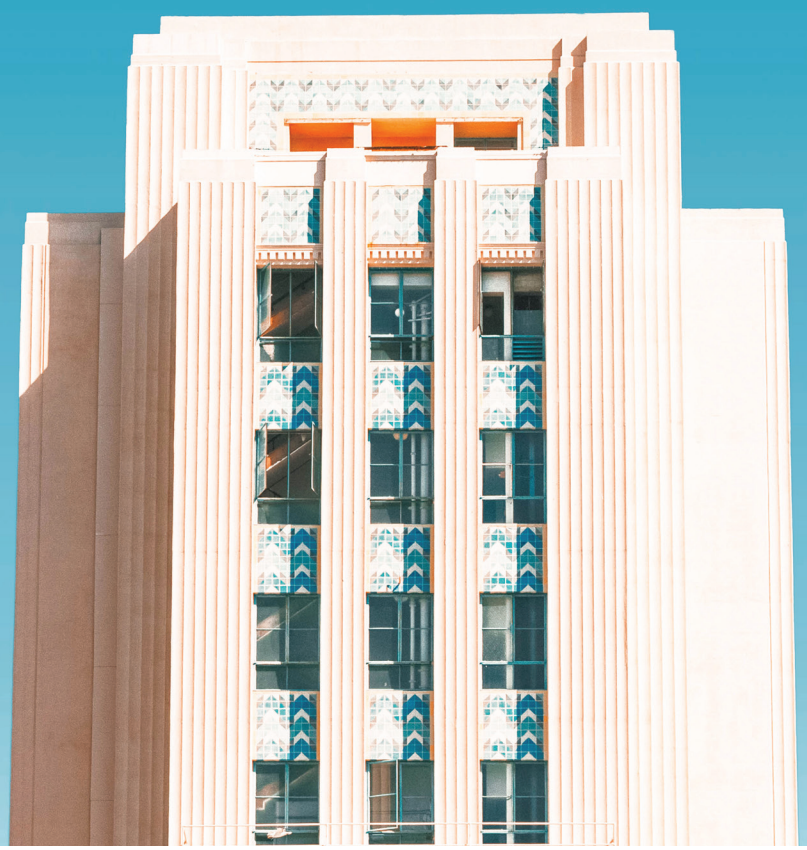

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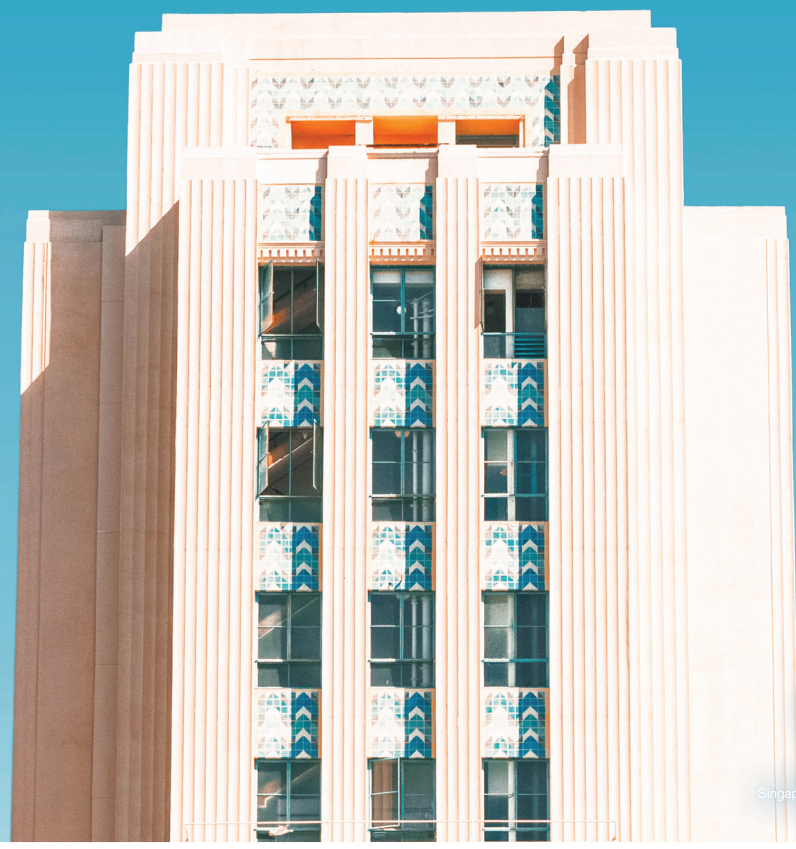

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SUMMARY OF CONTENTS

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PREFACE

As the title suggests, this book provides an introduction to the management of people in work organisations, or as it is now most commonly known, human resource management (HRM). It seeks to outline the purpose and operation of HRM activities in the 'real world', whilst situating practice in the context of associated debates and controversies played out in the parallel field of academic study. It adopts a critical perspective on the study and practice of HRM to provide the reader with an understanding not only of the potential for HRM to contribute to both improved organisational performance and individual well-being in the workplace, but also why it very often fails to achieve either of these positive outcomes.

What certain universal models of HRM claim to offer is the means by which organisations can maximise the contribution of workers to the achievement of strategic objectives through the implementation of specific formulations of HR practices. Recent developments in markets, **labour markets** and economies, however, tend to put significant pressure on managers not to think in a long-term strategic manner about how best to use their human resources, but to use workers in a more instrumental manner for short-term gain. In other words, whilst the rhetoric and theory of HRM tends to emphasise strategic investment in employees, the operational reality is such that employees are often treated in a way that is unlikely to maximise employee commitment and motivation. Nonetheless, whilst acknowledging the wide range of approaches that organisations can adopt to managing their workforce, the subtext of this book is that a strategic approach to HRM – well designed, effectively implemented and executed, and which has, as a core precept, the ethical treatment of employees – can contribute to both the short- and longer-term success of the enterprise. Underpinning this subtext, however, is how difficult this is to do in practice.

This book is aimed at students across the academic spectrum, whether studying on a specialist HRM or general business and management course or studying HRM as part of a programme in an ostensibly unrelated discipline (such as engineering or humanities). This intention is reflected in the central theme running through the book that the management of people is not the preserve of HR specialists but an area of interest and concern for all organisational actors. Recent developments in HRM have resulted in line managers and supervisors in many organisations adopting ever-greater responsibility for the way in which their teams and departments perform. People management skills, including the ability to communicate effectively and to motivate, develop and engage others, are increasingly viewed by organisations as the critical set of competencies required by managers at all levels. Subsequently, students aspiring to become managers in future – or those currently working as managers – need to appreciate how HRM functions in practice and the assumptions, associated debates and inherent problems associated with

such practice. The intention of this book is, therefore, not to provide a detailed 'how-to' of HRM in practice, rather to introduce the HR practices and issues in contemporary HRM within their wider environmental and organisational context.

THE STRUCTURE OF THE BOOK

Each chapter in this book seeks to present a critical review of its subject and to provide both practical and theoretical insight. The book is divided into three sections.

HRM in Context

The principal purpose of this section is to situate HRM in both its theoretical and environmental context. The first chapter introduces HRM, both as an organisational function and as an academic discipline, and a number of important themes and concepts that recur throughout the book. Chapter 2 discusses the relationship between HRM and the individual worker through a discussion of the employment relationship and how HRM can manage the component elements of this relationship. The subsequent three chapters each discuss a 'layer' of the context of HRM: the organisational and strategic context; the labour market context; and the wider national and international context.

HRM in Practice

This section introduces five core areas of HRM: people resourcing; performance management; reward; learning and development; and employee relations. Each chapter seeks to present a critical perspective on contemporary practice in the specific functional area of HRM. Whilst each chapter discusses a discrete area of HRM, a recurring theme is the importance of considering their inter-relationship when making decisions about organisational policy and practice.

Contemporary Issues in HRM

The final section introduces a number of contemporary issues in HRM. Whilst the issues discussed here – equality and diversity; career development; workplace discord; and employee well-being – are by no means new concerns, they represent areas where contemporary trends in practice or context have 'moved the goalposts' for management or represent notable areas of both innovative and poor practice. The final chapter revisits several critical issues in the practice and context of HRM, such as the use of new technology, knowledge management and the impact of labour market change, which warrant further discussion because they represent both important challenges and opportunities for HRM.

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To aid students' understanding of the key issues and ideas discussed in each chapter, the book provides a number of learning features:

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ABOUT THE AUTHOR

NICK WILTON is Associate Dean, Professional Education and Accreditation, at Oxford Brookes Business School. He has over two decades' experience teaching human resource management and development, employment relations and the sociology of work and employment.

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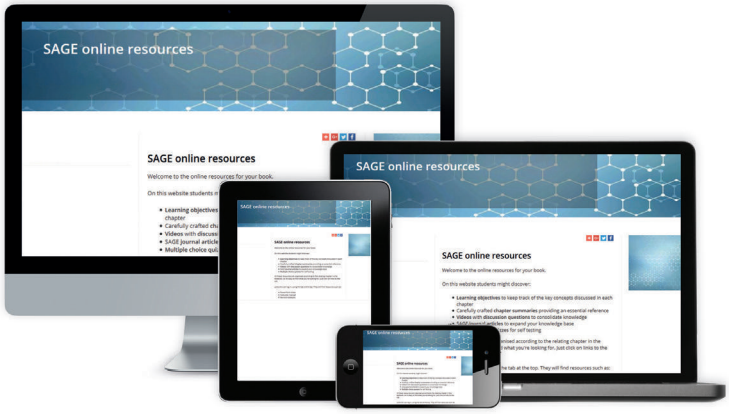

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PART ONE
HRM IN CONTEXT

PART MAP

The purpose of the five chapters that make up Part One of this book is twofold. First, the chapters introduce a wide range of concepts, theories and models that are critical to a sound understanding of contemporary human resource management (HRM). Second, it seeks to situate people management in its wider social, political and economic contexts. In short, these chapters set the scene for those that follow to provide a backdrop against which HRM practices and associated controversies can be assessed.

