

Key concepts and terms

- *Employee relations*
- *Employee value proposition*
- *Employer brand*
- *Employer of choice*
- *Employment relationship*
- *HR architecture*
- *HR delivery model*
- *HR philosophies, policies, practices, processes and programmes*
- *HR system*
- *Job design*
- *Learning and development*
- *Organization design*
- *Organization development*
- *Organizational learning*
- *Performance management*
- *Recruitment*
- *Resourcing*
- *Reward management*
- *Selection*
- *Talent management*
- *Workforce planning*

LEARNING OUTCOMES

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

- What the concept of HR architecture means
- What an HR system looks like
- The basic features of the key HR practices of organization design and development, employee resourcing, learning and development, performance and reward management, managing the employment relationship and employee relations
- The nature of an HR delivery model

Introduction

HRM is delivered through the HR architecture of an organization, which includes the HR system, HR practices and the HR delivery model adopted by the HR function.

HR architecture

HR architecture consists of the HR systems, processes and structure as well as employee behaviours. It is a comprehensive representation of all that is involved in HRM, not simply the structure of the HR function. As explained by Becker et al (2001: 12): 'We use the term HR architecture to broadly describe the continuum from the HR professionals within the HR function, to the system of HR-related policies and practices, through the competencies, motivation and associated behaviours of the firm's employees.' It was noted by Hird et al (2010: 25) that 'this architecture is seen as a unique combination of the HR function's structure and delivery model, the HR practices and system, and the strategic employee behaviours that these create'.

Purcell (1999: 38) suggested that the focus should be on 'appropriate HR architecture and the processes that contribute to organizational performance'. Becker and Huselid (2006: 899) stated that: 'It is the fit between the HR architecture and the strategic capabilities and business processes that implement strategy that is the basis of HR's contribution to competitive advantage.'

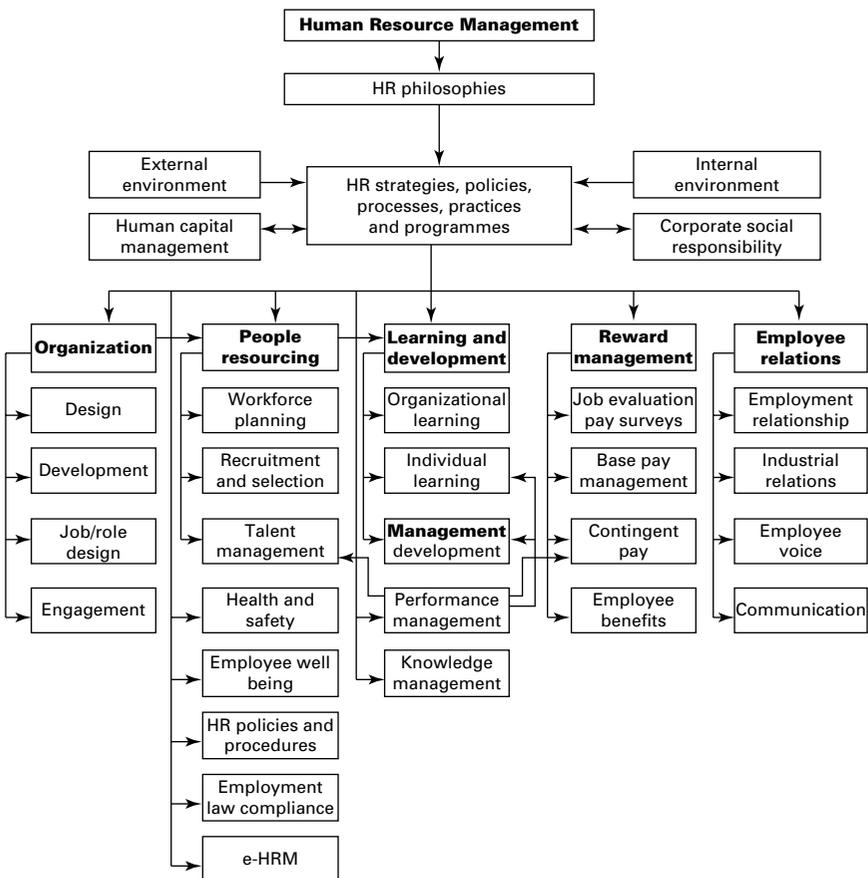
The HR system

The HR system contains the interrelated and jointly supportive HR activities and practices which together enable HRM goals to be achieved. Becker and

