

## Module 1

# Human Resource Management in Perspective

## Overview

This module introduces you to human resource management (HRM) – describing its various functions as well as defining its nature and characteristics. A brief history of HRM and its origins presents a brief history of HRM – giving an account of the evolution of its roles and the changing perspectives on HRM jobs. In addition to having a clear understanding of the significance of HRM in both the industrial and commercial sectors, you will also learn the part played by personnel specialists in the management of HR.

Upon completion of this module you will be able to:



### Outcomes

- *describe* the various functions of HRM and explain the vital role it plays in today's highly competitive modern organisations.
- *trace* the evolution of HRM as a discipline and distinguish between personnel management, industrial relations (IR) and HRM practices.
- *review* and *evaluate* the main models, frameworks and theories of human resource management.
- *amalgamate* and make appropriate applications of the contributions of HRM to the total strategic management process of an organisation.

## Terminology



### Terminology

Human resource management:

Policies and practices on “people” or HR aspects of management: recruit, train, appraise and reward.

Humanistic approaches to HRM:

These approaches are closely associated with what has become known as the “Harvard School” of HRM. Emphasis is on the “softer” aspects of HRM associated with organisational culture and employee commitment.

Instrumental approaches to

This is often referred to as the “hard” version of HRM. From this perspective, HRM is concerned



HRM:	with the integration of human resource issues into business planning. In other words, all decisions about the acquisition, processing and management of human resources must, like any other organisational input, be tailored to increase or restore competitive advantage.
Personnel management:	Refers primarily to the activities of specialist staff responsible for implementing the personnel objectives of the organisation.
Strategic management:	The process of identifying and executing the organisation's mission by matching its capabilities with the demands of its environment.

## Introduction to human resource management (HRM)

### Introduction to the various functions of HRM

For any enterprise to function effectively, it must have money, materials, supplies, equipment, ideas about the services or products to offer those who might use its outputs, and people (the human resource) to run the enterprise. The effective management of people at work is human resource management (HRM).

HRM has emerged as a major function in enterprises and organisations. It is the focus for a wide-ranging debate concerning the nature of the contemporary employment relationship in many market economies. The nature of the employment relationship has experienced a series of important changes and adaptations over the past decade. These are both significant in themselves and will provide the basis for further development in future. Among the more substantial contemporary changes that can be noted are:

- A decline in the proportion of employees in trade unions.
- A decline in the proportion of employees whose pay is set by unionised collective bargaining.
- A reduction in the range of employment issues that are handled collectively, coupled with a rise in the range of employment issues that are derived from a managerial agenda.
- A considerable volume of restructuring of organisations and employment away from many tiers of hierarchy and stable occupational structures, coupled with a corresponding rise in short-term, part-time, contracted-out or franchised employment.
- Adoption of technology in the work environment had made impact on personnel choices and employability and this has to be dealt with through a rational HRM policy and practice.

This is not an exhaustive list but merely indicates the scale of change that has been occurring.

In many respects, these changes have posed the most fundamental threat to established patterns of personnel management and industrial relations in the post-1945 era. Any assessment of the emergence of HRM has to take account of this changing context of employment. Such assessment must provide some explanations:

1. As to the relationships that exist between the contributions HRM has made to some of these changes.
2. The impact that such changes have had on the theory and practice of HRM itself.

You may have observed that usually conventional textbooks treat HRM as a significant – if recent – arrival in the analysis of employment issues rather than as an adjunct to an established set of personnel principles. We have to accept that HRM has become a powerful and influential perspective which has to be taken into account not simply as yet another means of carrying out the personnel function but as both a stance and a prescription in its own right.

The immediate significance of the emergence of HRM across the world is that it has opened up a vigorous debate about what constitutes the change from traditionally conceived employee management policies or personnel functions to those which are claimed to be derived from a different mix of managerial concerns. Among the more prominent aspects that have been claimed for HRM are that it is derived from a more focused managerial perspective which is often strategically driven and that it represents a more unified and holistic approach than the technical-piecemeal approach of personnel management. In this manner, HRM is described as having an agenda which addresses business-related issues and thereby contributes to the overall success of the organisation in a proactive manner while personnel management is depicted as having an agenda set for it by the more mundane requirements of the day in a more reactive manner. Neither of these approaches may be wholly correct but they indicate the arena within which the debate has occurred.

Managing human resources is one of the key elements in the coordination and management of work organisations. Several new technologies are used to ensure the creation and delivery of services and goods in modern economies. Whatever means are used, the role of individuals and groups as employees and the ability of management to effectively deploy such a resource is vital to the interests of both employee and organisation alike. This fundamental issue has been at the heart of a great deal of analysis of how organisations are run. No doubt, it is as important an issue facing organisations as those of strategy, finance and markets.

As each successive analysis of “how to manage” has unfolded, the employment relationship has provided one of the central parts of the debate. In a contemporary context, this debate can be seen in the emergence of human resource management as both the description and the practice of employee management. In the early 1990s, analysts began viewing HRM not only as a new and further set of operating principles but also as a recognisable part of the longer debate over what type of



relationship does or should exist between those who manage and those who are managed.

You will have observed that the use of the term human resource management as a description of the management of employees is quite common and widespread. However, there is controversy as to its origins, the reasons for its spread, its characteristics and its philosophy despite its swift and widespread adoption. The very nature of the emergence of HRM and its adoption has given rise to a wide-ranging debate both among and between practitioners, academic analysts and commentators. There has also been dispute as to its use. Why should this be so? Part of the answer lies in the perspective brought to bear upon HRM: there is a difference between how particular participants view the essential elements of HRM and what they believe these elements represent. For the purposes of this analysis, four broad perspectives are set out here (Beardwell and Holden, 1994):

- That HRM is no more than a renaming of basic personnel functions which does little that is different from the traditional practice of personnel management.
- That HRM represents a fusion of personnel management and industrial relations which is managerially focused and derives from a managerial agenda.
- That HRM represents a wider conception of the employment relationship to incorporate an enabling and developmental role for the individual employee.
- That HRM can be viewed as part of the strategic managerial function in the development of business policy in which it plays both a determining and contributory role.

## Key themes

With some understanding of why HRM has risen to prominence, one can undertake a more detailed examination of its nature and substance. It is possible to isolate three key themes which inform (to some extent) most approaches which go under the name HRM:

1. Human relations psychology
2. Strategic management theory
3. Doctrines of flexibility and quality management

These provide a convenient framework within which different schools of HRM can be located.

### Human relations psychology

Although it may not be exhaustive, here it suffices to consider those ideas which have contributed to contemporary HRM thinking. In particular, you should consider concepts of motivation, group dynamics and commitment. Human relations assert that individuals are motivated not merely by financial returns (or fear of punishment) but also by psychological rewards such as recognition and the opportunity to

contribute to decision making and take responsibility. The notion of commitment is particularly relevant as a unifying concept in this regard.

### Strategic management theory

This has played a key role as a distinct body of thought that emerged in the 1970s from the combination of long-range planning and research-proven strategic success analysis. The result of this synthesis was a set of propositions, aimed at senior management, according to which resources could be allocated rationally, relative to environmental conditions, to secure competitive advantage. However, the exact nature of this “rationality” is subject to debate. At one extreme, there is an emphasis on strategy as a discipline designed to determine the outcomes which an organisation wants to achieve and to secure the best possible fit between that organisation and its environment. The alternative to this rational-outcome view is the rationality of the process — that is, how outcomes are actually achieved. Thus, strategy is defined as a process of calculated decision making intended to guide the direction in which organisational effort is directed.

### Doctrines of flexibility and quality

Since the early 1980s, the notions of flexibility and quality have been tied to industrial regeneration. Flexibility has been seen as a crucial means of responding quickly to changes that occur in economic and technological environments and reducing costs by maximising the utilisation of employee skills. Two forms of flexibility are usually identified: numerical flexibility and functional flexibility. The former refers to the ability of organisations to restructure their workforces so as to retain only workers with key skills as direct employees, less essential functions being placed with other types of employees such as contractors, self-employed specialists and also casual or part-time labourers. Such a change helps the organisation to reduce its direct administration and supervisory costs. This approach is epitomised in Atkinson’s (1984) model of the “flexible firm”. The latter, functional flexibility concerns the practice of multi-skilling whereby workers are encouraged to acquire a range of different skills each of which would previously have been the preserve of a single occupational group.

