

ADRIAN WILKINSON & TOM REDMAN

CONTEMPORARY HUMAN RESOURCE MANAGEMENT

TEXT AND CASES

FOURTH EDITION



**CONTEMPORARY
HUMAN RESOURCE
MANAGEMENT
TEXT AND CASES**

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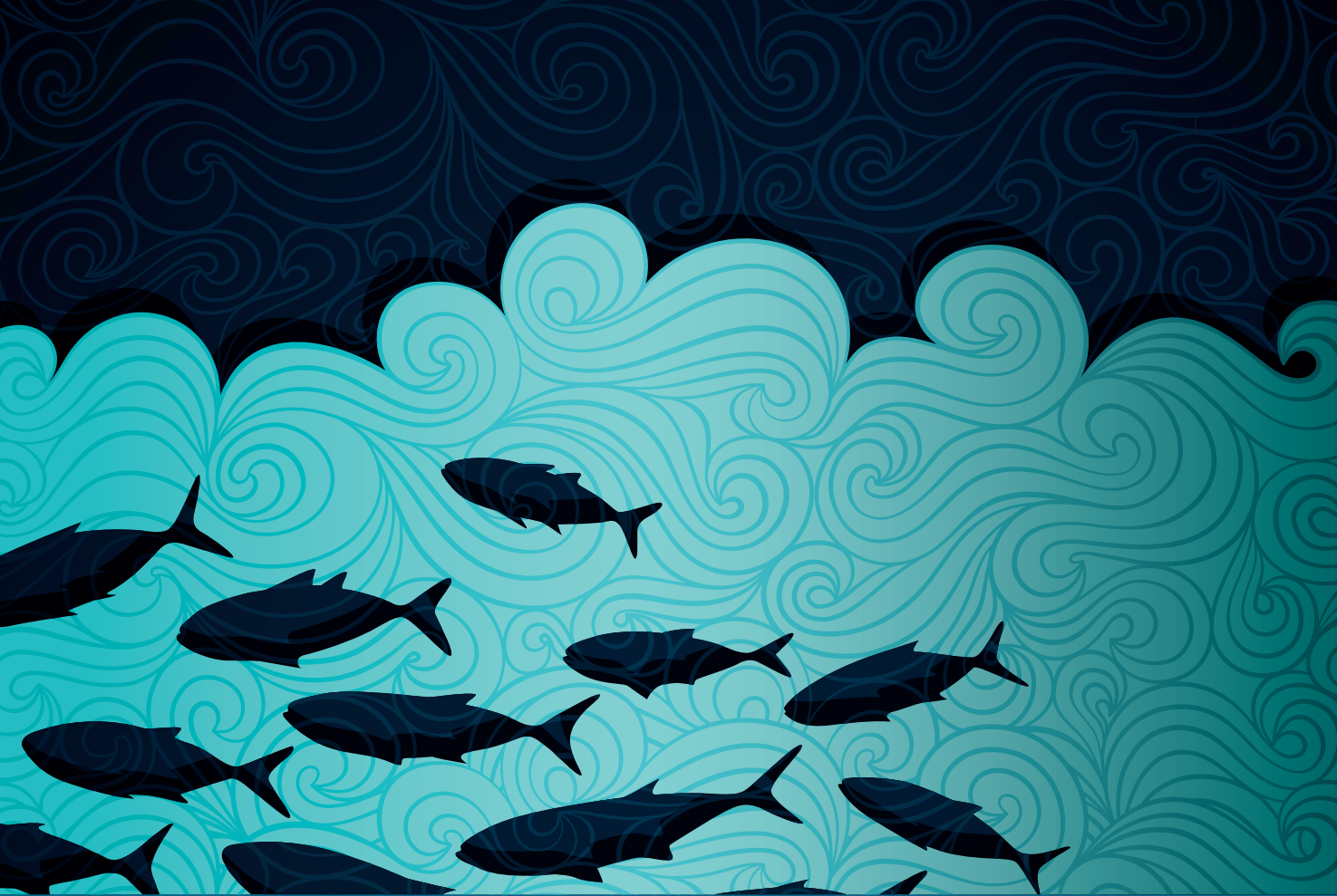
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CONTEMPORARY HUMAN RESOURCE MANAGEMENT

Text and Cases

Fourth Edition

Tom Redman and
Adrian Wilkinson

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Cape Town • São Paulo • Mexico City • Madrid • Amsterdam • Munich • Paris • Milan

PEARSON EDUCATION LIMITED

Edinburgh Gate
Harlow CM20 2JE
Tel: +44 (0)1279 623623
Fax: +44 (0)1279 431059
Website: www.pearson.com/uk

First published 2001 (print)
Second edition published 2006 (print)
Third edition published 2009 (print)
Fourth edition published 2013 (print and electronic)

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© Pearson Education 2013 (print and electronic)

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ISBN: 978-0-273-75782-5 (print)
978-0-273-75786-3 (ebook)
978-0-273-78051-9 (eText)