Huselid (1998: 95) observed that: ‘The HRM system is first and foremost a vehicle to implement the firm’s strategy.’ Later (2006) they argued that it is the HR system which is the key HR asset. Boselie et al (2005: 73) pointed out that in its traditional form HRM can be viewed as ‘a collection of multiple discrete practices with no explicit or discernible link between them. The more strategically minded system approach views HRM as an integrated and coherent bundle of mutually reinforcing practices.’

As illustrated in Figure 5.1, an HRM system brings together HR philosophies which describe the overarching values and guiding principles adopted in managing people. Taking account of the internal and external environments in which the organization operates, the system incorporates HR strategies which define the direction in which HRM intends to go in each of its main areas of activity, and HR policies which provide guidelines defining how these values, principles and strategies should be applied and implemented in specific aspects of HRM. The system also includes HR processes which comprise

FIGURE 5.1 The HRM system



the formal procedures and methods used to put HR strategic plans and policies into effect, linked HR practices which consist of the approaches used in managing people, and HR programmes – the planned activities which enable HR strategies, policies and practices to be implemented according to plan.

HR practices

The key HR practices used by successful organizations as described below are organization design and development, job design, people resourcing (attracting and retaining employees and talent management), learning and development, performance and reward management, managing the employment relationship and employee relations.

Organization design

Organization design is the process of deciding how organizations should be structured and function. Organizations are not static things. Changes are constantly taking place in the business itself, in the environment in which the business operates, and in the people who work in the business. There is no such thing as an ‘ideal’ organization. The most that can be done is to optimize the processes involved, remembering that whatever structure evolves it will be contingent on the circumstances of the organization. It is important to remember that organizations consist of people working more or less cooperatively together. Inevitably, and especially at managerial levels, the organization may have to be adjusted to fit the particular strengths and attributes of the people available. The result may not conform to the ideal, but it is more likely to work than a structure which ignores the human element. It is always desirable to have an ideal structure in mind, but it is equally desirable to modify it to meet particular circumstances, as long as there is awareness of the potential problems that may arise.

In principle, organization design aims to:

- clarify the overall purposes of the organization – the strategic goals which govern what it does and how it functions;
- define how work should be organized to achieve that purpose, including the use of technology and other work processes;
- define as precisely as possible the key activities involved in carrying out the work;
- group these activities logically together to avoid unnecessary overlap or duplication;
- provide for the integration of activities and the achievement of cooperative effort and teamwork;
- build flexibility into the system so that organizational arrangements can adapt quickly to new situations and challenges;
- clarify individual roles, accountabilities and authorities.

In practice, however, organization design is seldom as considered an affair as this list of aims suggests. This is partly because organizations are run by people – the ‘dominant coalition’ – who do not necessarily react logically to new demands and are influenced by political pressures and power plays. It also arises from the dynamic nature of organizations as they adapt to ever-changing environmental conditions. This is why organizations often evolve rather than being designed. The aims as stated above will not always be achieved. However, many organizations seem to muddle through, primarily through the informal processes which have the greatest influence on how they function.

Organization development

Organization development (OD) is about taking systematic steps to improve organizational capability. It is concerned with process – how things get done. Organization development aims to help people work more effectively together, improve organizational processes such as the formulation and implementation of strategy, and facilitate the transformation of the organization and the management of change. As expressed by Beer (1980: 10), OD operates as ‘a system-wide process of data collection, diagnosis, action planning, intervention and evaluation’.

