

Eighth Edition

# HUMAN RESOURCE MANAGEMENT

A CONTEMPORARY APPROACH

 Pearson

Julie Beardwell &  
Amanda Thompson

# **HUMAN RESOURCE MANAGEMENT**



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# HUMAN RESOURCE MANAGEMENT

A CONTEMPORARY APPROACH

Eighth edition

Edited by

Julie Beardwell  
and Amanda Thompson

De Montfort University, Leicester



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# GUIDED TOUR

## CHAPTER 1

### AN INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

JULIE BEARDWELL

#### Objectives

- To define human resource management (HRM).
- To explore the origins of HRM.
- To review and evaluate the main models of HRM.
- To explore the association between HRM and business performance.
- To explore HRM in practice and the impact of recession and recovery on HRM practice.
- To review the impact of HRM on the changing roles of human resources professionals.

#### Objectives

Provide an overview of the topics to be covered in each chapter, giving a clear indication of what you should expect to learn.

#### Figures

Are used to illustrate key points, models, theories and processes.

MODELS OF HRM 9

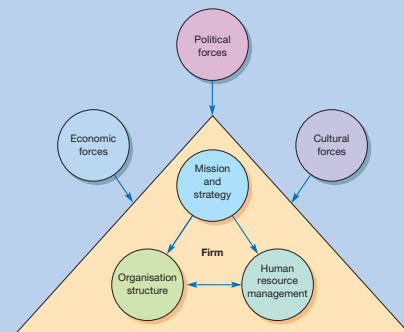


Figure 1.1 The matching model of HRM.

Source: Devarina et al. (1984) in Fombrun et al. (1984: 35), reproduced with permission.

The matching model is closely allied with the 'hard' interpretation of HRM, that is, the deployment of human resources to meet business objectives. Two assumptions underpin this model. The first is that the most effective means of managing people will vary from organisation to organisation and is dependent on organisational context. The second assumption is that of unitarism, that is, the assumption that conflict, or at least differing views, cannot exist in the workplace because everyone (managers and employees) is working to achieve the same goal, the success of the organisation. This model has formed the basis of the 'best fit' school of HRM, discussed further in Chapter 2.

#### Universalism: More is better

A second influential model, illustrated in Figure 1.2, was developed by Beer *et al.* (1984) at Harvard University. 'The map of HRM territory', as the authors titled their model, recognises that there are a variety of 'stakeholders' in the organisation, which include shareholders, various groups of employees, the government and the community. The model recognises the legitimate interests of diverse stakeholders, and assumes that the creation of HRM strategies will have to reflect their different interests and fuse them as much as possible into the human resource strategy and ultimately the business strategy.

This recognition of stakeholders' interests raises a number of important questions for policy-makers in the organisation (Beer *et al.*, 1984: 8):

How much responsibility, authority and power should the organisation voluntarily delegate and to whom? If required by government legislation to bargain with the unions or consult with workers' councils, how should management enter into these institutional arrangements? Will they seek to minimise the power and influence of these legislated mechanisms? Or will they share influence and work to create greater congruence of interests between management and the employee groups represented through these mechanisms?

**Case study**

Winning HRM practice: simply Business

Simply Business, an online insurance company that sells insurance to small businesses, landlords and shops in the UK, is top of the Sunday Times 100 Best Companies to Work For 2016. The company has 315 staff with a head office in London and a contact centre in Northampton.

Head office employees work in an open-plan office and hold meetings via Google hangouts. A number of staff live abroad and work remotely full-time. Chief executive Jason Stockwood invites groups of contact centre staff to dinner when he is in Northampton. 'I want to make sure people feel they can do their best work without going through hierarchies or command-and-control structures,' he says. 'I enjoy the company of everyone I work with.'

Stockwood joined Simply Business from Match.com in 2010. He describes the insurance industry as 'a massive market with a low bar on credibility' that can serve customers better. In his first year, Stockwood oversaw a reorganisation that affected 53% of staff. 'We changed the culture,' he says, and put employees at the

forefront, turning the 'hackneyed phrase about customers coming first' on its head. 'You can't force people who hate their environment to do a good job,' he adds. 'Customers only come first if our employees are happy and doing a good job.'

Simply Business employees are so highly engaged that their responses to the Sunday Times staff survey put it top in 50 of the 70 questions. People say that they would not leave for another job (a 90% positive score) and are inspired by their leader (91%). Perks include a benefits package with private health insurance and life insurance. Salaries have also been improved year on year since Stockwood has been at the helm, despite the recession. Trips, nights out and office beers are part of the company's fabric, as are charity events. An 89-mile bike ride from Northampton to London and an Arctic biathlon are the main fundraisers.

Source: <http://appointments.thetimes.co.uk/article/best100-companies/>.

**Case studies**

Appear at the end of each chapter and provide an opportunity to consider what you have learnt from the chapter in the context of a real World scenario. Discover how you might apply both theory and practice and prepare yourself for life beyond academic study.

**Introduction**

The first edition of this book was published in 1994 and the then editors described HRM as a newly emerging phenomenon that added 'a powerful and influential perspective' to debates about the nature of the contemporary employment relationship. They noted (Beardwell and Holden, 1994: 5):

*Any assessment of the emergence of Human Resource Management has, at least, to take account of this changing context of employment and provide some explanations as to the relationships that exist between the contribution HRM has made to some of these changes on the one hand and, on the other hand, the impact that such changes have had on the theory and practice of HRM itself.*

Human resource management continues to both influence and be influenced by the changing context of employment, but, while still relatively new, it can no longer be described as an emerging phenomenon. Boxall and Purcell (2011: 2) suggest that HRM is the most widely recognised term in the English-speaking world to refer to management activities in organising work and employing people. However, there is still little universal agreement on what precisely constitutes HRM, and debates around the meaning of the term and the impact of the concept continue. To enable us to identify how 'understanding HRM' has changed over time and to consider the impact this change has had on the management of people, this chapter aims to explore the key themes within the debates that surround HRM under the six headings in the list of objectives.

