

The Practice of Human Resource Management

Key concepts and terms

- AMO theory
- Commitment
- Contingency theory
- The hard version of HRM
- The Harvard framework
- HRM systems
- Human resource management (HRM)
- The matching model of HRM
- Mutuality
- Pluralistic employee relations
- The resource-based view
- The soft version of HRM
- Strategic integration

Learning outcomes

On completing this chapter you should be able to define these key concepts. You should also be able to:

- Define the objectives of HRM
- Describe the characteristics of HRM
- Appreciate the reservations expressed about HRM
- Appreciate the ethical dimensions of HRM
- Define the policy goals of HRM
- Understand how HRM developed as a concept
- Understand the context in which HRM operates

Introduction

The practice of human resource management (HRM) is concerned with all aspects of how people are employed and managed in organizations. It covers activities such as strategic HRM, human capital management, corporate social responsibility, knowledge management, organization development, resourcing (human resource planning, recruitment and selection, and talent management), performance management, learning and development, reward management, employee relations, employee well-being and health and safety and the provision of employee services. HRM practice has a strong conceptual basis drawn from the behavioural sciences and from strategic management, human capital and industrial relations theories. This foundation has been built with the help of a multitude of research projects.

The aim of this chapter is to provide a general introduction to the practice and underpinning concepts of HRM. It covers the definition of HRM, the objectives of HRM, HRM theory, the characteristics of HRM, the components of HRM systems, the development of HRM as an approach to managing people, the views expressed about HRM by key commentators, the context within which HRM functions, and the ethical dimensions that affect HR policy and practice.

Human resource management defined

Human resource management (HRM) is a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations.

Other definitions of HRM

Human resource management involves all management decisions and action that affect the nature of the relationship between the organization and its employees – its human resources. (Beer et al, 1984)

HRM comprises a set of policies designed to maximize organizational integration, employee commitment, flexibility and quality of work. (Guest, 1987)

HRM consists of the following propositions:

That human resource policies should be integrated with strategic business planning and used to reinforce an appropriate (or change an inappropriate)

organizational culture, that human resources are valuable and a source of competitive advantage, that they may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interests of the 'adaptive organization's' pursuit of excellence. (Legge, 1989)

Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques. (Storey, 1995)

HRM is: 'The management of work and people towards desired ends.' (Boxall et al, 2007)

HRM is concerned with how organizations manage their workforce (Grimshaw and Rubery, 2007)

The objectives of HRM

The overall purpose of human resource management is to ensure that the organization is able to achieve success through people. HRM aims to increase organizational effectiveness and capability – the capacity of an organization to achieve its goals by making the best use of the resources available to it. Ulrich and Lake (1990) remarked that: 'HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities.' But HRM has an ethical dimension which means that it must also be concerned with the rights and needs of people in organizations through the exercise of social responsibility.

Dyer and Holder (1998) analysed management's HR goals under the headings of contribution (what kind of employee behaviour is expected?), composition (what headcount, staffing ratio and skill mix?), competence (what general level of ability is desired?) and commitment (what level of employee attachment and identification?).

HRM policy goals, David Guest (1987, 1989a, 1989b, 1991)

1. Strategic integration: the ability of the organization to integrate HRM issues into its strategic plans, ensure that the various aspects of HRM cohere, and provide for line managers to incorporate an HRM perspective into their decision making.
2. High commitment: behavioural commitment to pursue agreed goals, and attitudinal commitment reflected in a strong identification with the enterprise.
3. High quality: this refers to all aspects of managerial behaviour that bear directly on the quality of goods and services provided, including the management of employees and investment in high quality employees.
4. Flexibility: functional flexibility and the existence of an adaptable organization structure with the capacity to manage innovation.

The policy goals for HRM identified by Caldwell (2004) included managing people as assets that are fundamental to the competitive advantage of the organization, aligning HRM policies with business policies and corporate strategy, and developing a close fit of HR policies, procedures and systems with one another.

Theories of HRM

The practice of HRM is underpinned by a number of theories. The categories of HRM theory listed by Guest (1997) and Boselie *et al* (2005) are listed below.

Theories of HRM, David Guest (1997)

1. Strategic theories – in the UK the implicit but untested hypothesis is that good fit (between HR practice and the internal and external context) will be associated with superior performance. In the United States the focus has been more on classifying types of HR strategy. The hypothesis is that firms that have a fit between business strategy, structure and HRM policy will have superior performance.
2. Descriptive theories – these either list areas of HR policy and outcomes (Beer *et al*, 1984) or adopt a systems approach, describing the relationships between levels (Kochan *et al*, 1986). They are largely non-prescriptive.
3. Normative theories – these are normative in the sense that they establish a norm or standard pattern in the form of prescribed best practice. These take a considerable risk in implying ‘one best way’.

Theories of HRM, Boselie *et al* (2005)

1. Contingency theory – HRM is influenced by the organization’s environment and circumstances (Legge, 1978).
2. The resource-based view – HRM delivers added value through the strategic development of the organization’s rare, hard to imitate and hard to substitute human resources (Barney, 1991, 1995).
3. AMO theory – the formula Performance = Ability + Motivation + Opportunity to Participate provides the basis for developing HR systems that attend to employees’ interests, namely their skill requirements, motivations and the quality of their job (Appelbaum *et al*, 2000; Bailey *et al*, 2001; Boxall and Purcell, 2003).