Like flexibility, quality is also considered to be a vital component in an organisation’s response to its environment. Quality management makes use of the notion of “fitness of purpose” – that is, the idea that the quality of product or service is defined not by some standard of technical excellence understood by a few but by the demands of the customer or consumer. This necessitates constant monitoring of customer requirements and an ability to develop the product or service to meet, or preferably pre-empt, any changes. From the perspective of total quality management (TQM), quality is the concern of every member of the organisation and not that of just a few controllers.

Hence, the management of both quality and flexibility is inextricably bound to the management of people – a fact which is being increasingly recognised in HRM thinking.



## Approaches to HRM

The three themes outlined above appear to a greater or lesser extent in HRM. It is possible to identify two extreme positions – distinguished primarily in terms of the way they conceive the strategic potential of HRM.

1. Instrumental approaches
2. Humanistic approaches.

### Instrumental approaches

These draw upon the rational-outcome model of strategic management to view HRM as something which is driven by and derived directly from corporate, divisional or business-level strategy and geared almost exclusively to enhancing competitive advantage. They firmly emphasise strategy in human resource management. This is often referred to as the “hard” version of HRM.

From this perspective, HRM is concerned with the integration of human resource issues into business planning. In other words, all decisions about the acquisition, processing and management of human resources must, like any other organisational input, be tailored to increase or restore competitive advantage. The key question must be: “What HRM strategy will maximise competitive advantage, optimise control as well as minimise unit and labour replacement costs?”

A number of shortcomings have been found in the instrumental approach. First, it tends to be overly rationalistic. As strategy is assumed to be formulated in advance of action, it leads to a conceptualisation in which HRM is cast purely in a reactive, implementationalist role. The theory seems ask too little of HRM. Secondly, this theory encourages a narrowness of focus. One of the early contributions to this approach is concentrated on four generic functions: selection, reward, appraisal and development. What about welfare, equal opportunities, employee involvement and industrial relations? Finally, there is the claim of excessive Unitarianism. The framework describes an approach where what top management considers best for the organisation will automatically be best for the workforce. As Boxall (1992) has put it, “HRM appears as something that is “done to” passive human resources rather than something that is done with active human beings.”

### Humanistic approaches

These approaches utilise “process” theory to emphasise the reciprocal nature of the relationship between strategic management and HRM and the latter’s role in ensuring that competitive advantage is achieved through people, but not necessarily at their expense. These approaches are closely associated with what has become known as the “Harvard School” of HRM. Here, the emphasis is on the “softer” aspects of HRM associated with organisational culture and employee commitment. Initiators of this movement state clearly:

HRM involves all management decisions and actions that affect the nature of the relationship between the organisation and its employees – its human resources. General management makes important decisions daily that affect this relationship. (Beer et al., 1984)

This leads to a “map of HRM territory” – the core of which Beer et al. refer to as the “four Cs”:

1. **Competence of employees:** High competence creates a positive attitude towards learning and development.
2. **Commitment of employees:** High commitment means that employees will be motivated to “hear, understand, and respond” to management’s communication relating to the organisation of work.
3. **Congruence between the goals of employees and those of the organisation:** Higher congruence is a reflection of policies and practices which bring about a “higher coincidence of interests among management, shareholders and workers.”
4. **Cost-effectiveness of HRM practices:** “means that the organisation’s human resource costs – wages, benefits and indirect costs such as strikes, turnover and grievances – have been kept equal to or less than those of competitors.”

Beer et al. further say, “There can be no standard or universal “theory” or “method” of HRM but rather a need for analytical knowledge of basic principles and how these can be adapted and developed innovatively to meet a range of individual, organisational and societal outcomes.”

## HRM as a restatement of existing personnel practice

The first perspective of HRM is a basic but natural reaction to a new and somewhat threatening reformulation of traditional functions. There is, understandably, doubt whether HRM could live up to the claim that it could totally transform the employment relationship so that some of the inherent problems of managing difficult employees could be resolved. If it could at all, would it be more satisfactory than by approaches that have grown out of the historical development of personnel management?

It is natural that such a reaction exists because there is a gap that appears to exist between personnel management “on the ground” and the rather more theoretical and strategic nature of a great deal of the discussion surrounding HRM. Many practitioners do not see their roles and functions in anything other than in a highly pragmatic light. There is an important task of recruiting, selecting, rewarding, managing and developing employees that must be carried out as efficiently as possible. In this sense, you might view HRM as no more than another trend in the long line of management prescriptions that have each enjoyed being in vogue and then lost favour while the pragmatic nature of established personnel management has ensured that operational tasks have been accomplished.



## Scope of personnel management

The personnel function is that function of all enterprises which provides for effective utilisation of human resources to achieve both the objective of the enterprise as well as the satisfaction and development of the employees.

The personnel function consists of numerous activities that include:

- Employment planning
- Employee recruitment, selection and orientation
- Career development and counselling
- Performance evaluation
- Training and development
- Compensation and protection
- Labour relations
- Equal employment opportunity programmes
- Discipline and control
- Evaluation of the personnel function

The expression “personnel management” refers primarily to the activities of specialist staff responsible for implementing the personnel objectives of the organisation. The head of the personnel function is essentially a specialist manager responsible for devising and executing the organisation’s policies and strategies for people.

You could refer to the personnel function in broader terms – in terms of managing people. A personnel specialist helps to define the rules for managing people but the fulfilment of personnel relations in the organisation ultimately belongs in the quality of leadership provided by managers and supervisors. Every manager and supervisor with a direct responsibility for the performance of others has a personnel function to fulfil. In recent years, much attention has been on leadership – gaining the commitment of staff to the objectives of the organisation at the level of the workplace. There is also the matter of employee development to be considered. Individual supervisors and managers are expected to help the organisation develop its own talent.

## Personnel and organisational effectiveness

Personnel activities help in innumerable ways to ensure that the organisation will survive and prosper; overlooking the personnel function can be detrimental to the overall effectiveness of the organisation. If you examine any successful organisations, you will see that those organisations have recognised the importance of human resources; they are a significant factor in top management’s strategic decisions which guide the organisation in its future operations. Enterprises survive because of human resource work and the ideas they create. You will see

that even the most capital-intensive organisations need people to run them.

The contributions of the personnel function to organisational effectiveness are reflected in the objectives pursued by personnel specialists and departments:

- To provide the enterprise with well-trained and well-motivated employees.
- To use the workforce efficiently and effectively.
- To increase to the fullest the employee's job satisfaction and self-actualisation.
- To develop and maintain a quality of work life which makes employment in the enterprise a desirable personal and social situation.

### Who performs personnel activities?

To some extent, who performs personnel activity is determined by the size of the organisation. In most large organisations, two groups perform personnel activities:

1. Personnel managers and specialists
2. Operating managers.

The pattern has changed over time. All managers working with human resources are involved in personnel since they are responsible for effective utilisation of all the resources at their disposal. A human resource is a very special kind of resource which loses its effectiveness more quickly than others if it is improperly managed.

Operating managers, therefore, have to spend some of their time as managers of people. They are responsible for proper upkeep of their human resources – training, performance and satisfaction of employees. Studies show that supervisors spend the majority of their time with subordinates. Middle managers spend less time with their employees than supervisors do. Top managers spend even less time with employees (about 20 per cent) than middle managers do.

In smaller organisations, only operating managers do personnel work. As the organisation increases in size, personnel function becomes specialised. A personnel department is created when the employees reach about 100–150 or more.

When two types of managers handle personnel activities, there will be frequent conflict. Operating and personnel managers differ on who has authority for what decisions. In addition to role conflict, there could be other differences between operating and personnel managers as they have different orientations called line and staff which have different objectives.