OD programmes are concerned with system-wide change and have the following features:

- They are managed, or at least strongly supported, from the top but may make use of third parties or ‘change agents’ to diagnose problems and to manage change by various kinds of planned activity or intervention.
- The plans for organization development are based upon a systematic analysis and diagnosis of the strategies and circumstances of the organization and the changes and problems affecting it.
- They use behavioural science knowledge and aim to improve the way the organization copes in times of change through such processes as interaction, communications, participation, planning, and conflict management.
- They focus on ways of ensuring that business and HR strategies are implemented and change is managed effectively.

Job design

Job design specifies the contents, methods and relationships of jobs in order to satisfy work requirements for productivity, efficiency and quality, meet the personal needs of the job holder and thus increase levels of employee engagement. The process of job design starts with an analysis of the way in which work needs to be organized and what work therefore needs to be done – the tasks that have to be carried out if the purpose of the organization

or an organizational unit is to be achieved. Account is taken of the need to satisfy the job characteristics specified by Hackman and Oldham (1974): variety, autonomy, required interaction, optional interaction, knowledge and skill required, and responsibility.

People resourcing

People resourcing is about the acquisition, retention, development and effective use of the people the organization needs. It is based on a resourcing strategy which is linked to the business strategy and is the basis for workforce planning activities. Workforce plans are implemented by means of the resourcing activities of attracting people, recruitment and selection, retention planning and talent management. In addition, learning and development programmes enhance the organization's skills base. The effectiveness with which human resources are used involves providing for flexibility and controlling absenteeism.

Workforce planning

Organizations need to know how many people and what sort of people they should have to meet present and future business requirements. This is the function of workforce planning, which consists of the following activities:

- Scenario planning – making broad assessments of future environmental developments and their likely impact on people requirements.
- Demand forecasting – estimating future needs for people and competences by reference to corporate and functional plans and forecasts of future activity levels.
- Supply forecasting – estimating the supply of people by reference to analyses of current resources and future availability, after allowing for wastage. The forecast will also take account of labour market trends relating to the availability of skills and to demographics.
- Forecasting requirements – analysing the demand and supply forecasts to identify future deficits or surpluses with the help of models, where appropriate.
- Action planning – preparing plans to deal with forecast deficits or surpluses of employees.

Attracting people to the organization

The aim is to become 'an employer of choice', a firm people want to work for and stay with. This means developing an employee value proposition which consists of what the organization has to offer for prospective or existing employees that they are likely to value and which would persuade them to join or remain with the business. It will include pay and benefits – which

are important but can be overemphasized compared with other non-financial elements. The latter may be crucial in obtaining and retaining people and include the attractiveness of the organization, its reputation as a good employer, and the degree to which it acts responsibly, treats people with consideration and respect and provides for diversity and inclusion, work–life balance and personal and professional growth. The employee value proposition can be expressed as an employer brand – an image for prospective employees of the organization as a good employer.

Recruitment and selection

Recruitment is the process of finding and engaging the people the organization needs. Selection is an aspect of recruitment concerned with deciding which applicants or candidates should be appointed to jobs. The four stages of recruitment and selection are:

- 1 Defining requirements – preparing role profiles and person specifications; deciding terms and conditions of employment.
- 2 Planning recruitment campaigns.
- 3 Attracting candidates – reviewing and evaluating alternative sources of applicants, inside and outside the company: advertising, e-recruiting, agencies and consultants.
- 4 Selecting candidates – sifting applications, interviewing, testing, assessing candidates, assessment centres, offering employment, obtaining references; preparing contracts of employment.

Retention planning

It is not enough to attract good people to the organization. Steps have to be taken to encourage them to stay. This is the aim of retention planning which, on the basis of information about how many people leave and why they leave, establishes what needs to be done to retain those who are worth retaining. The possible actions are to:

- Ensure that selection and promotion procedures match the capacities of individuals to the demands of the work they have to do. Rapid turnover can be caused by poor selection or promotion decisions.
- Reduce losses of people who cannot adjust to their new job – the ‘induction crisis’ – by giving them proper training and support when they join the organization.
- Deal with uncompetitive, inequitable or unfair pay systems.
- Design jobs to maximize skill variety, task significance, autonomy, control over their work and feedback, and ensure that they provide opportunities for learning and growth. Some roles can be ‘customized’ to meet the needs of particular individuals.