**Introductory case study**

Designed to stimulate interest and provoke thought as you begin your exploration of the chapter and consider how it might relate to the real world.

**Explore**

Features appear throughout the text to reinforce learning through the use of self-reflection, problems and practical exercises, helping you to better understand the links between theory and practice.

**Explore**

Reflect on Wright and Snell's fit/flexibility model (see Figure 2.5). How might an HR professional facilitate flexibility?

We have explored the best-fit school of SHRM and its relationship to strategic management through the contingency and configurational approaches. The contingency approach recommends a strong relationship to strategic management, whether it be to an organisation's life cycle or to competitive forces. This obviously assumes a classical, rational-planning model of strategic management. We have considered this relationship, or vertical integration between an organisation's business strategy and its HR strategy, in some detail, defining the varying degrees of fit or vertical alignment, and have considered the possibility of providing both fit and flexibility alongside each other. The configurational approach attempts to answer some of the limitations of the contingency approach by identifying 'ideal type' categories of both the organisation strategy and the HR strategy. It seeks to derive an internally consistent set of HR practices that maximise horizontal and vertical integration. The configurational approach is further explored in the 'bundles' approach to SHRM, which is considered later in this chapter.

The best-fit approach to strategic HRM utilises an 'outside-in' (Wright *et al.*, 2004: 37) perspective to explain how the strategic management of human resources can deliver competitive advantage; this organisations can gain advantage by aligning HR policies and practices with market position and competitive focus. An alternative approach to understanding the relationship between SHRM and competitive advantage is the resource-based view of SHRM, which utilises an 'inside-out' perspective (Wright *et al.*, 2004: 37), where it is the internal resources of the business that are viewed as the key to sustainable competitive advantage. Thus an organisation's skills, knowledge and talent become 'strategic assets' and the management of these human resources takes on strategic significance.

**Key controversy**

Features invite you to reflect critically, challenge assumptions and relate scenarios to your own experience, helping to develop skills for use in future employment.

**Key controversy**

External factors, such as technological developments, can mean that the strategies of established organisations can become irrelevant – think, for example, of the impact on Kodak as a result of being able to take photos on a mobile phone or the impact on the record industry of music streaming and downloads. When asked about the ability of Spotify to conquer the music industry, Gustav Soderstrom, the chief product officer, said that Spotify 'is a pretty good concept for what the industry could be ... but it's dangerous to build for a future that might not be. It's dangerous to get stuck in your own bubble.'

To what extent is organisational strategy building for a future that might not be? Is it better to have no strategy than the wrong strategy?

Source: Milne, R. (2014) 'The Spotify effect', *Financial Times*, 25 October.

**The resource-based view of SHRM**

The resource-based view (RBV) of the firm focuses on the internal resources of the organisation rather than analysing performance in terms of the external context. In other words, the RBV perspective analyses strategy from the inside-out, as opposed to the outside-in approach of theories of best fit (Boslic *et al.*, 2014). Advocates of the resource-based view on SHRM help us to understand the conditions under which human resources become a scarce, valuable, organisation-specific, difficult-to-imitate resource, in other words key 'strategic assets' (Winter, 1987; Amit

Rubery (1994) argues that the presence of disadvantaged groups in the labour market increases the range of options open to some employers by allowing them to fulfil their requirements for a stable, cooperative workforce without having to offer the positive incentives associated with internalised employment relationships (see Box 4.2). This is because, as indicated earlier, disadvantaged groups face barriers to employment, curtailing choice in terms of jobs and careers; in short, they often have to accept what they can get. The absence of better alternatives makes these jobs more attractive than they would otherwise be and therefore more highly valued by workers. This is reflected in the willingness of many disadvantaged workers to remain with their employer and cooperate with management in order to keep their jobs.

**Box 4.2 Migrant local-hiring queues**

According to Scott (2013), employers from sectors such as the UK horticultural and food industry prefer to hire A8 (and A2) migrant workers rather than domestic workers. Scott carried out a survey of 268 horticultural farmers and interviewed 37 growers and processors from another 30 English horticultural companies about their experiences of employing EU migrant workers from Poland and other parts of Eastern Europe. The interviews with these employers revealed that they preferred to hire A8 and A2 migrant workers over white British workers because they had a better work ethic and were reliable and flexible. The employers commented that the UK horticultural and food industry success almost depends on the Eastern and Central European migrant labour. Scott concluded that the migrant-local hiring queues are largely therefore due to the 'added value' that migrants from the EU periphery bring, over the short term, to the low-wage, 'no-frills' workplace, benefiting the firms operating in the sector.

**Key controversies**

Are employers who hire ethnic minority workers and cheap migrant labour capitalising upon the presence of racism in society as a whole?

**Changing patterns of demand**

The period since the 1980s has seen significant changes in the pattern of demand for labour and therefore in the types of job available to workers in the UK. These shifts reflect interlinked changes in the structure of the economy, government policy for the labour market and employers' labour requirements.

**A shift of employment from manufacturing to services**

The proportion of workers employed in manufacturing has declined in the UK, the USA and all the major European Union economies since the 1960s. This reflects the effects of economic growth and rising incomes on people's consumption patterns. As people get richer, the proportion of their income that they spend on manufactured goods declines (although people may still spend more money on them in absolute terms) and the proportion spent on services increases. This means that output, and hence employment, grow faster in the service sector than in the manufacturing sector.

**Boxes**

Contain a variety of business and organisational examples to demonstrate theory in practice, providing you with the knowledge to succeed in future employment.