Characteristics of HRM

HRM was regarded by Storey (1989) as a ‘set of interrelated policies with an ideological and philosophical underpinning’. He listed four aspects that constitute the meaningful version of HRM:

1. a particular constellation of beliefs and assumptions;
2. a strategic thrust informing decisions about people management;
3. the central involvement of line managers; and
4. reliance upon a set of ‘levers’ to shape the employment relationship.

As Boselie *et al* (2005) explained, HRM:

responds accurately and effectively to the organization’s environment and complements other organizational systems (cf contingency theory) and delivers ‘added value’ through the strategic development of the organization’s rare, inimitable and non-substitutable resources, embodied – literally – in its staff (cf the resource-based view).

The characteristics of HRM are that it is diverse, strategic and commitment-oriented, adopts a unitary rather than pluralist viewpoint, is founded on the belief that people should be treated as assets and is a management-driven activity. HRM tends to focus on business values although there is a growing body of opinion (eg Guest, 2002) that it has also to be concerned with employee-centred outcomes. In its fully developed form, HRM functions as a system. As Schuler (1992) indicated, HRM links, integrates and coheres.

The diversity of HRM

There are no universal characteristics of HRM. Many models exist, and practices within different organizations are diverse, often only corresponding to the conceptual version of HRM in a few respects. Boxall *et al* (2007) remarked that: ‘Human resource management covers a vast array of activities and shows a huge range of variations across occupations, organizational levels, business units, firms, industries and societies.’

A distinction was made by Storey (1989) between the ‘hard’ and ‘soft’ versions of HRM. The hard version emphasizes that people are important resources through which organizations achieve competitive advantage. These resources have therefore to be acquired, developed and deployed in ways that will benefit the organization. The focus is on the quantitative, calculative and business-strategic aspects of managing human resources in as ‘rational’ a way as for any other economic factor.

The soft version of HRM has its roots in humanism – an approach devoted to human interests that views people as responsible and progressive beings. It also traces its origins to the human relations school founded by Elton Mayo (1933), which believed that productivity was directly related to job satisfaction and that the output of people will be high if they like their co-workers and are given pleasant supervision. But this is a fairly remote connection. The soft version of HRM as described by Storey (1989) involves ‘treating employees as valued assets, a source of competitive advantage through their commitment, adaptability and high quality (of skills, performance and so on)’. It therefore views employees, in the words of Guest (1999b), as means rather than objects, but it does not go as far as following Kant’s (1781) advice: ‘Treat people as ends unto themselves rather than as means to an end.’ The soft approach to HRM stresses the need to gain the commitment (the ‘hearts and minds’) of employees through involvement, communication, leadership and other methods of developing a high-commitment, high-trust organization. Attention is also drawn to the key role of organizational culture.

In 1998, Karen Legge defined the ‘hard’ model of HRM as a process emphasizing ‘the close integration of human resource policies with business strategy which regards employees as a resource to be managed in the same rational way as any other resource being exploited for maximum return’. In contrast, the soft version of HRM sees employees as ‘valued assets and as a source of competitive advantage through their commitment, adaptability and high level of skills and performance’.

It has, however, been observed by Truss (1999) that ‘even if the rhetoric of HRM is soft, the reality is often hard, with the interests of the organization prevailing over those of the individual’. Research carried out by Gratton *et al* (1999) found that in the eight organizations they studied, a mixture of hard and soft HRM approaches was identified. This suggested to the researchers that the distinction between hard and soft HRM was not as precise as some commentators have implied.

But as Dyer and Holder (1998) emphasized: ‘HRM goals vary according to competitive choices, technologies or service tangibles, characteristics of their employees (eg could be different for

managers), the state of the labour market and the societal regulations and national culture.’ And Boxall *et al* (2007) noted that: ‘The general motives of HRM are multiple.’

The strategic nature of HRM

Perhaps the most significant feature of HRM is the importance attached to strategic integration. Legge (1989) argued that one of the common themes of the typical definitions of HRM is that human resource policies should be integrated with strategic business planning. Keith Sisson (1990) suggested that a feature increasingly associated with HRM is the emphasis on the integration of HR policies both with one another and with business planning more generally. John Storey (1989) believes that: ‘The concept locates HRM policy formulation firmly at the strategic level and insists that a characteristic of HRM is its internally coherent approach.’

The commitment-oriented nature of HRM

One of the aims of HRM is to promote commitment – the strength of an individual’s identification with, and involvement in, a particular organization. It was noted by Karen Legge (1995) that human resources ‘may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interests of the “adaptive organization’s” pursuit of excellence’.

However, this emphasis on commitment has been criticized from the earliest days of HRM. Guest (1987) asked: ‘commitment to what?’ and Fowler (1987) has stated:

At the heart of the concept is the complete identification of employees with the aims and values of the business – employee involvement but on the company’s terms. Power in the HRM system, remains very firmly in the hands of the employer. Is it really possible to claim full mutuality when at the end of the day the employer can decide unilaterally to close the company or sell it to someone else?

