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INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

Objectives

This chapter will help you to:

- define human resource management (HRM)
- become familiar with the concept of HRM and its place in an organisation
- trace the historical development of HRM
- explain the theoretical differences between personnel management and human resource management
- discuss the context within which HR operates
- identify the nature of work done in HR departments
- outline how models of HRM can be applied in organisations
- discuss the current HR challenges facing organisations

Definition

Human resource management (HRM) is a style of managing people in the workplace that emerged during the 1980s. It is defined by Armstrong (2006, p.3) as ‘a strategic and coherent approach to the management of an organisation’s most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives’.

The term ‘strategic approach’ is a key phrase in the definition of human resource management and signifies the importance of a long-term ‘game plan’ for employing and managing people at work.

Armstrong (1999, p.3) says that HRM ‘is concerned with the employment, development and reward of people in organisations and the conduct of relationships between management and the workforce’.

The functions of the HR department, which involve employing, developing and rewarding workers as well as employment relations, form the focus of the rest of this book.

Two approaches to HRM can be identified. ‘**Hard**’ HRM treats people just like any other resource to be managed effectively. The emphasis of this approach is on organisational needs rather than the needs of employees. The ‘**Soft**’ HRM approach recognises that because people think and feel, they

cannot be treated in the same way as other resources. The focus is on nurturing and developing staff as a means of achieving corporate aims.

The Evolution of HRM

This section outlines how the style of managing people has evolved over time. It will help you to understand how the role of the human resource manager has developed over the past two hundred years.

The evolution of HRM will be discussed under the following headings:

- 1 The origins of HRM
- 2 The influence of scientific management
- 3 The influence of behavioural science
- 4 Changes in people and organisations

As you read, try to concentrate on how the role of the HR manager has been shaped into what it is today.

1 The origins of HRM

Managing people at work began at the time of the **industrial revolution** in the late eighteenth century. Before this time few large organisations existed, but, with the invention of new technology, the factory system developed and large numbers of people moved into the towns and cities to work. The work environment was very unfavourable at this time and employees, including young children, worked very long hours for very little pay in difficult and often dangerous working conditions. The approach to managing people was harsh and the main aim was to control the workers who had few, if any, rights. Some of Charles Dickens' novels, such as *Hard Times*, depict the lives of the working class of this era.

The first efforts to show concern for workers came toward the end of the nineteenth century when some large organisations decided to improve the situation of their employees. Companies such as Cadbury in Britain and Jacob in Ireland appointed **welfare officers** to improve working conditions and to set up schemes for sick pay and subsidised housing. This initiative was voluntary as the companies did not have any legal obligations to provide these benefits for their employees. Even though the welfare approach suffered setbacks during times of economic recession, the concern for the welfare of workers is still an important part of HR management today. This is reflected in the role of the HR manager in drawing up organisational policies on harassment and sick pay, for example. Evidence of the progress made for workers can be seen

in the employment legislation regarding equality, dismissal, young workers, minimum pay and health and safety. Today's HR managers must keep up to date with these legal developments to ensure that their organisation meets its obligations to employees.

2 The influence of scientific management

The next influence on how people were managed was '**scientific management**', which became popular early in the twentieth century. In an effort to organise the work process more efficiently, FW Taylor asserted that there was 'one best way' to approach every job. To find the best way of doing a particular job, Taylor analysed the job and broke it down into individual components. This is called job specialisation. Taylor believed that people could be trained to become expert at one particular component of the job. Companies like Ford took up Taylor's ideas at the time and used assembly lines to complete the job bit by bit. Taylor's ideas can be seen at work in some fast-food restaurants where the process of serving a customer is broken down into a number of tasks and each employee is responsible for one of these tasks, such as taking the customer's order, frying burgers or cooking fries. While scientific management can improve efficiency, it ignores the fact that people are not machines and they can get bored doing the same thing all the time. HRM today still benefits from some of the tools developed during this time. These include job analysis, methods of selection and methods of training.

