2 HRM: An Academic and Professional Perspective

Key Terms

Personnel Management The name given to the specialized management function responsible for an organization's employees.

Human Resource Management (HRM) A more recent approach to the management of employees, which sees people as a key organizational resource that needs to be developed and utilized to support the organization's operational and strategic objectives.

Human Resources (HR) An alternative to 'people' and also the name used by many organizations to describe the specialized department that deals with the administration and management of employees.

Learning Objectives

As a result of reading this chapter and using the Online Resource Centre, you should be able to:

- understand the origins and evolution of Human Resource Management;
- explain the reasons for the change in emphasis from Personnel Management to Human Resource Management;
- engage in a critical exploration of HR and its contribution to individual and organizational performance;
- explain why the role of the line manager is critical to the management of human resources.

Introduction

The aims of the previous chapter were to introduce students to the more general themes and issues that have a bearing on the employment and management of people, and to put these in the context of how organizations function — particularly the way in which their internal and external environments shape and influence the way in which people are managed at work. This chapter continues to explore how organizations have responded to environmental change in the ways in which they manage employees, but with a particular emphasis on the development of the specialist management functions that were established to help organizations deal with the more complex and difficult employment and management issues that began to emerge in the second half of the twentieth century.

One of the key conclusions that emerges from the analysis of how organizations operate is that, while there are choices to be made about how to manage people, and managers enjoy a significant degree of discretion in the selection and application of human resource strategies, very few organizations can escape from the logic of organization, competitive market forces, the importance of efficient production, and the need to achieve and sustain financial stability.

Organizations experience differences in the degree to which these forces impact on the ways in which they function and on how they are managed — differences that reflect size, sector, competitive pressures and technology, as well the kind of people the organization employs. Almost all, however, experience pressures to use their productive resources efficiently and productively, and to meet financial and performance targets. It would be difficult to argue that, in an increasingly global economy, these pressures are not likely to increase.

Depending on the kind of organization in which they work, the impact of these forces will be experienced differently by the employee. Some will feel protected from external threats and will enjoy relatively stable working lives, but in situations in which change and instability have become the norm rather than the exception, very few are immune to the effects of globalization, legislative and regulatory changes, market upheavals and financial pressures.

An inevitable outcome of these developments is that management itself has become more complex and demanding, particularly in terms of the responsibilities of managers in managing people. While the 'managers' in charge of building the Pyramids and the UK's canal and rail networks were not without their problems, including those relating to the people they employed, it would probably be fair to say that they enjoyed more power and control over their employees, and used these effectively to impose their own will and interests in preference to those of the workforce. In contrast, managers in the twenty-first century are subject to a growing number of regulations and restrictions that limit their freedom to act unilaterally, and are faced with much more volatility and unpredictability in their external environments. The following case study, based on events in 2006–07 illustrates how environmental change can affect an organization's business and its human resource strategies.

HRM INSIGHT 2.1 William Beckett Plastics Ltd

This company was set up by the owner/proprietor some 25 years ago and employs 56 people in a manufacturing unit on an industrial estate in Sheffield. From modest beginnings, the company has grown steadily over the years, with turnover now at just over £3m. It makes and sells plastic components to over thirty countries, and its reputation for product innovation and customer service has enabled the company to remain competitive and to increase its product and customer base. It represents, by any criteria, a successful small to medium-sized enterprise (SME). The company does not have an HR department – its size makes this an unrealistic proposition. Responsibility for HR lies with its owner and its team of senior managers, who have a genuine understanding of the importance and role of their employees, and who are considered to be fair and reasonable in the way in which they deal with HR issues.

Management employs a specialist firm of solicitors to provide legal advice on employment matters, has developed a number of innovative practices to retain experienced employees, and operates a modest bonus system

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that is linked to company profitability. As seen in Chapter 1, William Beckett, the owner, has a very simple, but balanced, view about his employees and the role of HR. He believes that, without a healthy and successful business, there wouldn't be jobs to be filled and employees to manage; while the people are key to the business, they *are not* the business, and there have been times when it has been necessary to dismiss staff for disciplinary reasons, to make people redundant and, in extreme situations, to reduce the wages of all employees, including management. These have all been decisions made in the best interests of the company and its long-term future.

In 2006, after a successful year during which production and profits grew, the company decided to apply for economic development grants that would allow it to move to new, custom-built premises and to expand its production facilities. Such a move would also mean that new employees would need to be hired and that staff could have confidence in the company's, and their, future. Discussions with various government agencies had progressed well, and considerable management time and money had been invested in the project, when the company heard informally that its biggest customer, part of an international engineering toolmaking business, was to be closed and production transferred to Brazil. The reason given by the parent company was that the business no longer fitted into its international strategy.

The loss of the contract, which represented a significant part of its turnover and an even greater proportion of profits, meant that William Beckett Plastics had to terminate discussions over the new premises and, rather than looking to hire new people, it was faced with the inevitability of making some of its existing employees redundant. Literally overnight, the company's environment had changed and its plans for the future had to be abandoned.

Questions

1. Should the company have tried to retain its employees in the hope that growing demand from other companies would compensate for the loss of its biggest customer?
2. What might the effects have been on employee morale and performance of the news about the lost business, and what short-term action might management have taken to alleviate any negative effects?
3. What longer term action might management take to alleviate the damage done by the loss of the contract?

Insights & Outcomes: visit the Online Resource Centre at www.oxfordtextbooks.co.uk/orc/banfield_kay/ for an explanation of how the company responded to its changing environment.

The challenge in managing people

There is a wealth of anecdotal evidence to support the view that, while technology, product/service development and organizational change challenges managers, the challenge with which managers at all levels seem to have the most difficulty is managing people. These are the challenges that can consume a disproportionate amount of management time and energy, and, paradoxically, despite the sustained investment in management education and training, there is little evidence that today's managers feel confident that they have found the answers to the questions and challenges that face them.

But what are these questions and challenges? Without being exhaustive, the following list represents arguably the most common and persistent questions with which managers are struggling.

- 'What makes employees "tick" and how can they be motivated?'
- 'What do people want from work and what is the best way to reward them?'
- 'Where am I going to get well-qualified staff from and what do I have to do to keep them?'
- 'How I am going to get my workers to be more flexible and deliver higher levels of discretionary effort?'
- 'How can I find the right balance between treating my workers fairly and with consideration, but at the same time ensuring that wider organizational interests are not compromised?'
- 'How can I reduce or eliminate the causes of conflict and build a loyal and committed workforce?'

If, as is argued here, these are questions that are relevant and important to *all* 'managers' – from charge-hands and supervisors, up to the most senior executives in both public and private sector organizations – how do they relate to Personnel Management and Human Resource Management, as specialized approaches to the management of human resources?

One way of making the connection is to see the emergence of a specialized people management function as an expression of the difficulties and problems 'general' managers faced in the second half of the twentieth century, as the work environment became more volatile and the pace of change began to accelerate. As management, in general, became more differentiated and specialized, the people management aspect began to acquire a distinctive identity, developed more specialist roles and became increasingly professionalized. Either as a consequence, or a cause, of these changes, a distinctive, but provisional area of responsibility and set of activities began to be acquired by the new 'personnel managers'. This new domain reflected the specialist expertise and knowledge claimed by this new breed of manager and the ceding of responsibility for people management matters by line managers, who felt unable or unwilling to take the lead in dealing with many of the questions highlighted above.

Figure 2.1 illustrates the shift from the line manager towards the personnel specialist during the latter part of the twentieth century. Interestingly, one of the key changes in the early part of the twenty-first century has been a reversal of this trend and a redefinition of the relationship and responsibilities of the line manager and personnel specialist.

