

## » What is Human Resource Management?

It is appropriate to begin by defining our subject area. HRM describes the range of strategies and processes utilised to achieve competitive advantage by matching the needs of the organisation with the needs of employees. One approach to defining the subject is to review the range of specific responsibilities dealt with by the HR function. Such a list is shown in Figure 1.1. However, the precise list is likely to vary considerably between organisations. Furthermore, according to Peter Drucker (1961), there has been a tendency for HRM to be seen as something of a ‘trash can’, a repository for all those tasks which do not fit neatly anywhere else:

‘Personnel administration... is largely a collection of incidental techniques without much internal cohesion. As personnel administration conceives the job of managing worker and work, it is partly a file-clerk’s job, partly a housekeeping job, partly a social worker’s job and partly fire-fighting to head off union trouble or to settle it... the things the personnel administrator is typically responsible for... are necessary chores. I doubt though that they should be put together in one department for they are a hodge-podge... They are neither one function by kinship of skills required to carry out the activities, nor are they one function by being linked together in the work process, by forming a distinct stage in the work of the managers or in the process of the business’ (Drucker 1961, pp. 269-70, quoted in Legge 1995, p. 6). Perhaps not surprisingly, HRM has often been seen as lacking in business relevance and prestige.

- Job analysis
- Human resource planning
- Recruitment and selection
- Training and development
- Management development
- Pay and conditions of employment
- Grievance and disciplinary procedures
- Employee relations and communications
- Administration of contracts of employment
- Employee welfare and counselling
- Expatriate management
- Equal opportunities policy and monitoring
- Health and safety
- Outplacement

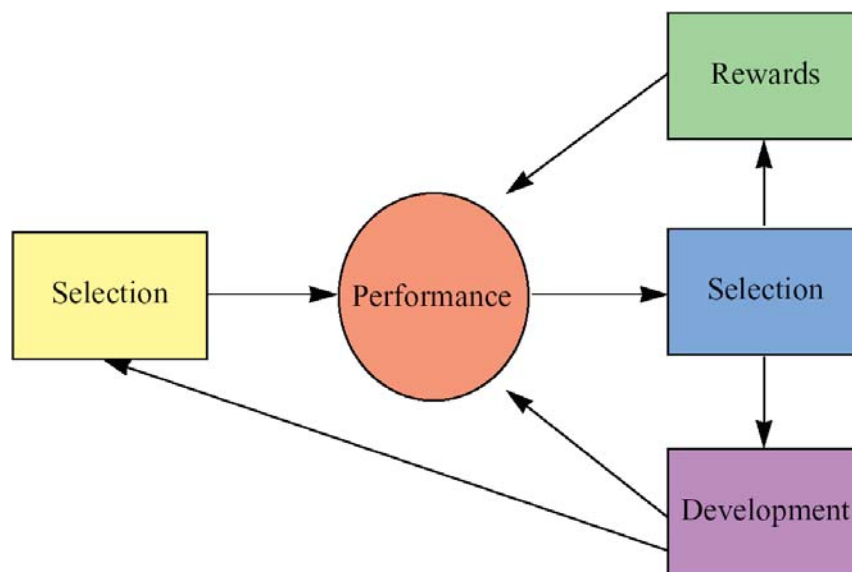
*Figure 1.1: Functions performed by the HR department*

**Q****ACTIVITY 1.1: QUESTION**

Look carefully at the list of activities in Figure 1.1. Can you add any more from your own experience? Can you spot any unifying themes in the list? Is Drucker's 'trash can' comment justified?

**A****ACTIVITY 1.1: ANSWER**

In contrast, others have tried to visualise HRM as comprising a set of key functions concerned with staffing the organisation, evaluating performance, designing reward strategies to retain and motivate employees, developing employees, and managing the relationship between the organisation and its employees in terms of discipline, grievances, communications and the representation of interests. One particular version of this sees HRM as being centrally concerned with the management of employee performance, and through this the performance of the organisation as a whole (see Figure 1.2). Thus, Devanna et al (1984) argue that the various elements of HRM should fit together as a coherent whole. Their **HR cycle** consists of four **generic functions**: **selection**, **appraisal**, **development** and **rewards**. The aim is to manage individual and organisational performance by selecting managers with the appropriate skills and attitudes, by appraising their performance, and then motivating them through the management of rewards and developing them as appropriate. This feeds back into performance, and possibly also into future selection decisions. Of course, the HR cycle is not a closed system, and performance is also influenced by the strategy and structure of the organisation, and by the corporate environment. This view suggests that HRM is at the core of managing organisational performance.



*Figure 1.2: The HR cycle*



## ACTIVITY 1.2: QUESTION

The HR cycle sees the management of performance as being at the core of HRM. Think about HRM in your own organisation and others with which you are familiar. Is HRM concerned primarily with performance management? Or is there more to the role?