The conflict becomes evident when decisions need to be joint ones on such issues as discipline, physical working conditions, termination,



transfer, promotion and employment planning. One way to work out actual or potential conflict so that employees are not caught in the middle is to assign responsibility for some personnel decisions exclusively to operating managers and for others exclusively to personnel specialists. Another approach is to train both sets of managers on how to get along together and how to make joint decisions better.

## HRM as a new managerial discipline

The second perspective is to look at HRM as a holistic discipline. This view contains more diversity and complexity and includes such issues as philosophies of personnel and industrial relations, the professional desire to present the management of employees as a discipline by itself (similar to the inclusive approaches of Accounting and Marketing, for example) and the belief that an integrated management approach can be provided by HRM. This would create a new and broader discipline as a result of the fusion of these traditional elements and also unite the differing perspectives of personnel management and industrial relations. An important outcome of this approach is in the renaming of functional activities so that industrial relations become “employee relations” and training becomes “employee development”. These provide broader connotations and avoid some of the irrelevant and outdated problems which typify the past. For instance, employee relations involves a total workforce which includes white-collar and technical staff of whom many will be female and among whom some (or all) will be non-union whereas IR connotes a relationship based upon a manual, manufacturing (often implies male) unionised workforce.

Another shift in thinking connected with this second approach is management’s desire to extend control over aspects of the collective relationship that were once customarily regarded as jointly agreed between employees (usually via their unions) and management. Deviating from one of the fundamental assumptions of the post-war approach to managing collective workforces, management treats employees as one of their primary responsibilities as opposed to the jointly negotiated responsibility of both unions and management. This suggests an approach which is concerned to stress the primacy of the managerial agenda in the employment relationship. This can be described as the managerial reassertion of control over the total employment relationship as a fundamental element in the ideology of HRM which views human resource management as a transforming agent for established personnel practice.

### Influences on HRM

Decisions about HRM are influenced by a number of different factors. Some are related to the nature of the organisation (i.e., organisational influences) and others to outside sources (i.e., external environmental influences). In both cases, these environmental influences are the context within which specific personnel decisions are made.

Organisational influences:

- The nature of the organisation.
- The nature of the industry the organisation is part of.
- The level of technology of an organisation.
- Long-range strategies of organisations.

External environmental influences:

- Increasing government regulations and laws governing employment.
- Changing nature of the labour market.
- Challenges from competitors for labour.

**Twenty-seven points of difference between personnel and IR practices and HRM practices**

John Storey (1992) provides an analysis of HRM by making a classificatory matrix of 27 points of difference between personnel and IR practices and HRM practices. The elements are categorised in a four-part basic outline: beliefs and assumptions, strategic concepts, line management and key levers.

Storey’s theoretical model is based on conceptions of how organisations have been transformed from predominantly personnel/industrial relations (IR) practices to HRM practices.

Dimension	Personnel and IR	HRM
<i>Beliefs and assumptions</i>		
1. Contract	Careful delineation of written contracts	Aim to go “beyond contract”
2. Rules	Importance of devising clear rules/mutuality	“Can do” outlook; impatience with rule
3. Guide to management	Procedures	“Business need”
<i>Action</i>		
4. Behaviour referent	Norms/custom and practice	Values/mission
5. Managerial task vis-à-vis labour	Monitoring	Nurturing
6. Nature of relations	Pluralist	Unitarist
7. Conflict	Institutionalised	De-emphasised
<i>Strategic aspects</i>		
8. Key relations	Labour management	Customer
9. Initiatives	Piecemeal	Integrated
10. Corporate plan	Marginal to	Central to

Dimension	Personnel and IR	HRM
11. Speed of decision	Slow	Fast
<i>Line management</i>		
12. Management role	Transactional	Transformational leadership
13. Key managers	Personnel/IR specialists	General/business/line managers/
14. Communication	Indirect	Direct
15. Standardisation	High	Low
16. Prized management skills	Negotiation	Facilitation
<i>Key levers</i>		
17. Selection	Separate, marginal task	Integrated, key task
18. Pay	Job evaluation (fixed grades)	Performance-related
19. Conditions	Separately negotiated	Harmonisation
20. Labour management	Collective bargaining contracts	Towards individual contracts
21. Thrust of relations with stewards	Regularised through facilities and training	Marginalised (with exception of some bargaining for change models)
22. Job categories and grades	Many	Few
23. Communication	Restricted flow	Increased flow
24. Job design	Division of labour	Teamwork
25. Conflict handling	Reach temporary truces	Manage climate and culture
26. Training and development	Controlled access to courses	Learning companies
27. Foci of attention for	Personnel procedures	Wide-ranging cultural, interventions structural and personal strategies

**Table 1.1**

Source: (Storey, 1992, p. 35)

## HRM as an individually-focused developmental model

Another perspective on HRM is that personnel management to a great extent has been concerned with the interface between the organisation and the individual and the necessity of achieving a balance between the organisation's needs and the needs of individual employees. Traditional

personnel management policies often take a piecemeal approach to certain aspects of this issue: historically, the early twentieth-century personnel function stressed the welfare role that could be afforded employees so that basic working conditions (both physically and contractually) could be established.

Later, other styles of personnel management sought to introduce, administer, or rectify particular aspects of jobs and roles that individuals carried out. This established a belief in equitable selection and reward systems, efficient procedures for discipline, dismissal and redundancy as well as clear and operable rules for administering large numbers of employees to avoid arbitrary judgements over individual cases. The entire purpose could be seen as a desire to manage the difficulties of the organisation/individual relationship in a technically neutral manner. This emphasis has given rise to a culture within personnel management which is characterised as cost minimisation with the individual as the cost which has to be controlled and contained. The logical extent of this model can be seen in manpower planning with precise numerical assessments of internal and external demand for and supply of labour.

Japanese management has laid emphasis on developing individual employees along particular job paths while undertaking to provide continuous employment throughout the normal working life of the individual. Such goals have at least provided a model in which the employer seeks to maximise employment opportunities. This approach regards all employees as potentially able to benefit from further training and development from which the organisation itself then benefits. Rather than viewing the employee as a cost which has to be borne by the employer, this philosophy sees the employee as an actual and potential return on investment which ultimately strengthens the company. In the post-war period, large corporate Japanese employers have been encouraged to develop products and markets which have used invested skills of their workforces.

The notion of “invested employee” has been very visible in the United States as well. If the Japanese commitment to lifetime employment is more difficult to achieve in the West, there is nevertheless a greater awareness of the investment potential in training and development now. Human resource management has brought to the fore a concern for maximising the potential of employees which traditional personnel management has either not treated or can only cope with in terms of its customary technical/rational response for overcoming pressing operational problems. To this extent, HRD and HRM have opened a new chapter in the debate about training and investing in employees which could be seen as genuinely raising issues on behalf of the employee connected with the nature and obligations affecting such organisational and personal development.

## HRM as a strategic and international function

The emergence of HRM has also highlighted the issue of the linkages between the employment relationship and wider organisational strategies



and corporate policies. Historically, the management of industrial relations and personnel has been dealing with either the downstream consequences of earlier strategic decisions or to firefight short-term problems which threaten the long-run success of a particular strategy. The role of HRM has been reactive and supportive to other managerial functions. At times, it has been a hindrance until particular operational problems have been overcome. Experiences both in the private and public sectors demonstrate the impact that the employment relationship can have on total operations.