The debate about the respective roles and contributions of line managers and people management specialists has been an enduring feature of the literature on HR, and the work of Hutchinson and Purcell (2003) has been particularly influential in exposing the tensions and contradictions in the relationship between the two. In its extreme form, this late twentieth-century practice of moving responsibility for key aspects of people management away from the line and into centralized personnel departments effectively disenfranchised line managers, and became one of the most important sources of criticism levelled

Figure 2.1 Diagrammatical representation of the shift in responsibility from the line to personnel specialists in the 1970s and 1980s

at people management specialists. More recent research (CIPD, 2005) has found evidence that this loss of responsibility for HR by the line may have had serious consequences because:

> **. . . front line managers played a pivotal role in terms of implementing and enacting HR policies and practices . . . where employees feel positive about their relationship with their front line managers they are more likely to have higher levels of performance or discretionary behaviour.**

The importance of the line to the way in which people are managed and the outcomes that are generated is also recognized by Tyson and Fell (1986), who argue that:

> **All managers of people are 'personnel managers' in the literal sense, that is they have a personnel function to perform.**

This means that (using the more contemporary expression) all managers can be seen to be human resource managers because part of their responsibility involves managing resources, of which human resources are a constituent and vital part. Managers who do not, therefore, recognize and fulfil their human resource management role can be said to be failing to meet the full range of their managerial responsibilities.

Confusion surrounding the question 'who is responsible' and the controversy accompanying the role of centralized HR departments are fundamental problems that still face HR. It is not a problem that can ever entirely be resolved and remains a potential source of tension between line managers and HR professionals. Will the centralized HR department, staffed by HR specialists prove ultimately to be the preferred model or will its alternative, based on the key role of line managers, come to dominate thinking and practice? In his 1997 article, 'Where is human resources?', Christensen argues that the future of HR lies in the importance of being able to:

> **. . . differentiate between human resource management and the human resource department.**

He also describes the situation in which, after asking for the HR strategy or plan, senior managers are often presented with a description of current and future activities of the Personnel/HR department, which, he argues, more often that not has little obvious connection to the business. He goes further in this differentiation between the Personnel/HR department and what can only be interpreted as the 'real HR' when he claims that '*the Human Resource Plan doesn't necessarily have anything at all to do with the HR Department*', arguing that the HR plan belongs to the business. Accepting that there is a lack of clarity in terms of who is responsible for human resource management, he offers the opinion that:

> **Managers and HR professionals of the future will understand that line managers are the 'people managers' of their organisations and as such, they are ultimately accountable for human resource management.**
> (p 22)

The conclusion that can be reached at this point is that the growth of a specialist people management function — the question of what it is called is considered later — has the potential of making major contributions to the way in which people are recruited, selected, trained and rewarded. While these specialists may have a key role in the design of policies and procedures, however, it is the line managers who have the responsibility *for delivery* and this can never be taken or given away. As a consequence of this realization, the trend over the past ten years or so has been for the line to re-engage more explicitly and directly in the management of its employees, with HR specialists playing a less executive, and more supportive, role.

A consequence of the line re-engaging directly with employees — and one that has major implications for the size of specialist HR departments and for those working in them — is that fewer HR professionals will be needed in this new HR 'architecture'. Reilly and Williams (2006) refer to British Airways halving its HR department in 1989, devolving much of its HR responsibility to line management, and to the BBC, who more recently cut over half of its specialist HR jobs. Clearly, there is an ongoing tension and dynamic between the line and HR specialists, with some organizations abandoning centralized departments altogether in favour of a decentralized and devolved approach to the management of people; others,

particularly in the public sector, continue to retain well-resourced HR departments and a key role for the HR specialist.

But arguably the most important question that emerges from the growth of specialist 'people managers' and different approaches to the way in which people are managed is not about differences of definition and conceptual models, but rather about *what* works and *why*. Tyson and Fell (1986) articulate this concern when they pose the question:

> **Given that the appointment of these specialists is one answer to the question of how to manage people, how effective is it?**
> (p 7)

Personnel Management – origins and influences

The origins of the approaches to people management that we now call 'Personnel Management' and 'Human Resource Management' can now be understood to lie in the trend towards a greater degree of specialization in the people management function as organizations and their environments became more complex and demanding. (Note that the upper case versions relate to specialized management activities and responsibilities, often associated with specialized departments. The lower case versions relate to the technical function associated with employing and managing people, and the associated generalized and diffuse management responsibilities.) In the latest edition of their book, Torrington et al (2005, p 11) explain that the origins of Personnel Management can be seen to be an expression and an outcome of the work of nineteenth-century social reformers and Quaker employers, such as Cadbury, Rowntree and Boot, whose concerns for the well being of employees led to the creation of the first specialist personnel management role – the welfare officer. Such people were employed by owners of mills and factories to provide basic canteen facilities, social activities and occupational health services for their workers. The motivation for what, at that time, were original and innovative practices is usually expressed in terms of the employers' religious beliefs or their commitment to social justice, although a complementary, if not alternative, explanation might be that a concern for the well being of workers made 'good business sense', in that it helped to build positive working relations, and a loyal and healthy workforce.

Over the course of the twentieth century, as the first personnel departments emerged in larger organizations, welfare officers became an integral part of this growing specialist management function and were still in existence even as late as the 1960s and 1970s. Interestingly, the origins of the Chartered Institute for Personnel and Development can be traced back to this concern with employee welfare, with the formation in 1917 of the Central Association for Welfare Workers, which led, in 1924, to the establishment of the Institute of Industrial Welfare Workers Incorporated.

The demise of welfare officers and of the welfare movement can be seen to be linked to the emerging post-war welfare state, which removed the need for individual organizations to provide traditional welfare services to their workers, but also to developments in occupational health and safety, which absorbed part of the role of the welfare officer (Niven, 1967). World War I gave a boost to this fledgling management function through the army's use of more systematic selection methods; World War II provided further encouragement and focus to this development, as the wartime use of psychometric testing and specialized training techniques spilled over into civilian life.

But at least as important to the growth of Personnel Management as were these societal and organizational changes was the impact of Scientific Management and the work of writers such as Frederick Taylor and Henry Fayol (Smith and Boyns, 2005). The emphasis they gave to an essentially rational approach to management in general and to the management of employees in particular, covering such areas as organizing, planning, work measurement, training and the use of financial incentives, led to a much more detached and 'scientific' approach to work and to the control of workers. The 'industrial

engineer' began to replace, or at least challenge, the welfare officer as the operationalized expression of what Personnel Management was becoming. The emergence of the 'manpower planner' and the use of quantitative resource planning models in the 1970s represented a further step forward, at least chronologically, in the evolution of this specialized management function.

The re-emergence of trade unionism in post-war Britain gave Personnel Management — the status of which was officially recognized in 1946 with the formation of the Institute of Personnel Management — a new focus and direction. The so-called 'challenge from below', expressed through strikes and other forms of industrial conflict, represented a direct threat to management authority and control: a threat that, in more extreme cases, was ideologically, rather than materially, based. At the forefront of this struggle for control over much of the country's manufacturing and heavy industries were the industrial relations officers, whose job it was to negotiate wage increases, to develop effective consultative and communication strategies, and to address emerging issues, such as equal pay and union rights at work. But their main role was, through the process of negotiation, to engage with shop stewards and full-time union officials to establish a level of stability and order that allowed production to continue. The defining characteristic of Personnel Management in the 1970s and 1980s — certainly as far as manufacturing, heavy industry, transport and communications, and parts of the public sector were concerned — was the struggle for influence and control between trade unions and management. The institutions of industrial relations and the conflict that was generated as a result of this struggle for control, rather than relationships at the individual level, defined the agenda of those involved in Personnel Management until the legislative changes introduced by the Thatcher government and the effect of economic recession began to change the external context of employment in the 1980s. These combined to undermine significantly the collective power of trade unions and, with the rise of Human Resource Management, to re-emphasize the importance of individual employee relations (see CIPD, 2004).