British Library Cataloguing-in-Publication Data

A catalogue record for the print edition is available from the British Library

Library of Congress Cataloging-in-Publication Data

A catalog record for the print edition is available from the Library of Congress

10 9 8 7 6 5 4 3 2 1
16 15 14 13 12

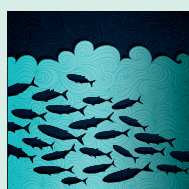
Print edition typeset in [Minion Pro 10/12] by 73
Print edition printed and bound by Rotolito Lombarda, Italy
NOTE THAT ANY PAGE CROSS REFERENCES REFER TO THE PRINT EDITION

To Erin and Aidan
and
Rachel and Rosie

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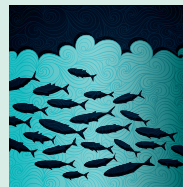
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EDITORS

Tom Redman is Professor of Human Resource Management and Director of Research at the University of Durham Business School. Before joining Durham Business School, Tom was a Professor of Human Resource Management at the University of Sheffield. Prior to this he was Professor of Human Resource Management at the University of Teesside. Tom has also spent 10 years in industry, in quality, production and HR management positions (mainly with Royal Worcester Porcelain) prior to re-entering academic life. His books include *Managing Managers* (Blackwell, 1993) and *Managing with TQM: Theory and Practice* (Macmillan, 1998) and *The SAGE Handbook of Human Resource Management* (Sage, 2009). He is a Fellow of the Chartered Institute of Personnel and Development.

Adrian Wilkinson is Professor and Director of the Centre for Work, Organisation and Wellbeing at Griffith University, Brisbane, Australia. Prior to his 2006 appointment, Adrian worked at Loughborough University in the United Kingdom where he was Professor of Human Resource Management from 1998 to 2006. Adrian has also worked at the Manchester School of Management at the University of Manchester Institute of Science and Technology. He holds Visiting Professorships at Loughborough University, the University of Sheffield and the University of Durham, and is an Academic Fellow at the Centre for International Human Resource

Management at the Judge Institute, University of Cambridge. Adrian has written/edited 20 books, over 100 articles in refereed journals, and numerous book chapters. His books (with co-authors) include *Making Quality Critical* (Routledge, 1995); *Managing Quality and Human Resources* (Blackwell, 1997); *Managing with TQM: Theory and Practice* (Macmillan, 1998); *Understanding Work and Employment: Industrial Relations in Transition* (Oxford University Press, 2003); *Human Resource Management at Work* (5th edition, Chartered Institute of Personnel and Development, 2012); *The SAGE Handbook of Human Resource Management* (Sage, 2009); *The Oxford Handbook of Participation in Organisations* (Oxford University Press, 2010); *The Research Handbook of The Future of Work and Employment Relations* (Elgar, 2011); *The Future of Employment Relations* (Palgrave, 2011); *The Handbook of Comparative Employment Relations* (Elgar, 2011); and *The International Handbook of Labour Unions* (Elgar, 2012). He is a Fellow and Accredited Examiner of the Chartered Institute of Personnel and Development in the UK and a Fellow of the Australian Human Resource Institute. Adrian was appointed as a British Academy of Management Fellow in 2010. In 2011 he was elected as an Academician of the Academy of Social Sciences in recognition of his contribution. Adrian was Chief Editor of the *International Journal of Management Reviews* from 2004–9 and is an Associate Editor for *Human Resource Management Journal*.

CONTRIBUTORS

| | |
|-------------------|---|
| Peter Ackers | Professor of Industrial Relations and Labour History, Loughborough University Business School |
| Deirdre Anderson | Lecturer in Organisational Behaviour, Cranfield School of Management |
| Aline Bos | Assistant Professor, Utrecht University School of Governance, Utrecht University, The Netherlands |
| Paul Boselie | Professor, Utrecht University School of Governance, Utrecht University, The Netherlands |
| Nick Bacon | Professor of Human Resource Management, Cass Business School |
| Michelle Barker | Professor of Management, Griffith Business School |
| Sara Branch | Research Fellow, Key Centre for Ethics, Law, Justice and Governance, Griffith University |
| Samantha Callan | Honorary Research Fellow, School of Clinical Sciences and Community Health, College of Medicine and Veterinary Medicine, Edinburgh University, and Chairman in Residence (Family, Early Years and Mental Health) at the Westminster based think tank, Centre for Social Justice |
| Cathy Cassell | Professor of Organisational Psychology, Manchester Business School |
| Alistair Cheyne | Senior Lecturer in Organisational Psychology, Loughborough University Business School |
| David Collings | Professor of Human Resource Management, Dublin City University Business School |
| Laurie Cohen | Professor of Organisational Behaviour, Nottingham University Business School |
| Michael Dickmann | Professor of International Human Resource Management, Cranfield University |
| Tony Dundon | Lecturer in Human Resource Management, Department of Management, National University of Ireland, Galway |
| Amal El-Sawad | Lecturer in Human Resource Management, Associate Professor of Human Resource Management at Zayed University, Abu Dhabi, United Arab Emirates |
| Mark Gilman | Senior Lecturer in Industrial Relations and Human Resource Management at Kent Business School |
| Dulini Fernando | Research Associate, Centre for Professional Work and Careers, Loughborough University |
| Irena Grugulis | Professor of Employment Studies, Management School, Durham University |
| Philip Hancock | Professor of Work and Organisation, Essex Business School |
| Gail Hebson | Lecturer in Employment Studies, Manchester Business School |
| William Hunter | Senior Lecturer in Human Resource Management, University of Sunderland |
| Donald Hislop | Senior Lecturer in Organisational Behaviour, Loughborough University Business School |
| Louise Hopper | Group Head of Human Resources, Mother Holdings Ltd |
| Sue Hutchinson | Associate Professor of Human Resource Management, University of West of England |
| Scott Hurrell | Lecturer in Work and Employment Studies, University of Stirling |
| Stewart Johnstone | Lecturer in Human Resource Management, University of Newcastle |
| Clare Kelliher | Professor of Work and Organisation, Cranfield University |
| Ashlea Kellner | Research Fellow, Centre for Work, Organisation and Wellbeing, Griffith University |
| Gill Kirton | Professor in Employment Relations and Human Resource Management, Queen Mary, University of London |
| Nick Kinnie | Reader in Human Resource Management, School of Management, University of Bath |