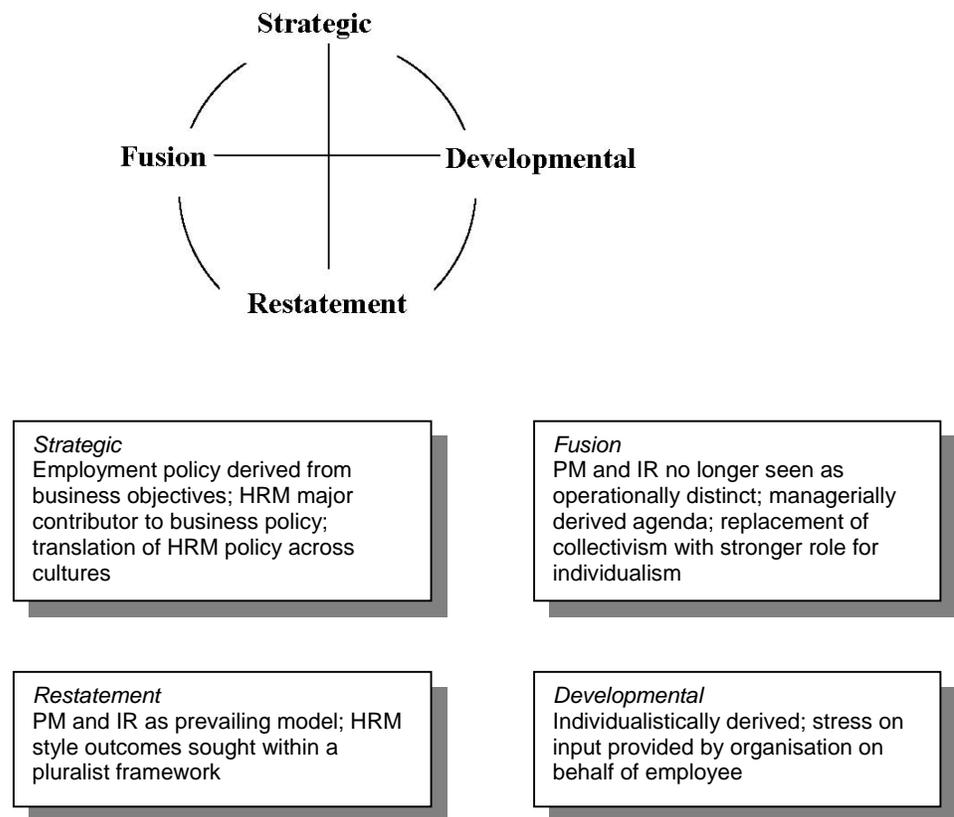
The assumption lying behind HRM is that it is essentially a strategically-driven activity which is not only a major contributor to the organisation's strategic role but is a determining part of it. In this perspective, the contribution which the management of the employment relationship makes to the overall managerial process is as vital and formative as that of finance or marketing. HRM has come a long way to claim a rightful place alongside other core management roles. It is not just standing between employer and employee, moderating and smoothing the interchange between them but it is also shaping and delivering corporate strategies with commitment and results.

In further construction of HRM, its international potentialities become evident. The employment relationship is affected by the national and cultural contexts in which it operates. Therefore, when the nature of national labour markets changes, it also gives rise to employment structures, policies and relationships. If employers operate and confine themselves to the national boundaries of their country, their national labour market characteristics do not affect neighbouring nationalities. However, when an employer operates across national boundaries, these different characteristics may become factors that the employer would wish to change or override. There are international companies which use homogeneous employment policies, regardless of national labour markets. These seek and develop broadly-based personnel systems which neutralise national differences and which stress organisational cultures derived from the strategic goals of the firm. The best known and most commonly cited firm which adopts this approach is IBM.

Many of the internal policies of such firms have been based on design approaches to HRM which are held to be the role models for other organisations to emulate. This approach proposes that HRM is capable of providing a managerial approach to the employment relationship that is culturally neutral. It also proposed that HRM is derived and sustained from within the prescriptions of the organisation and is capable of being translated across national and organisational boundaries. As such, you might argue that HRM is best defined as the product of multinational companies' personnel policies which have the capacity to be translated to other firms regardless of culture. Nevertheless, HRM cannot be so simply defined.

## Some assumptions about HRM

The four perspectives on HRM (discussed above) are set out in the following figure which locates key aspects of the HRM focus within its framework. You will note that this diagrammatic overview shows not just the breadth of these operational assumptions but also underlines their ambiguity as well. In many organisations, the circumstances in which HRM is carried out will be critically determined by the state of the labour market at any particular time. Is it then not understandable for an organisation to be moving towards a strategic dimension of HRM in its own terms? Some organisations have however, deployed both the developmental and strategic or international models of HRM to support a business plan with a special focus – customer care, for instance.



**Figure 1.1 Four perspectives on Human Resource Management**

Source: (Beardwell & Holden, 1994)

In organisations, you will find a mix of these approaches. Many organisations may display at least one of these principal perspectives but will also rely on several characteristics drawn from at least one and probably more of the other three constructs. In this sense, HRM – as a set of issues as well as a set of practices – contains some opposite and contradicting perspectives as much as clarity and affirmation. In many



organisations, the tension which arises from this outcome is part of the internal process of the management of uncertainty. An example could be drawn from the financial sector where well-known banks in the U.K. have sought to create developmental approaches to their human resource management while at the same time dealing with the staff reductions caused by over-committed expansion in the 1980s on a restatement basis to reduce direct costs.

## Defining Characteristics of HRM

In the U.S. and the U.K., there have been searches for the defining characteristics that will describe, analyse and explain the HRM phenomenon. This is not clearly resolved as a wide range of expectations is placed on the term. Nor is there clear evidence to determine systematically whether HRM has taken root as a sustainable model of employee management.

A significant division is seen between the analyses stressing the innovative element of HRM which is claimed to address the fundamental question of managing employees in new ways and with new perspectives as well as those which stress its derivative elements which are claimed to be no more than a re-working of the traditional themes of personnel management. Walton (1985) stresses mutuality between employers and employees:

The key tenets of HRM are said to be mutual goals, influence, respect, rewards, and responsibility. The theory is that policies of mutuality will elicit commitment which in turn will yield both better economic performance and greater human development.

Beer and Spector (1985) emphasised a new set of assumptions in shaping their definition of HRM:

- Proactive system-wide interventions with emphasis on “fit” linking HRM with strategic planning and cultural change.
- People are social capital capable of development.
- Coincidence of interest between stakeholders can be developed.
- Seeks power equalisation for trust and collaboration.
- Open channels of communication to build trust and commitment.
- Goal orientation.
- Participation and informed choice.

Some writers have commented that personnel management was beginning to emerge as a more strategic function in the late 1970s and early 1980s before the concept was subsumed under the title of HRM and in this sense there is little new in HRM practice. However, there is little doubt that HRM became a fashionable concept and a controversial subject in the 1980s with its boundaries very much overlapping the traditional areas of personnel management, industrial relations, organisational behaviour as well as strategic and operational management. Many who support HRM

argue that it addresses the centrality of employees in the organisation and that their motivation and commitment to organisational goals needs to be nurtured. The HRM perspective, however, claims that a range of organisational objectives have been arranged in a strategic way to enhance the performance of employees in achieving these goals.

## HRM: Some arguments and conclusions

Many are the criticisms of HRM. Some claim that it is “old wine in new bottles” – the restatement perspective outlined above. Others see it as a version of “the emperor’s new clothes” or “a wolf in sheep’s clothing”.

Tom Keenoy states that HRM is more rhetoric than reality and has been given a boost or talked up by its supporters and advocates. He further notes that a “remarkable feature of the HRM phenomenon is the brilliant ambiguity of the term itself” (Keenoy 1990, pp. 363-384). Legge (1989) has shown that a close examination of the normative models of HRM and personnel management reveals little difference between the two and that HRM contains a number of internal contradictions. She further points out that there is a problem with integration in the sense that HRM policies have to integrate with business policy and also comments on the probable incompatibility of creating an organisational culture which attempts to pursue both individualistic and teamwork policies at the same time.

Other critics have indicated that many organisations are driven by stronger objectives than HRM. Armstrong (1989) has pointed to financial orientations of most companies which are incompatible with those prescriptions described as a must in the practice of HRM. Also, the belief that HRM can go beyond national cultures has attracted considerable critical comment.

Although there are arguments supporting and downgrading the importance of HRM, it is the most significant perspective on the employment relationship to emerge in perhaps the last 40 years. Whether HRM is driven by ideological, strategic, operational, market or other goals, its language, practice and adoption suggest that it has made its mark in the whole realm of employment relationship.