**Summary**

Sections at the end of the chapters recap the key topics within each chapter and enable you to review and check your understanding of them.

labour market and are vulnerable to exploitation because of the lack of alternative, better quality job opportunities. To help protect these groups there is a case for stronger 'active' state intervention directed at combating unfair discrimination in the labour market.

**Summary**

- Labour markets are often seen as arenas of competition in which forces of supply and demand determine wage and employment levels. In reality, however, there are limits to competition in labour markets.
- Employers have some freedom to make a strategic choice between internalising or externalising the employment relationship. Their choices are influenced, although not entirely determined, by the nature of their labour requirements and by features of the labour market context in which they operate.
- The aggregate supply of labour – the size of the workforce – is determined by demographic factors such as the size and age structure of the population and by social factors, policy direction and a range of political factors that influence the participation rate of different socio-economic groups within the population. In the UK, differential participation rates can be observed between men and women of different age groups and different ethnic groups. The interplay of social factors such as age, gender, ethnicity, disability and class affects the employment rates of people in ways that are complex and difficult to unravel.
- Aggregate labour demand consists of total employment plus unfilled vacancies. The demand for labour is derived from the demand for goods and services. In conditions of low unemployment – tight labour markets – employers have to compete more actively to attract and retain workers. When labour markets are 'loose', labour is plentiful supply and the cost of labour is consequently driven down.
- The demand for labour comprises jobs of varying quality. Unfair discrimination operating within labour markets often means that women and ethnic minorities are disadvantaged in terms of access to good jobs.
- There has been a long-term change in labour demand away from manufacturing to services. This has been an important force driving the long-term growth of part-time employment and women's employment. While this has boosted the employment rates of women, the quality of jobs on offer is invariably poor, offering poor pay and poor prospects for promotion.
- Since the 1980s, there has been a shift in the occupational structure of labour demand mainly towards highly skilled occupations but also leading to the growth of some low-skilled occupations. There has been a relative decline in intermediate occupations. Some refer to this as the 'hollowing' out of the occupational structure to create a hourglass economy.
- Contrary to what might have been predicted from the overall trend towards more highly skilled work, the quality of jobs has deteriorated in terms of work intensification and worker autonomy, although not (up until recently) in terms of job stability. The demand for better work-life balance is a recent response to growing work pressure and most employers appear now to be recognising the business case for offering work-life balance provisions.

**Questions**

- 1 Explain why gendered occupational segregation, time segregation and vertical segregation persist in the UK in the twenty-first century.
- 2 Explain why rates of labour market participation vary between ethnic minority groups and within groups.

**Questions**

Can be used for self-testing, class exercises or debates, understanding of them.

**References and further reading**

Are provided at the end of each chapter. Comprehensive details of the leading literature and sources in the subject area are provided and those that are asterisked are especially recommended for further reading, helping you to take the subject further and begin to understand the links across the subject area.

Nearly half of employers would like the default retirement age reinstated, according to a survey of 300 employers by Eversheds, the law firm. It said fewer than 3 per cent of organisations now had a policy of mandatory retirement for their employees, down from 69 per cent two years ago. More than half said repeal of the DRA has led to an increase in the number of employees staying on beyond age 65 or normal pension age.

Prof Owen Warnock, Eversheds partner, said the end of the DRA had provided the impetus for change. 72 per cent of respondents said they would still be operating a mandatory retirement age if the law had not been changed. A third felt the abolition had had a negative impact, but another third said the change had resulted in improvements in retaining important skills and knowledge.

'What's more, the much-feared increase in age-related retirement claims has not, according to the survey respondents, in fact materialised,' he said.

Source: Adapted from Groom, B. and Business and Employment Editor. Copyright © The Financial Times Limited 2013.

**Questions**

- 1 Compensation in age discrimination cases is considerably lower than in other areas of discrimination. Why do you think this is so?
- 2 Considering your organisation (or one with which you are familiar), do you think age discrimination is a major issue? What action is the organisation taking to address the issue?
- 3 Should the government permit organisations to reintroduce a default retirement age for their workers?
- 4 Mark Cameron commented, 'The City is getting far better at supporting and developing female staff'. To what extent do you think this is true for organisations in other sectors? Give examples.
- 5 Anti-sex-discrimination legislation has been in place since the mid 1970s. Consider why sex discrimination cases such as *Roudsall v Commerzbank* [2013] still arise. Can the law alone eradicate the problem of sexism in the workplace? Similarly, how optimistic are you that the law can successfully eliminate ageism at work?

**References and further reading**

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# PREFACE

The theory and practice of human resource management (HRM) continues to evolve. In its successive editions, this book has provided critical reflection on continuity and new developments as the issues associated with HRM have multiplied considerably. Previous editions have traced the debates over the role of the HRM specialist in organisations, the role and nature of HRM in relation to organisational change initiatives such as total quality management (TQM), and the strategic role of HRM and its effects on organisational performance. They have also reflected on how, in academic circles, the search for a universal HRM paradigm has given way to an emphasis on understanding how HRM operates in diverse situations and what contribution it can make to organisational performance. More recent editions have explored issues raised by globalisation; focusing on the development of HRM in the emerging economies of China and India, and the ways in which multinational companies are influencing HRM ideas and practice across the globe as well as the national and international policy environments in which HRM operates.

This edition continues to explore these themes and also reflects significant contemporary events, including the aftermath of the financial crisis and the economic downturn affecting many Western economies. At the time of writing, the UK's decision to leave the EU has caused much uncertainty in the business world and any predictions of its impact included in this text can only be tentative. All chapters have been updated to reflect developments in thought and practice in the field of HRM but we recognise that the huge and expanding area in and around HRM cannot be contained within a single book and apologise for any omissions. Nevertheless, we are confident that we have covered the broad sweep of the HRM field and some aspects of it in considerable detail.