Focus on mutuality

The importance of mutuality (the belief that management and employees share the same concerns and it is therefore in both their interests to work together) was emphasized by Walton (1985a) as follows:

The new HRM model is composed of policies that promote mutuality – mutual goals, mutual influence, mutual respect, mutual rewards, mutual responsibility. The theory is that policies of mutuality will elicit commitment which in turn will yield both better economic performance and greater human development.

The concept of mutuality is based on the notion of unitary employee relations, described below.

Unitary and pluralist employee relations

HRM is characterized by a unitarist rather than a pluralist view of employee relations with the emphasis on individual contracts, not collective agreements. A unitarist view expresses the belief that people in organizations share the same goals and work as members of one team. The pluralist view recognizes that the interests of employees will not necessarily coincide with their employers and suggests that the unitary view is naïve, unrealistic and against the interest of employees.

Treating people as assets or human capital

The notion that people should be regarded as assets rather than variable costs, in other words, treated as human capital, was originally advanced by Beer *et al* (1984). HRM philosophy, as mentioned by Legge (1995), holds that ‘human resources are valuable and a source of competitive advantage’. Armstrong and Baron (2002) stated that:

People and their collective skills, abilities and experience, coupled with their ability to deploy these in the interests of the employing organization, are now recognized as making a significant contribution to organizational success and as constituting a major source of competitive advantage.

Focus on business values

The concept of hard HRM is based on a management- and business-oriented philosophy. It is concerned with the total interests of the organization – the interests of the members of the organization are recognized but subordinated to those of the enterprise. Hence the importance attached to strategic integration and strong cultures, which flow from top management’s vision and leadership, and which require people who will be committed to the strategy, who will be adaptable to change and who fit the culture.

In 1995 Legge noted that HRM policies are adapted to drive business values and are modified in the light of changing business objectives and conditions. She suggested that evidence indicated more support for the hard versions of HRM than the soft version.

Organization- versus employee-centred outcomes

In line with labour process theory, Thompson and Harley (2007) asserted that; ‘What is happening is a process of “capitalizing on humanity” rather than investing in human capital.’ The emphasis may have been on the business orientation of HRM but there is a growing body of

opinion that there is more to HRM than that. This is the employee-centred and ethical dimension of HRM, discussed at the end of the chapter.

Grant and Shields (2002) argued that the emphasis typically placed on the business case for HRM suggests a one-sided focus on organizational outcomes at the expense of employees. It was noted by Paauwe (2004) that:

Added value represents the harsh world of economic rationality, but HRM is also about moral values... The yardstick of human resource outcomes is not just economic rationality – a stakeholder perspective is required, ie develop and maintain sustainable relationships with all the relevant stakeholders, not just customers and shareholders.

Kochan (2007) contended that:

The HR profession has always had a special professional responsibility to balance the needs of the firm with the needs, aspirations and interests of the workforce and the values and standards society expects to be upheld at work... A regime which provides human beings no deep reason to care about one another cannot long preserve its legitimacy.

Ulrich and Brockbank (2005a) believe that ‘caring and listening to employees remains a centre piece of HR work’.

HRM as a system

An open systems view of HRM has been developed by Wright and Snell (1998). An open system is dependent on the environment for inputs, which are transformed during throughput to produce outputs that are exchanged in the environment. Wright and Snell defined an open HRM system as a competence model of organizations. Skills and abilities are treated as inputs from the environment; employee behaviours are treated as throughput; and employee satisfaction and performance are treated as outputs.

In its traditional form, HRM, as pointed out by Boselie *et al* (2005), can be viewed as ‘a collection of multiple discrete practices with no explicit or discernible link between them’. In contrast ‘the more strategically minded systems approach views HRM as an integrated and coherent bundle of mutually reinforcing practices’. As Kepes and Delery (2007) comment, a defining characteristic of HRM is that HRM systems and not individual HRM practices are the source of competitive advantage. ‘Coherent and internally aligned systems form powerful connections that create positive synergistic effects on organizational outcomes.’

As illustrated in Figure 1.1 an HRM system brings together HR philosophies that describe the overarching values and guiding principles adopted in managing people, HR strategies that

12 Human Resource Management

define the direction in which HRM intends to go, HR policies that provide guidelines defining how these values, principles and the strategies should be applied and implemented in specific areas of HRM, HR processes that comprise the formal procedures and methods used to put HR strategic plans and policies into effect, linked HR practices that consist of the approaches used in managing people, and HR programmes that enable HR strategies, policies and practices to be implemented according to plan. Becker and Gerhart (1996) have classified these components into three levels: the system architecture (guiding principles), policy alternatives, and processes and practices.

