Lecture 2

2.1 Introduction to HRM
2.2 Evolution/History of HRM
2.3 HRM Philosophy
2.4 Goals/Objectives/Aims of HRM system
2.5 HRM features
2.6 Personnel Management and HRM – Similarities and Differences
2.7 Models of HRM
2.1 Definitions of HRM

Beer et al. (1984):

- HRM involves all management decisions and action that affect the nature of the relationship between the organisation and its employees – its human resources.

Storey (1989):

- HRM can be regarded as a ‘set of interrelated policies with an ideological and philosophical underpinning’.
- Four aspects which constitute the meaningful version of HRM:
  1. Constellation of beliefs and assumptions;
  2. Strategic thrust informing decisions about people management;
  3. Central involvement of line managers;
  4. Reliance upon a set of ‘levers’ to shape the employment relationships – different from those used under proceduralist and joint regimes typical of classical industrial relations systems.

McKeena and Beech (1995):

- HRM … considers people as the key resource … is important to communicate well with employees … involves them in what is going on … fosters commitment and identification with the organisation … heavily emphasises a strategic approach to the acquisition, management and motivation of people.

Armstrong (2002):

- HRM can be defined as a strategic and coherent approach to the management of an organisation’s most valued assets: the people working there who individually and collectively contribute to the achievement of its objectives.
Key considerations behind the meaning of HRM (Beer and Spector, 1985):

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

Factors leading towards HRM

- The search for competitive advantage;
- Models of excellence;
- The fading role and concept of Personnel Management;
- The decline in Trade Union pressures;
- Changes in organisations and operations;
- Technology;
- Market mechanism – customer orientation, quality service.

A new approach

Considers people as key resource:

- Communicate with them
- Involve them to foster communication
- Identify them in the organisation
- Strategic approach to acquisition management and motivation of people.
2.2 Evolution/History of HRM

(a) 1800’s:

- Concept of welfare of personnel developed, prompted by human concerns (Quaker tradition). Welfare concerned with provision of schemes, sick pay, subsidised housing, etc.
- Continued up to World War II and later manifested in terms of provision of canteens, outings (today Health schemes and crèches)

- 2nd phase: Next phase is emphasis on Personnel Administration – to support management, and concerned with recruitment, discipline, pay systems, training and records keeping.

(b) World War II to 1950’s:

- Personnel Management incorporated wider range of services – salary administration, training, advice on Industrial Relations.
- Focus was tactical and not strategic level
- Organisations were growing; e.g. collective bargaining from industry level to company level was prominent, then the coming of Industrial Relations specialists.

(c) 1960’s – 1970’s:

- Increase in staff of personnel department due to increase in legislations (conditions of full employment) thus retaining of skilled labour force and training.
- Approach to the training was systematic and planned. There was training levy
- Other related activities: Performance Management (MBO), Management Development, Manpower Planning. Bargaining power of Trade Union was conspicuous, therefore an increase in workload of Personnel Department.
- Matters of Industrial Relations issues and productivity deals elevated the strategic concern of the organisation – heralded Personnel Department to deal with management and workers as well.
• Need for developing several skills and to identify personnel functions into management was more felt.

1980’s:
• Personnel Management entered the entrepreneurial phase, adapting to market economy and enterprise culture, contribution to vision, objectives, corporate culture, etc got prominence.
• Change of Trade Union role (decline), need for less elaborated processes in collective bargaining and conflict management.
• Management devoted time in redundancy programmes.

1990’s:
• Post entrepreneurial phase embraced HRM.
• Value of team work.
• Personnel Management activities:
  ▪ Human Resource Planning
  ▪ Recruitment and Selection
  ▪ Performance Appraisal
  ▪ Training
  ▪ Rewards
  ▪ Industrial Relations
  ▪ Employee Communication and Participation
  ▪ Personnel Records

3rd Perspective:

Basis of Roles:

a. The Social Reformer
   • Helping the unprivileged workers at the hands of rapacious employer.
b. The Acdyte of Benevolence
   • Appointed with specific responsibility for improving the lot of employee – known as welfare officers from the administration section.

c. The Human Bureaucrat Role
   • Leading to growth of personnel work, staffing (role specification, careful selection, training and placement)

d. The Consensus Negotiator
   • Personnel manager acquiring bargaining expertise – consultation, etc – leading to Industrial Relations functions.

e. Organisation Man
   • The effectiveness of organisation not dealing with rank and file on behalf of management but towards dealing with management and integration of managerial activity.

f. Manpower Analyst
   • Having a proactive planning

4th Perspective

1) HRM is no more than renaming of personnel functions (Armstrong, 2001)
   HRM as a restatement of existing personnel practice

2) HRM as a fusion of Personnel Management and Industrial Relations – managerially focused, i.e. HRM as a new managerial discipline.
3) HRM is under conception of Employee Relationship to incorporate ad enable developmental role for individual employee – HRM as an individually focused developmental model (lot of importance to develop and provide necessary techniques to people and the organisation structure on a model of excellence).