## Origins of HRM

Tracing the origins of HRM presents the same level of difficulty as that of settling on a definition of HRM. However, HRM can be seen as part of the wider debate about the nature of management in general and the management of employees in particular. When you look at organisational theory and particularly that of the human relations school, you see some antecedents. Keep in mind that the nature of HRM has involved important elements of strategic management and business policy coupled with operations management. This makes a simple family tree explanation of HRM’s evolution extremely difficult.

Still, one can say that HRM originated in the United States in the 1950s although it did not gain wide recognition there until the beginning of the



1980s. In the U.K., HRM did not come to be recognised until the middle to late 1980s. The major reasons for its emergence are the pressures evidenced in product markets during the recession of 1980–1982 combined with a growing recognition in the U.S. that trade union influence in collective employment was reaching fewer employees. By the 1980s, Japan was posing a major challenge to the U.S. economy among other overseas competitors. Two issues were emerging: the productivity of the American worker, particularly compared to the Japanese worker, and the declining rate of innovation in American industries. Enterprise managers began treating it as a matter of urgency that they create a work situation free from conflict in which both employers and employees might work in unity towards the same goal – the success of the organisation.

The U.K. also created the climate for HRM to emerge as a major discipline by a different route. As you may know, it was the desire of the government to reform and reshape the conventional model of industrial relations. During the tenure of Margaret Thatcher as Prime Minister, this support gave encouragement to managers who wished their employment policies to favour employers. The structure of the national economy was changing quickly with a rapid decline in the old industries, a relative rise in the service sector as well as the emergence of new industries based on the products and services of high technology. Many new industries had shed old-style industrial relations. The government impetus for privatisation as well as other incentives in the form of anti-union legislation encouraged firms to introduce new labour practices and to re-order their collective bargaining arrangements.

It was widely believed that British management needed to be improved. At the highest corporate level, training and management development received the recognition it deserved, particularly after critics pointed towards the Japanese, German and American experience.

The influence of U.S. literature also contributed by way of highlighting the concepts of employee commitment and empowerment to the on-going debate about management practice and HRM.

## Historical antecedents of the HR function

Human resources management emerged as a distinct function and subject area around 1920. The first university personnel course offered at Columbia in 1920 signified its emergence. Essentially, it was administrative issues that were addressed in the field which was called personnel administration (PA) then. PA staff was often concerned with employment aspects of a collective bargaining agreement: selection, placement, pay administration, administration of medical care benefits for work injuries and so on. PA staff also became intermediaries for conflict resolution between management and production personnel.

Hawthorne studies (Roethlisberger & Dickson, 1939) had a pervasive influence in the PA field. There was a dramatic shift from primary

concern with the workplace and job engineering to a concern with the human element as well as psychological and sociological variables.

World War II's overseas deployment of many in the American labour force also had an influence. Employers began striving to increase the productivity of the remaining workforce, many of whom were new recruits with no previous production experience. The industry and the PA function faced two unprecedented challenges. They were:

1. Training and development of new entrants
2. Employment stability with clear labour markets

To meet the dual challenge, historical approaches of industrial engineering were combined with the new social-psychological approach featuring motivation, goal setting and other contributions from industrial and organisational psychology. Classification batteries and assessment centres were also developed around the same time and became the basis for widespread industrial and commercial use later.

The post-war effect of an explosion in technology had indelible effects on the PA function. As markets and productivity grew steadily, the PA function diminished in importance in relation to other factors in development and growth such as marketing, engineering, finance and operations. PA departments often attempted to legitimise their diminished activities through centralisation and bureaucratisation of their functions.

In the 1960s, PA functions began to transform with the beginnings of social reformation. Up to this period, major areas of expertise developed by personnel staff included recordkeeping, administration, employment, classification and training. Various legislative events such as the Equal Pay Act of 1963 and the Civil Rights Act of 1964 in the U.S. mandated these activities. Such accountability provided opportunities for PA staff to elevate their identity and functional position within the organisation, although they still possessed the characteristics of problem handlers, addressing the problems associated with employing.

Significant changes in the way human resources were recognised prompted reforms in the personnel function throughout the world in the 1970s and 1980s. Improvements in information processing, communication and transportation resulted in intensified competition in the context of a changing workforce. The success of the Japanese economic recovery emphasised the importance of the firm's human resources to its viability and profitability. Companies like Matsushita influenced the PA function significantly with such innovative measures as their lifetime employment policy and 500-year business plan.

With human resources in the organisation becoming increasingly important, the title of the department too underwent transformation – first from personnel administration to industrial relations – as union-management relations became more critical. As the focus on people and their importance increased, the term “employee relations” was used. Finally, the term “human resources” emerged and continues to be used to the present. The title “human resources” reflects the perception that



employees are assets and not costs. The continued development of functional expertise involved skills in areas such as compensation planning, conflict resolution, organisation manpower planning, human resources searches and selection, work design, labour law, equity issue resolution and performance measurement. Many firms elevated the status of the chief HR officer to the level of vice-president (VP) who frequently reported directly to the chief executive officer.

This elevation of the HR function indicated that its experts were moving beyond a reactive people-problem mentality to a proactive planning and consulting mentality. Present attention given to human resources places the HR function at the threshold of the next higher step in the organisation: that of strategic business partner. This evolution has spurred HR departments to very justifiably acquiring expertise in psychology, sociology, the business of work, and employment relations. It signals a new paradigm for the HR function and a new set of roles in the organisation with a new set of required competencies.

## Evolution of the roles of HRM

If you have worked in HR for years, you have probably heard your department described or treated as the company's paper processor, repository of files and information, employee advocate, law enforcer, do-gooder and more unflattering terms like "management meddler" and "dumping ground for ineffective employees". The HRM function was long snarled in a vicious spiral: it was accorded a low, peripheral status in organisations. As no prestige was attached to its policies, line managers circumvented them or abdicated their responsibility for human resources and HRM was hard-pressed to assert its professionalism.

The reason HRM is a topic considered worthy of your study today is that an organisation's human resources began to be recognised as a key resource in its competitive efforts by the mid-1970s. External pressures from the economic, political, social and technological environment pushed organisations to respond more effectively in order to survive and remain competitive. Many of these challenges faced by organisations involved or affected human resources such as:

- Increased diversity in terms of demography
- Increasingly varied values and expectations of the workforce
- Rapid technological innovations requiring different skills and abilities
- Government legislation regarding employment practices.

Hence, it became necessary to improve the effectiveness of the human resources function which meant contributing to organisational performance.

## The changing perspectives on HRM jobs

There is value in improving the effectiveness of HRM not only to support line executives and other employees in new demands and opportunities but also to hasten a new self-perception in the profession. Authorities speak of its confused identity and of HR management as a profession in trouble.

As the new perspective on human resources unrolled (to view HR as assets rather than costs), dramatic changes in the role and status of HR began to take place, particularly the requirement of new competencies enabling HR professionals to accomplish human resources development. In many settings, the old orientation to labour relations was no longer relevant.

In summary, the transformation of the HR function is marked by three major changes:

1. Viewing people as assets rather than costs.
2. Being proactive rather than reactive.
3. Recognising multiple constituencies or balancing employee interests and organisational concerns.

The first fundamental change comes from the realisation that human resources of the organisation can give it competitive advantage. By the time companies were realising this, the labour market had changed considerably; values and expectations of the workforce had changed, attracting and retaining employees was becoming increasingly costly, and motivation of employees to perform and contribute more productively to the organisation had gained importance.

The second change requires a more integrated HR function as well as linking it to the business strategy of the organisation and growing to full capacity for strategic human resource management (SHRM) which means being at the table with top management.

In the past, the HR function served only the interests of management. Today, some HR departments are close to the other end of the spectrum where they are concerned only with employee welfare. The general wisdom is that HRM should help balance the interests of the employees with those of the organisation. Tsui (1987) identified six constituencies beyond managers and employees whose needs and expectations must be satisfied by an HR department; the others include union officers, academic HR experts and other HR managers.

## The intellectual antecedents of HRM

The underlying ideas and assumptions of HRM seem to be traceable to the human relations movement from the 1930s onwards. There is the standard criticism that the measured forms of participation which were associated with the neo-human relations school of McGregor, Likert,



Blake, Herzberg, other managerial writers and consultants are simplistic and fail to give appropriate attention to structured, cultural and contextual factors.