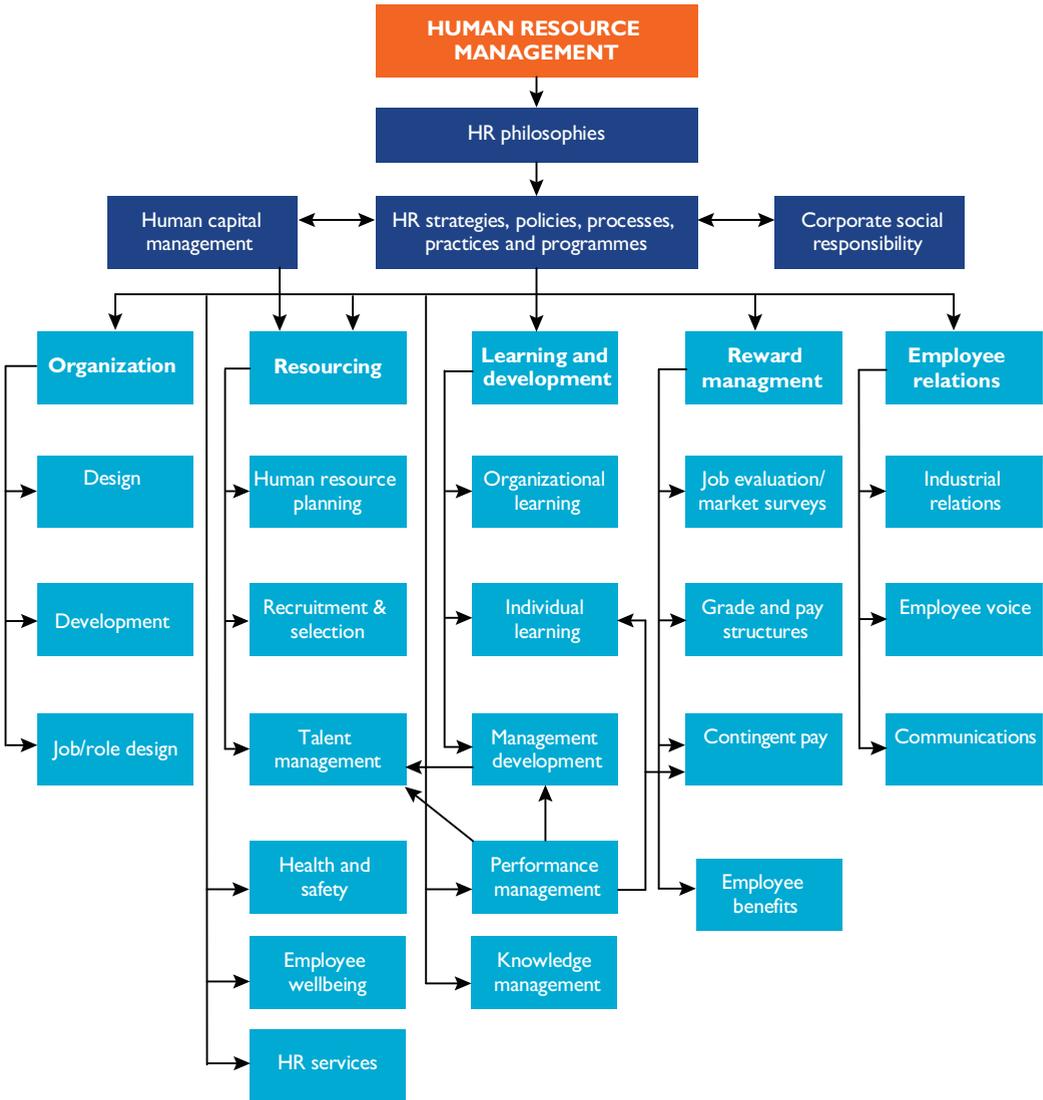


Figure 1.1 The HRM system

The development of the concept of HRM

The terms ‘human resource management’ (HRM) and ‘human resources’ (HR) have virtually replaced the term ‘personnel management’ as a description of the processes involved in managing people in organizations, although what is now described as HRM is in practice often synonymous with what used to be described as personnel management. In the early days of HRM it was suggested by Armstrong (1987) that:

HRM is regarded by some personnel managers as just a set of initials or old wine in new bottles. It could indeed be no more and no less than another name for personnel management, but as usually perceived, at least it has the virtue of emphasizing the virtue of treating people as a key resource, the management of which is the direct concern of top management as part of the strategic planning processes of the enterprise. Although there is nothing new in the idea, insufficient attention has been paid to it in many organizations.

However, commentators such as Guest (1987) and Storey (1995) regard HRM as a substantially different model built on unitarism (employees share the same interests as employers), individualism, high commitment and strategic alignment (integrating HR strategy with the business strategy). It is claimed that HRM is more holistic than traditional personnel management. HRM has also emphasized the notion that people should be regarded as assets rather than variable costs.

Origins of the concept of HRM

The concept of HRM was first defined by Bakke (1966) who wrote that:

The general type of activity in any function of management... is to use resources effectively for an organizational objective... The function which is related to the understanding, maintenance, development, effective employment, and integration of the potential in the resource of ‘people’ I shall call simply the human resources function.

However, HRM did not emerge in a fully fledged form until the 1980s in the ‘matching model’ and the Harvard framework, described below.

The matching model of HRM

One of the first detailed statements of the HRM concept was made by the Michigan school (Fombrun *et al*, 1984). They held that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy (hence the name ‘matching

14 Human Resource Management

model'). They further explained that there is a human resource cycle that consists of four generic processes or functions that are performed in all organizations: selection, appraisal, rewards and development.

The Harvard framework

The other pioneers of HRM in the 1980s were the Harvard school of Beer *et al* (1984) who developed what Boxall (1992) calls the 'Harvard framework'. This framework is based on their belief that the problems of historical personnel management can only be solved:

when general managers develop a viewpoint of how they wish to see employees involved in and developed by the enterprise, and of what HRM policies and practices may achieve those goals. Without either a central philosophy or a strategic vision – which can be provided only by general managers – HRM is likely to remain a set of independent activities, each guided by its own practice tradition.