4) HRM as a strategic and international function playing both a determining and contributory role (it cannot be viewed as an isolated corner but broader стратегический perspective

- People as the centre of organisational competiveness
- People as the repository of organisational knowledge
- Thinkers of HRM had an underlying philosophy in their mind.
2.3 HRM Philosophy

- Respect for the individual – give dignity
- Recognition of employee’s needs and expectations – a boost on own personality, seek commitment
- Justice in treatment – social/fair/give equal opportunity
- Equitable reward system – equal opportunity
- Stability of employment – develop and train the people for the national dimension
- Good working environment and conditions of service
- Opportunities for personal development and career progression
- Democratic functioning of the organisation – workers are given the opportunity to express views, participate in decision making and offer suggestions
- Observance of laws and codes of conduct

2.4 Goals/Objectives/Aims of HRM system

- Enabling management to achieve organisational objectives through its workforce; i.e., the most valued resource.
- Utilisation of people to their fullest capacity and potential
- Fostering commitment for the success of the organisation and to enhance both individual and organisational performance
- Integrating HR policies with business plans and reinforcing appropriate culture – meet business strategy based on excellence of people – to retain the people.
- Developing coherent set of policies (employment and personnel) for reinforcing organisations strategies
- Supporting individual creativity and innovation – thinking out of the box by reading, research, cognitive process.
- Encouraging willingness to operate flexibly – adaptive organisation in pursuit of excellence
- Maintaining and enhancing both workforce and the product/service.
2.5 HRM features

- Top management driven activity
- HRM functions devolved to line managers
- Emphasis on strategic fit
- Adoption of comprehensive and coherent approach to employment policies and practices.
- Organic principles and decentralisation with flexible rules
- Emphasis on teamwork and the individual rather than collective bargaining process
- Importance of strong cultures and values
- Emphasis on additional and behavioural characteristics of employees.

Distinguishing features of HRM

- Acknowledgement that employees are valued assets
- Corporate culture
- Employee commitment (psychological contract) – mutuality, loyalty
- Existence of common interests
- People as social capital capable of development
- Participation in decision making
- Trade union recognition but respect to rights of management as well
- Informed employees
- People are creative and innovative
2.6 Similarities and Differences between Personnel Management and HRM

Similarities
1. A natural concern for people and their needs – both deals with people.
2. Focus on employee relationships within the organisation
3. Finding efficient means to select, train, appraise, develop and reward employees
4. Responsive to democratic and persistent change

Differences

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<thead>
<tr>
<th>Elements</th>
<th>PM</th>
<th>HRM</th>
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<tbody>
<tr>
<td>1. Employee relationship</td>
<td>Adversarial</td>
<td>Development and collaboration</td>
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<td>2. Orientation</td>
<td>Reactive &amp; piecemeal</td>
<td>Proactive &amp; business focused</td>
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<td>3. Organisation</td>
<td>Separate functions</td>
<td>Integrated functions</td>
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<td>4. Change</td>
<td>Management</td>
<td>Management &amp; employee</td>
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<td>5. Values</td>
<td>Order, equity, consistency</td>
<td>Client &amp; Problem focused tailored solutions</td>
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<td>6. Role of specialist</td>
<td>Regulatory &amp; Record Keeping</td>
<td>Problem sensing</td>
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<td>7. Role of line management</td>
<td>Passive ownership</td>
<td>Active ownership</td>
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<td>8. Overall output</td>
<td>Compartmentalised</td>
<td>Linking various HR levers to thinking and acting business needs</td>
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2.7 Models of HRM

- Four significant views of HRM that have emerged from the American school of thoughts which are (Sparrow, 1994):
  - The Michigan and New York Schools: Strategic Matching Theory;
  - The Harvard School: A multiple Stakeholders Theory;
  - The Warwick School: A political and Change Process Theory;

The first two HRM models as stated by Sparrow (1994) above gave the process of managing the human resources a more strategic role in firms.
1. The Matching Model

**Figure 2.1: The Matching Model of HRM**


**Figure 2.2** consists of two perspectives:

- The strategic and environmental perspective (Strategic Management and Environmental Pressures); and
- The HR perspective (HR Cycle).
2. The Harvard Framework

Figure 2.2: The Harvard Framework for HRM


Figure 2.3 consists of two parts:

- The HR system; and
- A map of the HRM territory
3. The Commitment Movement (Walton, 1985)

Walton (1985) paper on control-based versus commitment-based HRM systems was widely regarded as the classic statement of this position.

<table>
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<tr>
<th>Control Based HRM</th>
<th>Commitment Based HRM</th>
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<tr>
<td>Efficiency &amp; orderly</td>
<td>Flexibility</td>
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<tr>
<td>Tall hierarchy</td>
<td>Flat hierarchy attracting, satisfying and motivating high-skilled employees</td>
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<tr>
<td>Status symbols</td>
<td>Minimum status quo</td>
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<tr>
<td>Top management directs</td>
<td>Employee involvement, job security guarantee, information sharing, harmonious employee relations</td>
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4. The Four Policy Goals (David Guest, 1987)

- The four policy goals of HRM:
  1. Strategic integration
  2. High commitment
  3. High Quality
  4. Flexibility

- Guest considers that HRM values are:
  - Unitarist – interest of management and workers are the same
  - Individualistic – individual-organisation linkage in preference to operating through group and representative systems.
5. **Karren Legge (1989) - Hard and Soft versions of HRM**

The ‘hard’ model of HRM as a process emphasising ‘close integration of HR policies with business strategy which regards employees as a resource to be managed in the same rational way as any other resource being exploited for maximum return’. In contrast, the soft version of HRM sees employees as ‘valued assets and as a source of competitive advantage through their commitment, adaptability and high level of skills and performance’ (Legge, 1998). ‘She regards the three key features of HRM as first, various forms of flexibility, second, teambuilding, empowerment and involvement, and third, cultural management’ (Armstrong, 2001).

6. **John Storey (1989)**

- Four aspects which constitute the meaningful version of HRM:
  1. Constellation of beliefs and assumptions
  2. Strategic thrust informing decisions about people management
  3. Central involvement of line managers
  4. Reliance upon a ‘set of levers’ to shape employment relationship
Figure 2.4: A schism in American thinking about HRM.
Figure 2.5: A schism in British thinking about HRM.