A second set of antecedents to HRM emerges from the corporate strategy and business policy lineage. It places less emphasis on the motivational, participative and leadership elements. It fosters the strategic and calculative approach to human resource management.

## HRM: Past, present and future

You will find it interesting to read many authors recognising the critical role that human resources play in corporate success or failure. Popular books such as *In Search of Excellence* and *The One-Minute Manager* impress upon the reader that maximum productivity, profitability and achievement in the competitive marketplace are impossible without proper management of the organisation's human resources. HRM includes a broad range of functions: recruiting and selecting qualified individuals, training them and motivating them through performance appraisal and pay systems as well as negotiating union contracts. It also ensures that all these activities are performed within the requirements of applicable legal systems.

You can examine the HRM function from several perspectives and have looked in some detail at the historical perspective on the evolution of the HRM function. An environmental perspective tracks the external forces that continuously come to bear on HR. A strategic perspective clarifies the role of the HRM function in the strategy of the organisation. A political perspective shows the extent and maximises self-interest which may not reflect the interests of the organisation. An international perspective highlights the problems and opportunities that the HRM function has to face in what is fast becoming a global marketplace. Finally, an evaluation perspective shows the ways in which human resource activities can be evaluated as to their usefulness in attaining organisational goals.

### An historical perspective on HRM

As the early developments have been discussed under historical antecedents of HRM, what follows will cover only recent trends.

#### Recent trends

The HRM function started getting attention and focus as research began to question the notion that job satisfaction and productivity are strongly related. In the U.S., the civil rights movement of the 1960s produced a good deal of legislation bearing on employment relationships. Further, the increase in discrimination-based litigation during the 1970s boosted the legitimacy of the HRM function in organisations.

Quite apart from various U.S. based interventions, it is the rise of international competition in a global market that may finally liberate human resource management from second-class status. In view of

increasingly and fiercely competitive global markets, the critical need for using employees as a competitive resource has become increasingly evident. This international competition has led to four conceptual trends in the HRM function:

1. The need to link human resources to the strategic management process.
2. The need to select, train and compensate individuals to function in an international marketplace.
3. The need to understand the political dynamics that undermine rational HRM decision-making processes.
4. The need to provide quantitative estimates of the money value contributions made by the human resources department.

### **An environmental perspective on HRM**

The legal environment serves as the filter and as the ultimate mechanism for merging fact and value in society. When you examine legislation enacted during the human relations movement, you will note that it dealt extensively with wages and work hours. It also dealt with union-management relations within the organisation. It provided for supervising those relations – that is, the rights of employees to organise and bargain collectively as in the rights of the employer and the union. These laws are still in force in the U.S. but the federal laws enacted during the 1960s and the 1970s dealt more directly with the rights of the individual (and/or of classes of individuals such as minorities and women) in a wide range of issues concerning employer rights.

### **Organisations as open systems**

Katz and Kahn (1978) proposed that organisations be viewed as open systems. “Open” means that organisations are responsive to external pressures and “systems” means that a response by one element in the organisation/environment relationship usually leads to a variety of other responses by the same element or other elements in that relationship.

Another premise is that most organisations are more permeable to external pressures than ever before because of a flood of late 20th century laws regulating many broad organisation-to-society matters. In addition, the environment itself also continues to change at a rapid pace.

### **Buffering strategies as an organisational response**

As the environment creates uncertainty, how can managers adequately plan, organise and control to deal with uncertainty? Organisations should develop a number of strategies that include forecasting and buffering. Forecasting attempts to anticipate change before it occurs. Buffering is concrete: designing structural devices (such as larger or more specialised organisational units) and technological work-flow devices (such as new or more complex procedures). These buffering devices assist the organisation to be both proactive and reactive and to shield itself from the pressures of the environment. They both ease schedules and help managers to figure out the nature of the environmental pressures so that



they can try to make sense of them. As a manager, you often need more time and information to deal with emerging events. Once you reasonably assess the strength or potential impact of these pressures and resources for coping with them, you are in a sound position to safeguard the organisation.

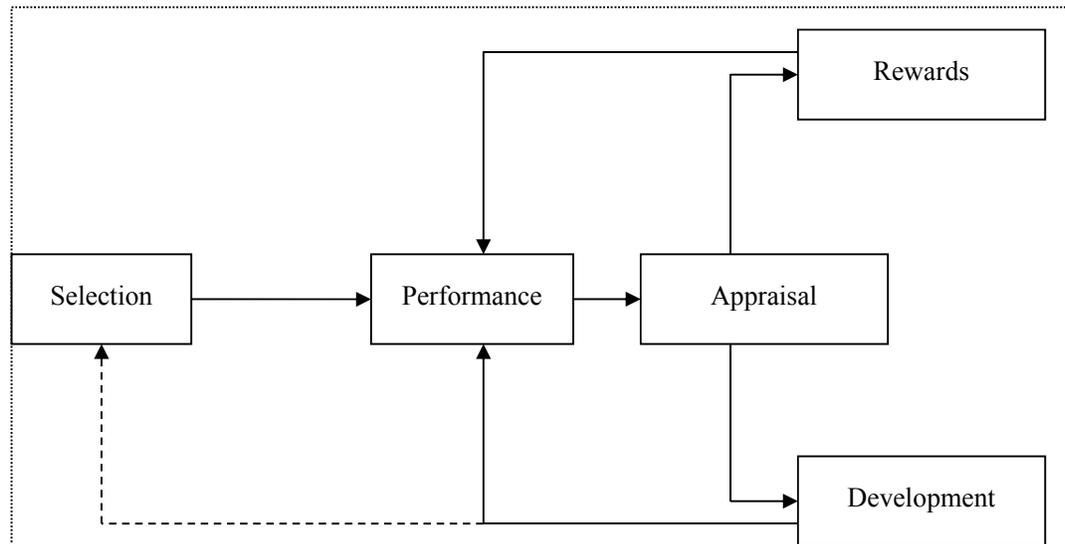
The notion of buffering seems to have been taken up by many organisations in response to actual or potential pressures of the legal environment. As a result, larger, more specialised human resources departments handle legal requirements concerning the rights of employees.

The HRM function (or any other function) – in designing buffering devices – draws on the resources of the organisation and places greater responsibility on that function to meet its organisational obligations. Hence, HRM has to protect and shield the organisation from errors of commission or omission in the management of its human resources. As this obligation carries with it increased visibility and risk for their function, human resources professionals have been seen at times as heroes and at other times as traitors. Their reaction to this impact demonstrates the “open system” theory of Katz and Kahn (1978): they have designed a few internal buffering devices of their own. One way to reduce the risk of errors is to centralise human resources policy-making and planning activities at the corporate level while continuing to support decentralised decision-making at the unit level. It is at the unit level where you will see more sensitivity to and information regarding critical interpersonal and inter-group relationships.

## A strategic perspective on HRM

You have already learnt about various pressures the environment can exert upon the organisation. These have required organisations to link HR activities to their respective overall strategies. For example, U.S. firms in the early 1980s had to face stiff competition from foreign companies beginning to export their products to the United States at lower prices than U.S. companies could offer. The cost advantage stemmed from lower labour costs and made it nearly impossible for American companies to survive. They had to look for more efficient and effective ways to use the resources available to them and stay afloat. The ensuing effort gave rise to the concept of strategic human resource management (SHRM) defined as “the pattern of planned human resource deployments and activities intended to enable an organisation to achieve its objectives”.

The first among organisation theorists to explicitly discuss the concept of human resource strategies in the context of strategic management were Galbraith and Nathanson (1978). They recognised the need to fit human resources into the strategy implementation process. As they presented the role of human resources in the implementation of organisational strategy, they identified four basic HRM sub-functions or strategies: selection, appraisal, rewards and development.



**Figure 1.2 A model of the human resource management function**

Source: (Tichy, 1982)

Figure 1.2 shows the interdependencies of the major HRM sub-functions. Recently, some writers reviewed the human resource strategy literature and found that three approaches have been used:

1. Matching managerial style or human resource activities with strategies.
2. Forecasting human resources requirements, given certain strategic objectives or environmental conditions.
3. Presenting means for integrating the management of human resources into the overall effort to match strategy and structure.