As with HRM, the team of contributors is a continually evolving one. When the first edition of this book was published in 1994, all the contributors were members of the HRM department at De Montfort University (DMU). Since that time, some long-standing contributors have moved to other institutions (Universities of Leicester, London, Nottingham Trent and Northampton) while new members of the department at DMU have joined the team of contributors. We also welcome the contribution from Jim Stewart (University of Liverpool) to this edition. Some previous contributors have chosen not to be involved this time round and we would like to thank Tim Claydon, Phil Almond, Olga Tregaskis and Nicky Golding for their input into earlier editions.

It is with great sadness that we report the loss of a key contributor as Professor Audrey Collin passed away on 19 October 2015. Audrey has contributed to every edition of the textbook and her chapter “the Context of HRM” has continued to be an insightful and thought-provoking read. She is sadly missed and, as a tribute to her, we have retained her chapter for this edition with only minor updates and new case studies.

As ever, we thank all our contributors for their hard work and willing cooperation in getting this edition to press. We would also like to thank partners, family members and colleagues for their help and support in the arduous process of academic writing. Thanks, too, to Pearson for their commitment to successive editions of this book and for the enthusiastic help and encouragement we have received from the editorial team.

*Julie Beardwell  
Amanda Thompson*



# PLAN OF THE BOOK

## PART 1

### HUMAN RESOURCE MANAGEMENT AND ITS ORGANISATIONAL CONTEXT

#### Chapter 1

An introduction to human resource management

#### Chapter 2

Strategic human resource management

#### Chapter 3

Contextualising HRM

## PART 2

### RESOURCING THE ORGANISATION

#### Chapter 4

HRM and the labour market

#### Chapter 5

Talent management

#### Chapter 6

Managing equality and diversity

## PART 3

### DEVELOPING THE HUMAN RESOURCE

#### Chapter 7

Learning and development

#### Chapter 8

Leadership and management development

#### Chapter 9

Organisational development

## PART 4

### THE EMPLOYMENT RELATIONSHIP

#### Chapter 10

The employment relationship and employee rights at work

#### Chapter 11

Employee engagement

#### Chapter 12

Performance management

#### Chapter 13

Employee reward

#### Chapter 14

Employee voice

## PART 5

### COMPARATIVE HUMAN RESOURCE MANAGEMENT

#### Chapter 15

Comparative HRM and responses to global crises

#### Chapter 16

Employment relations in emerging economies: China and India

# HOW TO USE THIS BOOK

This text is designed to meet the needs of a range of students who are studying HRM as a core or option subject on undergraduate degrees in Business and Social Science, MBAs, specialised Master's programmes or the CIPD's Advanced Level Qualification.

All the chapters are designed to take a critically evaluative approach to their subject material. This means that the book is not written in a prescriptive or descriptive style as are some other HRM textbooks, although there will be sections that must necessarily incorporate aspects of that approach. Given this stance, some chapters will be more easily absorbable by the novice student than others. For example, Chapters 1 (Introduction to HRM) and 2 (Strategic HRM) are good introductions to the subject, while Chapter 3 takes a more unconventional perspective on contextualising HRM and developing critical thinking that will prove rewarding to the more able student.

The critically evaluative approach is reflected in the 'Explore' and 'Key controversy' features in every chapter. We use 'Explore' points to encourage readers to examine issues in more depth and to consider how the theories and concepts they have read about in the text apply to organisational settings with which they are familiar. 'Key controversy' boxes are designed to highlight the most contentious debates and urge readers to formulate their own considered conclusions. Each chapter begins and ends with a case study to illustrate the practice of HRM in a diverse range of contexts. As in earlier editions, there are also questions at the end of each chapter. These features can be used by lecturers as coursework exercises, and the Lecturer's Guide that accompanies this edition gives detailed suggested answers. Additional material is also available on the companion website.

The outlines that follow are intended to indicate how the material in this book can be used to cover the requirements for a selection of postgraduate programmes. There is no corresponding outline for undergraduates because we recognise the multiplicity of courses at this level. Nevertheless, it is hoped that these suggested 'routes' through the book will be helpful guidelines for tutors who have responsibility for some or all of these programmes.

## MBA Route

**Introduction:** Chapters 1, 2, 3

**Core:** Chapters 4, 5, 7, 10, 12, 13, 14, 15

**Options:** Chapters 6, 8, 9, 11, 16

## MA/MSc Route

**Introduction:** Chapters 1, 2, 3, 4

**Core:** Chapters 5, 6, 8, 11, 12, 13, 14, 15

**Options:** Chapters 7, 9, 10, 16

## 'At a glance' - quick reference guide for CIPD students

This text is designed to be beneficial to a range of student audiences. Several chapters in particular complement the CIPD Advanced level modules. The following table is designed to provide a simple guide to direct CIPD students to those chapters which contain *primary* and/or *secondary* sources of information for each of the CIPD Advanced level modules (see p. xviii).