- Increase job engagement through job design and by organizing work around projects with which people can identify.
- Encourage the development of social ties within the company.
- Take steps to improve work–life balance by developing family-friendly policies such as flexible working which recognize the needs of employees outside work.
- Eliminate as far as possible unpleasant working conditions or the imposition of too much stress on employees.
- Select, brief and train managers and team leaders so that they appreciate the positive contribution they can make to improving retention by the ways in which they lead their teams. Bear in mind that people often leave their managers rather than their organization.
- Ensure that policies for controlling stress, bullying and harassment exist and are applied.

Talent management

As defined by Duttgupta (2005: 2), ‘Talent management is the strategic management of the flow of talent through an organization.’ Talent management starts with the business strategy and what it signifies in terms of the talented people required by the organization. Ultimately, the aim is to create and maintain a pool of talented people through a talent management ‘pipeline’.

Learning and development

Learning and development is the process of ensuring that the organization has the knowledgeable, skilled and engaged workforce it needs. It involves facilitating the acquisition by individuals and teams of knowledge and skills through experience, learning events and programmes provided by the organization, guidance and coaching provided by line managers and others and self-directed learning activities carried out by individuals. Learning and development activities comprise:

- **Organizational learning:** the development and acquisition in organizations of knowledge, understanding, insights, techniques and practices in order to improve organizational effectiveness.
- **Individual and team learning:** the processes and programmes used to ensure that individual employees and teams acquire and develop the new knowledge, skills, capabilities, behaviours and attitudes required to perform their roles effectively and to develop their potential.
- **Management development:** improving the performance of managers in their present roles and preparing them to take on greater responsibilities in the future.

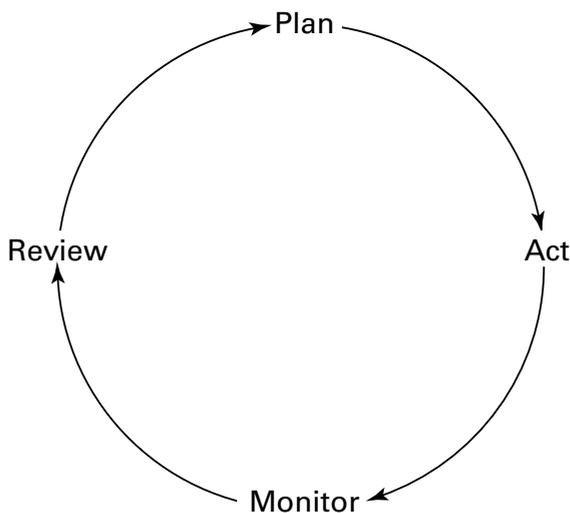
- Learning needs analysis: a systematic process for determining what needs to be done and why it needs to be done, which provides the basis for designing learning and development programmes.
- Planning and delivering learning and development programmes or learning events: a learning and development programme is a sequence or group of learning activities which may include a mix of approaches (blended learning) which take place over a period of time. A learning event is a specific learning activity which might take the form of a course designed to meet established learning needs.
- Evaluation of learning and development: the assessment of the effectiveness of learning and development activities producing the outcomes specified (the criterion or terminal behaviour) when the activity was planned in order to indicate where improvements or changes are required.

Performance management

Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. Individual performance is developed through performance management systems. They provide the framework for improving performance through the agreement of performance expectations and the formulation of performance development plans. As vehicles for feedback and recognition they have a major role in a performance and reward system. They inform contingent pay decisions.

The performance management cycle is shown in Figure 5.2.