Beer and his Harvard colleagues believed that 'Today, many pressures are demanding a broader, more comprehensive and more strategic perspective with regard to the organization's human resources.' These pressures have created a need for: 'A longer-term perspective in managing people and consideration of people as potential assets rather than merely a variable cost.' They were the first to underline the HRM tenet that it belongs to line managers. The Harvard school suggested that HRM had two characteristic features: 1) line managers accept more responsibility for ensuring the alignment of competitive strategy and HR policies, and 2) HR has the mission of setting policies that govern how HR activities are developed and implemented in ways that make them more mutually reinforcing.

Reservations about HRM

For some time HRM was a controversial topic, especially in academic circles. The main reservations have been that HRM promises more than it delivers and that its morality is suspect.

HRM promises more than it can deliver

Noon (1992) has commented that HRM has serious deficiencies as a theory: 'It is built with concepts and propositions, but the associated variables and hypotheses are not made explicit. It is too comprehensive... If HRM is labelled a "theory" it raises expectations about its ability to describe and predict.'

Guest (1991) believed that HRM is an 'optimistic but ambiguous concept'; it is all hype and hope. Mabey *et al* (1998) followed this up by asserting that 'the heralded outcomes (of HRM)

are almost without exception unrealistically high'. To put the concept of HRM into practice involves strategic integration, developing a coherent and consistent set of employment policies, and gaining commitment. This requires high levels of determination and competence at all levels of management and a strong and effective HR function staffed by business-oriented people. It may be difficult to meet these criteria, especially when the proposed HRM culture conflicts with the established corporate culture and traditional managerial attitudes and behaviour.

Gratton *et al* (1999) were convinced on the basis of their research that there was 'a disjunction between rhetoric and reality in the area of human resource management between HRM theory and HRM practice, between what the HR function says it is doing and that practice as perceived by employers, and between what senior management believes to be the role of the HR function, and the role it actually plays'. In their conclusions they refer to the 'hyperbole and rhetoric of human resource management'.

Caldwell (2004) believed that HRM 'is an unfinished project informed by a self-fulfilling vision of what it should be'.

The above comments were based on the assumption that there is a single monolithic form of HRM. This is not the case. HRM comes in all sorts of shapes and sizes. Sometimes, as Armstrong (1987) commented, it is just new wine in old bottles – personnel management under another name. It has to be conceded that many organizations that think they are practising HRM as described earlier are not doing so, at least to the full extent. It is difficult, and it is best not to expect too much. For example, most of the managements who hurriedly adopted performance-related pay as an HRM device that would act as a lever for change have been sorely disappointed.

However, the research conducted by Guest and Conway (1997) covering a stratified random sample of 1,000 workers established that a notably high level of HRM was found to be in place. This contradicts the view that management has tended to 'talk up' the adoption of HRM practices. The HRM characteristics covered by the survey included the opportunity to express grievances and raise personal concerns on such matters as opportunities for training and development, communication about business issues, single status, effective systems for dealing with bullying and harassment at work, making jobs interesting and varied, promotion from within, involvement programmes, no compulsory redundancies, performance-related pay, profit sharing and the use of attitude surveys.

The morality of HRM

HRM is accused by many academics of being manipulative if not positively immoral. Willmott (1993) remarked that HRM operates as a form of insidious 'control by compliance' when it emphasizes the need for employees to be committed to do what the organization wants them to do. It preaches mutuality but the reality is that behind the rhetoric it exploits workers. It is,

16 Human Resource Management

as Keenoy (1990) asserted, a wolf in sheep's clothing. Scott (1994) thought that HRM was a form of deceit, 'using subtle approaches to incorporate workers in an organizational way of thinking and in effect brainwashing them to become willing slaves'.

Legge (1998) pointed out that:

Sadly, in a world of intensified competition and scarce resources, it seems inevitable that, as employees are used as means to an end, there will be some who will lose out. They may even be in the majority. For these people, the soft version of HRM may be an irrelevancy, while the hard version is likely to be an uncomfortable experience.

The accusation that HRM treats employees as means to an end is often made. However, it could be argued that if organizations exist to achieve ends, which they obviously do, and if those ends can only be achieved through people, which is clearly the case, the concern of management for commitment and performance from those people is not unnatural and is not attributable to the concept of HRM – it existed in the good old days of personnel management before HRM was invented. What matters is how management treat people as ends and what management provide in return.

Much of the hostility to HRM expressed by a number of academics is based on the belief that it is against the interests of workers, ie, that it is managerialist. However, the Guest and Conway (1997) research established that the reports of workers on outcomes showed that a higher number of HR practices were associated with higher ratings of fairness, trust and management's delivery of their promises. Those experiencing more HR activities also felt more secure in and more satisfied with their jobs. Motivation was significantly higher for those working in organizations where more HR practices were in place. In summary, as commented by Guest (1999b), it appears that workers like their experience of HRM. These findings appear to contradict the 'radical critique' view produced by academics such as Mabey *et al* (1998) and the others quoted above that HRM has been ineffectual, pernicious (ie managerialist) or both. Some of those who adopt this stance tend to dismiss favourable reports from workers about HRM on the grounds that they have been brainwashed by management. But there is no evidence to support this view.