Like many aspects of organisational activity, how organisations manage their employees – for example, how they seek to motivate and reward staff, how they recruit and develop required labour and how firms deal with conflict – are often taken for granted and unquestioned. However, how people are managed in the modern workplace is underpinned by a wide range of theoretical constructs, such as those that seek to understand how people are motivated, which have developed since the advent of industrial capitalism. Therefore, an understanding of these theories and how they translate into contemporary HRM practice is critical for understanding what firms do, why they do it and the impact of these practices on both employees and the organisation itself. Furthermore, implicit in the discussion of HRM throughout this book – as set out in these opening chapters – is a consideration of the experience of work and employment, and of the relationship that exists between workers and their employer. An understanding of this relationship is critical to an appreciation of how firms can translate HRM practices into improved individual performance at work and thus into improved organisational performance. These chapters seek to discuss these relationships and stress how the complexity of human interaction makes the management of people extremely problematic.

Each chapter in Part One plays a specific role in this 'scene-setting'. The first chapter introduces HRM, both as an organisational function and as an academic discipline, and several important themes, concepts and contemporary developments in HRM practice that are referred to throughout the book. Chapter 2 discusses the relationship between HRM and the individual worker through a discussion of the employment relationship and how HRM seeks to manage the component elements of this relationship. It introduces some key concepts – such as employee engagement and the psychological contract – that underpin much discussion of how HRM can 'add value' to business performance, a predominant concern in both HRM research and practice.

The subsequent three chapters each discuss a 'layer' of the internal and external contexts of HRM. First, Chapter 3 sets out the organisational and strategic contexts of HRM, principally the different approaches an organisation can adopt to designing an overarching approach to people management, as well as the debate regarding how exactly HRM acts to influence organisational performance. Chapter 4 then outlines the labour market context of HRM, discussing key trends that act to influence the supply of and demand for labour, and how firms respond to change through the organisation of work. Finally, Chapter 5 has as its central theme the notion that HRM practices do not exist in a vacuum and are shaped by the legal, political, social and economic environments in which they develop. Considered in the context of the process of **globalisation**, this chapter seeks to set out how HRM differs across borders, the factors that shape management practice and the challenges these differences present for firms that do business internationally.

By the end of Part One, the reader should have an appreciation of the different meanings of HRM, the key controversies associated with its recent development and the role it can play in contributing to organisational success, as well as an understanding of the theoretical and environmental contexts in which people are managed in contemporary work organisations.

1

WHAT IS HRM?

CHAPTER OBJECTIVES

ALTERNATIVE MEANINGS OF HRM

- To introduce competing definitions of HRM.
- To describe how the term 'human resource management' came to be so widely used.
- To outline the characteristics of the 'high-commitment' variant of HRM.
- To outline the changing HR function and the growing role of line managers in HRM.
- To introduce the ethical debates surrounding HRM.
- To describe how HRM practices might differ in small and medium-sized enterprises.

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INTRODUCTION

Human resource management (**HRM** or simply HR) is the term commonly used to describe all those organisational activities concerned with recruiting and selecting, designing work for, training and developing, appraising and rewarding, directing, motivating and controlling workers. In other words, HRM refers to the framework of philosophies, policies, procedures and practices for the management of the relationship that exists between an employer and worker. The purpose of this chapter is to introduce the broad area of managerial activity referred to as HRM, to explore the alternative meanings attached to the term and its relevance to today's work organisations. The chapter outlines how people management has developed since the mid-1980s from a largely administrative, operational function to an area of management often viewed as central to organisational viability and sustained competitive advantage. It also introduces several running themes that reoccur throughout the book and represent key challenges for contemporary HRM, including ethical issues associated with people management and international differences in HRM practice.

HRM comprises a number of discrete but overlapping areas of managerial activity. Part Two of this book focuses on the following five broad functions of HRM, central to managing the workforce:

1. *People resourcing* – ensuring optimal staffing for current and future business needs through activities that include human resource planning, recruitment, **selection**, induction, talent management, succession planning and the termination of the **employment relationship** (including managing retirement and **redundancy**).
2. *Managing performance* – managing individual and team **performance** and the contribution of workers to the achievement of organisational goals, for example through goal-setting and performance and development reviews or **appraisals**.
3. *Managing reward* – designing and implementing **reward** and pay systems covering individual and collective, financial and **non-financial reward**, including employee **benefits**, **perks** and pensions.
4. *Human resource development* – identifying individual, team and organisational development requirements and designing, implementing and evaluating **learning** and **development** interventions.
5. *Employment relations* – managing employee 'voice', communication and **employee involvement** (EI) in organisational decision-making, handling union–management relations (including industrial action and **collective bargaining** over terms and conditions of employment), managing employee welfare and handling employee grievance and discipline.

Other tasks and activities that come under the remit of HRM include workforce administration, health, safety and employee well-being, and equality and **diversity management**. HRM is also likely to be involved in wider strategic and operational managerial activity such as change management and employer branding. In some of these areas, HRM specialists play a central and leading role, and in

others, they are more likely to fulfil an advisory capacity to support managers in other areas of the business. For example, in filling a job vacancy, HR specialists in large organisations are likely to provide support in designing job specifications and advertisements, ensuring legal compliance (for example, with **equal opportunities** legislation) and assisting with or advising on the selection process. HRM professionals might be generalists responsible for all HR processes in a firm, or more likely in larger organisations, they might specialise in one or more specific areas, for example reward, training or diversity. Importantly, HRM encompasses not only those activities that are the responsibility of designated HR departments or specialists, but also those activities that are carried out by managers in all areas of the business who are responsible for the management of co-workers.

COMPETING DEFINITIONS OF HRM

The term 'human resource management' is typically used in one of the two following ways:

- To describe any approach to managing people, as in Boxall and Purcell's definition: 'HRM includes anything and everything associated with the management of employment relationships in the firm' (Boxall and Purcell, 2003: 1). In other words, it is the contemporary 'umbrella' term used to denote the activities associated with people management in work organisations.
- To describe a distinctive approach to managing people that is significantly different from traditional **personnel management** practices (as outlined later in this chapter) through its ability to contribute to both organisational performance and to engender employee commitment to the organisation (hence sometimes referred to as **high-commitment HRM**). Such an approach to HRM offers management, theoretically at least, the prospect of enhanced organisational performance whilst simultaneously improving workers' experience of employment (the 'mutual gains' perspective). In the words of Storey (2007: 7), it is a specific 'recipe' for the management of people. Price (2007) defines HRM in this way, as 'a philosophy of people management based on the belief that human resources are uniquely important in sustained business success. An organisation gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. HRM is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies' (2007: 32).

This book takes a broad, inclusive perspective on HRM as referring to all aspects and approaches to the management of people and, therefore, not 'solely with a high-commitment model of labour management or with any particular ideology or style of management' (Boxall and Purcell, 2003: 1). The reason for this is that by focusing exclusively on the distinctive model of HRM it is rather easy to lose sight of the fact that the majority of organisations do not adhere to such a sophisticated model of labour management (Bacon, 2003). The intention of this

book is to consider the wide range of approaches that organisations can adopt for the management of people. HRM is therefore defined as an area of managerial activity with the *potential* to be formulated along the lines of Price's (2007) definition but acknowledging a wider array of management styles and associated practices.

THE EMERGENCE OF HRM

Despite taking an inclusive approach in this book, in order to understand the significance of HRM in contemporary firms it is important to discuss in greater depth its more specific meaning, as it helps explain why and how the term 'human resource management' came to be so widely used. The term 'personnel management' has historically been used to denote the area of managerial activity, most usually a distinct department, that is principally concerned with administering the workforce (for example, in respect of payroll and contractual issues), providing training, ensuring legal compliance (for example, in the area of health and safety) and managing collective **industrial relations** between the firm and **trade unions**.

In many firms, personnel management has traditionally been constituted as a support function, existing on the periphery of organisational and strategic decision-making, which held a relatively lowly operational status (Redman and Wilkinson, 2006). In the mid-1980s, however, patterns of innovative forms of people management began to emerge that held more strategic ambitions (Storey, 2007). Subsequently, people management has gradually developed and, whilst acknowledging that in many firms HRM remains marginalised and primarily an administrative function, for many firms its scope is rather wider today than in the past. Torrington et al. (2008) suggest that rather than representing a revolution in people management practices, the emergence of HRM represents an evolution towards more effective practice. Similarly, Watson (2009) stresses that HRM is:

> not some new, or even recent, managerial or academic 'fad' or some 'novel' or groundbreaking invention that is peculiar to modern circumstances. It is a profoundly commonsensical notion that would be sensibly taken up by people in charge of any human enterprise in which work tasks are undertaken and where there is a concern for that enterprise to continue into the future as a viable social and economic unit. (2009: 8–9)

In other words, HRM is the latest manifestation of ongoing attempts to allocate work tasks within a social group and to compel each member of that group to make best use of their individual knowledge, behaviours and capabilities for the greater good. Lengnick-Hall et al. (2009) suggest that whilst much of the literature addressing more strategic approaches to HRM has been written since the early 1980s, its origins can be traced back to 1920s America when more progressive employers were exploring ways to achieve competitive advantage through 'unity of interest [between employer and employee], cooperation and investment in labour

as a human resource' (Lengnick-Hall et al., 2009: 64). A historical perspective on the development of people management practices is presented in Chapter 2.