CIPD Advanced level modules	Primary sources	Secondary sources
Human Resource Management in Context (7HRC)	Ch 1 – An introduction to HRM Ch 2 – Strategic HRM	Ch4 – HRM and the labour market Ch 10 – The employment relationship and employee rights at work
Leading, Managing and Developing People (7LMP)	Ch1 – An introduction to HRM Ch 7 – Learning and development Ch 8 – Leadership and management development	Ch 11 – Employee engagement Ch 9 – Organisational development
Leadership and Management Development (7LMD)	Ch 8 – Leadership and management development	Ch 3 – Contextualising HRM
Organisational Design and Development (7ODD)	Ch 9 – Organisational development	Ch 1 – An introduction to HRM Ch 2 – Strategic HRM
Performance Management (7PFM)	Ch12 – Performance management	Ch 13 – Employee reward
Reward Management (7RWM)	Ch13 – Employee reward	Ch 6 – Managing equality and diversity Ch 12 – Performance management
Resourcing and Talent Management (7RTM)	Ch 5 – Talent management	Ch 6 – Managing equality and diversity
Managing Employment Relations (7MER)	Ch 14 – Employee voice	Ch 4 – HRM and the labour market Ch 10 – The employment relationship and employee rights at work Ch 16 – Employment relations in emerging economies
Employment Law (7ELW)	Ch 10 – The employment relationship and employee rights at work	Ch 6 – Managing equality and diversity
Employee Engagement (7EEG)	Ch 11 – Employee engagement	Ch 5 – Talent/Management
Learning and Talent Development (7LTD)	Ch 7 – Learning and development	Ch 5 – Talent management Ch 8 – Leadership and management development
Designing, Delivering and Evaluating Learning and Development Provision (7DDE)	Ch 7 – Learning and development	Ch 9 – Organisational development
Knowledge Management and Organisational Learning (7KML)	Ch 9 – Organisational development	
Understanding and Implementing Coaching and Mentoring (7ICM)	Ch 8 – Leadership and management development	Ch 7 – Learning and development

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**Audrey Collin**, BA, DipAn, PhD, was Professor Emeritus of Career Studies, De Montfort University and Fellow of the National Institute for Career Education and Counselling. Her early career was in personnel management, and she is a Chartered Member of the Chartered Institute of Personnel and Development. She researched and published on career and lifespan studies, mentoring and the employment of older people. She co-edited (with Richard A. Young) two books on career which reflect her questioning of traditional understandings of career and her commitment to interpretive research approaches, and another with Wendy Patton: *Vocational Psychological and Organisational Perspectives on Career: Towards a Multidisciplinary Dialogue*. In retirement, she continued her writing on career for the international academic readership, while also addressing the relationship between theory and practice.

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# ACKNOWLEDGEMENTS

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## Figures

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## Tables

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# PART 1

## HUMAN RESOURCE MANAGEMENT AND ITS ORGANISATIONAL CONTEXT

- 1** An introduction to human resource management
- 2** Strategic human resource management
- 3** Contextualising HRM

## Introduction to Part 1

Human resource management (HRM) has become a pervasive and influential approach to the management of employment in a wide range of market economies. The original US prescriptions of the early 1980s have become popularised and absorbed in a wide variety of economic settings: there are very few major economies where the nature of HRM, to include its sources, operation and philosophy, is not actively discussed. As a result, the analysis and evaluation of HRM are major themes in academic, policy and practitioner literatures.

These first three chapters are strongly related, in that they consider the nature of HRM from a number of perspectives. The first chapter outlines the different ways in which HRM has been interpreted and introduces two of the early influential models. It then explores the preoccupation in the relationship between HRM and organisational performance and the extent to which research studies are able to demonstrate a link between the two. The chapter then goes on to explore the impact the global financial crisis and subsequent recession had on the adoption of HRM practices. The chapter concludes by considering the impact of HRM on human resources professionals.

Chapter 2 examines the strategic nature of HRM in more depth: how it is aligned to and configured with organisational strategy and how the debate incorporates multiple perspectives, including the 'best fit', the 'configurational approach', the 'resource-based view' and 'best practice'. In considering claims for the importance of the strategic nature of HRM, it raises questions as to its efficacy in helping to meet organisational objectives, creating competitive advantage and 'adding value' through 'high-performance' or 'high-commitment work practices'. Whether or not the claims for these approaches are supportable, it is becoming clear that no one system or approach can be applied to all organisations, owing to the increasing complexity of organisational forms and organisational contexts.

Chapter 3 continues this contextual theme by exploring the various strands that are woven together to form the pattern of meanings that constitute HRM. This helps to enrich our understanding of HRM and unravel some of the assumptions and philosophical stances that lie behind it. The purpose of the discussion is to create a critical awareness of the broader context in which HRM operates, not simply as a set of operational matters that describe the functional role of people management, but also as part of a complex and sophisticated process that helps us to understand the nature of organisational life. The chapter concludes with a consideration of ethical issues.

The type of questions raised by HRM indicates the extent to which it has disturbed many formerly accepted concepts in the employment relationship. For some, it has become a model for action and application; for others, it is no more than a map that indicates how the management of employees might be worked out in more specific ways than can adequately be dealt with by HRM as a set of general principles.

# CHAPTER 1

## AN INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

JULIE BEARDWELL

### Objectives

- To define human resource management (HRM).
- To explore the origins of HRM.
- To review and evaluate the main models of HRM.
- To explore the association between HRM and business performance.
- To explore HRM in practice and the impact of recession and recovery on HRM practice.
- To review the impact of HRM on the changing roles of human resources professionals.

## Case study

### Winning HRM practice: simply Business

Simply Business, an online insurance company that sells insurance to small businesses, landlords and shops in the UK, is top of the Sunday Times 100 Best Companies to Work For 2016. The company has 315 staff with a head office in London and a contact centre in Northampton.

Head office employees work in an open-plan office and hold meetings via Google hangouts. A number of staff live abroad and work remotely full-time. Chief executive Jason Stockwood invites groups of contact centre staff to dinner when he is in Northampton. 'I want to make sure people feel they can do their best work without going through hierarchies or command-and-control structures,' he says. 'I enjoy the company of everyone I work with.'

Stockwood joined Simply Business from Match.com in 2010. He describes the insurance industry as 'a massive market with a low bar on credibility' that can serve customers better. In his first year, Stockwood oversaw a reorganisation that affected 53% of staff. 'We changed the culture,' he says, and put employees at the

forefront, turning the 'hackneyed phrase about customers coming first' on its head. 'You can't force people who hate their environment to do a good job,' he adds. 'Customers only come first if our employees are happy and doing a good job.'