However, they concluded none of these approaches was perfect. Each was deficient because the two types of strategy (human resources and organisational) are reciprocally interdependent. A more effective way of viewing the two types of strategy would recognise that each is an input to and a constraint on the other.

Baird and Meshoulam (1988) discussed the need for human resource strategies to manage both the external fit (relating strategies to the stage of the organisation) and the internal fit (managing various human resources components to support one another). They presented five stages of HRM growth:

1. Initiation
2. Functional growth
3. Controlled growth
4. Functional integration



## 5. Strategic integration

They also presented six strategic components of HRM:

1. Manager awareness
2. Management of the function
3. Portfolio of programmes
4. Personnel skills
5. Information technology
6. Awareness of the environment

From this, they developed a matrix for managing both external fit and internal fit. The notion of fit is central to an understanding of the role of human resources in organisations from an open systems perspective.

Wright and Snell (1991) referred to two types of outcomes from the system:

1. Affective outcomes
2. Performance outcomes

Affective outcomes are “the feelings of the employees within the system about being part of the system itself”. Performance outcomes are the products or services that the organisation produces. From this model of the human resources system, Wright and Snell stated that the HRM function consists of two basic tasks:

1. Managing the competencies of the system – competency management.
2. Managing the behaviours of the system – behaviour management.

Competency management strategies include:

- **Competency acquisition** – acquiring the skills the system needs through selection and training.
- **Competency utilisation** – utilising the competencies of the system through quality of work life programmes, and so on.
- **Competency displacement** – ridding the system of obsolete competencies through firings, early retirements, and so on.

Behaviour management strategies include:

- **Behaviour control** – by eliciting certain behaviour from individuals through such methods as behaviour performance appraisal.
- **Behaviour coordination** – by coordinating the behaviour of individuals to achieve effective group performance through such means as group bonuses and organisation development techniques.

In the field of strategic human resource management, a recent focus of attention is on understanding the role of human resources in sustaining competitive advantage. Many authors have demonstrated that a firm's human resources constitute one resource that fulfils the four criteria for being a potential source of sustained competitive advantage: high-quality human resources are valuable, rare, difficult to imitate, and not subject to substitution. This finding firmly establishes the fact that human resources are a firm's most valuable asset if they are managed effectively. Thus, companies need to invest wisely in these strategic assets when they seek competitive advantage in today's global competition.

### A political perspective on HRM

You will by now have a clear understanding of the strategic perspective on HRM, the objective of which is rational decision making that aligns HRM practices with the organisation's strategic goals. However, as you have probably experienced, not all decisions in organisations are rational and many have very little to do with achieving organisational goals. Recent writers in HRM propose that influence and politics are a significant part of the HRM function or that at least they strongly affect that function.

What is meant by politics in HRM is that individuals or groups attempt to exert influence over others for purposes and in ways that are not approved or sanctioned by the organisation. Influence often consists of seeking to manage how others interpret events and symbolic actions. Politics is defined as "the management of shared meaning by individuals, groups or organisations". This view of politics allows you to better understand the role of influence in HRM, particularly with regard to personnel selection, performance appraisal and promotion/reward systems.

In the real world of HRM, it is not easy to identify perfectly the skill requirements of a particular job or to assess perfectly an applicant's level of each of the various skills as perceived in strategic HRM. There is neither a perfect fit nor a rational decision-making process. It is the inability to assess perfectly in an objective manner that lets politics enter the decision-making process.

You would have experienced in your work life that there is no objective standard for assessing a perfect fit. Selection decisions therefore often revolve around the perceived similarity of an applicant's skills with the standard. Thus, managing the perceptions of the decision maker can allow the applicant an opportunity to influence the decision-making process in a political manner. More specifically, the process of impression management in the employment interview is an example of politics in HRM. Applicants usually search company information to assess the type(s) of employees that the organisation seeks. An applicant wishing to join an organisation that publicises its aggressive, market-oriented strategy will attempt to come across as quite aggressive in the interview. The same applicant wishing to join a firm that promotes its team atmosphere and group cohesiveness is likely to act significantly less aggressively in an effort to appear to fit that organisation.



Recent research has demonstrated that attempts to bring influence to bear on the employment interview do affect decision outcomes. For instance, it appears that interviewees who exhibit controlling tactics such as self-promotion and efforts to dominate the interview prove more successful than those who act passive or submissive.

Performance evaluation seems to be an area of HRM that is also influenced by politics. A sacred principle of performance evaluation is to evaluate performance itself rather than the person in the abstract. As in most jobs, it is difficult to define and measure all relevant aspects. The performance evaluation process can appear to be mostly subjective. Evaluators do acquire generalised impressions regarding employees' contributions to their organisation. Employees' behaviours as well as beliefs, values and level of effort – all of which can be manipulated – can easily influence the impressions of evaluators. Often, a discrepancy exists between an individual's performance and the evaluation result; this difference stems out of political influence.

Promotion/succession systems are also subject to dynamics of political influence. Firms may prefer to fill managerial positions within the ranks to provide motivation. To assess the fit between the job vacancy and the person being promoted, the firm must partly rely on past performance evaluations as well as information found through interviews and other means. You have seen how these processes are affected by political influence. Although many may not want to acknowledge the existence of political influence in organisations, anecdotal and empirical data shows very convincingly that these processes are part-and-parcel of organisations. One would be short-sighted to ignore their existence.

## An international perspective on HRM

For many years, there has been increasing international competition. Today, most large corporations in the U.S., Europe and Japan function in a global economy. A revolution in management practices as well as increased emphasis on quality of work life (QWL), have occurred over the same years. In order to compete internationally, many overseas facilities must be established with the effect that two general concerns are being addressed by many American and European companies. First, how does one manage a company's citizens working overseas? Secondly, how do organisational management policies and practices in other cultures differ from those in the respective home countries?

For instance, the expansion of production facilities outside U.S. borders provides HRM concerns for American companies. As a means of keeping production costs down for the automotive industry, Lee Iacocca turned more and more to setting up plants outside America. In 1993, he headed the fight to set up the North American Free Trade Agreement (NAFTA) which created the world's largest free trade zone by virtually eliminating trade barriers between Canada, Mexico and the U.S. In effect, what happened was that U.S. firms capitalised on Mexico's lower labour costs by building production facilities there.

The foremost challenge for firms going overseas is the need to select and train individuals who are able to work in a foreign culture. As such, programmes featuring international management and cross-cultural training have increased in value.

Also related to the issue of managing one's citizens in a foreign setting is the problem of adequate compensation for them. This arises from the volatility of major foreign currencies and particularly the U.S. dollar. So, corporations meet this challenge by paying allowances for housing, payment of tax (if required), education of the manager's children, cost of living adjustments, and so on.

The other concern – the influence of culture on HR practices – has created more awareness among academics and HR practitioners. When there are joint ventures in foreign countries, firms need to have a good understanding of the foreign culture concerned. The 1987 Conference on International Personnel and Human Resource Management held at the National University of Singapore was a showcase for the work of academic researchers who had applied a number of methods in various Pacific Rim countries (Japan, China, and Taiwan) to learn of human resources compared with U.S. practices. Evaluations have revealed that practices tend to be primarily guided by an ethnocentric view of the world in spite of these efforts to gain an understanding of human resource practices in Pacific Rim countries.

For a firm to be competitive these days, its HRM function must be characterised by:

1. **Transnational scope** – going beyond a simple national or regional perspective and making human resource decisions with a global perspective.
2. **Transnational representation** – globally competitive organisations must have multinational representation among their managerial employees.
3. **Transnational process** – a decision-making process that involves representatives and ideas from a variety of cultures.