Box 1.1 shows Storey's model of HRM, which emphasises the potential for 'people' to be a key strategic asset in the contemporary firm and the key prescriptions in how they should be managed to maximise their performance. Along similar lines, Sisson (1990) suggests that the distinctive notion of HRM has four critical dimensions: an integration of HR policies with business planning; a shift in responsibility of HR issues from personnel specialists to **line managers**; a shift from the **collectivism** of management–trade union relations to the **individualism** of management–employee relations; and an emphasis on employee commitment. Both of these formulations echo earlier work by Guest (1987), who suggested four key elements of HRM: employee commitment; workforce flexibility; quality (both in terms of required worker attributes and of their performance); and the strategic integration of HRM policies and practices.

BOX 1.1
UNDERSTAND

The HRM model

Beliefs and assumptions

- That it is the human resource which gives competitive edge.
- That the aim should not be mere compliance with rules, but employee commitment.
- That therefore employees should, for example, be very carefully selected and developed.

Strategic qualities

- Because of the above factors, HR decisions are of strategic importance.
- Top management involvement is necessary.
- HR policies should be integrated into the business strategy – stemming from it and even contributing to it.

Critical role of managers

- Because HR practice is critical to the core activities of the business, it is too important to be left to personnel specialists alone.
- Line managers are (or need to be) closely involved both as deliverers and drivers of the HR policies.
- Much greater attention is paid to the management of managers themselves.

Key levers

- Managing culture is more important than managing procedures and systems.
- Integrated action on selection, communication, training, reward and development.
- Restructuring and job redesign to allow developed responsibility and empowerment.

Source: reproduced with permission of Cengage Ltd from Storey, 2007: 9 (Figure 1.1)

PEOPLE MANAGEMENT

Taken together, such models indicate a number of key features of HRM that represent a distinctive approach to people management. First, HRM is not simply the concern of HR specialists but requires the involvement of both senior and line managers in successfully developing and implementing policies and practices to maximise individual job performance. Second, workers perform more effectively when committed to the goals of the organisation rather than simply complying with its rules, and this can be achieved both by aligning the needs of employees and the firm and by the internalisation of organisational values through the management of culture. Third, HR practices and policies such as those in the areas of selection, development and reward should be integrated both with the overall **strategy** of the firm and each other. In relation to this last point, Caldwell (2002) suggests that the 'advanced' personnel policies associated with HRM predated the development of HRM itself but that its importance lies in advocating HR policies and practices that are integrated with one another and are mutually reinforcing. In summary, HRM in its specific sense is concerned with ensuring that:

- HRM philosophies, policies and practices are supportive of wider organisational strategy
- the organisation has the right calibre or quality of employee to operationalise this strategy through the adoption of appropriate techniques for selection and recruitment, appraisal, development and career progression
- line managers are committed to executing these HRM policies and practices
- employment systems are flexible enough to allow adequate adaptation to changing organisational contexts.

The contemporary focus on people as a source of competitive advantage is clear in the corporate literature of firms across diverse industry sectors, which lay claim to a heavy reliance on their human resources to deliver strategic objectives, as well as seeking to position or 'brand' themselves as desirable organisations in which to work. A selection of such corporate statements is presented in Box 1.2.

BOX 1.2
HRM IN PRACTICE

The rhetoric of HRM and the importance of people to organisational success

Nissan – 'The power comes from inside'

> This simple phrase familiar to every Nissan employee conveys a powerful truth. Any company is only as strong as the people who bring it to life. Companies do not create products, deliver services or solve problems; people do.

(Continued)

Virgin Atlantic – 'The people that make up Virgin Atlantic, make Virgin Atlantic'

This isn't a company that just talks about putting employees first or glibly claims that our people are our greatest asset. This is a company that simply wouldn't exist without the energy, the determination, the wit and the wisdom of our people.

Selfridges & Co. Department Store – 'There's no fun like work!'

Just as we create an extraordinary experience for our customers, we are dedicated to making Selfridges an exciting, inspiring and fun place to work. Being part of the Selfridges community offers many opportunities and unique experiences. As Harry Gordon Selfridge once said, 'There's no fun like work!'.

Shangri-La Hotels – 'Are you Shangri-La?'

We are family. We share something powerful – our genuine care and respect for others. It takes a very special kind of person to work at Shangri-La. Someone with an eye for detail and the skills to perform. Someone with an attitude to deliver and a passion to delight.

Walmart – 'The most important part of our business – people. Just like you'

Our associates are the heart of our business – all 2.2 million of them. Our people make the difference, and their hard work and dedication have made us what we are today. Our people work hard to save customers money in new and better ways each day.

LEGO – 'Succeed together'

The role of the LEGO People Promise is to enable execution of the business strategy and build the long-term health of the company. It defines why people should choose and commit the best of themselves to the organisation, clarifies the 'give' and the 'get' of the employee 'deal' and provides a common point of reference for employee management.

HARD AND SOFT VARIANTS OF HRM

High-commitment or high-performance HRM is associated with management practices that focus on the 'human' element in managing people, reflecting the notion of 'soft HRM' (Guest, 1987). **Soft HRM** has its emphasis on developing and investing in **human capital**, nurturing employee loyalty and providing well-rewarded and satisfying work. This approach prioritises a positive employer–employee relationship based on mutual trust, developed through employee involvement in organisational decision-making, worker **empowerment**, collaboration and **teamworking**, and a stakeholder approach where the interests of all groups are equally valued. Soft HRM views the organisation as pluralist, where the differing needs of the organisation and individuals are acknowledged and addressed. This model is also referred to as 'collaborative HRM' (Gooderham et al., 1999). The contrasting approach to HRM tends to emphasise the 'resource' element in the management

of labour. This 'hard' (Guest, 1987) or 'calculative' (Gooderham et al., 1999) approach emphasises the instrumental use of labour to meet business objectives. **Hard HRM** views the employment relationship as unitarist, where the needs and interests of the organisation and individuals are one and the same. This model is often associated with exploitative practices such as intensive working, low pay, low levels of job security and, subsequently, low levels of employee commitment. However, hard and soft approaches to HRM are not mutually exclusive as organisations can use 'soft' practices in an instrumental manner.

The distinction between soft and hard HRM raises the issues of **ethics** in people management and the extent to which the objectives and needs of a business should take primacy over the needs of its workers. The question of ethics in HRM is a running theme of this book and later chapters will consider the ethical issues surrounding particular elements of HRM activity, such as employment flexibility and reward systems. Box 1.3 provides an introductory discussion into this ever more important area of both HRM and wider business and management.

BOX 1.3
RUNNING CASE

The right man for the hard decisions? David Harrison joins the Marin Hotel

After almost four years as an assistant HR manager in a rival hotel, David Harrison has just landed his dream role as HR manager at the Marin Hotel. The Marin is a 4-star rated hotel with 150 rooms, located in the centre of a large UK city. Like many of its nearby competitors, it serves both the leisure and business markets, meaning that demand is constant all year around albeit with spikes in bookings during the summer months and over Christmas and New Year. David is particularly proud to be joining the hotel that currently holds the highest rating on RateYourStay.com of all hotels in its class in the city, scoring particularly highly for service quality.

The general manager of the Marin – Georgia Bridgers – sees David's appointment as an opportunity to change how HR is conducted at the hotel and has instructed him to find ways to reduce labour costs. Georgia is keen to make her mark in the wider business by delivering greater profits through reducing overheads at the hotel, which she thinks are excessive.

The Marin Hotel has long held a reputation as being a good place to work. It offers competitive pay, with plentiful opportunities for paid overtime, as well as generous holidays. As a result, the Marin employs many long-serving members of staff who have benefited from regular training that has led to satisfying work and successful careers. Georgia is concerned, however, that employing such a large permanent workforce that is accustomed to working regular hours each week means that the hotel is overstaffed when bookings are down. Long-serving staff are also paid more than the casual staff the hotel sometimes employs at busy times of the year.

Questions

1. How might David reduce labour costs at the hotel?
2. How would your suggestions fit with the notions of 'hard' and 'soft' HRM?
3. Do you foresee any problems with seeking to reduce labour costs in a highly competitive market in which the Marin Hotel is renowned for excellent service quality?

BOX 1.4
ETHICAL INSIGHT

Should people be treated as 'resources'?

The language of HRM tends to emphasise the importance of the human resource and its role in uniting individual and organisational needs, addressing both employees' desire for 'social justice' (equity and fairness of treatment) and business imperatives. Indeed, much discussion of HRM assumes that high-performance HRM practices are good for workers and that managers are 'the primary actors in the employment relationship, responsible for designing and implementing the appropriate HRM practices to produce gains for both employees and employers' (Janssens and Steyaert, 2009: 145). However, research suggests that the reality is somewhat different from the rhetoric of 'mutual gains' (Legge, 1995a). Evidence has long shown limited adoption of specific HRM practices that might lead to such shared benefit and suggests that the focus of much labour management in the UK remains on cost reduction and short-termism, typically leading to the poor treatment of workers.