Simply Business employees are so highly engaged that their responses to the Sunday Times staff survey put it top in 50 of the 70 questions. People say that they would not leave for another job (a 90% positive score) and are inspired by their leader (91%). Perks include a benefits package with private health insurance and life assurance. Salaries have also been improved year on year since Stockwood has been at the helm, despite the recession. Trips, nights out and office beers are part of the company's fabric, as are charity events. An 89-mile bike ride from Northampton to London and an Arctic biathlon are the main fundraisers.

Source: <http://appointments.thesundaytimes.co.uk/article/best100-companies/>

## Introduction

The first edition of this book was published in 1994 and the then editors described HRM as a newly emerging phenomenon that added 'a powerful and influential perspective' to debates about the nature of the contemporary employment relationship. They noted (Beardwell and Holden, 1994: 5):

**Any assessment of the emergence of Human Resource Management has, at least, to take account of this changing context of employment and provide some explanations as to the relationships that exist between the contribution HRM has made to some of these changes on the one hand and, on the other hand, the impact that such changes have had on the theory and practice of HRM itself.**

Human resource management continues to both influence and be influenced by the changing context of employment, but, while still relatively new, it can no longer be described as an emerging phenomenon. Boxall and Purcell (2011: 2) suggest that HRM is the most widely recognised term in the English-speaking world to refer to management activities in organising work and employing people. However, there is still little universal agreement on what precisely constitutes HRM, and debates around the meaning of the term and the impact of the concept continue. To enable us to identify how 'understanding HRM' has changed over time and to consider the impact this change has had on the management of people, this chapter aims to explore the key themes within the debates that surround HRM under the six headings in the list of objectives.

## Definitions of HRM

Human resource management refers to a collection of policies used to organise work in the employment relationship. It centres on the management of work and the management of people who undertake this work. Therefore, HRM is concerned with recruitment, selection, learning and development, reward, communication and employee involvement, teamwork and performance management. While it is relatively easy to list activities that make up HRM, it is a subject that has stimulated much debate and disagreement. Thus, despite the popularity of the term HRM, there is still no universally agreed definition of its meaning. Watson (2002: 369) suggests that ‘the term HRM is used in a confusing variety of ways’. In its broadest sense, HRM can be used as a generic term to describe any approach to managing people; for example, Boxall and Purcell (2011: 3) use the term to encompass ‘the management of work and the management of people to do the work’.

For others, though, HRM encompasses a new approach to managing people that is significantly different from more traditional practices. They claim that HRM offers two advantages over traditional approaches to managing people. First, it is more strategic, in that HRM policies are designed to reinforce each other and support the organisation’s business strategy. This strategic dimension incorporates vertical integration, that is, the alignment of human resources (HR) strategy with business strategies, whereas the operational dimension emphasises horizontal integration, that is, that HR policies and practices must be compatible with each other. Second, appropriately designed and integrated HRM policies create an organisational climate in which workers are more highly motivated and committed to cooperating with management to achieve organisational goals. This approach has been summed up by Storey (2007: 7) as ‘a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an array of cultural, structural and personnel techniques’.

However, it begs the question as to whether HRM policies designed to achieve strategic goals, such as competitive costs or the ability to respond rapidly to changes in markets, can also provide a climate of trust and cooperation between workers and managers. Some commentators have argued that HRM is essentially about creating a climate of employee commitment (e.g. Pfeffer, 1998) and cooperation, while others have maintained that the term HRM can relate to policies for managing people that are designed to further the strategic goals of the organisation (e.g. Legge, 2005; Huczynski and Buchanan, 2007). Consequently, there is some ambiguity in the meaning of HRM, which has led to it becoming a contested concept.

### Explore

- What does the term HRM mean to you?
- To what extent is it possible to have policies and practices that meet the needs and objectives of organisations and individuals?

This ambiguity has led to various attempts to clarify the meaning or, indeed, the meanings of HRM. Some of the earliest contributions drew a distinction between ‘soft’ and ‘hard’ variants of HRM (Guest, 1987; Storey, 1992), with ‘soft HRM’ used to describe approaches aimed at enhancing the commitment, quality and flexibility of employees, while ‘hard HRM’ was used to describe the emphasis on strategy where human resources are deployed to achieve business goals in the same way as any other resource. ‘Hard HRM’ can also have a harsher interpretation associated with strategies of cost reduction (e.g. subcontracting, outsourcing, lower wages, minimal training, tighter monitoring and performance management) and lean production methods (downsizing and work intensification) associated with these strategies. However, this

attempt at clarification is also problematic. For example, if hard HRM is used to describe a strategic approach to people management, then soft and hard HRM are ‘not necessarily incompatible’ (Legge, 2005). Hard variants can contain elements of soft practice, while soft variants can deliver hard outcomes in terms of tightness of fit with business strategy. However, if hard HRM is used to describe a cost minimisation approach, then soft and hard HRM may be ‘diametrically opposed’ (Truss *et al.*, 1997: 54).

As the debate on HRM has continued, further terms have been introduced, for example, ‘high-commitment management’ (HCM) and ‘high-involvement management’ have eclipsed soft HRM, whereas ‘strategic HRM’ appears to have replaced hard HRM. Nonetheless, the underlying tensions within HRM that were captured in the ‘hard’ versus ‘soft’ dichotomy remain. In addition, the preoccupation with the relationship between HR practices and improved business performance has been reflected in the use of ‘high-performance work practices’ (HPWPs) as a term to describe ‘a set of complementary work practices covering three broad categories: high employee involvement practices, human resource practices, and reward and commitment practices’ (Sung and Ashton, 2005: 5). There are subtle variations in the meanings of these labels, but there is also considerable overlap and some authors (e.g. Pfeffer, 1998) use the terms interchangeably. Both the high-commitment and high-involvement models reflect ‘a system of human resources practices thought to enhance employees’ levels of skill, motivation, information and empowerment’ (Guthrie, 2001: 180).