Moreover, as Armstrong (2000) pointed out:

HRM cannot be blamed or given credit for changes that were taking place anyway. For example, it is often alleged to have inspired a move from pluralism to unitarism in industrial relations. But newspaper production was moved from Fleet Street to Wapping by Murdoch, not because he had read a book about HRM but as a means of breaking the print unions' control.

Contradictions in the reservations about HRM

Guest (1999b) has suggested that there are two contradictory concerns about HRM. The first as formulated by Legge (1995, 1998) is that while management rhetoric may express concern for workers, the reality is harsher. And Keenoy (1997) complained that: ‘The real puzzle about HRMism is how, in the face of such apparently overwhelming critical refutation, it has secured such influence and institutional presence.’

Other writers, however, simply observe that HRM does not work. Scott (1994), for example, stated that both management and workers were captives of their history and found it very difficult to let go of their traditional adversarial orientations.

But these contentions are contradictory. Guest (1999b) remarked that; ‘It is difficult to treat HRM as a major threat (though what it is a threat to is not always made explicit) deserving of serious critical analysis while at the same time claiming that it is not practiced or is ineffective.’

The context of HRM

HRM processes take place within the context of the internal and external environment of the organization. HR practitioners will gain credibility and make a greater strategic contribution if they can analyse the impact of external events on company policies and practices. They need to be aware of the fact that what the organization does and what they need to do will depend to a large extent on its external and internal environments. They need to understand contingency theory.

Contingency theory

Contingency theory tells us that definitions of HR aims, policies and strategies, lists of activities and analyses of the role of the HR department are valid only if they are related to the situation of the organization. Legge (1978) in her influential book, *Power, Innovation and Problem Solving in Personnel Management* was the first commentator to insist that a contingent approach should be adopted to personnel management, ie, ‘the design and implementation of policy that matches, or is contingent upon specified organizational requirements and circumstances’.

As Paauwe (2004) explained:

Contingency theory states that the relationship between the relevant independent variables (eg HRM policies and practices) and the dependent variable (performance) will vary according to the influences such as company size, age and technology, capital intensity, degree of unionization, industry/sector ownership and location.

Contingency theory is associated with the concept of fit – the need to achieve congruence between an organization's HR strategies, policies and practices and its business strategies within the context of its external and internal environment.

Contextual factors

The contextual factors that influence HR policies and practices are the external and internal environments of the organization.

The external environment

The external environment consists of social, political, legal and economic developments and competitive pressures. Global competition in mature production and service sectors is increasing. This is assisted by easily transferable technology and reductions in international trade barriers. Customers are demanding more as new standards are reached through international competition. Organizations are reacting to this competition by becoming 'customer-focused', speeding up response times, emphasizing quality and continuous improvement, accelerating the introduction of new technology, operating more flexibly and 'losing cost'. The pressure has been for businesses to become 'lean and mean', downsizing and cutting out layers of management and supervision. They are reducing permanent staff to a core of essential workers, increasing the use of peripheral workers (sub-contractors, temporary staff) and 'outsourcing' work to external service providers.

The internal environment

The following aspects of the internal environment will affect HR policy and practice:

- the type of business or organization – private, public or voluntary sector; manufacturing or service;
- the size of the organization;
- the age or maturity of the organization;
- the technology or key activities of the business will determine how work is organized, managed and carried out;
- the type of people employed, eg professional staff, knowledge workers, technicians, administrators, production workers, sales and customer service staff;
- the organization's culture – the established pattern of values, norms, beliefs, attitudes and assumptions that shape the ways in which people behave and things get done.

The ethical dimension

As Boxall *et al* (2007) point out: ‘While HRM does need to support commercial outcomes (often called “the business case”), it also exists to serve organizational needs for social legitimacy.’ This means exercising social responsibility, ie being concerned for the interests (well-being) of employees and acting ethically with regard to the needs of people in the organization and the community.

Within the organization the requirement is to:

- treat people equally in terms of the opportunities for employment, learning and development provided for them;
- treat people according to the principle of procedural justice (Adams, 1965 and Leventhal, 1980), ie the ways in which people are managed are fair, consistent, transparent and properly consider the views and needs of employees;
- treat people according to the principles of distributive justice (Adams, 1965 and Leventhal, 1980), ie rewards are distributed to them according to their contribution and they receive what was promised to them;
- treat people according to the principles of natural justice, ie individuals should know the standards they are expected to achieve and the rules to which they are expected to conform, they should be given a clear indication of where they are failing or what rules have been broken and, except in cases of gross misconduct, they should be given a chance to improve before disciplinary action is taken;
- avoid treating people as mere factors of production;
- be concerned with the well-being of employees as well as the pursuit of commercial gain;
- offer as much security of employment as possible;
- provide a working environment that protects the health and safety of employees and minimizes stress;
- act in the interests of providing a reasonable balance for employees between their life and their work;
- protect employees against harmful practices at work, eg bullying, harassment and discrimination.

The practice of HRM – key learning points

The objectives of HRM

- To ensure that the organization is able to achieve success through people.
- To increase organizational effectiveness and capability.
- To be concerned with the rights and needs of people in organizations through the exercise of social responsibility.