| | |
|------------------|--|
| John Loan-Clarke | Senior Lecturer in Organisational Development, Loughborough University Business School |
| Anne McCormack | Lecturer, University of Strathclyde |
| Miral Metawie | Doctoral Student, Kent Business School |
| Olav Muurlink | Research Fellow, Centre for Work, Organisation and Wellbeing, Griffith University |
| Alankrita Pandey | Department of Management, University of Texas at Arlington |
| David Peetz | Professor of Employment Relations, Griffith Business School |
| Sheryl Ramsay | Senior Lecturer in Management, Griffith Business School |
| Doug Renwick | Lecturer in Human Resource Management, University of Sheffield Management School |
| Bradley Saunders | Doctoral Student, Loughborough University |
| Dora Scholarios | Professor of Work Psychology, Strathclyde University |
| Dhara Shah | Doctoral Student, Griffith Business School |
| Ed Snape | Professor, Department of Management, Hong Kong Baptist University |
| Ruth Smyth | Head of HR, Alexander Mann Solutions |
| Juani Swart | Professor of Human Capital, School of Management, University of Bath |
| David Thompson | Associate Professor, Department of Management, Hong Kong Polytechnic |
| Keith Townsend | Senior Research Fellow, Griffith Business School |
| Melissa Tyler | Professor of Work and Organisation, Essex University Business School |
| Steven Vincent | Professor of Human Resource Management, Leeds University Business School |
| Geoffrey Wood | Professor of International Business at Warwick Business School, University of Warwick |
| Xiaozheng Zhang | Lecturer, Business School, Nottingham Trent University |
| Yajaun Zhan | Independent Consultant |

ACKNOWLEDGEMENTS

As with any book, the list of acknowledgements is extensive, but these are the most important: Thanks to our editor Gabrielle James.

As usual, our family and friends make a major contribution, and Tom and Adrian are grateful to their families for their support while the book was being written.