3 The influence of behavioural science

The research of people like Elton Mayo in the 1930s and 1940s indicated that the way people felt about their jobs influenced how they did their work. For the first time it was acknowledged that performance could be affected by concepts such as motivation, job satisfaction, group dynamics and leadership style. The main contribution of the **behavioural science movement** to HRM is the knowledge gained from research in these and other areas. Those involved in managing people now have to consider how individual differences among employees affect the management style required. People are different in terms of what they expect from their jobs and how committed, satisfied and motivated they are, and may need to be treated differently. This requires a more flexible approach from managers.

4 Changes in people and organisations

During the 1980s and 1990s, a time of worldwide recession, many business leaders recognised that their employees were the key to competitive advantage. This belief, that people are a resource to be managed as efficiently and effectively as any other resource, led to a shift in management style which became known as **human resource management**.

This development in management style has certainly been influenced by the fact that both the workers and the organisations which employ them have changed considerably over the last two hundred years. The standard of education has increased and employees expect better working conditions and better treatment from employers. Furthermore, today's workers are more likely to take an interest in the performance of their organisation and often want to be involved in the decision-making that directly affects them.

Organisations have changed too. Due to technological developments, change occurs more quickly now, and an organisation has to be able to adapt to the changing environment in order to survive. An organisation's ability to adapt to change relies heavily on its employees.

This view of the employee as a valuable resource led to the emergence of new theories of how people should be managed. There are a number of theoretical differences between this new style of HRM and the traditional approach of personnel management. The next section looks at these in more detail.

Before you read the next section, make sure you understand what you have just read. Can you explain the factors that have influenced the role of the HR manager today? Use the four subheadings above to structure your answer.

Theoretical Differences between Personnel Management and HRM

In theory, HRM is not a synonym for personnel management. Instead it should be viewed as another perspective on managing people. The key word in the title of this section is 'theoretical'. This is because in reality the 'personnel' and 'HR' titles do not always reflect the style of management dominant in the organisation. In other words, just because an organisation has a personnel manager, it does not necessarily follow that the old style of management is used. Similarly, just because an organisation employs an HR manager, it does not mean that HR policies and strategies are evident in the organisation. There

are a number of key areas where differences in these styles of management can be identified.

The following differences will be discussed:

- 1 Integration
- 2 Strategy
- 3 Management–employee relations
- 4 Organisational design

As you read this section, think about the style of managing people in an organisation you are familiar with.

Which style of management most closely resembles that of your organisation?

Overall, does the organisation lean towards the traditional personnel style of management or towards HRM?

1 Integration

Where ‘personnel’ is the dominant style of management, almost all of the responsibility for the personnel management role is taken on by the personnel specialist, that is the personnel officer or the personnel manager. In contrast, the human resource role is integrated. In other words, HR activities are present in all areas and are carried out at all levels of the organisation. This requires the involvement of line managers in developing HR strategies and carrying out HR policies. In organisations which lean towards the HR style of managing people, responsibility for planning, selection, training, discipline and other aspects of personnel management do not lie solely with the HR manager.

In addition to the integration between business and HR strategies, there should be integration among the HR activities themselves. In other words, HR practices should be compatible. For example, if employees are required to work in teams, then rewards should be designed to remunerate effective teamwork.

Using a **competency-based approach** to managing people is an example of how key HR activities can be integrated. By clearly identifying the competencies (the skills, knowledge and personal attributes) necessary to attain high levels of performance, a competency framework can be established and applied to other aspects of HR management, such as:

- planning – to form part of the job analysis (see chapter two)
- selection – to aid the choice of selection methods and to formulate relevant interview questions (see chapter four)
- training and development – to focus on specific competencies (see chapter five)

- appraisal – to evaluate employees' performance (see chapter six)
- reward management – to decide how much employees should be paid (see chapter eight)

2 Strategy

A key characteristic of organisations that adopt the HR style of management is that a strategy for human resources is included in the overall corporate strategy. This means that plans for recruiting, developing and motivating employees are viewed as an important part of the long-term planning of the organisation. Human resource management involves the development of long-term plans and strategies with regard to these and other aspects of managing people. The HRM approach is proactive as it tries to anticipate problems and situations before they happen. Traditional personnel management planning tends to be short-term and may be more reactive in nature. This means waiting for problems to occur before solutions are sought.