## High commitment versus control

An element that all HRM models have in common is that they are seen as a contrast to a Taylorist, control type of management (Wood, 1999). This contrast can be misleading, as high-commitment and control-based approaches to people management can both be seen as means of achieving organisational control, that is, ‘the regulation of organisational activities so that some targeted element of performance remains within acceptable limits’ (Barney and Griffin, 1992: 329). What varies between them is the type of control exercised and the desired employee behaviours.

Stewart (1991) identifies three distinct control strategies: manager-directed control, bureaucratic control and employee-centred control. Rollinson and Dundon (2011: 344) plot these strategies on a continuum of the type of employee behaviour desired which has an emphasis on employee predictability at one end and an emphasis on employee flexibility, creativity and innovation at the other. At the predictability end of the continuum, **manager-directed control** reflects Taylorist assumptions about worker competence and management authority. Control is exercised through supervisors giving direct instruction and closely monitoring work. The middle ground, **bureaucratic control**, relies less on close monitoring and seeks to limit employee discretion through fixed job definitions, reliance on rules and procedures, differentiated status, equitable pay and a restricted flow of information. Guest (1991) labels this the ‘compliance’ model. **Employee-centred control**, at the other end of the continuum, equates with the high-commitment model. This form of control emphasises employee discretion and managers seek to influence the ways that employees think about their own actions and behave in ways that are congruent with organisational objectives (Rollinson and Dundon, 2011).

### Explore

Revisit Case Study 1.1. What management control strategies are applied at Simply Business? Compare their approach to that adopted by Sports Direct (the opening case study in Chapter 2). What are the implications of these different approaches for employees and the organisations?

The high-commitment/high-performance paradigm has come to be promoted as ‘best practice’ for both employers and employees, and many of the HR practices associated with this type of approach are included in the measures used to compile the Sunday Times ‘Best Companies to



Work For' list, as illustrated in Case Study 1.1. Employers are seen to benefit on the grounds that the practices associated with it yield performance levels above those associated with more traditional workplace practices (Godard, 2004: 349). Employees are seen to benefit from the ability to exercise discretion and experience high levels of trust. Guest and Conway (1999) found that employees in workplaces with a high number of HRM practices reported higher levels of job satisfaction and a more positive management–worker relationship than employees who did not. However, there is a danger that the terms used to define HRM imply positive outcomes that may not necessarily be warranted. For example, greater demands on employee commitment and tighter systems for performance management are likely to further the interests of the organisation, its owners and investors at the expense of employees. Enhancements in employee discretion, associated with 'high-commitment/involvement' practices, may be achieved at the 'expense of stress, work intensification and job strain' (Ramsay *et al.*, 2000: 505). Similarly, Wall and Wood (2005: 432) challenged the assumption of an established link between HRM practices and organisational performance, implied in the 'high performance' label – this is discussed more fully later in the chapter.

## The origins of HRM

There is rather more consensus that the origins of HRM lie within employment practices associated with welfare capitalist employers in the USA during the 1930s. Both Jacoby (2005) and Foulkes (1980) argue that this type of employer exhibited an ideological opposition to unionisation and collective employment relations. As an alternative, welfare capitalists believed that the organisation, rather than third-party institutions such as the state or the trade unions, should provide for the security and welfare of workers. To deter any propensity to unionise, especially once President Roosevelt's New Deal programme began after 1933, welfare capitalists often paid efficiency wages, introduced healthcare coverage, pension plans and provided layoff pay. Equally, they conducted regular surveys of employee opinion and sought to secure employee commitment via the promotion of strong, centralised corporate cultures and long-term permanent employment. Welfare capitalists pioneered individual performance-related pay, profit-sharing schemes and team-working. This model of employment regulation had a pioneering role in the development of HRM, but rested on structural features such as stable product markets and the absence of marked business cycles. While the presence of HRM was well established in the US business system before the 1980s, it was only after that period that HRM gained external recognition by academics and practitioners.

There are a number of reasons for its emergence since then, among the most important of which are the major pressures experienced in product markets during the recession of 1980–82, combined with a growing recognition in the USA that trade union influence was waning. By the 1980s, the US economy was also being challenged by overseas competitors, most notably Japan. This led to discussions that focused on two issues: 'the productivity of the American worker', particularly compared with the Japanese worker, 'and the declining rate of innovation in American industries' (Devanna *et al.*, 1984: 33). From this sprang a desire to create a work situation free from conflict, in which both employers and employees worked in unity towards the same goal – the success of the organisation (Fombrun, 1984: 17).

In the UK, the business climate also began to favour changes in the employment relationship in the 1980s. As in the USA, this was partly driven by economic pressure in the form of increased product market competition, the recession in the early 1980s and the introduction of new technology. However, a very significant factor in the UK, generally absent from the USA, was the desire of the government to reform and reshape the conventional model of industrial relations. This provided support for the development of more employer-oriented employment policies on the part of management (Beardwell, 1992, 1996). The restructuring of the economy saw a



rapid decline in the old industries and a relative rise in the service sector and in new industries based on ‘high-tech’ products and services, many of which were comparatively free from the established patterns of what was sometimes termed the ‘old’ industrial relations. These changes were overseen by a muscular entrepreneurialism promoted by the Conservative government led by Margaret Thatcher in the form of privatisation and anti-union legislation, ‘which encouraged firms to introduce new labour practices and to re-order their collective bargaining arrangements’ (Hendry and Pettigrew, 1990: 19).

At the same time, the influence of the US ‘excellence’ literature (e.g. Peters and Waterman, 1982; Kanter, 1984) associated the success of ‘leading edge’ companies with the motivation of employees by involved management styles that also responded to market changes. Consequently, the concepts of employee commitment and ‘empowerment’ became another strand in the ongoing debate about management practice and HRM.