FIGURE 5.2 The performance management cycle



The performance management processes taking place in this cycle are:

- **Plan:** agree objectives and competency requirements as expressed in role profiles; identify the required behaviours; produce plans expressed in performance agreements for meeting objectives and improving performance; prepare personal development plans to enhance knowledge, skills and competence and reinforce the desired behaviours.
- **Act:** carry out the work required to achieve objectives by reference to the plans and in response to new demands.
- **Monitor:** check on progress in achieving objectives and responding to new demands; treat performance management as a continuous process – ‘managing performance all the year round’ – rather than an annual appraisal event.
- **Review:** hold a ‘stock-taking’ discussion of progress and achievements in a review meeting and identify where action is required to develop performance as a basis for completing the cycle and continuing into the planning stage.

Reward management

Reward management is concerned with the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals are recognized and rewarded. It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) which aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. These systems will include arrangements for assessing the value of jobs through job evaluation and market pricing, base pay management (the design and management of grade and pay structures), performance management processes, schemes for rewarding and recognizing people according to their individual performance or contribution and/or team or organizational performance, and the provision of employee benefits.

But it should be emphasized that reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (the concept of total rewards).

Managing the employment relationship

The employment relationship is one which is established whenever employers and employees work together. A positive employment relationship is required, one in which there is mutuality – the state that exists when management and

employees are interdependent and both benefit from this interdependency – and trust. Such a relationship provides a foundation for employment and employee relations policies. It governs much of what organizations need to be aware of in developing and applying human resource management and employee relations processes, policies and procedures. These need to be considered in terms of what they will or will not contribute to furthering a productive and rewarding relationship between all the parties concerned.

The employment relationship is underpinned by the psychological contract. This is a set of unwritten expectations which exist between individual employees and their employers. As Guest (2007) noted, it is concerned with ‘the perceptions of both parties to the employment relationship, organization and individual, of the reciprocal promises and obligations implied in that relationship’.

The nature of the employment relationship is strongly influenced by HR actions. These cover all aspects of HRM. The ways in which people are treated in such areas as recruitment, performance reviews, promotion, career development, reward, involvement and participation, grievance handling, disciplinary procedures and redundancy will be particularly important. How people are required to carry out their work (including flexibility and multi-skilling), how performance expectations are expressed and communicated, how work is organized and how people are managed will also have a significant impact on the employment relationship. HR specialists can contribute to the development of a positive and productive employment relationship in the following ways:

- during recruitment interviews – presenting the unfavourable as well as the favourable aspects of a job in a ‘realistic job preview’;
- in induction programmes – communicating to new starters the organization’s HR policies and procedures and its core values, indicating to them the standards of performance expected in such areas as quality and customer service, and spelling out requirements for flexibility;
- by issuing and updating employee handbooks which reinforce the messages delivered in induction programmes;
- by encouraging the development of performance management processes which ensure that performance expectations are agreed and reviewed regularly;
- by encouraging the use of personal development plans which spell out how continuous improvement of performance can be achieved, mainly by self-managed learning;
- by using learning and development programmes to underpin core values and define performance expectations;
- by ensuring through manager and team leader training that managers and team leaders understand their roles in managing the employment

relationship through such processes as performance management and team leadership;

- by encouraging the maximum amount of contact between managers and team leaders and their team members to achieve mutual understanding of expectations and to provide a means of two-way communications;
- by adopting a general policy of transparency – ensuring that on all matters which affect them, employees know what is happening, why it is happening and the impact it will make on their employment, development and prospects;
- by developing HR procedures covering grievance handling, discipline, equal opportunities, promotion and redundancy and ensuring that they are implemented fairly and consistently;
- by developing and communicating HR policies covering the major areas of employment, development, reward and employee relations;
- by ensuring that the reward system is developed and managed to achieve equity, fairness, consistency and transparency in all aspects of pay and benefits;
- generally, by advising on employee relations procedures, processes and issues which further good collective relationships.

These approaches to managing the employment relationship cover all aspects of people management. It is important to remember, however, that this is a continuous process. The effective management of the relationship means ensuring that values are upheld and that a transparent, consistent and fair approach is adopted in dealing with all aspects of employment. It is also important to remember that perhaps the best way of improving the employment relationship is to develop a high-trust organization.