3 Management–employee relations

Personnel management is based on the pluralist view that workers and management have different and conflicting interests. For example, workers would like to increase pay as much as possible and employers would like to increase profits as much as possible. This implies that there is low trust between workers and management. If this is the case, the members of each group need to protect their own interests by joining unions or employer associations. Employment relations can be adversarial and this affects how pay and conditions are negotiated. Those in unionised workplaces rely on collective bargaining to agree on these issues and the outcome is the same for everybody. This style of management focuses on compliance. In other words, managers concentrate on ensuring that employees keep their end of the bargain by following rules and procedures.

In contrast, human resource management is identified as being a unitarist approach. This is the assumption that workers and management have the same goals within the organisation. It implies that there is no conflict of interest between workers and management. If this is the situation, there should be a high level of trust between workers and management and this eliminates the need for union protection. Individual bargaining is encouraged, meaning that each worker negotiates their own contract. HR managers believe that this style of management will lead to more than just compliance. The aim is to increase

commitment so that workers feel a sense of loyalty and responsibility to the organisation. For this to happen, good employment relations are necessary.

4 Organisational design

Organisational design refers to the overall structure of an organisation and includes the interaction of elements such as the definition of roles, the allocation of responsibilities, job design and the distribution of power. There tend to be some differences in the design of organisations that follow the traditional personnel management style and those that apply the strategies of human resource management. Personnel management is more likely to be found in bureaucratic organisations with strict job descriptions and clearly defined roles. Human resource management is more likely to be found in organic organisations where flexibility in work roles is encouraged. This means that workers may be expected to fill in for each other if necessary or take on duties outside of their area of responsibility if the need arises. Power and decision-making tend to be centralised in one individual or a few individuals in organisations where the personnel management style dominates. In contrast, these responsibilities are more likely to be shared or devolved in organisations where HRM is the main management style.

It is important to point out that one style of management is not necessarily better than the other. Rather one style of management may be more appropriate in a particular type of organisation.

Can you remember the key differences between the two styles of management? Read through the section again and underline all the key words which can be used to distinguish between personnel and human resource management. Make a list and compare it with table 1.1 in the summary section of this chapter.

The Context within which HRM Operates

In practice, there is great variation among organisations in their approach to managing workers. This variation is due to the contexts or environments in which organisations operate. In other words, how people are managed at work depends on circumstances both inside and outside the organisation. HR strategy, policies, procedures and practices are influenced by factors such as the economy, the labour market, social issues, technology and legislation as well as the organisation's objectives, culture and size.

The economy

The economic situation can affect an organisation in several ways. It can have an impact on salary trends and on demand for goods and services. In times of economic prosperity, HR practitioners may need to design strategies to attract and retain employees. During a downturn in the economy, the strategic focus may shift to downsizing and reducing the workforce.

The labour market

The condition of the labour market is another important factor. For instance, if there are large numbers of qualified people available for work, the organisation is under less pressure to formulate recruitment plans or to invest in training and development. This was the situation for many Irish companies in the late 1980s and early 1990s and again in the late 2000s and early 2010s. When suitably qualified personnel are scarce, they become more valuable to the organisation and are treated accordingly. A shortage of qualified nurses in Ireland in the early 2000s, for example, resulted in some hospitals recruiting nurses from abroad and offering more flexible hours in an effort to fill vacancies.