Even where high-commitment HRM is practised there are ethical concerns about the model of the employment relationship upon which it is based. Within much HRM theory there is the implicit assumption that business needs should take primacy over human considerations, and where the needs of workers are met it is simply because of a convergence of the two. This is most obviously played out in the changing role of HR professionals, where as a consequence of their growing importance in strategic decision-making they are compelled to prioritise business needs over employee welfare and lack the power and support to promote an ethical agenda (Guest and Woodrow, 2012). Indeed, the very term 'human *resource*' can be said to promote the treatment of workers not as both a means and an end, but as a means alone (Crane and Matten, 2006). In other words, workers are regarded simply as factors of production, not as legitimate organisational **stakeholders** worthy of ethical treatment as an end in itself. Inkson (2008) makes the important point that the adoption of the standardised term 'human resources' to refer to people at work, even if only as a metaphor, leads both managers and employees to accept the notion of people as passive commodities, rather than active agents, and to behave accordingly.

Nonetheless, often a business case is made for the 'ethical' treatment of workers citing, for example, the positive effect that such treatment can have on employee commitment, engagement and, consequently, performance. However, for many, the idea that corporate self-interest is sufficient to guarantee the ethical treatment of workers is flawed, not least because as business needs change the imperative to treat employees might well recede. The unitarist assumptions of common interest and mutual benefit that underpins much HRM theory and practice can subsequently be questioned (Boselie et al., 2009), along with the view that managers make decisions for the good of all stakeholders. Arguably, only where managers accept a plurality of interest groups with divergent needs will employee welfare be adequately considered as a first-order concern.

Even in firms where soft HRM practices are firmly embedded, and good treatment of employees is evident, there remains controversy regarding managerial attempts to manipulate organisational culture and instil the values of the firm in their employees as a means of improving performance. This unease centres on the extent to which employees act as 'willing slaves' through 'extensive cooperation or complicity with living the "brand values" consciously generated by senior executives and management consultants' (Storey, 2007: 5). Abbott (2015) goes as far as to suggest that HRM, when

(Continued)

focused on developing employee conformity to a specified organisational culture and the willing acceptance of managerial authority, bears a closer relation to the practices of political totalitarianism rather than democracy.

The question of ethics and corporate social responsibility (CSR) are critical concerns for twenty-first-century work organisations. For this reason, ethics in HRM forms a central concern of this book and each chapter raises questions about the relationship between management practice and the ethical treatment of people in the workplace.

Questions

1 To what extent do you consider it to be the role of business enterprises to commit to the ethical treatment of workers beyond what is required by legislation?
2 How would you construct a 'business case' argument for ethical considerations in formulating HRM policies?
3 How could this business case be critiqued?

PATTERNS OF HRM PRACTICE

As stated previously, the definition of HRM adopted in this book is rather broader than a narrow 'high-commitment' approach. This is because for many employees this vision of people as a 'top agenda item' and a highly valued organisational asset might not ring true in their everyday working lives. The high-commitment rhetoric – that employees should be positively nurtured by an organisation in order for them to become more 'engaged' in their activities and, therefore, more productive – does not necessarily match the reality of HRM practice in many firms.

Despite many firms relabelling their personnel departments as HR departments, this often represents 'old wine in new bottles': a relabelling rather than a fundamental reinvention of the function (Legge, 1995a). The UK Working Lives Survey (CIPD, 2018a: 2) reports that UK firms 'are not utilising effectively the skills of [their] workforces… have underinvested in the workplace, and that the general quality of people management needs to improve'. This assessment does not suggest a widespread adoption of high-commitment HRM, a finding that has been borne out by successive surveys of HR practice in the UK, which show that the strategic role and function of HRM continue to be limited. For instance, the Workplace Employment Relations Survey in 2011 (van Wanrooy et al., 2013) found little evidence of change from the previous survey in 2004 in the proportion of firms adopting a formal strategic plan for employee development, job satisfaction or employee diversity and only a small increase in the proportion of firms adopting a strategic approach to recruitment.

Overall, research tends to suggest that most organisations adopt 'good' HR practices in a piecemeal or incomplete manner, despite evidence that the more integrated adoption of practices associated with high-commitment HRM can yield positive improvements in workforce productivity and, therefore, organisational performance. Moreover, if we accept the central importance of people to

organisational performance, the fact that successive studies (for example, Guest and Conway, 2004; CIPD, 2015a) have found a widespread lack of consideration for employee issues is concerning. The integrated HRM models described by Guest, Storey and Sisson appear, therefore, to represent, at best, an aspiration rather than a workplace reality in many organisations and present a major competitiveness issue for both UK employers and the government as firms are continually shown to fail to invest in HRM practices that might unlock latent productivity of the workforce, such as initiatives that promote cooperative working and workforce **upskilling** and that seek to engender trust and employee engagement (CIPD, 2015b; UKCES, 2015).

BOX 1.5
HRM IN PRACTICE

Just Eat Takeaway and gig workers

The instrumental use of workers implied by 'hard HRM' has arguably reached its logical conclusion in the gig economy where an increasing number of workers – classified as self-employed – are contracted to work for firms with highly irregular hours, no job security, nor any of the statutory rights that arise from a contract of direct employment. Gig workers are often associated with work undertaken for car services (such as Uber and Lyft), food delivery firms and other app-enabled services. The benefit to businesses of engaging workers in this way are clear: significantly lowered employment costs through reducing their financial commitment to their staff (for example, through paying only for work undertaken and reduced tax payments). For workers, however, such employment is associated with increased risk and precariousness resulting from reduced legal protection and irregular hours of work and, therefore, income. Inevitably, the growth of such employment has been accompanied by questions about the ethics of such employment practices and calls for governments across the world to better protect workers from exploitation.

In August 2020, however, the CEO of Just Eat Takeaway, Jitse Groen, announced that the company would be ending gig working at the company, at least in Europe, and that he would prefer to ensure staff receive benefits – like holiday pay – and greater workplace protection in future. In making the announcement, Groen said: 'It is our intent to make the quality of life of these people a lot better than what it might be now'. This announcement came at the same time as a huge increase in demand for food delivery services during national lockdowns in response to the Coronavirus pandemic. It also followed Just Eat Takeaway's announcement of $7.3 billion merger with US-based Grubhub to form the largest food delivery service outside of China.

Chapter 4 contains further discussion of the gig economy and its association with employment flexibility.

Questions

1 Why do you think Just Eat Takeaway has decided to end its use of gig workers?

2 From the perspective of employers, employees and governments, what are the ethical questions that arise from the growth of the gig economy?

When discussing the extent to which UK firms have adopted HRM, a further proviso is also necessary. Many of the claims for HRM and its emergence in the 1980s reflected the role of sophisticated HR policies and practices in large, often multinational companies, and subsequent HRM literature has tended to focus on the development of people management in such organisations. It is important, however, to also understand HRM within small and medium-sized enterprises (SMEs). SMEs make up an increasing proportion of firms and a growing source of employment, particularly for highly qualified workers, but there remains both a lack of research into HRM practice in SMEs and an inference within management literature that SMEs should simply learn from the practices of large firms. Box 1.6 discusses some of the assumptions often made about people management in SMEs and the research that has sought to explore the reality behind those assumptions.

BOX 1.6
RESEARCH INSIGHT

HRM in small and medium-sized enterprises

Dundon et al. (1999) argue that most commentators on the employment relationship in small firms tend to adopt one of two polarised perspectives. The first has been described as 'small is beautiful' and suggests that SMEs are characterised by informal, cooperative and harmonious relationships between owner-managers and employees (Goodman et al., 1998). The small firm is therefore typified by low incidence of conflict and informal communications, characteristics that are assumed to negate the need for collective organisation by workers. Such firms gain the cooperation of their staff and develop a good working relationship between management and workers 'despite paying little explicit attention to people management issues and having few formalised practices for managing them' (Goodman et al., 1998: 548).

The second perspective suggests that this portrayal of harmonious relations serves to obscure exploitative practices in small firms that characterise them as '*Bleak House*' (Sisson, 1993: 207) and their employee management practices as 'ugly' and 'bad' (Guest and Hoque, 1994: 3). Rainnie (1989) suggests that such organisations are typified by poor working conditions, authoritarian management, poor safety conditions and little involvement of staff in the running of the business. These 'black hole' organisations (Guest and Conway, 1999) – a term used to describe firms that have little in the way of formal individual or collective structures and practices for the purposes of employee management – are typically small establishments, often privately owned, operating in labour-intensive sectors such as hotel and catering (Guest and Conway, 1999). Wilkinson (1999) argues that a lack of overt conflict in small firms may simply represent the fact that employee dissatisfaction is more likely to be manifest in individual expressions such as absenteeism and high turnover, rather than collective action.

However, given the sheer number and diversity of SMEs and evidence for a wide variety of approaches to HRM (for instance, Cassell et al., 2002; Kotey and Slade, 2005), it is perhaps not helpful to assume that they conform to one stereotype or the other and that there is no best approach to HRM for small firms to adopt, not least because the most effective practice will inevitably vary as firms grow (Drummond and Stone, 2007; CIPD, 2015c). Some studies do, however,

(Continued)

suggest a positive relationship between HRM practices and SME performance. Verreynne et al. (2011) suggest that better performing small firms are those who adopt integrated clusters of employment and management practices that engender trust, fairness and **employee participation** and communication. Sheehan (2014) found significant positive returns for SMEs in terms of profitability, innovation and lower labour turnover with increased investment in human resources. Lai et al. (2017) found a positive and direct relationship between the use of formalised HR practices and firm performance.

Further Online Reading This paper provides evidence to suggest that investment in human resource management in SMEs positively enhances sustained competitive advantage on a range of metrics including profitability and innovation, as well as leading to positive employment outcomes such as lowered labour turnover.