A review of these issues suggests that any discussion of HRM has to come to terms with at least three fundamental problems:

- that HRM is derived from a range of antecedents, the ultimate mix of which is wholly dependent upon the stance of the analyst, and which may be drawn from an eclectic range of sources;
- that HRM is itself a contributory factor in the analysis of the employment relationship, and sets part of the context in which that debate takes place;
- that it is difficult to distinguish where the significance of HRM lies – whether it is in its supposed transformation of styles of employee management in a specific sense, or whether in a broader sense it is in its capacity to sponsor a wholly redefined relationship between management and employees that overcomes the traditional issues of control and consent at work.

## Models of HRM

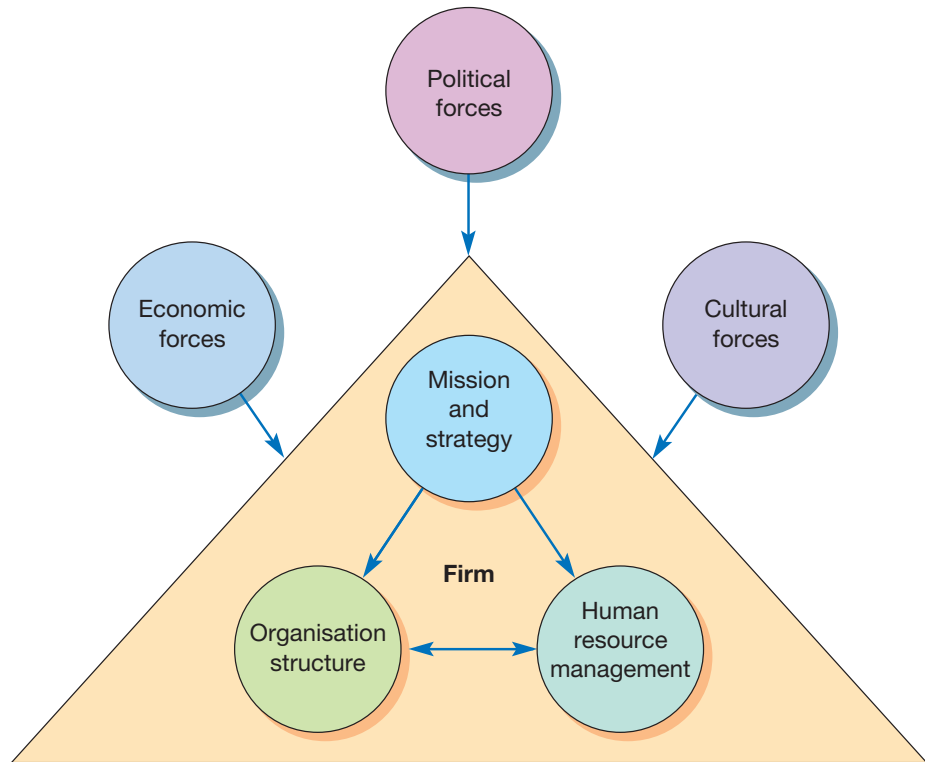
Following on from our earlier discussion of the different definitions and meanings of HRM, two broad models have proved particularly influential, at least in academic circles, in the interpretation of HRM. On the one hand, contingency-based approaches have developed into strategic HRM to suggest that HRM must match with business strategy. On the other hand, what might be termed an absolute position – more is better – has developed around ideas of mutuality and stakeholding at the organisation level.

### Contingency: The matching model

The ‘matching’ model, developed by academics at the Michigan Business School, introduced the concept of strategic HRM, in which HRM policies are inextricably linked to the ‘formulation and implementation of strategic corporate and/or business objectives’ (Devanna *et al.*, 1984: 34). The model is illustrated in Figure 1.1.

The authors emphasise the necessity of a ‘tight fit’ between HR strategy and business strategy and the use of a set of HR policies and practices that are integrated with each other and with the goals of the organisation. Price (2004: 45–6) outlines the following key areas for the development of appropriate HR policies and systems:

- selection of the most suitable people to meet business needs;
- performance in the pursuit of business objectives;
- appraisal, monitoring performance and providing feedback to the organisation and its employees;
- rewards for appropriate performance;
- development of the skills and knowledge required to meet business objectives.



**Figure 1.1** The matching model of HRM.

Source: Devanna *et al.* (1984) in Fombrun *et al.* (1984: 35); reproduced with permission.

The matching model is closely allied with the ‘hard’ interpretation of HRM, that is, the deployment of human resources to meet business objectives. Two assumptions underpin this model. The first is that the most effective means of managing people will vary from organisation to organisation and is dependent on organisational context. The second assumption is that of unitarism, that is, the assumption that conflict, or at least differing views, cannot exist in the workplace because everyone (managers and employees) is working to achieve the same goal, the success of the organisation. This model has formed the basis of the ‘best fit’ school of HRM, discussed further in Chapter 2.

## Universalism: More is better

A second influential model, illustrated in Figure 1.2, was developed by Beer *et al.* (1984) at Harvard University. ‘The map of HRM territory’, as the authors titled their model, recognises that there are a variety of ‘stakeholders’ in the organisation, which include shareholders, various groups of employees, the government and the community. The model recognises the legitimate interests of diverse stakeholders, and assumes that the creation of HRM strategies will have to reflect their different interests and fuse them as much as possible into the human resource strategy and ultimately the business strategy.

This recognition of stakeholders’ interests raises a number of important questions for policy-makers in the organisation (Beer *et al.*, 1984: 8):

**How much responsibility, authority and power should the organisation voluntarily delegate and to whom? If required by government legislation to bargain with the unions or consult with workers’ councils, how should management enter into these institutional arrangements? Will they seek to minimise the power and influence of these legislated mechanisms? Or will they share influence and work to create greater congruence of interests between management and the employee groups represented through these mechanisms?**