Publisher's acknowledgements

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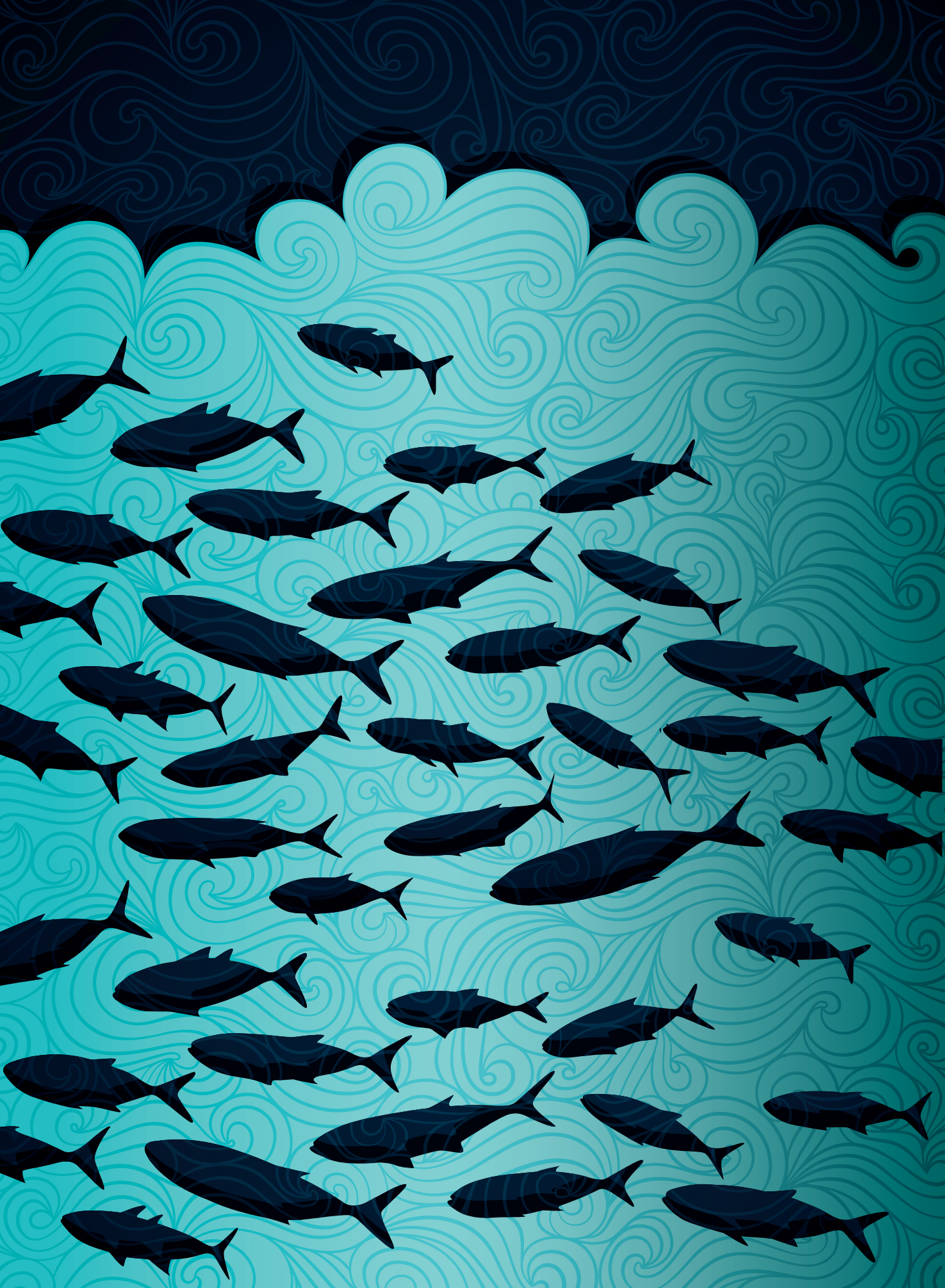
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PART 1

FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT



CHAPTER 1

HUMAN RESOURCE MANAGEMENT: A CONTEMPORARY PERSPECTIVE

Tom Redman and Adrian Wilkinson

Introduction

This book is about human resource management and is concerned with the way in which organisations manage their people. In this introductory chapter we discuss our own approach to the study of HRM and the rationale underpinning the ordering and presentation of material in the book. Our aim is to chart the broad terrain of a rapidly developing field of study in order to prepare the reader for the more finely grained treatment of specific HRM topics to be found in the individual chapters. In particular, we examine the rise of HRM, the effects of the changing context of work on HRM, what HRM involves the strategic nature of HRM practice, its impact on organisational performance and the changing role of the HRM function. The chapter concludes with a consideration of our views on the audience at which the book is targeted and some thoughts on how it may best be used.

The development of HRM

The roots of HRM can be found in the emergence of industrial welfare work from the 1890s, as organisations driven by a mix of humanitarian, religious and business motives began to provide workplace amenities such as medical care, housing and libraries. In addition, employment offices were established to deal with hiring, payroll and record keeping. When scientific management emerged, the principles of science were also to be applied to the management of people as well as the management of production. We see here the shift from direct systems of management (personal supervision, traditional paternalism and simple piecework systems) to more technical systems of management and bureaucratic forms of employment (Gospel 2005, 2009). From here the HRM function came to life, responsible for establishing modern personnel methods (Kaufman, 2007, 2010), and we have seen a growing professionalisation of the role. However, it has been often seen as largely an administrative function and as dealing with the 'labour problem' rather than contributing to strategic goals. This is the backcloth for the rise of the new HRM.

The past 20 years or so have seen the rise of what has been called the human resource management (HRM) new orthodoxy (Bacon, 2003; Boxall *et al.*, 2007; Guest, 1998; Marchington and Wilkinson, 2012; Torrington *et al.*, 2011; Wilkinson *et al.*, 2009). In the mid-1980s in the UK, and earlier in the US, the term 'HRM' became fashionable and gradually started to replace others such as 'personnel management', 'industrial relations' and 'labour relations'. The practitioners of people management are no longer personnel officers and trainers but are HR managers and human resource developers (and importantly, line managers). The 1990s saw the launch of new journals and the flourishing of university courses in HRM. The then Institute of Personnel Management, the main professional body for personnel practitioners, relaunched its journal *People Management*, but subtitled it '*the magazine for human resources professionals*'. The millennium has now witnessed the professional body receiving a Royal Charter to become the Chartered Institute of Personnel and Development. The new HRM bandwagon was well and truly rolling.