Sheehan, M. (2014) Human resource management and performance: Evidence from small and medium-sized firms, *International Small Business Journal, 32* (5): 545–70.

HRM AND A CHANGING ORGANISATIONAL CONTEXT

The supposed shift in the way workers are viewed by senior managers can be at least partially linked to relatively recent changes to the external business environment, which have reduced the impact of traditional sources of competitive advantage (such as technology or machinery) and increased the significance of new sources – particularly a firm's workforce – that need to be exploited to promote organisational adaptability and innovation (Pfeffer, 1994). This is most obviously the case for firms competing in sectors of the economy where organisational success relies heavily on the ingenuity, creativity, skills and knowledge of their workforce, such as information and communication technology (ICT), business consultancy and pharmaceuticals. It is of no surprise, therefore, that the shift from personnel management to HRM has coincided with a set of perceived changes in advanced capitalist economies associated with globalisation and rapid advancements in ICT that are connected to the emergence of the 'post-industrial society' (Bell, 1973) or **knowledge economy** (Kinnie et al., 2006). Organisational success in such an economy relies on the commercialisation of the knowledge possessed by its workers and for firms to acquire and develop employee capabilities through increasingly sophisticated means of management (Davenport et al., 2006). However, it should also be acknowledged that these competitive pressures, particularly developing patterns of globalisation and the emergence of new economic powers such as Brazil, India, China and Russia, are at the same time compelling managers to cut costs, often leading to the more instrumental use of labour. Developments in the labour market context of HRM are discussed further in Chapter 4 and patterns of globalisation in Chapter 5. Chapter 15 specifically addresses the issue of **knowledge management (KM)** and how HRM can facilitate the development and sharing of employee knowledge as a source of competitive advantage.

The movement from collectivism to individualism in the management of the employment relationship is also reflective of contextual change. Since the 1990s there has been a marked decline in trade union membership and representation, and collective bargaining over pay and conditions in the UK, especially in the private sector. The reasons for this trend are complex, encompassing changing political attitudes towards unionism, increased global competition, changes in social attitudes towards increased self-interest, economic restructuring (notably the accelerated shift from a manufacturing to a service-based economy) and legislation that has placed greater restrictions on union activity. HRM itself can be viewed both as a cause and consequence of the decline in workplace collectivism. The decline in trade union power and influence opened up a space in which **managerial prerogative** over decision-making could be asserted more emphatically and the adoption of anti-union strategies associated with US-style management could be used as a lever to further marginalise or substitute for the presence of unions. As a result of this changing landscape, management saw greater opportunities to implement more flexible, individualised arrangements for employees. For example, there has been a marked increase over recent years in individualised **performance-related pay (PRP)** and performance targets, non-representative methods of **employee communication** and greater individual responsibility for career development. Individualised HRM practices partly reflect, therefore, a desire among organisations to alter the employment relationship to make it more flexible by dismantling workforce solidarity and mechanisms for the expression of shared worker interests. This is discussed in more detail in Chapter 10.

It is important to recognise that the concept of high-commitment or high-performance HRM is underpinned by a particular set of assumptions reflective of the cultural context in which it developed, specifically the USA and, latterly, the UK. As such, it is important to recognise that the specific ideas and practices associated with HRM are not necessarily universally applicable. Box 1.7 introduces another running theme central to this book, that of the international context of HRM. Chapter 5 develops this discussion of cultural influence on people management.

BOX 1.7
GLOBAL INSIGHT

HRM and national difference

It is important to recognise that the approach to people management specifically referred to as 'HRM' embodies a Western perspective on the employment relationship and the appropriate means by which employees can create value for an organisation. Much of the rhetoric and reality of HRM reflects its origins in the USA, to the extent that Guest (1990) referred to HRM as a 'manifestation of the American dream' and Gooderham and Brewster (2003: 16) referred to the prevalence of HRM in Europe as the 'Americanization of personnel management'.

(Continued)

Whilst much of the discussion in this book reflects this Western perspective, each chapter outlines how HRM practices vary throughout the world. They outline how the social, cultural and institutional context in which people management practices develop are reflected in how employees are, for instance, recruited, managed and rewarded. For example, in the USA, people management techniques have tended to reflect a psychological perspective with an emphasis on improving worker motivation. This has led to a focus on the individual, on analysing employee needs and responding through the manipulation of rewards systems and job design to reflect American cultural values of individualism and self-determination. In (continental) Europe, however, people management has evolved more from sociological analysis resulting in a greater focus on the collective workforce and understanding organisations as social systems within a broader economic and political context. Therefore, rather than focusing on the individual employee's relationship with the employer, there is greater concern for the collective employment relationship between government, unions and management. The focus of managerial activity is on industrial democracy and joint regulation of the employment relationship, reflecting cultural ideals such as solidarity and low tolerance for inequality (Schneider and Barsoux, 2008).

As well as divergent views on managing the employment relationship, von Glinow et al. (2002) note that the status of the HRM function also varies across countries, according to, for example, the average size of organisations, ownership patterns, the credibility that the HR function has in a particular country and where power tends to reside within firms. For example, in the UK power within firms tends to reside with the finance function, which has implications for the extent to which people are viewed as investment or cost and, therefore, the strategic influence afforded to HR managers.

THE CHANGING HR FUNCTION

As the high-commitment perspective on HRM has developed since the 1980s so has the role of HR managers and specialists. The HR profession has undergone a significant transformation to reflect the increased responsibility placed upon it to deliver improvements in worker performance, signified in a shift from an historic emphasis on operational issues to a more strategic focus, at least in some firms (Francis and Keegan, 2006). Stanton and Coovert (2004) suggest that the activities of the HR function can be divided into three broad interlocking functional areas:

1. *Administrative* – HR professionals ensure the organisation's compliance with regulatory structures (including organisational policy and employment law) as they relate to HR activities such as **recruitment** and dismissal.
2. *Financial* – HR professionals research, recommend and manage the organisation's use of monetary rewards and perquisites.
3. *Performance* – HR professionals develop, deploy and maintain organisational policies and practices that allow workers to create the greatest possible value with the available human capital (for example, through training and **performance management**).

The greater HR focus on strategic issues emphasises the importance of the last of these three areas of activity and stresses the contribution of HRM towards the achievement of organisational objectives through the innovative design and

TABLE 1.1 *A typology of HR roles*

Strategic partner	Incorporating the roles of change agent, business expert, strategic HR planner and manager of organisational 'knowledge'
Functional expert	Emphasising concern for administrative efficiency and the design of HR policies and interventions
Employee advocate	Addressing the needs of an organisation's current workforce
Human capital developer	Preparing employees to meet future challenges
Leader	Incorporating leadership of the HR function itself, working collaboratively with other areas of the business and being effective in the preceding four roles

Source: adapted from Ulrich and Brockbank, 2005, reprinted with permission

implementation of value-adding policies and practices. As such, HRM has become a more prominent and influential aspect of organisational strategic decision-making with a key role to play in achieving business outcomes. This growing influence requires HR practitioners to reflect on the contribution of HR activities to overall business success more critically and to develop evermore effective mechanisms to provide people-added value. In other words, the HR department should operate as a 'business within a business' (Ulrich et al., 2008). This perspective of the role of HRM in the organisation clearly fits with that espoused in Box 1.1 and reflects the growing complexity of the HR function by suggesting that it is now concerned with a combination of both people and process-related activities, and strategic and operational functions.

Ulrich and Brockbank (2005) identify five distinct roles that HR professionals should adopt to respond to the changing business context, combining effectiveness in the present with preparing for the future (Table 1.1).

This role profile suggests that HRM practitioners should seek to reconcile the interests of all stakeholders in the organisation, addressing the welfare and development needs of workers and the strategic imperatives of senior management, providing support for line managers and ensuring external compliance on issues of corporate governance. The role of the HR specialist is, therefore, multifunctional, acting as both a facilitator and leader of the strategic direction of the firm. However, Ulrich and Brockbank's typology has been criticised for assuming that the needs of all these stakeholders can be balanced by the HR function, especially as evidence suggests that the strategic and financial imperatives of the firm often override concern for employee welfare. Legge (1995b) argues that the HR function experiences a fundamental 'role ambiguity' associated with being part of 'management' whilst also being expected to be representative of employees' interests. Indeed, research has found that whilst HR practitioners tend to aspire to involvement in the strategic dimensions of Ulrich's typology (CIPD, 2003a; Guest and Woodrow, 2012), operational activity still dominates their work, suggesting that the short-term, day-to-day imperatives of people administration continue to supplant longer-term considerations. As Kochan (2007: 599) suggests, the 'effort to develop a new "strategic HRM" role in organisations has failed to realise its promised potential of greater status, influence and achievement'.

The strategic function of HRM is manifest in the notion of business partnering. **Business partners** are HR professionals who work closely with business leaders or line managers, usually embedded in a particular business unit, to both influence strategy and enable its implementation. These business partners (or 'organisational capability consultants') form part of what has become known as the 'three-legged stool' of HR service delivery, alongside 'shared services' (who provide centralised administration of reward, training and so on) and 'Centres of Expertise' (HR specialists or internal consultants called upon to provide bespoke innovations in systems and programmes) (Ulrich, 1997). CIPD (2015d) notes that the role of HR business partners varies widely between organisations, depending on organisational size, sector, business priorities and culture, but activities that HR business partners are likely to be involved in may include:

- organisational and people capability building
- longer-term resource and talent management planning
- using business insights to drive change in people management practices
- advising on the people implications of organisational change
- intelligence gathering on good people management practices internally and externally.