Social factors

The demographic changes in the Irish population have led to the development of policies on, for example, diversity, work-life balance and flexible working to accommodate the specific needs of groups of workers such as women, students, people from different countries and people with disabilities. Consumer lifestyles and attitudes to social and environmental issues also affect demand for an organisation's products or services.

The technological context

Developments in technology have changed the environment within which HR operates. Communication within organisations is facilitated by the use of email and intranet. Vacancies can be advertised and applications processed online. In addition, HR software is now widely used to carry out basic administrative tasks such as storing employee profiles and recording absences. A self-service option allows employees to access their own records, view their pay history and update personal details.

The legal context

Employment legislation is another component of the environment in which HRM operates. Laws on health and safety, dismissal, maternity and equality are examples of the legal influences on the management of human resources and affect areas such as recruitment, selection and termination of employment. Employers have certain legal obligations to their employees and these have some bearing on management style. Employment legislation is discussed in more detail in chapter eleven.

Organisation's objectives

An organisation's objectives, as specified within its corporate strategy, provide part of the context within which it operates. For example, if an objective is to expand the business or to launch a new product, HR activities may focus on hiring new staff or on providing training to sales staff.

Organisation's culture

An organisation's culture also influences how HRM works in the organisation. Organisational culture refers to the accepted way of doing things within a place of work. If the culture traditionally encouraged compliance with procedures and discouraged initiative, it is difficult to make a sudden change to a culture of commitment and participation. An organisation's culture develops gradually over time and can be hard to change quickly. For this reason new organisations can more easily adopt the characteristics of the HRM style than older ones.

Organisation's size

The size of an organisation can affect how people are managed. For example, relations between employees and management in smaller companies tend to be less formal and there is less likely to be union representation. This can make it easier for smaller organisations to adopt some of the ideas and principles of HRM. Contracts are often negotiated on an individual basis in smaller organisations, whereas larger ones have to apply the same policies and strategies to all their employees. Union representation, common in larger organisations, underlines the notion that workers and management have different agendas. Thus, the principles of HRM are more difficult to integrate into a larger organisation.

How does an organisation you know respond to each of the factors discussed in this section? Discuss how these factors may influence HR strategy and practice.

The HR Department

This section of the chapter takes a brief look at the kind of work carried out by people employed in human resources. There are four main areas of responsibility:

- employee resourcing
- employee management
- employment relations
- record-keeping

The **employee resourcing** process involves making sure that the organisation has the right number of employees with the appropriate skills and qualifications. This process needs to be reviewed continuously and is aided by HR planning, recruitment and selection (see chapters two, three and four).

Employee management is the area of responsibility that covers human resource development, performance appraisal, motivating employees and reward management (see chapters five, six, seven and eight).

The human resource department also has a role to play in **employment relations**. Trade unions and employers' associations, dispute resolution facilities and employment legislation are discussed in the last section (see chapters nine, ten, and eleven).

A very important aspect of the work of HR practitioners is **record-keeping**. In some cases record-keeping is a specific requirement of employment legislation. Annual leave, rest breaks and payment of wages, for instance, must be documented and employers may be penalised for not retaining accurate records. Records of grievance and disciplinary issues and of performance appraisals should also be kept in case it is necessary to defend a claim from an employee. Several HR software products are available to record, store and retrieve HR information.

Models of HRM

Models of how human resource management can be used in organisations fall into two categories: '**best practice**' and '**best fit**'.