Early contributions on the implications of the rise of HRM were concerned to define it and to compare it with the more traditional approach to personnel management (e.g. Guest, 1987). HRM was in turn both heralded as 'a new era of humane people oriented employment management' (Keenoy, 1990: 375) and derided as a 'blunt instrument to bully workers' (Monks, 1998), especially with the decline of collective bargaining and the reduced influence of trade unions (Nolan and Wood, 2003; Wilkinson, 2008). There has been considerable ambiguity in the use of the term, with various commentators using 'HRM' as simply a more modern label for traditional personnel management, as a 're-conceptualising and re-organising of personnel roles', or as a new and distinctive approach, attempting to develop and utilise the potential of human resources to the full in pursuit of an organisation's strategic objectives. It is the promise that is held by this latter view that has most excited practitioners and attracted the attention of management academics (Marchington and Wilkinson, 2012; Storey, 2007).

There has long been a debate over whether HRM is no more than a relabelling of personnel management, the 'old wine in new bottles' critique, or something more fundamental (Gennard and Kelly, 1997; Legge, 1995). As we have noted, traditionally, personnel management is often characterised as having little focus on broader business links and being overly concentrated on the activities of personnel professionals, unions and a range of operational techniques. Thus personnel management was seen as a low-level record-keeping and 'people maintenance' function. The HRM stereotype, in contrast, is characterised as being much more concerned with business strategy, and linkages with HR strategy, taking the view that HR is a, if not *the*, most important organisational resource. Thus there has been much talk of an HRM 'revolution'.

The new HRM?

Storey conceptualises HRM as being about: beliefs and assumptions, strategic qualities, the critical role of managers and key levers (see Table 1.1). The definition of HRM by Storey emphasises a particular set of policies now identified with ‘high-commitment management’ or ‘high-performance work systems’:

Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques. (Storey, 1995: 5)

In contrast, a broader definition is provided by Boxall and Purcell:

HRM includes anything and everything associated with the management of employment relationships in the firm. We do not associate HRM solely with a high-commitment model of labour management or with any particular ideology or style of management. (Boxall and Purcell, 2000: 184).

Bacon (2003) points out that if HRM is defined exclusively as high-commitment management then the subject marginalises itself to the discussion of a relatively small number of distinct companies since many organisations pursue a ‘low-wage path’. The above ‘exclusive’ definition thus identifies HRM in contrast to other forms of labour management (industrial relations or traditional personnel management), whereas the second inclusive definition covers all forms of labour management (Bacon, 2003: 73).

Table 1.1 The new HRM model

1 Beliefs and assumptions

- That it is the human resource which gives competitive edge.
- That the aim should not be mere compliance with rules, but employee commitment.
- That therefore employees should, for example, be very carefully selected and developed.

2 Strategic qualities

- Because of the above factors, HR decisions are of strategic importance.
- Top management involvement is necessary.
- HR policies should be integrated into the business strategy – stemming from it and even contributing to it.

3 Critical role of managers

- Because HR practice is critical to the core activities of the business, it is too important to be left to personnel specialists alone.
- Line managers are (or need to be) closely involved as both deliverers and drivers of the HR policies.
- Much greater attention is paid to the management of managers themselves.

4 Key levers

- Managing culture is more important than managing procedures and systems.
- Integrated action on selection, communication, training, reward and development.
- Restructuring and job redesign to allow devolved responsibility and empowerment.

Slippage between these two differing definitions, the new HRM according to Storey and HRM as a more generic term, is the cause of considerable confusion, generating more heat than light in debates on HRM and its meaning. However, although evolution is less exciting than revolution, Torrington *et al.*'s (2002) view was that HRM is merely the next stage in the development of personnel management is persuasive. Torrington (1993), a staunch defender of 'good' personnel management, has also suggested that much of what is now labelled 'HRM' may be seen much more simply as longstanding good people management practice, while what was less effective has been relegated to remain, rather unfairly it seems, with the 'personnel management' brand.

Similarly Lewin (2008) defines HRM as the attraction, retention, utilisation, motivation, rewarding and disciplining of employees in organisations – in short, the management of people at work. This seems a good definition, which is broad and less subject to fashion. However, he also notes that HRM as a label conveys the shift in terms of a greater emphasis on people as a resource whose active management can positively contribute to organisational success. In this sense HRM has an aspirational quality.

The changing context of work

Things are happening in employment that are neither a cause nor an effect of HRM but which could have some impact on it. These include the intensification of work, the choices of work location provided by technology and the divisive nature of a society in which many are idle and impoverished while many others are seriously over-worked. (Guest, 1998: 51)

Even the more 'upbeat' HRM work such as that of Storey (1992) indicates that changes in the arena of HRM did not come from initiatives designed directly to do this. Change was driven by broader organisational initiatives, and thus personnel specialists have not been seen as the key drivers of change. Similarly Wood's (1999) work on high-commitment practices suggests that innovations in HRM tend to accompany changes in production systems and that innovations on humanistic grounds are unrealistic. Thus in part HRM can be seen as a consequence of managing in 'uncharted territory' with new rules governing the employment relationship (Beardwell, 1998; Wilkinson and Townsend, 2011a,b).