BOX 1.8
HRM IN PRACTICE

Deloitte and the role of business partner

In order to maximise the contribution of HR to business success, the consultancy firm Deloitte suggests that the HR business partner role should concentrate on the following:

- Focusing on strategic issues that contribute to the growth and competitiveness of the business
- Taking a big picture perspective regarding the organisation's priorities and goals
- Having the personal impact and credibility to influence critical decision-makers
- Being the diplomat and negotiator to align the agendas of the business and the HR function
- Having the breadth of knowledge of the services and solutions offered by the Centers of Expertise
- Being excellent project and account managers with demonstrated knowledge of the business.

(Deloitte, 2011: 44)

Common to models of business partnering is the importance of HR practitioners being 'insight driven' (CIPD, 2011a) and understanding the interplay of the multiple contexts that act to influence organisational performance. CIPD suggests, therefore, that HR needs to develop expertise across three domains of organisational insight:

1 *Organisational savvy* – an appreciation of how the interplay of hard and soft factors enables or derails business success, including an understanding of the impact of people, culture and leadership, and of change dynamics.

2 *Business savvy* – a deep understanding of the core value-drivers and a deep appreciation of what makes the business successful, or prevents its success.

3 *Contextual savvy* – an understanding of both market trends and forces, but also how broader demographic, macro-economic and societal factors are affecting business now and in the future.

Ulrich's latest contribution to the debate about what HR is and what it needs to be is to focus not on the roles it needs to fulfil but on the importance of relationships. To this end, Ulrich (2015) proposes several principles that underpin the development of successful relationships between different aspects of an HR function including sharing a common purpose, respecting differences and caring for those in different parts of the function.

Further Online Reading This article examines how HR managers interpret the role of business partners and internal consultants, and assesses the extent to which this results in greater self-esteem and organisational status and contributes towards identity as a member of a unitary HR profession.

Wright, C. (2008) Reinventing human resource management: Business partners, internal consultants and the limits to professionalization, *Human Relations, 61*: 1063–86.

Devolution of HRM responsibility to front-line managers

Reflective of the continued movement away from an administrative model of people management, operational responsibility for HR is often now devolved to front line managers (FLMs) (as defined in Box 1.9). Consequently, whilst FLMs they have always also been people managers to some degree, the growing emphasis on the strategic dimension of HRM has elevated this role so that HRM responsibilities should be of equal importance to line managers' day-to-day functional responsibilities (Ulrich, 1997).

BOX 1.9
UNDERSTAND

Who are front-line managers?

- Responsible for an employee or work group to a higher level of management.
- Normally lower management.
- Employees who report to them do not themselves have any managerial or supervisory responsibility.
- Often promoted from within.
- Unlikely to have a formal management education.

Source: CIPD, 2009e

As such, line managers in most firms are now likely to hold responsibility for conducting **performance appraisals**, identifying training requirements for subordinates, providing **coaching** and **mentoring** and dealing with grievances and disciplinary matters. Indeed, as HR professionals have become progressively more closely aligned with management, line managers have increasingly been seen to adopt the mantel of **employee champion** (Guest and King, 2004).

Marchington and Wilkinson (2008) suggest that part of the reason for devolution of responsibility is a response to long-running criticism by line managers of the contribution of HR specialists to organisational performance. They suggest that this criticism generally takes four forms:

1. HR specialists are out of touch with commercial realities and do not fully understand the needs of managers, customers and the business itself.
2. HR constrains the **autonomy** of line managers to make local decisions that would benefit the business.
3. HR specialists are unresponsive, slow to act and hinder the firm's ability to respond quickly to unfolding circumstances.
4. HR specialists tend to promote policies that are difficult to put into practice or are inappropriate for the workplace.

In this arrangement, HR professionals act in an advisory capacity, ensuring that those with direct supervisory responsibility are equipped to make appropriate decisions through 'ownership' of HRM initiatives. In other words, line managers and HR specialists work in **partnership** to manage the workforce (Ulrich, 1998). This reflects a growing body of research that shows that line managers are increasingly perceived as key to the successful implementation of HR practices and the relationship between line managers and subordinates has a significant influence on individual performance (Purcell and Ahlstrand, 1994; Hope Hailey et al., 2005; Purcell and Hutchinson, 2007; Harney and Jordan, 2008).

Despite the apparent strength of this trend, however, the research evidence concerning devolution of HR responsibility to line managers does not always suggest business benefits. On the one hand, line managers are more likely to be able to determine appropriate HR solutions by virtue of their better understanding of operational complexities and being 'closer' to workers. However, devolution of HRM activities has also been shown to have created frustration and role conflict for managers, especially where they have inadequate resources or time to fulfil these obligations (McConville, 2006). Considered from a political perspective, HR managers might not want to relinquish responsibility for certain elements of HRM (Harris et al., 2002) but, equally, line managers might be reluctant to take on new responsibilities. Recent research (Boury and Sinclair, 2012) suggests confusion among 4,000 UK line managers about the strategic role of HRM and a continued reluctance to take on people management responsibilities.

Research has also highlighted concerns that line managers often do not possess the skills or are not provided with adequate training and HR support to fulfil this additional responsibility, resulting in HR issues not receiving adequate attention or being handled poorly or inconsistently (Renwick, 2003). This raises the concern that despite the importance of coherent HR systems, devolution to line managers might lead to the limited integration of HR policies and strategy through their

differential application in different parts of the organisation, particularly where support from HR specialists is lacking. Caldwell and Storey (2007) suggest, however, that the greater empowerment of line managers might have an integrative effect, bringing together a variety of elements of people management under the individual manager.

Further Online Reading The following article presents research evidence on the trend within Australian organisations to devolve people management activities to line management and the differing views of HR and line managers about the extent to which they consider it likely to yield positive results.

Kulik, C.T. and Bainbridge, H.T.J. (2006) HR and the line: The distribution of HR activities in Australian organisations, *Asia Pacific Journal of Human Resources, 44* (2): 240–56.

Shared services, outsourcing and HRM

Recent years have also seen a notable trend towards the greater **outsourcing** of HR administration and an increasing number of firms using HR shared service centres (either in-house or outsourced) to provide routine HR administration services, such as recruitment, payroll and training, to all parts of the business. The intention here is both to cut costs and to enable HR professionals to focus on more strategic concerns related to business performance. Box 1.10 provides a recent example of how the UK government has sought to use outsourcing as a key means by which to reduce public sector spending.

BOX 1.10
HRM IN PRACTICE

HR outsourcing at the UK Ministry of Defence

In March 2012, *Personnel Management* magazine reported that the human resource function (along with several other back-office functions, including finance) of the UK Ministry of Defence (MoD) was to be managed by an outsourcing firm, Serco, as part of a deal to make savings of £71 million over the firm's four-year contract (*Personnel Management*, 2012a). Under the contract, Serco would not only manage these functions, but also seek to 'radically transform' how such support services are delivered in the department, partly through the creation of a shared service centre and through building on 'private sector best practice' in the shape of cost-cutting, efficiency gains and innovation.

Despite assurances over the maintenance of terms and conditions for employees that would be transferred from the MoD to Serco, trade unions representing MoD staff expressed concern over jobs and pay cuts, and over the manner in which the deal was done with unions claiming that they were not consulted over the arrangements.

The outsourcing deal with Serco represented an attempt at the MoD to cope with a significant funding shortfall, due to both spending cuts across the public sector and overspending at the department. Job cuts at the Ministry since mid-2010 would ultimately see its workforce reduced by 36,000 employees and the final number of redundancies would run to tens of thousands more as the MoD sought to 'plug a £38bn budget black hole' (*Guardian*, 2012).

The increasing use of ICT in HRM

The movement away from a transactional focus within HRM departments is increasingly enabled and supported by the use of new technology (Martin, 2005; Parry and Tyson, 2007). For example, firms are making ever-greater use of company intranets and the internet for the purposes of recruitment, the management of the **internal labour market** and for employee development, in the form of **e-Learning**. At a basic level, ICT can assist in carrying out the administrative functions of the role, potentially freeing up HR specialists for more strategic concerns. However, technology is also seen as possessing the potential to be 'transformational', for example through its ability to contribute to more effective strategic decision-making. Therefore, technological developments not only present challenges for HR professionals in respect of how they are changing the way workers do their jobs but also in how HR specialists themselves work (Stanton and Coovert, 2004). For example, line managers and employees themselves are increasingly able to undertake basic HRM transactions (for example, updating their personal details or booking training courses) via 'self-service' portals.

Overall, Caldwell (2003) suggests that the personnel function has become increasingly fragmented as a result of outsourcing, the use of HR consultants, the use of shared service centres and IT and the devolution of responsibility to line managers (Valverde et al., 2006). Whilst the increasingly strategic focus within HRM and recognition of its value in contributing to competitive advantage have led to the elevated status of HR professionals, continued fragmentation of the function over the longer term may present challenges. For example, the devolution of HR responsibility and growing use of ICT might not always lead to the liberation of HR specialists from operational concerns for more strategic work and might have the effect of marginalising HRM specialists. In one sense, therefore, contemporary developments in HRM can be seen as somewhat contradictory in that whilst managers increasingly profess the value of their human resources, the HR function is increasingly seen as an area ripe for cost-cutting (as in the MoD example in Box 1.10), as businesses evaluate the option of managing without a formal, centralised HR function (Morley et al., 2006). Others, however, view the increasing use of HR consultants as reflecting the increased importance of HRM, in that HR concerns are seen as important enough to warrant such investment. Chapter 15 further considers the future of the HR function and provides a more detailed discussion of the implications of outsourcing, shared service centres and **e-HR**.