One final development influencing the practice of Personnel Management in this period was the growing importance of training. As is the case today, Britain's relatively low skills and productivity levels were factors affecting economic competitiveness, and this resulted in governmental intervention through the Industrial Training Act of 1964, which created a network of Industrial Training Boards. The system of levies and grants through which the Boards sought to encourage companies to address skill deficiencies meant that organizations had a financial interest in developing training programmes. The 'game' at the time was to ensure that the value of training grants received from the relevant Training Board was at least as much as the cost of levies, which were based on a fixed proportion of the company wage bill. Training officers grew in number and influence largely because the system of grants and levies provided a financial incentive to train employees and managers; once this institutionalized system ended, the number of trainers fell dramatically, with predictable consequences for the level of commitment given to training.

The rise of Human Resource Management

The term 'Human Resource Management' has its origins not in the UK, but in the USA during the 1980s, and is associated with the work of such writers as Tichy et al (1982) and Beer et al (1985). For some, it came to represent a fundamentally different approach to the management of people, based on new assumptions about employees, about the changing nature of work and about how best to maximize the potential of an organization's human resources. Many UK organizations were quick to embrace this new development and many personnel departments became, almost overnight, departments of human resources (HR); personnel officers were transformed into HR officers and managers. Not all organizations embraced HRM, in that they preferred to retain the 'personnel management' title on the grounds

that this avoided the impersonal association with their employees as 'human resources', but, over time, more and more specialized 'people' departments became known as HR departments.

There is, however, still argument and disagreement over what this new development actually represented, although most of the argument and debate has been confined to academics. Those actively involved in the management of people appear to have been less concerned about titles, concerned more with practice and with the effects on employee behaviour and performance of new ideas about commitment, involvement, resource utilization and the role of the line manager.

The academic debate is, of course, not without interest or relevance for those who practise HR and a number of important contributions to this debate need to be analysed. The key issue – that of whether HRM is, or is not, different to Personnel Management – is considered by Hoque and Noon (2001), who quote both David Guest, arguing that the HRM label *does* represent something new and distinctive, and John Storey, who suggests that there are 27 points of distinction between the two. Yet Karen Legge (1995) begins her chapter on 'Human Resource Management' by quoting a caller on BBC4, who described HRM as:

> **. . . a posh way of describing a personnel manager . . . but it goes a bit further than that.**

In trying to make sense out of what appear to be quite different views, Hoque and Noon argue that:

> **. . . the key issue is whether departments that have adopted the HR title operate differently from those that have retained the personnel title.**
> (2001, p 6)

They suggest that, based on numerous anecdotal evidence, the introduction of the HR title has meant little more than a '*change on the door*'.

Gennard and Kelly (1994) researched the views of personnel directors and came to the conclusion that the debate over differences between Personnel Management and HRM was largely sterile: many of the organizations from which they had gained information displayed evidence of fundamental changes in employment and management practices, but many did not adopt the HR label to indicate or justify these changes. In other words, practitioners were embracing many of the ideas of HRM, but were not necessarily adopting the label or changing the departmental title. Simply looking for evidence of difference by focusing on nominal changes in department titles is not, therefore, likely to be particularly helpful.

In a later telephone-based survey of a wider sample of practitioners, Grant and Oswick (1998) found that 50 per cent of their sample was convinced that HRM was something different to Personnel Management; 37 per cent believed that there was no difference. In Chapter 15, John Harper is very clear about this question: he believes very strongly that HRM does represent a very different, and more effective, approach to the management of people. In general, however, there remains an interesting lack of consensus on this question.

Signpost to Chapter 15: Case Study: Reforming the HR Function for further analysis of HRM in practice

A further source of confusion lies in the way in which HRM is split into two forms, with a distinction made between 'hard' and 'soft' types of HRM. The *hard* approach emphasizes the quantitative, strategic aspects of managing people as organizational assets. A *soft* approach instead highlights the importance of communication, motivation, leadership, and the mutual commitment of employees and employers. Unfortunately, using such simplistic terms to represent complex phenomena not only has the effect of trivializing the debate, but also of presenting the practitioner with a choice: which form of HRM should be adopted? More realistically, a combination of both 'hard' and soft' versions is likely to have a greater impact on employee behaviour and performance than the selection of one or the other.

Despite the differences between, and within, these approaches, it is important to try to capture some of the most important differences between the two, which Figure 2.2 summarizes overleaf.

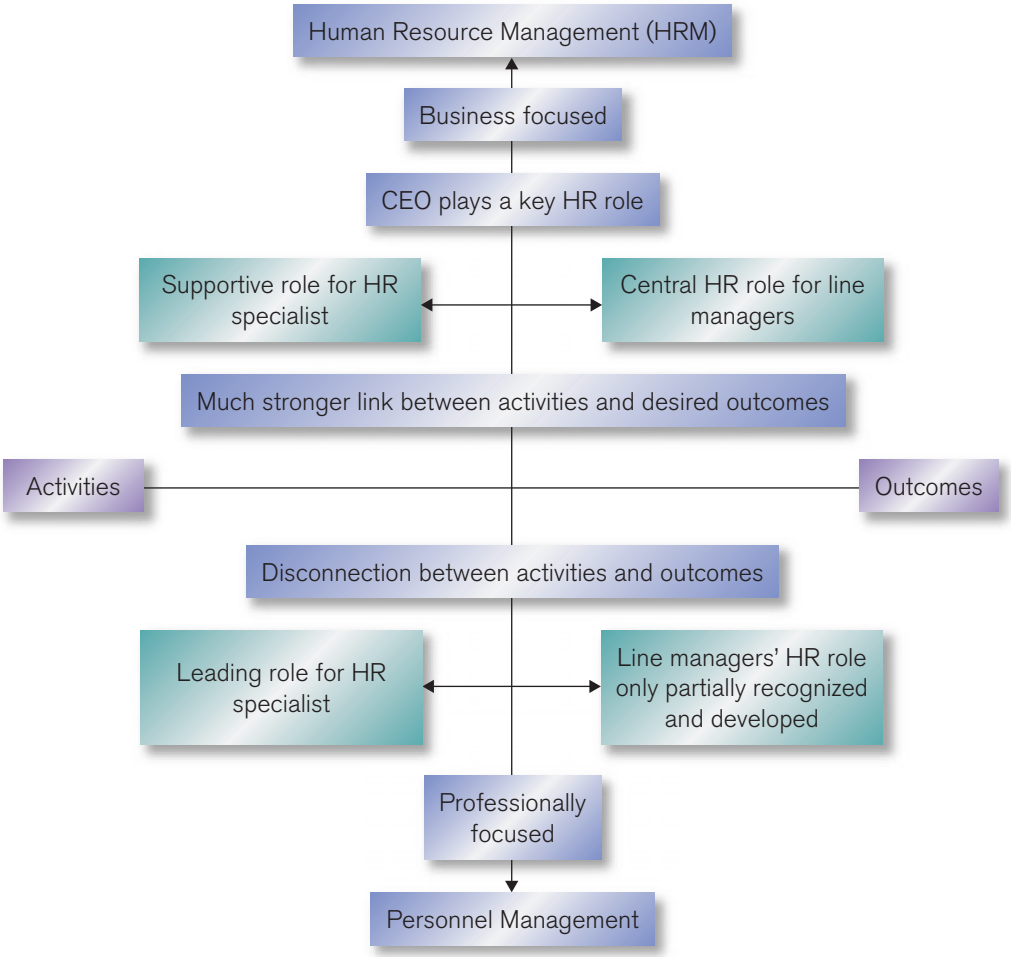

Figure 2.2 A comparison of Personnel Management and HRM

For students coming to this debate for the first time, the attempt to understand the debate about Personnel Management and HRM, and to make sense of the ambiguous language and sometimes inaccessible arguments, can be a frustrating experience. Tony Watson (2002) recorded the story of one student, who was left confused, and an abbreviated version is presented in the following HRM Insight.