### An evaluation perspective on HRM

Two criteria are usually used to assess the quality of an enterprise's HRM function: efficiency, and effectiveness. In judging effectiveness, we ask "Is HRM doing the right things?" whereas efficiency is "doing things right" in the sense of maximising outputs relative to inputs. Effectiveness may involve biases of people because people decide what the right things are. By contrast, efficiency is associated with an internal, value-free assessment of the function. The HRM function can be judged in terms of the following phrases: efficient but ineffective, effective but inefficient, ineffective and inefficient, or effective and efficient – the last of which is the desired status.

Efficiency may be determined from short-term activities such as personnel functions. For instance, how fast were personnel requisitions



filled? At the same time, activities such as preparing job descriptions and providing career counselling are long-term activities critical to the effectiveness of the organisation. In the short run, they may seem to resist efforts at efficiency improvement. To strike an optimal mix is ideal.

### Personal audits and utility analysis

One popular approach to assessing HRM function is called the personnel audit which has two components: procedural audit and functional audit. The former focuses on the activities performed by members of the HR department and the amount of time spent on each. It is internal to the HR department and represents a measure of the function's efficiency. The latter – functional audit – seeks to measure the function's effectiveness. In other words, it attempts to assess how well the function is serving the organisation in helping to achieve both short-term and long-term goals.

Some researchers have demonstrated how human resources can be subjected to utility analysis that leads to determining the money value of HRM activities to the organisation.

## Auditing the HR function

Designing an HR system is not enough. Effectively implementing it is another. Although there are several ways (some involving the extensive use of accounting and statistical techniques) of assessing how an organisation's HR department is actually doing, let us look at a less rigorous but still effective approach.

HR review: Dessler (2001) presents a process that aims at tapping top managers' opinions regarding how effective HR has been. Such a review contains two parts: what should be and what is.

The question of what should be refers to the HRM department's broad aims and involves two things. First, it should start with a broad philosophy or vision statement. Secondly, this broad vision gets more focus with a HRM mission statement. This describes what the mission of the HR department should be.

Next, the focus of the HR review shifts to an evaluation of what is. Ideally, this consists of six steps. Issues to be addressed are:

1. What are HR functions? Division heads give their opinion about what they think HR functions should be. All aspects of HR would be commented upon. The important point here is to crystallise what HR and its main clients believe are HR functions.
2. How important are these functions? The participants then rate each of these functions on a ten-point scale of importance ranging from low (1-3) to medium (4-7) to high (8-10). This provides an estimate of how important each of the identified HRM functions is in the view of HRM executives and their clients such as division managers.

3. How well is each of the functions performed? Next, have the same participants evaluate how well each of these HR functions is actually being performed.
4. What needs improvement? The next step is to determine which of the functions rated most important are not being well performed. The discussions at this stage will help identify the HR functions in which the department has to improve its performance. They should help to pinpoint specific problems that have contributed to the low performance ratings and help provide recommendations to improve performance.
5. How effectively does the corporate HR function use resources? This step consists of checks to determine whether the HR budget is being allocated and spent in a way that is consistent with the functions HR should be stressing.
6. How can HR become most effective? This final step is aimed at allowing you one last, broader view of the areas that need improvement and how they should be improved.

## Contemporary significance of HRM

The development of HRM as a body of management thought in the 1980s can be linked to a conjunction of socio-economic factors – in particular, changes in international competition, the restructuring of industrial sectors and organisations, and the rise of a renewed confidence in the power of managers to manage.

Management of people has been placed firmly on the agenda through the championing of doctrines of excellence, quality, innovation and entrepreneurship. A new style of personnel management with the label HRM has emerged. HRM involves the following characteristics:

- A focus on horizontal authority and reduced hierarchy; a blurring of the rigid distinction between management and non-management.
- Devolution of responsibility for people management to line managers wherever possible; the role of personnel professionals is to support and facilitate line management in this task and not to control it.
- Active HR planning that is fused with corporate level planning; HR issues are treated strategically in an integrated manner.
- A view of employees as subjects with the potential for growth and development; the purpose of HRM is to identify this potential and develop it in line with adaptive needs of the organisation.
- An assumption by HRM that a common interest in the success of the organisation unites management and non-management. Its purpose is to ensure that all employees are aware of this and committed to common goals.

## Module Summary



### Summary

First of all, HRM is the responsibility of every manager not just those in human resources. HRM involves recruiting selecting, training, compensating, appraising, and developing employees. Globalisation and technological advancement innovation means that companies must be more competitive. Generally, management expects the HR department to provide measurable evidence regarding its effectiveness.

It may not be an easy task to trace the origins of HRM. However, HRM can be seen as part of management in general and the management of employees in particular. HRM appears to have its origins in the United States in the 1950s. In the United Kingdom, HRM did not come to be recognised until the mid-to late 1980s. HRM emerged as a viable function and subject area around 1920. Hawthorne studies (Roethlisberger and Dickson 1939) had a pervasive influence.

During World War II, there was a great need to increase the productivity of the American workforce, many of whom were new recruits with no previous production experience. In post-war years, the explosion of technology has had indelible effects on the personnel administration (PA) function. Significant changes in the way human resources were recognised prompted reforms in the personnel function throughout the world in the 1970s and the 1980s.

The title of the department also underwent transformation – going first from “personnel administration” to “industrial relations” and then via “employee relations” to “human resources”. The title “human resources” reflects the perception that employees are assets and not costs. Such elevation of HR indicated that this function was moving beyond a reactive people-problem mentality to a proactive planning and consulting mentality. By the mid-1970s, an organisation’s human resources began to be recognised as a key resource in its competitive efforts and well-managed companies improved the effectiveness of the HRM function to the benefit of line executives, other employees and HR practitioners. As employees began to be seen as assets rather than costs, dramatic changes (such as the requirement of new competencies to carry out the HR function effectively, in particular) in the role and status of HR began to take place.

HR can be examined in several aspects: historical, environmental, strategic, political, international and evaluation. Strategic human resource management is defined as “the pattern of planned human resource deployments and activities intended to enable an organisation to achieve its objectives”. Galbraith and Nathanson recognised the need to fit human resources into the strategy implementation process. They outlined four basic HRM sub-functions or strategies: selection, appraisal, rewards and development. Of the three approaches generally used, none was found perfect.

Baird and Meshoulam (1988) presented five stages of HRM growth: initiation, functional growth, controlled growth, functional integration and strategic integration. They also presented six strategic components of HRM: manager awareness, management of the function, portfolio of programmes, personnel skills, information technology and awareness of the environment. Wright and Snell (1991) referred to two types of outcomes from the system: affective outcomes and performance outcomes.

Performance evaluation seems as much as selection to be an area of HRM that is influenced by politics. A sacred principle of performance evaluation is to evaluate performance itself rather than the person in the abstract. Promotion/succession systems are also subject to dynamics of political influence. The foremost challenge for firms going overseas is the need to select and train individuals who are able to work in a foreign culture. The other concern – the influence of culture on HR practices – has created more awareness among academics and HR practitioners.

For a firm to be competitive in today's world, the firm's HRM function must possess transnational characteristics in its scope, representation and processes. Two criteria are usually used to assess the goodness of the HRM function: efficiency and effectiveness. One popular approach to assessing the HRM function is called personnel audit which has two components: procedural audit and functional audit.

The development of HRM as a body of management thought in the 1980s can be linked to a conjunction of socio-economic factors – in particular, changes in international competition, the restructuring of industrial sectors and organisations as well as the rise of a renewed confidence in the power of managers to manage.

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# Assignment



## Assignment

1. Explain the differences between the personnel management, IR practices and HRM practices.
2. Discuss two approaches to HRM. Distinguish them in terms of the way they conceive the strategic potential of HRM.
3. Define the general characteristics of HRM.
4. Write in your own words how HRM has evolved over the last fifty years.
5. Trace the early development of personnel responsibilities and outline the evolution of the present HR function.

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## Assessment



### Assessment

1. In the organisation where you work or in a situation you are familiar with, which do you see: HRM or personnel management? Briefly support your answer with reasons.
2. In your opinion, why should modern organisations deviate from personnel management? Give your reasons.
3. What are the different perspectives on HRM? Outline the key factors under each perspective.
4. Do you observe key differences between personnel administration and HRM? List them.

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