SUMMARY POINTS

- HRM can be understood as the contemporary term used to describe all activities associated with the management of people. An alternative, more specific, meaning of HRM is as a novel approach to people management based on the view that people represent a key strategic asset to organisations and should be managed as such.

(Continued)

- The main concern of high-commitment or best practice HRM is to design and operationalise integrated systems of HR policies and practices that serve both individual and organisational needs. Such models have emerged in response to a range of changes in the context of organisations since the mid-1980s.
- Adoption of high-commitment approaches to HRM in the UK, especially in a 'full-blown', highly integrated form, is patchy and many employers fail to live up to this best practice model. However, such thinking remains very influential, especially among larger employers.
- HRM can be understood as having 'hard' and 'soft' variants. The former emphasises the use of human resources in an instrumental manner and is often associated with low pay, low job security and poor terms and conditions of employment. The latter emphasises the positive treatment of workers in order to develop employee commitment.
- Contemporary models of HRM represent the individualisation of the employment relationship, commensurate with the declining involvement of trade unions in managing the collective workforce.
- There have been a number of developments in the HR function associated with the perceived movement from an operational to a more strategic focus for HR specialists. These include the greater use of shared service centres, the adoption of e-HR systems, greater line-manager responsibility for HRM and increased outsourcing of HR activities.

SELF-TEST QUESTIONS

1 Outline the two competing definitions of human resource management.

2 What are the characteristics of high-commitment HRM that differentiate it from traditional approaches to personnel management?

3 What changes in environmental context contributed to the emergence of HRM in the 1980s?

4 What are the differences between hard and soft variants of HRM?

5 What are the central issues concerning ethics in HRM?

6 What are the causes and implications of the individualisation of the employment relationship?

7 What specific roles do HR professionals fulfil according to Ulrich and Brockbank's (2005) typology?

8 In what ways does the formulation of HRM activities differ internationally?

9 What trends have led some commentators to suggest increasing fragmentation of the HR function?

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CASE STUDY

Challenging times at the Redfield and Clifton Building Society

The organisation

The Redfield and Clifton (R&C) Mutual Building Society – a form of bank found in the UK and elsewhere that is owned by its customers, rather than shareholders – is one of Britain's oldest and largest financial institutions with an explicit focus on personal and business banking and the provision of financial services, such as home and life insurance, current accounts, credit cards, loans and mortgages. The R&C has approximately 8 million customers and assets of around £140 billion, is one of the UK's largest mortgage lenders and savings provider and has around 600 branches and approximately 11,000 employees.

Despite the global credit crunch and recession that began in 2007, R&C has performed solidly over recent years, expanding its customer base and offering a wider range of financial products. In part, this growth has been a result of customers switching their banking to such 'narrow' banks – those that simply take deposits and provide basic financial services – and moving away from those banks with an investment banking arm and which have been blamed for causing the financial problems of the last few years and required government bailouts to continue to operate.

The firm emphasises three core values for the manner in which it conducts its business: integrity, customer focus and stability. The focus on these core values stems directly from the 'wisdom' of the founder of the Redfield Co-operative – the precursor to the R&C. In recent marketing activity, R&C has played heavily on these traditional values in promoting their services as being in direct contrast to the less reliable 'fast buck' banks, which many consumers still view with suspicion and hostility.

The market context

Despite the recent difficulties in the financial services sector, retail banking remains a very competitive industry, especially given that many of the banks that were originally bailed out by the government as 'too big to fail' are now offering products and pricing guarantees, which cannot be matched by those lacking such government subsidy. The challenge for a financial institution such as the R&C is, therefore, to deliver products and services that provide long-term value for its customers to ensure that it can continue to thrive in this hyper-competitive market.

Despite great play being made of its long history and tradition, R&C has recently embarked on an ambitious modernisation process designed to improve both customer-service quality and the efficiency and effectiveness of its business processes in order to reduce overheads and allow greater downward flexibility in the 'pricing' of its products. Through such change, R&C senior management aims to grow its business sustainably whilst maintaining its reputation as a safe haven for savings and investment.

Part of the current business strategy is to purchase 150 branches from a larger bank, which was formed when two bailed-out banks merged (to create Bad Bank), which the government has subsequently insisted

(Continued)

be broken up in the interests of competition. This process of expansion is, however, taking place at a time when consumer confidence in the financial services industry is at an all-time low, with even R&C's customer surveys indicating a deep suspicion of the industry and of 'bankers' in general (which the company takes to mean all those who work within the sector). Moreover, recently introduced regulation has made the controls on the selling of banking and insurance products much stricter.

Senior management at R&C view the current market conditions as challenging but also note that greater consumer awareness of the differences between different types of financial services providers is an opportunity to gain market share. For this reason, they are keen to have the new branches assimilated into R&C as quickly as possible and 'new and improved' customer-service provision rolled out to coincide with a rebranding exercise, seeking to reinforce R&C's reputation with the slogan 'We care about your money'.

The workforce

As part of the purchase, R&C has made a promise to employ all those staff previously employed by Bad Bank (a very different type of financial service provider with the marketing slogan 'Let your money have some fun'), at least for the 12 months following completion of the takeover. In addition, R&C has recently recruited 500 new members of staff in response to a customer satisfaction survey that found dissatisfaction with the time spent queuing in branches and difficulty in getting appointments with advisors. These new employees will be spread throughout the branch network.

As the 'face' of the R&C, customer-facing staff in the branch network – including those in the newly acquired branches – have a central role to play in the continued success of the organisation and form a crucial dimension of its new marketing strategy. These employees have been identified as critical to marking out R&C as 'not like other banks' and are to be exemplars of its recently unveiled core values:

- integrity
- prudence
- customer focus
- constancy.

Branches are staffed by a range of employee roles from Customer Service Representatives who can perform transactions and deal with general enquiries about products, through to Customer Account Managers, Mortgage Consultants and Senior Financial Consultants who provide more bespoke financial planning advice on a range of products and services.

At the same time as the firm increasing the number of branch-based, customer-facing staff, it has sought to reduce the headcount at its head offices in Bristol. So far, the firm has sought to do this through allowing employees on fixed-term contracts to leave the firm, not replacing leavers where possible and some internal restructuring to broaden responsibilities among its workforce. Through these means the firm has reduced its central workforce by between 5 and 10 per cent, although there has been some disquiet among staff about work intensification. The firm also made significant payroll savings by scaling back its use of sub-contractors, particularly among those staff responsible for the firm's IT infrastructure and its online banking services.

(Continued)

The crisis

In the same month as the R&C went national with its marketing blitz with a widely shown advertisement portraying its roots in Victorian Bristol (showing Joseph Redfield as a taciturn but benevolent money lender) it suffered a catastrophic failure in its online banking service. A rudimentary upgrade to its security systems caused the shutdown of its online banking provision, meaning that its 2.7 million current account and credit card customers were unable to access their money, pay bills or have direct debit payments made for four days.

The days following the online shutdown saw recriminations fly. The finance director blamed the head of IT – it was clearly a failure of her systems – and the head of IT blamed the director of HR – it was all his fault for allowing the IT team to be cut to the bare bones. The director of HR, in turn, blamed the finance director for assuming that success would come by cutting costs. The marketing director simply cried about the fact that his advertising campaign was likely to have been a waste of time.

The technical problem was eventually resolved at immense expense to the firm, not least the cost of having to sub-contract an army of IT specialists who were in the position to name a price for their service. Several of these specialists were previously long-term sub-contractors at R&C and, subsequently, could drive an extremely hard bargain.

Out in the branches, the fall-out from the failure of the online banking service was felt acutely, not least because of the fact that staff had to deal with queues of angry customers, some of whom were determined to take their custom elsewhere. The meagre compensation the company offered to disgruntled customers did little to appease them, but in light of the estimated £30 million fine likely to be levied by the Financial Services Authority, such limited recompense was all the firm could afford (or so the finance director told the board).

Questions

1. What are the specific challenges facing the R&C – both external and internal to the organisation – in respect of its management of people?
2. How do you think the firm needs employees to behave in their work and interactions with customers in order to make its current business strategy a success?
3. What problems might be presented by a large number of new staff, both those being transferred from Bad Bank and new recruits, entering the business at a critical time for the business?
4. How do you think the key HRM activities of recruitment and selection, training and employee reward might contribute to the ongoing success of the firm?

USEFUL READING

Journal articles

Abbott, K. (2015) The totalitarian dynamic behind HRM's democratic façade, *Asia Pacific Journal of Human Resources*, *53* (2): 204–220.

(Continued)

This article explores the assumption that HRM – where it is concerned with shaping employee behaviours and values consistent with those of a desired organisational culture – is associated with (workplace) democracy and suggests instead that it is more closely aligned with the social control associated with totalitarianism.

Boselie, P., Brewster, C. and Paauwe, J. (2009) In search of balance – managing the dualities of HRM: An overview of the issues, *Personnel Review*, *38* (5): 461–71.

The article provides a useful summary of the development of the HR field of academic study and discussion of the complexity of the concept and practice of HRM today. It also examines a number of concepts and ideas discussed in this and subsequent chapters.

Inkson, K. (2008) Are humans resources? *Career Development International*, *13* (3): 270–9.

This short article provides a thought-provoking discussion of the issues associated with the use of the metaphor 'human resources' to refer to people at work and presents a number of alternatives to its use.