HRM INSIGHT 2.2 The story of Sue Ridgebridge

This story is told in detail by Tony Watson (2002). The essence of the story is the confusion and frustration experienced by a student being 'taught' Human Resource Management at a UK university.

The student, Sue Ridgebridge, starts her story by explaining that, when the organization she worked for changed the title of the specialized people management function from 'personnel' to 'human resources', it represented little more than a continuation and development of what had previously been done under the personnel banner. She speculated that the reasons behind the change were more to do with being fashionable and the need to be seen to be moving away from the welfare tradition of Personnel Management towards something more business-orientated.

As far as the experience of being taught HRM was concerned, Sue had a particular problem: she was confused about whether HRM is to do with the general business of managing people or represented a particular approach. She had real difficulty in understanding what one of her tutors meant when he said that 'Human Resource Management Is a particular approach to human resource management'! As someone who had spent most of her working life in a personnel department, she also felt aggrieved when her tutors emphasized that the distinctions between Personnel Management and Human Resource Management were to do with the former's

- short-termism;
- tendency towards a reactive, firefighting approach to problems;
- association with collectivism;
- inability to move away from transactional, towards transformational, management;
- lack of a strategic dimension.

When presented with John Storey's list of 27 differences between Personnel Management and Human Resource Management (Storey, 1992), her response was to cross out HRM and retitle the table '27 differences between good personnel management and bad personnel management'.

The point about this case study is that it highlights the problem that students can experience when being introduced to the subject for the first time, and illustrates the difficulties they have in understanding the terms and labels used by academics, many of which tend to confuse rather than enlighten. It also provides justification for Watson's comment that:

> **. . . these criticisms are well founded and . . . there is a serious ambiguity in the HRM literature about its analytical and prescriptive elements.**
> (2002, p 374)

What complicates the search for a greater degree of clarity in the characteristics of, and relationship between, these two approaches to the management of people is that academic writers rarely make it known to the reader whether they are offering:

- definitions and descriptions based on *practice* – in other words, whether they are studying these two approaches empirically and making comparisons between the two based on observed/discovered differences;

OR

- presenting what are known as *analytical or conceptual models*, with each approach associated with certain practices and characteristics based on assumed or conceptualized differences.

What adds to the confusion is, as Storey quite rightly claims, the fact that writers often fail to explain which position they are adopting, and – more worryingly – fail to tell the reader when they switch from one position to another.

Storey also sets out to establish the defining characteristics of HRM, which set it apart from Personnel Management at the philosophical, or belief, level. A more detailed list of 27 different dimensions between the two approaches can be found on p 34 of his book. He argues, however, that the following four key elements express the essence of the concept.

- HRM represents the belief that people, or human resources, are the key to organizational successes. The majority of employees, in the way they contribute and work for the organization, can make the critical difference between success and failure, and management needs to understand the employees' value to the organization.
- HRM embodies a much greater understanding and awareness of the strategic importance of the human resource. Its management cannot and should not be delegated to, and reserved for, human resource professionals, but must involve the direct and ongoing involvement and leadership of senior management.
- HRM, unlike Personnel Management, is central to organizational performance and, as such, must involve all managers with line responsibility. HRM is seen as being delivered primarily by and through line management, who are supported and advised by HR specialists.
- HRM reflects the belief in the importance of integration, both vertical and horizontal, and the use of particular strategies to improve and reward employee performance in pursuit of enhanced organizational performance.

KEY CONCEPT Vertical integration

This relates to the linkage between the policies and practices associated with the management of people, and the wider business or organizational strategies and objectives. Vertical integration can be based on the cascading down of corporate priorities and objectives, which then inform and give direction to HR priorities, policies and practices. Alternatively, it can be based on representatives of HR informing senior management of the current and future state of human resource capacity and capabilities, which helps to ensure that corporate strategy is grounded in a realistic understanding of what is, or will be, available to deliver the strategy.

KEY CONCEPT Horizontal integration

This relates to the linkage between different HR activities and practices, and emphasizes the importance of looking at what HR does holistically, rather than as separate and disconnected elements. The concept also expresses the need for consistency in the sense that the way in which the activities are carried out reflects understood and agreed strategic objectives. For example, adopting an individualist, rather than a collectivist, approach to the management of people implies the use of individual reward and development practices if consistency in practice is to be achieved.

Whether these defining features of HRM are actually delivered and experienced in practice — that is, whether they become operationalized — is another matter. These differences suggest, at least, that HRM is an approach that is, or should, involve a more systematic and sophisticated engagement with employees and managers as part of the process of adding value to the organization through the efforts and contributions of all of its employees.

Table 2.1 A summary of the main analytical differences between Personnel Management and Human Resource Management

Personnel Management	Human Resource Management
Emphasis on collectivity	More emphasis given to individuals
Generalised HR solutions	More tailored and bespoke solutions
Centralisation of HR responsibility	Greater devolution of authority and responsibility for managing people
Increasing role for HR specialists	Senior managers and those in line positions seen as key to delivering effective HR 'solutions'
Associated with maintaining status quo and stability	Associated with maintaining stability and driving through changes in structures, practices and capabilities
Associated with trade unionism and managing conflict	Associated with capabilities, performance and outcomes
'Can't do' mindset	'Can do' mindset
Thought to be reactive	Associated with a more proactive orientation
Associates employees primarily as an economic resource and a cost	Much more emphasis on employees as a source of resourcefulness
More operationally orientated	Operates at the strategic and operational levels
Lacking in sufficient integration of activities	Strong emphasis on vertical and horizontal integration

Although, in one sense, it matters little what label is used to give an identity to these underlying beliefs, because it is the beliefs themselves that are important, for many practitioners the label *is* important because it symbolizes the departure from one approach to the management of people and the adoption of another. This other approach is considered to be more in tune with changes in the nature of work, the organizational pressures to 'deliver', and the need for a more flexible, committed and productive labour force.

And then came Strategic Human Resource Management (SHRM)!

One of the questions inevitably asked by students of HR is: 'If Human Resource Management represents, among other things, a more strategic approach to the management of people, what is Strategic Human Resource Management (SHRM) about and how is it different?'

This is a question that has merit and deserves a considered answer. The first thing to say is that SHRM is not a third distinctive and different approach to the management of people, with its own 27 differences that help to establish its separate identity. For many who use this term, it means little more than recognizing the strategic dimension of HRM. In this sense, as Boxall and Purcell (2000) state, when the adjective 'strategic' is applied to HRM, in many cases, it means nothing at all.

On the other hand, SHRM, for some academics and practitioners, does represent something more than the strategic dimension of HRM and this 'more' can be explained in three ways. Firstly, SHRM is concerned with the way in which the management of people is critical to, and contributes towards, organizational effectiveness. It therefore represents a level of thinking and a set of activities that connect the domain of HRM more explicitly to the strategic needs and interests of the organization. Put in a slightly different way, this means that, while HRM is associated with the integration of its activities at the horizontal level, SHRM is more concerned with integrating HRM activities vertically, ensuring that these 'fit' with the strategic direction in which the organization is moving.

Figure 2.3 and HRM Insight 2.3 help to illustrate and explain the concepts of vertical and horizontal integration.