Employee relations

Employee relations consist of the approaches and methods adopted by employers to deal with employees either individually or collectively through their trade unions. They are concerned with managing and maintaining the employment relationship as described above. But they also involve handling the pay–work bargain (the agreement between employers and employees either individually or collectively of terms and conditions of employment), dealing with employment practices and issues arising from employment, providing employees with a voice and communicating with employees.

The term ‘employee relations’ encompasses that of ‘industrial relations’ which are about relationships between managements and trade unions involving collective agreements, collective bargaining, disputes resolution and dealing with issues concerning the employment relationship and the working environment.

The HR delivery model

In a sense HR is in the delivery business – providing the advice and services which enable organizations to get things done through people. The HR delivery model describes how those services are provided. These methods of delivery take place irrespective of the degree to which what is done corresponds with the conceptual HRM model described in Chapter 2.

The most celebrated delivery model was produced by Dave Ulrich. In his highly influential *Harvard Business Review* article he wrote that: ‘HR should not be defined by what it does but by what it delivers – results that enrich the organization’s value to customers, investors, and employees’ (Ulrich, 1998: 124). More specifically, he suggested that HR can deliver in four ways: as a strategic partner, an administrative expert, an employee champion and a change agent. This first model was later modified by Ulrich and Brockbank (2005), who defined the four roles as employee advocate, human capital developer, functional expert, and strategic partner. The role of HR in delivering HRM is explored in more detail in the next chapter.

KEY LEARNING POINTS

HRM delivery

HRM is delivered through the HR architecture of an organization, which includes the HR system, HR practices, and the HR delivery model adopted by the HR function.

HR architecture

HR architecture includes the HR systems and processes and employee behaviours as well as the structure of the HR function.

The HR system

The HR system as part of the HR architecture consists of the interrelated and jointly supportive HR activities and practices which together enable HRM goals to be achieved.

HR practices

The key HR practices and activities are organization design and development, job design, resourcing (attracting and retaining employees and talent management), learning and development, performance and reward management, managing the employment relationship and employee relations:

- Organization design is the process of deciding how organizations should be structured and function.
- Organization development (OD) is about taking systematic steps to improve organizational capability.

- Job design specifies the contents, methods and relationships of jobs in order to satisfy work requirements for productivity, efficiency and quality, meet the personal needs of the job holder and thus increase levels of employee engagement.
- People resourcing is about the acquisition, retention, development and effective utilization of the people the organization needs.
- Recruitment is the process of finding and engaging the people the organization needs. Selection is an aspect of recruitment concerned with deciding which applicants or candidates should be appointed to jobs.
- Talent management is the process of identifying, developing, recruiting, retaining and deploying talented people.
- Learning and development is the process of ensuring that the organization has the knowledgeable, skilled and engaged workforce it needs.
- Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams.
- Reward management is concerned with the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals are recognized and rewarded.
- The employment relationship is one which is established whenever employers and employees work together.
- Employee relations consist of the approaches and methods adopted by employers to deal with employees either individually or collectively through their trade unions. Providing the advice and services which enable organizations to get things done through people.

The HR delivery model

The HR delivery model describes how those services are delivered.

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Questions

- 1 How is HRM delivered?
- 2 What is HRM architecture?
- 3 What is the significance of the concept of HRM architecture?
- 4 What is an HR system?
- 5 What are the principal elements of an HR system?
- 6 What is an HR policy?
- 7 What is an HR strategy?
- 8 What are the key HR practices?
- 9 What is involved in organization design?
- 10 What is involved in organization development?
- 11 What is involved in job design?
- 12 What is involved in resourcing?
- 13 What is workforce planning?
- 14 What is involved in recruitment and selection?
- 15 What is involved in retention planning?

- 16 What is involved in talent management?
- 17 What is involved in learning and development?
- 18 What is involved in performance management?
- 19 What is the employment relationship?
- 20 What is the psychological contract?
- 21 What is involved in employee relations?