## ACTIVITY 1.2: ANSWER

In the UK and elsewhere, we have seen a shift in terminology away from ‘personnel management’ towards ‘human resource management’ (HRM). Although partly just a change in name, there may be something more. Much has been made of the suggestion that organisations are looking to win employee commitment, rather than mere compliance to rules and operating procedures. Walton (1984), for example, suggests that employers are seeking to make the transition from ‘control’ to ‘commitment’, in order to remain competitive. Table 1.1 shows how this involves a systematic change in job design, performance expectations, management, rewards, employment security, employee voice and labour-management relations. There has been a great deal of debate about the extent to which such a set of ‘high commitment’ HRM practices will provide organisations with a competitive advantage (see for example: Guest 1997, *Human Resource Management Journal* 1999, *International Journal of Human Resource Management* 1997).

	Control	Transitional	Commitment
Job design principles	Individual attention limited to performing individual job.	Scope of individual responsibility extended to upgrading system performance, via participative problem-solving groups in QWL, EI, and quality circle programmes.	Individual responsibility extended to upgrading system performance.
	Job design deskills and fragments work and separates doing and thinking.	No change in traditional job design or accountability.	Job design enhances content of work, emphasises whole task, and combines doing and thinking.
	Accountability focused on individual.		Frequent use of teams as basic accountable unit.
	Fixed job definition.		Flexible definition of duties, contingent on changing conditions.
Performance expectations	Measured standards define minimum performance. Stability seen as desirable.		Emphasis placed on higher, ‘stretch objectives’, which tend to be dynamic and oriented to the marketplace.

Management organization: structure, systems, and style	Structure tends to be layered, with top-down controls.	No basic changes in approaches to structure, control, or authority.	Flat organization structure with mutual influence systems.
	Coordination and control rely on rules and procedures		Coordination and control based more on shared goals, values, and traditions.
	More emphasis on prerogatives and positional authority.		Management emphasis on problem solving and relevant information and expertise.
	Status symbols distributed to reinforce hierarchy.	A few visible symbols change.	Minimum status differentials to de-emphasize inherent hierarchy.
Compensation policies	Variable pay where feasible to provide individual incentive.	Typically no basic changes in compensation concepts.	Variable rewards to create equity and to reinforce group achievements: gain sharing, profit sharing.
	Individual pay geared to job evaluation.		Individual pay linked to skills and mastery.
	In downturn, cuts concentrated on hourly payrolls.	Equality of sacrifice among employee groups.	Equality of sacrifice.
Employment assurances	Employees regarded as variable costs.	Assurances that participation will not result in loss of job.	Assurances that participation will not result in loss of job.
		Extra effort to avoid layoff.	High commitment to avoid or assist in reemployment.
			Priority for training and retaining existing work force.
Employee voice policies	Employee input allowed on relatively narrow agenda. Attendant risks emphasized. Methods include open-door policy, attitude surveys, grievance procedures, and collective bargaining in some organizations.	Addition of limited, ad hoc consultation mechanisms. No change in corporate governance.	Employee participation encouraged on wide range of issues. Attendant benefits emphasized. New concepts of corporate governance.
	Business information distributed on strictly defined 'need to know' basis.	Additional sharing of information.	Business data shared widely.
Labor-management relations	Adversarial labor relations; emphasis on interest conflict.	Thawing of adversarial attitudes; joint sponsorship of QWL or EI; emphasis on common fate.	Mutuality in labor relations; joint planning and problem solving on expanded agenda.
			Unions, management, and workers redefine their respective roles.

**Figure 1.3: From control to commitment: workforce strategies**

*Source: Walton (1985, p. 81).*



### ACTIVITY 1.3: QUESTION

Think about the way in which your own organisation (or an organisation with which you are familiar) is managed. Is there any evidence that the organisation is practising ‘high commitment management’? What is the evidence for your conclusion?



### ACTIVITY 1.3: ANSWER

As we have seen, traditionally HRM has been seen as being a relatively low prestige function, with at best a marginal role in the management of the organisation. Increasingly, however, HRM specialists are adopting a strategic business orientation, and HRM is now being seen as centrally concerned with organisational effectiveness, and not simply about employee welfare or firefighting industrial relations problems. There is an increasing recognition that HRM is at the core of competitive advantage. The ‘excellence’ movement, spawned by Peters and Waterman’s (1982) popular book did much to alert chief executives to the importance of people management and organisational culture.

More recently, the resource-based view of the firm (RBV) has suggested that competitive advantage depends ultimately on an organisation having superior valuable, rare and nonsubstitutable resources at its disposal. This advantage can only be sustained where some of these resources are inimitable – otherwise competitors would be able to copy and the advantage would quickly evaporate (Barney 1991). The way in which an organisation manages its people, the HRM practices which underpin that and the organisational culture which may result have been identified as adding value and as being relatively rare and non-substitutable resources. There is also arguably a degree of ambiguity and social complexity about the nature and effects of an organisation’s culture, and indeed about how specific management and HRM practices are related to culture (Barney 1986). It therefore seems likely that there is a degree of inimitability here, suggesting that any competitive advantage based on the organisation’s culture, and accruing from the approach to HRM and people management, is likely to be sustainable. Of course, any advantage rooted in codified and explicit HRM practices alone is less likely to be inimitable than one based on the complex interaction of HRM policies and the organisation’s **social architecture** of spontaneous cooperation, individual and organisational learning, and skill formation. This suggests that formal HRM policies are only one part, albeit a necessary part, of the resource-building mix (Mueller 1996).