HRM INSIGHT 2.3 Introducing a leadership training programme at Midshire University

Midshire, one of the UK's 'new' universities, had been structured around ten departments, each with its own management team and administrative support. Central functions, based on finance, marketing, the registry, facilities and HR, coordinated a series of common services and procedures for all of the academic departments, with the 'centre' operating very much as a bureaucracy, exercising hierarchical control over its constituent parts.

Over time, the HR department had grown from rather modest proportions to what had now become a large and influential part of the university, employing approximately sixty staff, split evenly between professional and administrative employees. Its main operational role was in maintaining good relations with trade unions, providing advice to the senior management teams within the departments, managing grievance and disciplinary cases, and providing a centralized, course-based training service. Its reputation within the university ranged from being seen as an expensive overhead, through being seen as a well-managed but largely administrative service, to, for the majority of university staff, a somewhat remote and detached set of people who didn't have much interest in, and experience of, what most staff actually did and the environment in which they worked.

As a result of a major reorganization in 2002, which resulted in the merger of the ten academic departments into three new super-colleges, it became apparent that many of the newly appointed senior managers lacked the

strategic management skills that they needed to take on these important leadership roles. In addition, the results of the annual staff survey indicated that many employees, in both academic and non-academic roles, had considerable concerns about the quality of leadership in general and felt that this was an important matter that had to be addressed if the aspirations of the university's vice chancellor were to be met.

Responding to a request from the vice chancellor, the head of HR contacted an external provider of leadership training and held discussions about what would represent the most appropriate way of dealing with this problem. What emerged was a sophisticated course in leadership, delivered off-site and consisting of three separate two-day sessions using a mixture of both experiential and classroom-based learning.

The reaction of those who participated in the training was that, while the experience of being on the course had been interesting and developmental, the big problem was that little, if anything, had changed in the university and that the course on its own was not able to address the problem of a lack of leadership among management. The results of the staff survey the following year confirmed that staff continued to feel that the university had a serious leadership problem.

Questions

1. What action should have been taken and by whom prior to, during and after the course to ensure that there was a high level of integration within the whole learning experience?
2. What other HR and management changes might the HR department have made to ensure that the new leadership course was horizontally integrated?
3. What should have been the respective contributions of the HR specialists and line managers in making sure that the investment in both time and money delivered the necessary outcomes?

The second way of understanding the significance of SHRM is to link it to what is known as the 'resource-based view of the firm' (Kamoche, 1996). According to this view, organizations can be conceptualized as consisting of a set of tangible and intangible resources and capabilities that have the potential of generating competitive advantage and organizational success. Barney (1991), for example, considers that an organization's resources include all of its assets, capabilities, processes, attributes, knowledge and information, and, from a SHRM perspective, this means that the key human resources — particularly the competences and knowledge associated with employees — are both developed and used to create new capabilities that help to deliver organizational success.

A third way of understanding SHRM is to see it in terms of strategic choice. Strategic choice is about making critical decisions in the key areas of managing people, such as rewards, relations, training and development, recruitment and selection, and performance management, and involves management deciding on:

- whether to commit to an individualist approach to employee relations or to recognize and negotiate with trade unions;
- whether to reward employees on merit, performance and potential, or on the basis of the jobs they do and their length of service;
- whether to employ only talented people or those that are available;
- whether to base the development of employees on learning or training;
- whether to adopt a 'one size fits all' approach to the development of HR practices or to develop more tailored and individualized policies and practices.

SHRM might, in the context of strategic choice, be seen to represent the processes and decisions that shape the organization's philosophy towards its employees and how they are managed in relation to the above strategically important areas.

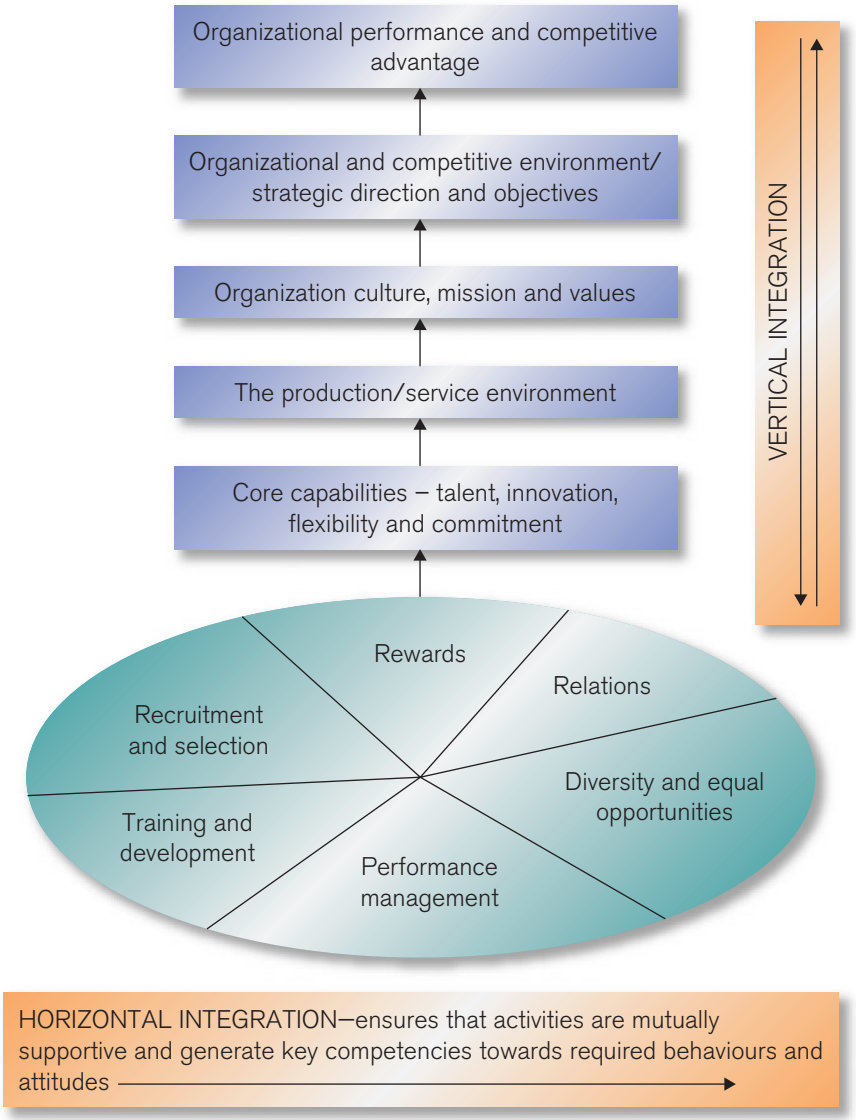

Figure 2.3 A diagrammatical representation of the horizontal and vertical dimensions of HRM

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One final way of making sense of SHRM, and one that is not unconnected to the previous three, is to see it terms of the development of what Becker et al (2001) call the 'strategic HR architecture'. This concept expresses the full range of HR activities, interventions, policies and practices, and links these to the effect they have on the value-creating potential of all employees, and how this added-value potential is actually measured and utilized.

The critical point that emerges from this brief review of key contributions to the meaning of SHRM is that the management of people *must* have a strategic, as well as an operational, direction, but what this actually means and how it is expressed is likely to differ between organizations, which need to express their own unique needs and requirements in determining what SHRM means to them. Whatever their chosen form of expression, one thing that they are all likely to have in common is the need to ensure that what HR does is connected to, rather than disconnected from, the wider organizational context.