In the main, developments in HRM, as we argue above, have been driven by large-scale organisational changes as employers adjust to a much more competitive global economic environment (Sisson, 2010). To meet some of the challenges posed by intense competition, organisations have been downsized, delayed and decentralised (Nolan, 2011; Wilkinson, 2005). Organisations are now less hierarchical in nature; have adopted more flexible forms; and have been subjected to continuing waves of organisational change programmes such as total quality management, business process re-engineering, performance management, lean production, learning organisations and a seemingly relentless series of culture change initiatives.

But we need to be careful: there is a danger that accounts of change in organisations are always portrayed as major paradigm-shifting events when the reality is rather different. The rhetoric of organisational change often relies too heavily on hype from unrepresentative examples (Beynon, *et al.*, 2002; Thompson and O'Connell Davidson, 1995). Managers, it seems, often perceive themselves to be in the midst of massive organisational change. Eccles and Nohira's (1992) historical account of post-Second World War management traces how it has been the norm rather than the exception for practitioners and writers to view their organisational environment as turbulent and characterised by transformative change or, as Sorge and van Witteloostuijn (2004) put it, the nature of the change hype changes regularly just as flu viruses mutate over time.

Nevertheless, it appears that the type of staff employed and the way they are organised has also undergone change. Employees are often now more likely to be female, work part-time, away from the workplace (e.g. home working and mobile working) mediated by technology (e.g. hot desking, telework), and be subcontractors, consultants, temps and interims. The boundaries between work and home are much more blurred (Walsh, 2009) and employment now has to be managed across organisational boundaries, public, private, partnerships, franchises, agencies and other forms of inter-firm contractual relations which have a major impact on work and employment (Grimshaw *et al.*, 2010; Marchington *et al.*, 2011a,b).

Pressures have not been restricted to the private sector and we have seen the rise of the so-called 'new public management' with its emphasis on economy and efficiency (Bach, 2008; Exworthy and Halford, 2002; Pollit and Bouchert, 2011). The public sector has undergone many similar changes, with new organisational forms emerging in wake of 'marketisation', compulsory competitive tendering, 'best value' and more recently the challenges of maintaining HRM practices in an era of 'austerity' (Bach and Givan, 2010; Grimshaw *et al.*, 2010). For example, the civil service has experienced delayering, market testing and citizens' charters as well as the creation of next-step agencies, and most recently has been targeted for major downsizing and restructuring. The NHS has seen the creation of internal markets and the introduction of performance league tables and patients' charters.

Some of these changes are seen as facilitating more discretion for staff while at the same time retaining control of performance. Here the relevance of HRM comes to the fore; new forms of work and organisation demand new HRM strategies and practices. The new work context also brings new HRM challenges; not the least of these derives from the impact of such changes on the stresses and strains involved in working under such conditions. Here the growing literature on stress at work paints a rather disconcerting picture of organisational life in the new workplace. Typical of this work is the series of surveys of safety reps by the TUC (2007). These show that the number of workers suffering from stress has steadily increased over the series. The main reasons cited for stress are increased workloads, change at work, staff cuts, long hours, and bullying and job insecurity. Interestingly, given the changes highlighted above, it is the public sector where the highest stress levels are found. The TUC surveys find nearly two-thirds (64 per cent) of public sector workers complained of stress at work, compared to less than half (48 per cent) in the private sector. Stress is still problematic in the workplace with the latest UK estimates based on analysis by the Health and Safety Executive (HSE, 2012) of the Labour Force Survey showing that the total number of cases of stress in 2010/11 was 400,000 out of a total of 1,152,000 for all work-related illnesses. The industries that reported the highest rates of work-related stress in the last three years, were as we note above subject to major organisational changes, were health, social work, education and public administration.

It is perhaps hardly surprising that much research reports a decline in organisational commitment at work. Taylor (2003) notes a significant deterioration has taken place among workers in relation to personal commitment to their company. Despite all the HRM rhetoric there is no widespread belief in any sense of obligation to the firms who employ them. Green's research (2005) shows a significant downturn in job satisfaction since the early 1990s, despite rising wage levels and a generally tight labour market. Green notes that employees are receiving less control and autonomy, and have to cope with more targets, rules and greater stress. Therefore, a high workload allied to little control over work is liable to cause stress.

While HRM practices (e.g. employee assistance programmes, workplace counselling schemes etc.) are used in some organisations to provide a more supportive environment, there is evidence that they may only ease rather than cure the impact of workplace stress. Thus, the general picture may be rather bleak. Indeed, HRM practices may have added considerably to the stresses of modern worklife with the increased use of such practices as performance management systems, contingent pay and flexibilisation. For example, in relation to flexibility, reports from the Citizens' Advice Bureau find numerous accounts of worker exploitation, with unilateral changes in contracts and forced reduction in hours and pay.

Recent times have also witnessed the return of 'zero hours contracts', particularly in retailing, whereby employers do not guarantee that any work will be offered, but should they require labour the employee is expected to be available. The impact of organisational change on employees has been so considerable that commentators now argue that there is a need to radically reconstruct the nature of the 'psychological contract' between employer and employee (Brotherton, 2003; Guest, 2007). The search is now on for new deals for new times (Herriot and Pemberton, 1995) as trust has been fractured (Dietz *et al.*, 2011).