The policy goals of HRM (Guest)

- strategic integration;
- high commitment;
- high quality;
- flexibility.

The characteristics of HRM

- diverse (hard and soft);
- strategic;
- commercial orientation;
- focus on mutuality;
- unitary view;
- people treated as assets or human capital;

- focus on business values;
- organization-centred orientation.

How HRM developed as a concept

Emerged in the 1980s in the form of the Harvard framework and the matching model.

Reservations expressed about HRM

- promises more than it can deliver;
- manipulative – ‘control by compliance’ (Willmott);
- managerialist.

The context in which HRM operates

HRM practice contingent on the circumstances in which the organization operates, ie its internal and external environment.

Appreciate the ethical dimensions of HRM

HRM must exercise social responsibility – it must be concerned with the interests (well-being) of employees and act ethically with regard to the needs of people in the organization and the community.

Questions

1. You are head of human resources in a medium-sized manufacturing company. Your new chief executive mentions to you that in her last firm they had a personnel manager and asks you to explain the difference, if any.
2. At a meeting of trustees the chief executive of a medium-sized charity proposed that a director of human resources should be appointed. Two trustees protested that the term 'human resources' implied that employees would just be treated as factors of production not as people. How would you respond?
3. John Storey wrote in 1995 that: 'Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques.' Examine the approach to HRM in your own organization or any other organization known to you and analyse the extent to which Storey's description of HRM applies.
4. Your local branch of the CIPD has asked you either to propose or oppose (your choice) a motion to the effect that 'This house agrees with the statement of Keenoy and Anthony in 1992 that HRM is no more than a rhetoric masking the intensification and commodification of labour.' Prepare the case either for or against the motion.
5. Harley and Hardy (2004) wrote that 'Managers can use the language of HRM to establish the legitimacy of their practices, even if the latter bear little resemblance to the former.' What is the meaning and significance of this statement?

References

- Adams, J S (1965) Injustice in social exchange, in (ed) L Berkowitz, *Advances in Experimental Psychology*, Academic Press, New York
- Appelbaum, E, Bailey, T, Berg, P and Kalleberg, A L (2000) *Manufacturing Advantage: Why high performance work systems pay off*, ILR Press, Ithaca, NY
- Armstrong, M (1987) Human resource management: a case of the emperor's new clothes, *Personnel Management*, August, pp 30–35
- Armstrong, M (2000) The name has changed but has the game remained the same?, *Employee Relations*, 22 (6), pp 576–89
- Armstrong, M and Baron, A (2002) *Strategic HRM: The route to improved business performance*, CIPD, London
- Bailey, T, Berg, P and Sandy, C (2001) The effect of high performance work practices on employee earnings in the steel, apparel and medical electronics and imaging industries, *Industrial and Labor Relations Review*, 54 (2A), pp 525–43

22 Human Resource Management

- Bakke, E W (1966) *Bonds of Organization: An appraisal of corporate human relations*, Archon, Hamden
- Barney, J B (1991) Firm resources and sustained competitive advantage, *Journal of Management Studies*, **17** (1), pp 99–120
- Barney, J B (1995) Looking inside for competitive advantage, *Academy of Management Executive*, **9** (4), pp 49–61
- Becker, B E and Gerhart, S (1996) The impact of human resource management on organizational performance: progress and prospects, *Academy of Management Journal*, **39** (4), pp 779–801
- Beer, M, Spector, B, Lawrence, P, Quinn Mills, D and Walton, R (1984) *Managing Human Assets*, The Free Press, New York
- Boselie, P, Dietz, G and Boon, C (2005) Commonalities and contradictions in HRM and performance research, *Human Resource Management Journal*, **15** (3), pp 67–94
- Boxall, P F (1992) Strategic HRM: a beginning, a new theoretical direction, *Human Resource Management Journal*, **2** (3) pp 61–79
- Boxall, P F and Purcell, J (2003) *Strategy and Human Resource Management*, Palgrave Macmillan, Basingstoke
- Boxall, P F, Purcell J and Wright P (2007) The goals of HRM, in (eds) P Boxall, J Purcell and P Wright, *Oxford Handbook of Human Resource Management*, Oxford University Press, Oxford
- Caldwell, R (2004) Rhetoric, facts and self-fulfilling prophecies: exploring practitioners' perceptions of progress in implementing HRM, *Industrial Relations Journal*, **35** (3), pp 196–215
- Dyer, L and Holder, G W (1998) Strategic human resource management and planning, in (ed) L Dyer, *Human Resource Management: Evolving roles and responsibilities*, Bureau of National Affairs, Washington DC
- Fowler, A (1987) When chief executives discover HRM, *Personnel Management*, January, p 3
- Fombrun, C J, Tichy, N M and Devanna, M A (1984) *Strategic Human Resource Management*, Wiley, New York
- Grant, D and Shields, J (2002) In search of the subject: researching employee reactions to human resource management, *Journal of Industrial Relations*, **44** (3), pp 178–93
- Gratton, L A, Hailey, V H, Stiles, P and Truss, C (1999) *Strategic Human Resource Management*, Oxford University Press, Oxford
- Grimshaw, D and Rubery, J (2007) Economics and HRM, in (eds) P Boxall, J Purcell and P Wright, *Oxford Handbook of Human Resource Management*, Oxford University Press, Oxford
- Guest, D E (1987) Human resource management and industrial relations, *Journal of Management Studies*, **14** (5), pp 503–21
- Guest, D E (1989a) Human resource management: its implications for industrial relations', in (ed) J Storey, *New Perspectives in Human Resource Management*, Routledge, London
- Guest, D E (1989b) Personnel and HRM: can you tell the difference? *Personnel Management*, January, pp 48–51
- Guest, D E (1991) Personnel management: the end of orthodoxy, *British Journal of Industrial Relations*, **29** (2), pp 149–76
- Guest, D E (1997) Human resource management and performance; a review of the research agenda, *The International Journal of Human Resource Management*, **8** (3), 263–76
- Guest, D E (1999b) Human resource management: the workers' verdict, *Human Resource Management Journal*, **9** (2), pp 5–25
- Guest, D E (2002) Human resource management, corporate performance and employee well-being: building the worker into HRM, *Journal of Industrial Relations*, **44** (3), pp 335–58