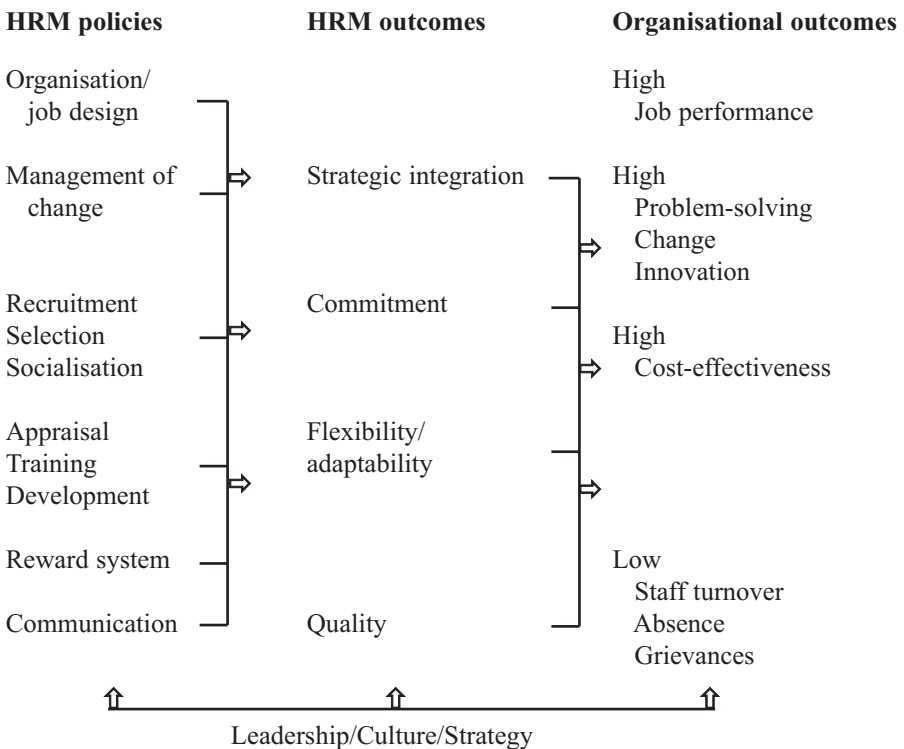
Best practice models assume that there is one best way to carry out HR functions and that this way can be applied to all organisations. Well-known examples of best practice models are those of Pfeffer (1998) and Guest (1989, 1997).

Jeffrey Pfeffer proposes that the components of best practice HRM are:

- employment security and internal labour markets
- selective hiring and sophisticated selection
- extensive training, learning and development
- employee involvement, information sharing and worker voice
- self-managed teams/teamworking
- high compensation contingent on performance
- reduction of status differentials/harmonisation

To what extent does an organisation you are familiar with follow the components of best practice outlined by Pfeffer?

Figure 1.1 *Guest's model of HRM*



David Guest, Professor of Organisational Psychology and Human Resource Management at King's College London, developed a model of how human

resource management can work in organisations. According to this model, organisations will be more successful if they aim to achieve four key HRM goals. These goals are:

- **strategic integration** – the organisation should aim to integrate human resource management with its overall business strategy
- **commitment** – the organisation should encourage employee commitment. This is the extent to which an individual identifies with and is involved in the organisation
- **flexibility** – the organisation should aim for flexibility both in the content of jobs and in the structure of the organisation
- **quality** – the organisation should aim for high standards of quality in the work that is carried out, the people that are employed and the treatment of employees by management

These four goals can be achieved through careful consideration of how jobs will be designed, how change will be managed and how recruitment and selection will be carried out, for example (see the first column of figure 1.1). If all four HRM goals are achieved, the organisation can expect the benefits listed in the third column under the heading ‘Organisational outcomes’. These include better performance and problem-solving and lower staff turnover and absenteeism. Guest believes appropriate leadership, strategic vision and culture are necessary for HRM to be effective.

What are Guest’s four goals of HRM, how can they be achieved and what are the benefits to the organisation of achieving these goals?

Best fit models are based on the belief that there is no ‘one best way’ to manage human resources and that HR policies and practices depend on the internal and external environment in which the organisation operates. Examples include the **Business Life-Cycle Model** and the **Competitive Advantage Model**.

The Business Life-Cycle Model proposes that the approach to HRM depends on which stage of the business life cycle (see figure 1.2) the organisation is at.