These concerns have led to engagement being the latest idea to take root in the world of HRM (Alfes *et al.*, 2010; MacLeod and Clarke, 2009; Saks, 2006; Wilkinson and Fay, 2011; Wilkinson *et al.*, 2012). The CIPD define it as 'a combination of commitment to the organisation and its values, plus a willingness to help out colleagues. It goes beyond job satisfaction and is not simply motivation. Engagement is something the employee has to offer: it cannot be "required" as part of the employment contract' (CIPD, 2012: 1). A Watson Wyatt study (2009) indicated that a company with highly engaged employees achieves a financial performance that is four times better than those with poor engagement. Other reports also report on the potential gains of engaged staff, with Gallup finding that more highly engaged staff take an average of 2.5 sick days per year whereas disengaged staff take on average 6.2 days per year (Harter *et al.*, 2006). The concept has not been without criticism. Welbourne (2011) observes the beauty of employee engagement is that it can be everything (positive) to everybody. As she points out, employee engagement speaks to something most managers believe, that is when employees go 'above and beyond' the call of duty then organisations fare better.

In the UK, the Macleod report entitled *Engaging for Success* (Macleod and Clarke, 2009) was designed to open a national discussion on the subject but the assumption behind this was not to debate the merits of the idea but to work out how best to implement it given a recognition that one size does not fit all. Trust in management job satisfaction and involvement in decision-making are seen as the basic building blocks for employee engagement (Purcell, 2010). From the UK WERS data not all employees appear engaged and, indeed, the number who are 'fully engaged', defined as scoring highly on every dimension, is often less than one in five. On a scale of 1–5, where one is 'fully disengaged' and five is 'fully engaged' with three meaning 'neither engaged nor disengaged', the expectation would be that the bulk of employees in a well functioning firm would be 'engaged' (i.e. score 4) and the median score would be over 3. Lower levels of engagement are also more likely to be found where there is perceived unfairness in rewards, where there is bullying and harassment and where people believe they are stuck in their jobs and feel isolated from open communications. All this clearly has implications for line managers (Purcell, 2010: 4).

One issue relates to the reciprocity of engagement. One can see why employers would like to get employees working harder or smarter because they are engaged, but what is the return for employees? Or what can employers provide to support employees better? Another neglected dimension is whether engagement will always be good. Can staff be too engaged for their own good? (Marchington and Wilkinson, 2012: 352–5.).

Clearly more research is needed in this area. A strong central theme of HRM in these accounts is that of linking the people management practice to business strategy, and we examine this in the next section of this chapter.

Strategy and HRM

HR scholars have been calling for a stronger focus on the human resources inside the firm and how they are managed (Boselie and Paauwe, 2009), but as Morris and Snell point out (2009: 85) mainstream strategy scholars are also beginning to acknowledge that they need to focus on 'micro-level' factors; the value proposition of a firm is seen as relying more on knowledge and service activities, and so strategic management depends very much on what

people know and how they behave. As Morris and Snell note, because no other resource possessed by a firm has free will or heterogeneity of ideas, products and services often originate in individuals. This makes the human resources within the firm, and how they are managed, a potentially unique source of strategic leverage. The increase in differentiated workforces poses added cultural, geographical and competency gaps (Becker and Huselid, 2009; see Marchington and Wilkinson, 2012: 5). Despite this call, it is rare for texts on strategy to pay much attention to HRM issues; for example, Johnson *et al.*, (2011) devote only a handful of pages to managing human resources while Grant (2010) allocates just one page to HRM in his discussion of resources and capabilities.

Meanwhile the study of HRM has adopted a cross-functional approach and expanded its breadth of analysis beyond the staple concerns of selection, training, reward etc. (Pauwwe, 2004). In particular, one stream of research, strategic human resource management (SHRM), has emerged as being particularly influential in this respect. In essence SHRM theory posits that an organisation's human resource assets are potentially the sole source of sustainable competitive advantage. Much of the work in this area draws from the resource-based theory (RBT) of the firm (Allen and Wright, 2007; Barney, 1991, 1995; Boxall and Purcell, 2003, 2008, 2011). Here RBT suggests that competitive advantage depends ultimately on an organisation having superior, valuable, rare, non-substitutable resources at its disposal and that such resources are not easily imitated by others. The non-imitable nature of resources is a key aspect, otherwise competitors would be able to replicate and the advantage would rapidly disappear.