The value of HR

One of the enduring features of the academic debate on HR is the criticism that has been levelled at HR professionals and the HR function for failing to live up to the expectations of those who were told, or believed, that HR was the key to unlocking the potential of an organization's human resources (Hammonds, 2005). Many of these criticisms are well founded, although it would be wrong to suggest that they apply to all those who work in HR. Equally, many HR departments enjoy a positive reputation and are valued by line managers for the contributions they make to the management of people; others, unfortunately, do not and are more associated with the administration of employment rather than the effective management of people.

Because these criticisms are serious rather than superficial, and are as much to do with the nature of the HR function itself rather than only with those who work in it, it is important that they are properly considered and evaluated. Before this can be done, however, we must ensure that the meanings of the key terms referred to in this section are clearly understood.

- HR

  This is increasingly used to refer to the human resources department or section that exists in many medium and large organizations. In this sense, 'HR' means the HR department, or the department of human resource management.

- Personnel departments

  Some organizations have retained the title of 'personnel', but for our purposes, we can equate the personnel department to that of HR.

- The HR function

  This has two meanings. The first is a general one and relates to all of the activities and contributions involved in managing people that are undertaken by managers, and often by employees, throughout the organization. The second meaning is more restrictive and essentially relates to the specialized department, which can be called HR or personnel, within which HR/personnel administrators and professionals are based.

The reason for trying to make these differences clear is that, as will be seen later, there are almost 'two' kinds of HR and many of the criticisms made by academics and managers relate to only one of these (Banfield, 2005).

Karen Legge (1978) comments that:

> **On a daily basis personnel managers are confronted by ambiguities that arise out of problems in defining personnel management . . . and which lie at the heart of personnel specialist's perennial concern with the issue of credibility.**

This suggests that many of the criticisms levelled at HR are not to do with lack of professionalism or an inability to operate at a strategic level, but reflect deeply rooted issues and problems that may not, in fact, be resolvable. The ambiguities that Legge identifies are:

- the problem of demonstrating unequivocally that HR/personnel, as an organizational activity, can and does make a significant contribution to the behaviour and performance of employees. This is because, as we will see Watson argue later in this chapter, employees, as people rather than resources, are capable of independent thought and action — they are not simply passive 'things to be managed', and behave in ways that reflect their unique individuality and a wide range of influences from within and outside the organization. This means that is difficult to prove conclusively that either desirable or undesirable employee behaviour — for example, low productivity or high absenteeism — *is the result* of good or bad personnel/HR management. Legge goes on to state that:

> **Difficulty in demonstrating a direct relationship between personnel management activities and valued organisational outcomes presents particular difficulties for the personnel department.**
> (1978, p 22)

- because all managers, whether specialists in HR or on the line, are in an important sense 'managers of people', i.e. human resource/personnel managers (note the significance of the lower case), the contributions that each party makes to desired and undesirable outcomes is difficult to separate out and measure. This means that it is possible for one party to blame the other when things go wrong and to claim the credit when things go well. Much depends, of course, on the nature of working relationships between specialists and line managers, and the way in which the HR/personnel department operates, but the problem of causal relationship between what one party does and its effects is an enduring one;
- although nominally offering an advisory service, the HR specialist can be seen by line managers to be taking on executive responsibilities and introducing practices and policies that, although in the interests of the organization as a whole, can be perceived as intrusive, unhelpful and having little relevance to the line manager's priorities and agendas. In seeking to develop their functional expertise and professional identity, those who work in HR can become detached from 'the needs of the business', and, as a consequence, run the risk of being seen as 'marginal' and adding little of value. An example of this tendency might be the increasing emphasis HR give to diversity issues, which, while of general importance, can be perceived by line managers as having little direct relevance to matters of production or to 'bottom-line performance'.

STUDENT ACTIVITY 2.1 The business case for diversity training

1. Research the literature on the business case for managing diversity.
2. Taking the role of a team of HR professionals, prepare a PowerPoint presentation, to be delivered to the CEO of an organization of your choice, which presents your findings and recommendations.
3. Faced with a sceptical and pressurized group of line managers who have responsibility for delivering a product or service – you can pick your own industry/organization – what would you say that would convince them that HR has not jumped on yet another bandwagon and that the investment in learning about diversity issues is justifiable?
4. What desirable or value-added outcomes would you be able to identify from such an investment?

The sense that HR is somehow 'failing to deliver' is a central theme in the writings of a number of influential American writers. Jeffrey Pfeffer (1997), for example, writing about the future of Human Resource Management, suggests that it would be wrong to conclude that the growing interest in HR and Human Resource Management necessarily means that the future of the HR function (in its departmental form) is bright:

> **My advice is to resist the temptation to believe that HR managers and staff in organizations have a rosy future, or a future at all, because there are some profound problems facing human resources as a function within organizations, as contrasted with the study of human resources as a topic area, that makes its viability and continued survival problematical.**
> (p 190)

Posing the question, '*where is the HR function in the debate about flexibility, contingent working arrangements and the implementation of high performance working practices?*', he suggests that the tentative answer is, '*largely absent*'. He continues:

> **To the extent it has a presence, HR is frequently an accomplice in a number of trends such as downsizing and contingent work arrangements that promise to actually undo much of the progress made in managing the employment relationship in the past several decades.**
> (p 191)

Pfeffer is particularly critical of the lack of leadership shown by HR professionals in demonstrating the relationship between HR practices and organizational performance, and he believes that many are unaware of the empirical business case for managing people effectively. Despite these criticisms, he believes that HR professionals do have a future, but only if they change their roles and acquire new skills. Above all, he argues, they need to learn how to add value to the organization.

Dave Ulrich, one of the most influential writers on HR, has levelled similar criticisms at the HR profession. In his 1998 article, 'A new mandate for human resources', he asks whether we should do away with HR, justifying this by referring to the serious and widespread doubts about HR's contribution to organizational performance. But before we progress his arguments, it is worth noting that many of the earlier and indeed current definitions of Personnel Management and HRM — he is not distinguishing these from what he means by HR — do not include any explicit reference to organizational performance. In their most recent edition, Torrington et al (2005) retain, with only slight modifications, the same definition of 'Human Resource Management' as they gave for 'Personnel Management' in 1979:

> **Human Resource Management is a series of activities which: first enables working people and the organisation which uses their skills to agree about the objectives and nature of their working relationships and, secondly, ensures that the agreement is fulfilled.**

Nowhere in this definition is there any reference to HR supporting the business, contributing to organizational performance or adding value; whether any of these could be implied in the wording or sentiments expressed in the definition is, at best, arguable. And this is Ulrich's main point: he claims that it is precisely because HR is still associated with traditional activities, rather than with outcomes, and with a concern with consensus, rather than with delivering valued contributions, that many still see HR, as:

> **. . . often ineffective, incompetent, and costly; in a phrase, it is value sapping.**
> (Ulrich, 1998, p 124)

On reflection, his answer to these criticisms is not, in fact, to '*do away with HR*', but to '*create an entirely new role and agenda for the field*', with HR not being '*defined by what it does, but by what it delivers — results that enrich the organisation's value to customers, investors, and employees*' (p 124).

It's interesting to compare the Torrington et al definition of Human Resource Management with that of a comparable American text. Denisi and Griffin (2001) provide a definition much closer to that with which Ulrich would feel comfortable. They argue that human resource management (the wider function *and* the specialized approach) can be understood as:

> **. . . the comprehensive set of managerial activities and tasks concerned with developing and maintaining a qualified workforce — human resources — in ways that contribute to organisational effectiveness.**

The need for HR — and again it is important to understand that Ulrich uses this to refer to HR professionals and the work of the HR department, not the wider HR function–to ensure that its activities are connected to the 'real work' of the organization led him to develop his model of a new HR, which would contribute to organizational competitiveness and performance. This model is summarized in Figure 2.4.