- Guest, D E and Conway, N (1997) *Employee Motivation and the Psychological Contract*, IPD, London
- Harley B and Hardy, C (2004) Firing blanks? An analysis of discursive struggle in HRM, *Journal of Management Studies*, **41** (3), pp 377–400
- Kant, I (1781) *Critique of Pure Reason*, Dover Publications (2003), Mineola, NY
- Keenoy, T (1990) HRM: a case of the wolf in sheep's clothing, *Personnel Review*, **19** (2), pp 3–9
- Keenoy, T (1997) HRMism and the images of re-presentation, *Journal of Management Studies*, **34** (5), pp 825–41
- Keenoy, T and Anthony, P (1992) HRM: metaphor, meaning and morality, in (eds) P Blyton and P Turnbull, *Reassessing Human Resource Management*, Sage Publications, London
- Kepes, S and Delery, J E (2007) HRM systems and the problem of internal fit, in (eds) P Boxall, J Purcell and P Wright, *Oxford Handbook of Human Resource Management*, Oxford University Press, Oxford
- Kochan, T A (2007) Social legitimacy of the HR profession, in (eds) P Boxall, J Purcell and P Wright, *Oxford Handbook of Human Resource Management*, Oxford University Press, Oxford
- Kochan, T A, Katz, H and McKersie, R (1986) *The Transformation of American Industrial Relations*, Basic Books, New York
- Legge, K (1978) *Power, Innovation and Problem Solving in Personnel Management*, McGraw-Hill, Maidenhead
- Legge, K (1989) Human resource management: a critical analysis, in (ed) J Storey, *New Perspectives in Human Resource Management*, Routledge, London
- Legge, K (1995) *Human Resource Management: Rhetorics and realities*, Macmillan, London
- Legge, K (1998) The morality of HRM, in (eds) C Mabey, D Skinner and T Clark, *Experiencing Human Resource Management*, Sage, London
- Leventhal, G S (1980) What should be done with equity theory? in (eds) G K Gergen, M S Greenberg and R H Willis, *Social Exchange: Advances in Theory and Research*, Plenum, New York
- Mabey, C, Skinner, D and Clark, T (1998) *Experiencing Human Resource Management*, Sage, London
- Mayo, E (1933) *Human Problems of an Industrial Civilisation*, Macmillan, London
- Noon, M (1992) HRM: a map, model or theory?, in (eds) P Blyton and P Turnbull, *Reassessing Human Resource Management*, Sage Publications, London
- Pauwe, J (2004) *HRM and performance: Achieving long term viability*, Oxford University Press, Oxford
- Schuler, R S (1992) Strategic human resource management: linking people with the strategic needs of the business, *Organizational Dynamics*, **21** (1), pp 18–32
- Scott, A (1994) *Willing Slaves: British workers under human resource management*, Cambridge University Press, Cambridge
- Sisson, K (1990) Introducing the Human Resource Management Journal, *Human Resource Management Journal*, **1** (1), pp 1–11
- Storey, J (1989) From personnel management to human resource management, in (ed) J Storey, *New Perspectives on Human Resource Management*, Routledge, London
- Storey, J (ed) (1995) *Human Resource Management: A critical text*, Routledge, London
- Thompson, P and Harley, B (2007) HRM and the worker: labour process perspectives, in (eds) P Boxall, J Purcell and P Wright, *Oxford Handbook of Human Resource Management*, Oxford University Press, Oxford
- Truss, C (1999) Soft and hard models of HRM, in (eds) L Gratton, V H Hailey, P Stiles, and C Truss, *Strategic Human Resource Management*, Oxford University Press, Oxford
- Ulrich, D and Brockbank, W (2005a) *The HR Value Proposition*, Harvard Press, Cambridge, MA

24 Human Resource Management

- Ulrich, D and Lake, D (1990) *Organizational Capability: Competing from the inside out*, Wiley, New York
- Walton, R E (1985a) From control to commitment in the workplace, *Harvard Business Review*, March–April, pp 77–84
- Willmott, H (1993) Strength is ignorance, slavery is freedom: Managing culture in modern organizations, *Journal of Management Studies*, **30** (4), pp 515–52
- Wright, P M and Snell, S A (1998) Towards a unifying framework for exploring fit and flexibility in strategic human resource management, *Academy of Management Review*, **23** (4), pp 756–72