Paauwe, J. (2009) HRM and performance: Achievements, methodological issues and prospects, *Journal of Management Studies*, *46* (1): 129–42.

This article provides a concise summary of the development of HRM as an academic field of study since the mid-1980s. It introduces a range of debates and controversies in the field of HRM and therefore acts as both a useful backdrop and companion piece for much of the discussion in this and the next two chapters.

Books, book chapters and reports

Caldwell, R. and Storey, J. (2007) The HR function: Integration or fragmentation? in J. Storey (ed.), *Human Resource Management: A Critical Text* (3rd edn), London: Thomson.

This book chapter critically explores contemporary developments in HRM and addresses two fundamental questions about the changing HR function. First, it evaluates the impact of new models of HR delivery, including outsourcing and self-service e-HR systems. Second, it assesses changes to the role of HR professionals themselves, with a particular focus on the concept of 'business partnering'.

Clark, S. (2015) *Ethical Decision-Making: Eight Perspectives on Workplace Dilemmas*, Research Report, London: CIPD.

This report presents a range of perspectives on the choices and ethical tensions faced by organisations in designing and implementing HR systems and practices, and provides a number of lens by which HRM can be understood as impacting – positively or negatively – on people, business and wider society.

Renwick, D. (2009) Line managers, in T. Redman and A. Wilkinson (eds), *Contemporary Human Resource Management* (3rd edn), Harlow: FT Prentice-Hall.

This comprehensive book chapter explores the developments connected to the increasing use of line managers in HRM. It provides international comparisons on the extent of devolution of responsibility, its impact in different contexts and the pitfalls and challenges associated with this trend.

(Continued)

UK Commission for Employment and Skills (UKCES) (2015) *Growth through People: Evidence and Analysis*, London: UKCES.

This useful report provides a summary of the key labour market trends subsequent to the global recession and their impact on employers, workers and government. It provides a concise summary of key trends in skills, pay and workplace productivity and proposes several critical employer and government actions, particularly in the area of workforce development, in response to these trends. It provides useful background reading for subsequent chapters on the drivers for HR activity.

2

HRM AND THE INDIVIDUAL

CHAPTER OBJECTIVES

- To outline the dimensions of the employment relationship.
- To define the concept of the 'psychological contract' and its relevance to HRM theory and practice.
- To provide a brief historical overview of people management theory and practice.
- To discuss the mechanisms that organisations can utilise to control their workforce.
- To outline determinants of individual performance in work organisations.
- To introduce motivational theory that underpins HRM practice.
- To introduce a conceptual framework to help understand how HRM can contribute to improved individual performance at work.

THE PSYCHOLOGICAL CONTRACT

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INTRODUCTION

Central to the strategic purpose of HRM is the management of individual worker performance to maximise its contribution to the achievement of organisational objectives. In order to achieve this aim, HRM has a variety of practices at its disposal to ensure that individuals have the ability, motivation and opportunity to perform effectively. The intention of this chapter is to provide a backdrop against which we can better understand the rationale for the HRM practices discussed in subsequent chapters by outlining the assumptions and theory that underpin them.

Guest (2002) suggested that there are two broad streams of literature on HRM. The first presents a critical analysis of HRM and its possible role in the exploitation of workers (reflecting 'hard' HRM as discussed in Chapter 1). The second is concerned with the relationship between HRM and corporate performance (further discussed in Chapter 3). Guest notes, however, that both streams largely neglect worker reactions to HRM practices and stresses the importance of developing a more sophisticated understanding of how workers respond to these practices. To an extent, this view remains true today, particularly the dominant focus of strategic HRM on enhancing firm performance (Brewster et al., 2016). Guest argues, however, that 'in developing HR practices to enhance performance, organisations … need to consider explicitly the response of workers' (2002: 354).

Wright and Nishii (2007) suggest that HRM practices can be understood in three ways: intended (as 'designed' at an organisational level); actual (as implemented at a local level); and perceived (as understood by employees). Given that there is often likely to be a difference between intended, actual and perceived HRM practices, this presents a significant problem for management, not least in seeking to minimise the 'distance' between intended practices and how they are received and perceived. In light of this, the critical questions for managers are: Why might certain types of HR practices be associated with improved individual performance at work? And how are HR practices mediated by the individual in a way that is conducive to organisational success?

With these questions in mind, and before we consider in Chapter 3 specific formulations of HR practices and their contribution to individual and organisational performance, it is necessary to consider in detail the relationship that HRM seeks to manage. Chapter 1 suggested that HRM can be understood as the contemporary umbrella term for those activities involved in managing the employment relationship. An awareness of the multi-dimensional nature of this relationship is essential to understanding the various functions that HRM fulfils within work organisations, and the problems faced in managing a resource that is unpredictable, temperamental, wilful and that has commitments and pursuits other than work.

The chapter will introduce some of the concepts and theory through which to understand the mechanics of HRM practices and provide several reference points necessary to explain why organisations are paying ever-greater attention to the implementation of sophisticated HR policies and practices, and the challenges they face in managing people.

Further Online Reading In keeping with the ethical perspective which finds the notion of 'human resources' problematic, this paper explores how a change from HRM to person management might prove a more sustainable model based on the realisation of mutual gains for both those persons who manage and those who are managed.

Fortier, M. and Albert, M.-N. (2015) From resource to human being: Towards person management, *Sage Open, 5* (3): 1–13.

WHAT IS THE EMPLOYMENT RELATIONSHIP?

At its most elemental, the employment relationship is simply the economic exchange of an individual's labour for reward of some description, otherwise referred to as the wage–effort bargain or 'a (fair) day's work for a (fair) day's pay'. To fully understand the role of HRM in contemporary organisations, however, a more sophisticated understanding of the relationship is necessary; one that emphasises that it is multi-dimensional, with socio-political, legal and psychological elements in addition to its essentially economic function. In the first instance, it is important to recognise the variety of forms of labour that can be 'purchased' in this economic exchange. Most obviously, work can take the form of physical or mental ('thinking') labour, but it can also be **emotional labour** ('the act of expressing organisationally-desired emotions during service transaction', Morris and Feldman, 1996: 987) or **aesthetic labour** (manifest in 'looking good' or 'sounding right', Nickson et al., 2003).

Table 2.1 summarises the various elements of the employment relationship, which will be discussed in more detail in the sections that follow. The table indicates the complexity of the relationship between employer and employee and stresses that the nature of the employment relationship in any instance reflects more than the explicit terms and conditions laid out in a contract of employment. It is important, therefore, to recognise that all employment relationships can be considered unique. For example, whilst a group of similarly employed workers might be subject to the same or similar terms and conditions of employment, their assumptions and expectations about their employer are likely to differ to some degree and they might therefore be motivated to work to differing extents. This might reflect differential management treatment, length of service, previous employment experience, individual work ethic, and personal values and beliefs. The nature of the employment relationship might also reflect different 'modes' or ways of working, for example where, as is increasingly the case, workers are 'employed' by one organisation but work in another or across a variety of different organisations. The increasing demand for workers to be 'flexible' in how, where and when they carry out their duties will also alter the nature of the relationship. Equally, the employer might have different preconceptions about the capabilities and the value of each of their employees and treat them differently (for example, giving preferential treatment to 'favourites' or more valued employees). For this reason, Schein (1980) suggests that there are three 'types' of contract in the employment relationship: the formal (economic and legal); the informal (reflecting the social norms in the workplace – the organisational 'culture' – and in wider society, concerning how people

TABLE 2.1 *The constituent elements of the employment relationship*

Economic	Work as an exchange of 'effort' for a 'wage' of some description. This 'effort' can be physical, mental, emotional, skilled, unskilled and so on. The 'wage' typically refers to a financial payment but can also include non-financial incentives, benefits and perks
Socio-political	The employment relationship is one of power and authority. Typically, the balance of power resides with the employer who possesses the 'power to command' the worker who, in turn, has an 'obligation to obey' (Kahn-Freund, 1977). However, in certain labour market circumstances, the employee may exert greater leverage over the terms under which their labour is engaged
Legal/contractual	This refers to both the legal status of the employment contract as binding on both parties and to the series of contractual and statutory employment obligations by which the parties must abide
Psychological contract/social exchange	The employment relationship is also a psychological transaction that establishes an implicit and unwritten set of beliefs and assumptions about what each party expects of the other and what they perceive their own obligations to be

should treat each other); and the psychological (the implicit 'contract' made up of unspoken expectations and obligations).

The employment relationship is constructed in a specific context and is under constant influence from factors both within and outside of organisations that transform the conditions under which labour is engaged and the way in which an individual worker experiences employment. These include the organisational, political, legal, social, technological and economic conditions that will vary both geographically and over time. The contextual factors shaping the employment relationship are explored in detail in Chapters 4 and 5. Suffice to say, reflecting these multiple dimensions and changing contexts, most employment relationships can be both ambiguous and contain a host of contradictions.

THE EXPLICIT CONTRACT OF EMPLOYMENT

The most obvious manifestation of the employment relationship is the individual contract of employment that represents the legal rights and obligations of the two parties to the contract. The contract of employment is defined by the UK Advisory, Conciliation and Arbitration Service (Acas) as 'an agreement between two parties enforceable by law … a contract of service [that] comes into being when an employee agrees to work for an employer in return for pay' (2009a: 1). The terms of a contract can be 'express' (those that are explicitly agreed between the parties, either in writing or orally) or 'implied' (those that are not explicitly agreed but would be taken by the parties to form part of the contract).

Expressly agreed terms can emanate from a variety of sources, most obviously the contract itself (which may refer to associated documents such as a company