The four key roles that HR professionals need to play to deliver the contributions outlined in the model are as follows

- A partner in strategy execution

  This doesn't mean that HR should take responsibility for HR and business strategy, which is rightly the domain of the chief executive, but that the head of the HR department should be an equal partner with other senior managers and should 'have a seat at the top table'.

- An administrative expert

  This is about getting the basics right and adopting a much more instrumental approach to the use of procedures. The emphasis needs to be on the efficiency of the HR department — reducing its cost base and speeding up its cycle times, without compromising on quality or effectiveness.

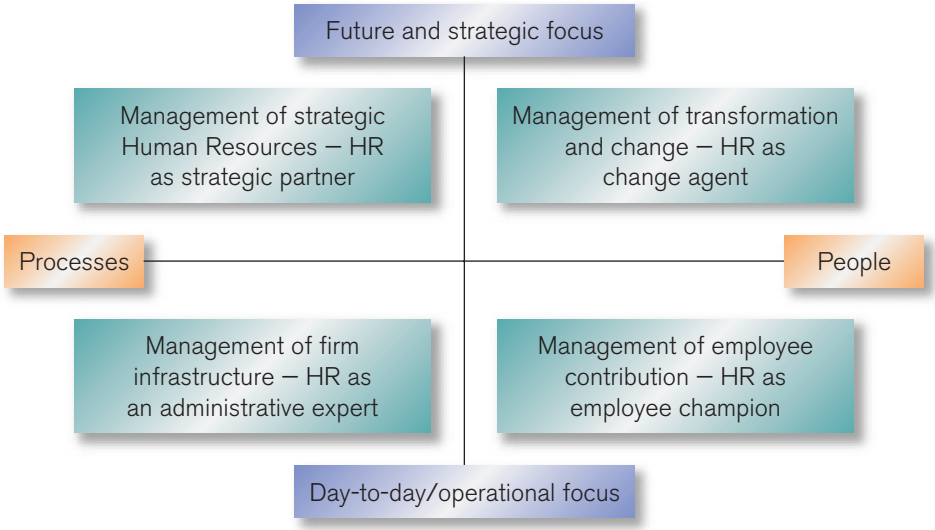

Figure 2.4 A framework for understanding HR roles and contributions

- An employee champion

  This is about HR recognizing that work intensification and an increased sense of insecurity are becoming the new reality for many people and that this is associated with weakened levels of employee commitment. This, in turn, affects the preparedness of employees to contribute more than their contracted level of effort and performance. The role of HR here is to ensure that employees remain engaged and committed, or become re-engaged, either directly through the activities of HR or by HR working with line managers to ensure that they can create a positive psychological and emotional working environment.

- A change agent

  According to Ulrich (1997), this role involves HR in building the organization's capacity to embrace and to capitalize on change. Given that change is the norm for most organizations, the ability to implement and manage the change process is seen as critical to the organization's ability to function during the change process and to reap the benefits from the changes that have been made. Reducing resistance to change is seen as a key HR contribution.

Interestingly, Ulrich is aware of the danger of oversimplifying the roles that HR professionals need to play in order to gain credibility for themselves and the HR function: it isn't simply a question of moving from the operational to the strategic, or from a reactive to a proactive, orientation. The reality is that HR roles are multiple, changing and complex, involving them in policing *and* partnering, and delivering operational *and* making strategic contributions. He concludes:

> **For HR professionals to add value to their increasingly complex businesses, they must perform increasingly complex and, at times, even paradoxical roles.**
> (1997, p 24)

In a more recent work, Ulrich and Brockbank (2005) refine Ulrich's model of HR roles to reflect a more sophisticated understanding of what HR professionals need to be and to contribute to in the next two decades, compared to the situation in the 1990s. The revised role model emphasizes the importance of the HR professional becoming:

- a developer of human capital;
- an employee advocate;
- a functional expert;
- a strategic partner;
- a leader of the HR function.

The main changes are in the incorporation of the change agent role within that of the strategic partner and the recognition of the importance of leadership in HR.

STUDENT ACTIVITY 2.2

In his book, *Human Resource Champions* (1997), Ulrich compares what he calls the old myths associated with HR with the new realities facing HR professionals. Working in groups, your task is to fill in the 'new realities' part of the table without referring to the book. Only make reference to the original table on completion of the exercise.

Myths and misconceptions	The 'new realities' *(Complete this part of the table)*
People want to work in HR because they like people	
Anyone can do HR	
HR is woolly and too people-focused	
HR is about controlling the line and telling them what to do	
HR is about rules and procedures and enforcing these	
HR is the conscience of the organization	
HR is full of fads and jargon	
HR is staffed by nice people	
HR is HR's business	

Rationality in HR

Ulrich's criticism that HR is over-concerned with activities at the expense of outcomes and value-adding contributions is, in one sense, important because it puts the emphasis on what HR actually achieves. But there remains the question of what HR does or should be doing – i.e. its activities – and how these actually produce desired and valued outcomes. Outcomes have to be linked to inputs or activities – they do not happen in isolation!

What has emerged so far in this critical perspective on HR is that many of the activities that HR professionals engage in appear not to be valued by managers and employees. This is because there is either no evidence that the activities actually achieve things that matter or because it is very difficult, as was pointed out earlier, to prove that what HR does actually results in improvements in behaviour and performance. If the latter is the reason, then the task of HR is to look carefully at the way in which it measures and evaluates effectiveness; if the problem is more to do with what HR does and how it carries out these activities, then the challenge it faces is more fundamental.

This is something about which Tony Watson (2003) has written extensively and Watson is one of the relatively few writers on HR who confronts the often taken-for-granted assumptions associated with HR activities, and their effects and consequences.

The relationship between what can be understand as the *means* employed by those associated with the HR function (i.e. activities, instruments and processes) and the *ends* actually achieved, rather than expected, is often seen as unproblematical. But what is too frequently ignored is the existence and effect of powerful mediating factors within the organization that 'interfere' with, and undermine the impact of, many HR interventions. Simply carrying out an activity does not necessarily mean that the intended outcomes are actually achieved; often with HR, the outcomes and consequences that are experienced are more unintended than intended!

To illustrate this point, let us consider one of the most widely used HR practices, the performance appraisal process, which provides an interesting example of how many mainstream writers fail to give sufficient critical attention to what is *actually* achieved from this and many other HR activities.

In her popular textbook, Maund (2001) presents a list of the advantages of an appraisal system, which include the positive nature of formal appraisal meetings between appraiser and appraisee, and the generation of valuable feedback. She is not alone in claiming that performance appraisals offer advantages to the organization; most other mainstream HR textbooks make similar claims. The problem, however, is that there is no recognition that the claimed advantages for performance appraisal *might not* be experienced by those involved in the process or by their organizations.

Taking a more realistic stance, the starting point has to be that many of these claimed advantages are, in fact, potential rather than actual, and — more worryingly — may not, in fact, be experienced by the majority of those involved in the process. This is the basic premise of Coens and Jenkins (2000), who, in their book *Abolishing Performance Appraisals*, quote numerous writers who claim that performance appraisals, in whatever form, are at best likely to have a limited effect on individual performance, but are actually more likely to result in the *undermining* of employees' morale and performance by their experiences of the performance appraisal processes. They refer to a comment made in the *Wall Street Journal* by TD Schellhardt, who said that:

> **If less that 10% of your customers judged a product to be effective, and seven out of ten said they were more confused than enlightened by it, you would drop it, right? So, why don't more companies drop their annual job-performance reviews?**

The very clear implication is that, in the opinion of this particular commentator at least, one form of performance appraisal was not seen to deliver particularly valued outcomes. But the important point is not only about whether performance appraisal itself is not valued as an activity and fails to deliver improvements in employee performance, but about whether HR is seen to be the driving force behind this activity. As Coens and Jenkins state, as a result of the failure of most performance appraisal schemes, rather than abandon them:

> **HR staff finds itself policing, refereeing, and collecting a lot of paper that doesn't mean much to most people.**
> (2000, p 2)

This, of course, does little to enhance the credibility of HR.