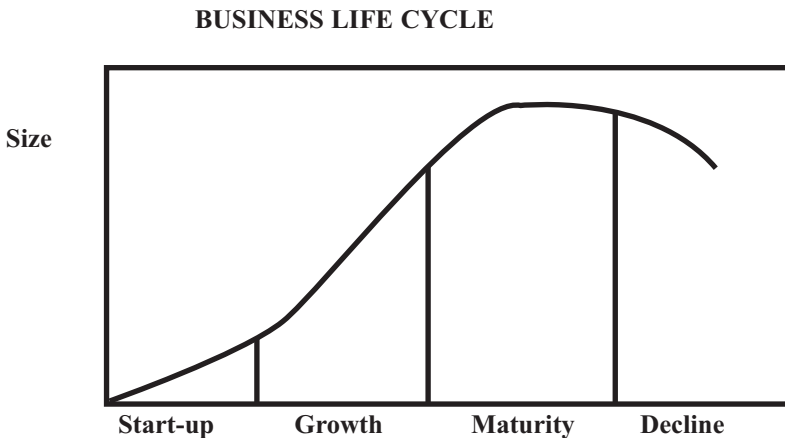
At the **start-up stage** of a new organisation, the HR focus tends to be on recruitment, retention, flexibility and gaining employee commitment. Usually there are few formalised HR practices at this stage.

At the **growth stage**, formal policies and procedures are needed and can be based on early experience. More sophisticated methods of recruitment, selection, development and so on may be used. Motivation, retention and morale become more important.

At the **maturity stage**, there is likely to be a range of formalised HR procedures. There may be a focus on the control of labour costs. As a result, relationships may become tense between employees/unions and employers.

At the **decline/renewal stage**, the emphasis may shift to redundancy. HR policies are reconsidered and training may focus on reskilling.

Figure 1.2 *Business life cycle*



Think about an organisation you know. What stage of the business life cycle is it at currently? How has this influenced HR practices?

Porter (1985) argues that employers have three basic strategic options in order to gain **competitive advantage**: cost reduction, quality enhancement and innovation.

The **cost reduction** employer seeks to produce goods and services that are cheaper than the competition and puts an emphasis on minimising costs at all stages of the process. Likely HR implications include low levels of pay, tight performance monitoring, poor or non-existent training and no unions.

The **quality enhancement** employer seeks to produce goods and services of the highest quality possible in order to stand out from the competition. The likely HR implications are similar to those of the best practice models, namely systematic recruitment and selection, comprehensive induction programmes, highly competitive pay and benefits and a partnership approach to employment relations.

The **innovation** strategy to competitive advantage involves groups of highly trained specialists who work closely together to design and produce complex and rapidly changing products and services. Common HR

implications include a greater emphasis on informality, problem-solving groups and flexibility. In addition, dynamic reward systems and individual bargaining are common practice.

Can you think of any organisations that match these strategies for competitive advantage? How do these strategies for competitive advantage affect HR practices in the organisations you have identified?

Current HR Challenges Facing Organisations

During the economic boom, one of the biggest difficulties facing HR managers was **attracting and retaining key employees**. Many employers found it difficult to fill vacancies. HR practitioners focused on recruitment and reward strategies in an effort to ensure adequate staffing levels. The situation has changed dramatically in the last few years, however. While attracting and retaining key employees remains a problem for some organisations, the economic recession has forced many others either to downsize their operations or to close them completely, resulting in a **surplus of staff**. One of the main challenges currently facing HR practitioners, therefore, is deciding the best way to deal with employees who are no longer required. Possibilities include offering career breaks, redeployment, reduced working hours, layoffs, job sharing and redundancy.