The subtleties of the human resource value creation process, however, are extremely difficult for competitors to imitate. The ambiguities and complexities associated with even the 'strongest' of organisational cultures, and how HRM practices are related to culture, are considerable and cannot be easily teased out by would-be imitators. Equally, any competitive advantage located in a codified and explicit set of HRM practices is also much less likely to be non-imitable than one based on the complex interaction of HRM policies and an organisation's 'social architecture' (Mueller, 1996). By social architecture, Mueller is referring to skill formation activities, cooperative behaviour and the tacit knowledge that organisations possess. Thus the value creation process arising from HRM competencies does appear to meet the criteria set out by RBT and consequently a growing body of empirical and theoretical work has emerged on SHRM (see Boxall and Purcell, 2003; Guest, 2011; Pauwwe, 2009 for reviews of this literature). Thus RBT perhaps helps us explain some of the contradictions in HRM, and provides answers to questions such as that posed by Guest and King (2001: 11), namely, 'if good people management is self-evidently beneficial to organisations, why do not more of them adopt it?' One particular concern in applying the RBT to HRM is that it lacks a theory of the employment relationship because it assumes that internal resources do not have interests which may conflict or require negotiated alignments (Bacon, 2003: 80).

A recurrent theme in the SHRM literature is that organisations need to 'match' their human resource strategies to their business strategies, so that the former contribute towards the successful implementation of the latter (Becker and Huselid, 2009; Boxall, 1992; Lengnick-Hall and Lengnick-Hall, 1988; Martin-Alcazar *et al.*, 2005; Miller, 1987; Schuler and Jackson, 1989). A number of sectoral and company-level studies have shown how organisations facing change in their competitive environment have responded with new business strategies, which in turn have required a transformation in the organisations' approach to the management of staff (see for example, Boxall and Steenveld, 1999; Snape *et al.*, 1993).

This approach, the so-called 'matching model' by Boxall (1992), argues for a fit or match between business strategy and a human resource strategy, which fosters the required employee attitudes and behaviour. In this sense, human resource strategy flows from the initial choice of business strategy (Purcell, 1989). Furthermore, to the extent that changes in the corporate environment evoke a particular business strategy response, human resource strategies can also be seen as being strongly influenced by environmental change (Hendry *et al.*, 1988). As Sparrow and Hilltop (1994: 628) argue, 'HRM strategies are all about making business strategies work'. A closely related body of work has recently called for a *configurational*

approach to SHRM. Here it is argued that it is the pattern of HRM practices that supports the achievement of organisational goals and that, in line with the contingency approach, fit with strategy is vital to explaining the HR – performance nexus. The configurational approach takes the best-fit view a step further in that it argues that there are a number of specific ideal types that provide both horizontal fit between HR practices, and vertical fit between HR practices and business strategy (Ferris *et al.*, 1999). The configuration of practices which provides the tightest fit is then seen as being ideal for the particular strategy. Although this work is still in its relative infancy, there has been some theorising on the nature of the ‘ideal types’ of configurations for customer, operations or product-led organisations etc. (Martin-Alcazar *et al.*, 2005; Sheppeck and Militello, 2000).

Nevertheless, there is an issue as to how far human resource strategies can simply be ‘matched’ with the requirements of a changing business strategy (Bacon, 2008). As Boxall (1992: 68) notes, much of the ‘matching’ literature has implicitly assumed that employee attitudes and behaviour can be moulded by management strategy in the pursuit of strategic fit. However, human resource outcomes cannot be taken for granted, and whatever the merits of the view that personnel managers must increasingly see themselves as ‘business managers’, it is important to recognise that personnel management and industrial relations are about more than simply selecting the appropriate fit with a given business strategy. Thus the best-fit approach can be criticised for failing to acknowledge the importance of social norms and legal rules in the search for alignment (Paauwe and Boselie, 2007). Indeed, the notion of fit is somewhat static and an inappropriate metaphor in a fast-changing corporate world.

Moreover, as Boxall and Purcell note (2003: 197), inconsistent application of well-designed HR policies often undermines their desired impact. This is very evident in the work of Gratton *et al.*, (1999) and their study of seven leading-edge UK organisations. Hence, according to Boxall and Purcell ‘there is no such thing as *the* single HR practice of the firm. It is more accurate to imagine the HR practices of the firm as norms around which there is variation due to the idiosyncratic behaviour of line managers’ (2003: 198). Truss (2001) notes the importance of ‘agency’, thus we should not assume that simply having a particular human resource policy will necessarily lead to a desired outcome. Problems of implementation and interpretation occur alongside people’s sometimes unpredictable responses and actions.

Performance and HRM

For years, HR professionals have yearned for evidence to show that people were really the most important asset a company had and that good HR practice delivered in terms of organisational performance. By the mid-1990s their prayers appeared to have been answered in that a growing number of studies appeared to demonstrate just that. For example, in research undertaken on behalf of the then Institute of Personnel and Development in the UK, the Sheffield Effectiveness Programme (based on 100 small and medium-sized enterprises (SMEs) in manufacturing) concluded that people management is not only critical to business performance but is also much more important than an emphasis on quality, technology, competitive strategy or R&D in terms of influence on the bottom line. Thus according to Patterson *et al.*, (1998), this finding in one sense validates the oft-quoted claims of CEOs that people are the most important asset but is also paradoxical in that it is one aspect of business that is the most neglected:

Overall, the results of this study clearly indicate the importance of people management practices in influencing company performance. The results are unique, since no similar study has been conducted, comparing the influence of different types of managerial practices upon performance. If managers wish to influence the performance of their companies, the results show that the most important area to emphasise is the management of