The composition of the labour market is changing in Ireland, as in other countries, with an increased number of women, non-Irish, older workers and members of minority groups entering the labour market. Despite the existence of the Employment Equality Acts (1998–2008) (see chapter eleven), the Equality Authority (see chapter ten) received 731 referrals in 2009. The majority of the casework activity was based on the grounds of age, race, gender and disability. The challenge for HR practitioners, and indeed all managers, is to work within the law in order to **manage diversity** in the workplace fairly and effectively.

The needs of organisations and employees can be met by increased **flexibility** on both sides. The use of flexitime, home-working, job sharing and flexible job descriptions are examples of how flexibility can benefit both employees and the organisation. Work-life balance initiatives and family-friendly policies can help to attract and retain employees as well as address some of the issues in managing diversity and dealing with surplus staff.

Employees nowadays are likely to want to be involved in organisational decision-making. **Employee participation**, in the form of quality circles, attitude surveys and teamworking for example, allows employees to contribute

to decision-making in the organisation. The ‘partnership approach’ is based on the idea that cooperative bargaining can benefit all parties involved and has been used at national level in Ireland to negotiate national pay agreements.

Central to each of the HR issues confronting employers is the challenge of **managing change**. Organisational change is inevitable, but is likely to be met with resistance from either employers or employees. See Kotter and Schlesinger (1979) for a discussion on strategies for overcoming resistance to change.

Working within the law is a constant challenge for employers today. From advertising a vacancy through to termination of employment, employers need to know what their legal obligations are towards employees. Employment legislation is discussed in more detail in chapter eleven.

Summary

This chapter began with a definition of HRM and an outline of the main factors that influenced the management of people over time:

- the origins of HRM
- scientific management
- behavioural science
- changes in people and organisations

The next section discussed the theoretical differences between personnel and human resource management. Table 1.1 outlines the key words used to describe each style of management.

Table 1.1 *Theoretical differences between personnel management and HRM*

| | Personnel | HRM |
|------------------------------|--|---|
| Integration | low (specialist roles) | high (integrated roles) |
| Strategy | short-term planning reactive | long-term strategy proactive |
| Relations | pluralist low trust collective bargaining compliance | unitarist high trust individual bargaining commitment |
| Organisational design | bureaucratic defined work roles centralised power and decision-making | organic flexibility in work roles shared power and decision-making |

The section on theoretical differences was followed by a discussion of the context within which HRM operates. The factors outlined were:

- the economy
- the labour market
- social issues
- technology
- legislation
- organisation's objectives
- organisation's culture
- organisation's size

The next section gave an overview of HR work carried out in organisations. The main areas outlined were:

- employee resourcing
- employee management
- employment relations
- record-keeping

A distinction was made between 'best practice' and 'best fit' models of HRM and four models of how HRM can operate within an organisation were summarised:

- Pfeffer
- Guest
- business life cycle
- competitive advantage

Finally, current HR challenges facing organisations were raised. These included:

- attracting and retaining key employees
- dealing with surplus staff
- managing diversity
- issues of flexibility
- employee participation
- managing change
- working within the law

Important Terms and Concepts

| | |
|---------------------------|-----------------------|
| attracting employees | labour market |
| behavioural science | managing change |
| best fit | organisational design |
| best practice | participation |
| business life cycle | partnership approach |
| commitment | pluralist |
| competency-based approach | quality |
| competitive advantage | retaining employees |
| compliance | scientific management |
| diversity | 'soft' HRM |
| flexibility | strategy |
| 'hard' HRM | surplus of staff |
| integration | unitarist |

Revision Questions

- 1 Discuss the evolution of human resource management, focusing on the influences that have shaped the current role of the HR manager.
- 2 Analyse the theoretical differences between personnel and human resource management.
- 3 Discuss the factors that influence how HRM works in an organisation.
- 4 Outline the nature of work carried out in HR departments.
- 5 Distinguish between 'best practice' and 'best fit' approaches to HRM.
- 6 Outline how the models of HRM can be used in an organisation.
- 7 Discuss the HR challenges that currently face organisations in Ireland.