Yet Maund claims that appraisal, regardless of which system is used and because it is part of the employee development process:

> **Has to be perceived, therefore, as useful to everyone concerned.**
> (2001, p 574)

This is far too simplistic a position to take and is not consistent with the experiences of many people involved in the performance appraisal process, nor is it consistent with the research quoted by Coens and Jenkins. Moreover, it is a position that suggests that there is an unproblematical link between what HR does and what results from its interventions. Using performance appraisal as a specific example helps us to reach the more general conclusion that many HR activities do have an effect on employee and

managerial behaviour, but that these effects can be negative as well as positive. However unpalatable it might be to those who are professionally associated with HR, the possibility has to be acknowledged that HR, rather than representing the solution to the challenges of managing people, can, in certain circumstances, be part of the problem.

Watson's analysis of how organizations operate offers an insight into this problem of why what appear to be valued and useful activities do not always deliver desired outcomes. He observed that modern organizations are more or less based on bureaucratic principles, and place a heavy reliance on rational techniques and processes, particularly in the way in which employees are used as resources in the pursuit of organizational goals. Accepting that people, as resources, are also human beings, who have their own interests and can be assertive when they perceive that these interests are being undermined by the activities of the dominant stakeholders, he argues that managers generally – but particularly those involved in the HR function – are subject to what he calls the 'paradox of consequences'. He describes this concept as:

> **The tendency for the means adopted by organisational managers to achieve particular goals to fail to achieve these goals since these 'means' involve human beings who have goals of their own which may not be congruent with those of the managers.**
> (2003, p 90)

This paradox – which potentially exists in all organizations, although its strength and significance may vary – is closely linked to the Weberian concepts of formal and material rationality. An appreciation of what these two concepts mean for HR is critical to understanding the problematical nature of the means–ends relationship and the experience of unintended consequences.

KEY CONCEPT Formal rationality

This refers to the choice and use of planned and sensible techniques and processes to control and manage employees by those in positions of authority. These include workplace rules, processes used in recruitment and selection and performance management, many of the methods used in training, and methods of incentivizing staff. Collectively, these would be defined as 'means'. There is an important sense that these rules, interventions and activities will work and will have the desired effect because they are theoretically or formally attractive and sensible.

KEY CONCEPT Material rationality

This refers to what actually works: results that confirm that the intended consequences following any intervention or action have actually been met. The test of whether any intervention or activity meets the criteria of material rationality is whether it works 'in practice' and generates the desired 'ends' or outcomes.

Because of the effects of the paradox of unintended consequences, the rules and 'ways of doing things' associated with HR, which can often be seen as being formally rational ways of operating and managing, can fail to meet the criterion of material rationality. This helps to explain why many performance appraisal systems, as an example, don't improve performance, but instead undermine it, and don't improve motivation, but instead weaken it. An exclusive reliance on formal rationality also explains why certain types of incentive scheme result in a long-term decline in productivity, and why the use of certain training methods and techniques fail to generate the required learning outcomes.

What is the future for HR?

When considering the answer to this question, it is important to understand that it relates primarily to the HR department and the role of HR professionals, rather than being about human resource management, and it is in this context that the debate is continuing. As far as human resource management is concerned, there is no equivalent question and debate. As Meisinger (p. 189, 2005) asserts:

> **The good news is that today the mantra 'people are our most important asset' is not just rhetoric. For most leaders , it's the reality.**

Not everyone would agree that each employee has the same value or potential as every other, but the view that employees are critical to organizational success is now generally accepted. In this sense, managing the human resource effectively has become even more important in the twenty-first century because, of all of the resources that organizations utilize, this is the one that is the most difficult to replicate and is that which represents an organization's unique competitive advantage.

Looking for and recruiting the most talented people available, giving them meaningful and rewarding jobs to do in a supportive environment, and developing and utilizing their competences in ways that deliver in whatever jobs they are in, will become more, rather than less, important. But the crucial question for HR professionals is what will their role be in these vitally important areas?

Rucci (1997) holds the view that HR is a profession at the crossroads. While accepting that there are those who believe HR to be on the ascendancy, based on continuing progress in helping to develop innovative people practices that support organizational objectives, he holds a different view: one that sees HR as a separate 'entity' and profession ceasing to exist.

He presents two scenarios for the demise of HR. The first results from HR's failure in:

- promoting change;
- understanding and becoming integrated within the business;
- relating to customers;
- addressing the issue of costs and efficiency;
- emphasizing and ensuring organizational values are 'lived'.

Recent research in the UK suggests that Rucci's 'demise by failure' scenario is a definite possibility. Whittaker and Marchington (2003), for example, found that line managers complained about HR:

- being out of touch with business realities;
- constraining line managers' freedom of action;
- being unresponsive and slow;
- developing policies that are good in theory but which don't work well in practice (i.e. that are lacking material rationality).

Rucci's second, and more positive, scenario for the demise of HR is based, paradoxically, on HR becoming more business-focused, managing change well, developing good leaders and promoting values. According to Rucci:

> **. . . the milestone of HR's effectiveness will not be its ability to survive and do these things for the organisation, but rather its ability to transfer these into the responsibilities and accountabilities of managers at all levels.**
> (1997, p 198)

The implication of this position is that HR, *as a source of expertise*, has to move out of centralized departments and into the line, where it is needed and where it will have the greatest impact. This may be achieved through developments in the HR business partner role, which involves HR professionals working directly with designated line managers, or through line managers themselves acquiring this expertise

as a result of their own development and the redefining of the responsibilities of line management roles to include explicit reference to managing people.

But where does that leave HR's strategic contribution? It seems increasingly likely that the requirement for a strategic HR plan for the organization, as opposed to a strategic plan for HR, will increasingly be owned by CEOs and other senior managers. This trend reflects the view that human resource management is too important to be left exclusively to HR and that this will particularly be the case at the strategic level of activity.

As far as the bulk of HR's administrative responsibilities are concerned, the outsourcing of these to specialist organizations is continuing and is likely to grow in its frequency. The Work Foundation (2003) found that occupational health services, payroll, pensions and training were the most common HR activities being outsourced. This picture is supported by the Department of Trade and Industry's Workplace Employee Relations Survey 2004 (WERS 2004), which found that training was cited by 27 per cent of respondents as being outsourced, with 25 per cent citing payroll and the sourcing of temporary employees, and 14 per cent citing other recruitment. Factors influencing the outsourcing of HR administration are likely to be:

- the high cost;
- concerns over efficiency levels;
- the availability of new technology.

HR departments that retain responsibility for HR administration are likely to be under pressure to reduce the amount of time and resources allocated to this aspect of their work — there is a high opportunity cost associated with this — and to deliver a reliable and efficient service; those that don't face outsourcing and a loss of credibility.

According to Reilly and Williams (2006), the future of HR is linked to its ability to combine administrative efficiency with operational and strategic effectiveness, and a heightened level of professionalism. They argue that HR professionals have to learn to work with, and through, line managers at all levels, but to do this, they need new skills and capabilities. Where it still exists, the 'old' HR mindset associated with centralization, remoteness, rules, procedures and regulation needs to be replaced by one that emphasizes the importance of a business orientation, partnership, results and generating competitive advantage through maximizing the contributions that employees make to the organization. Reilly and Williams suggest that:

> **HR should not spend too long trying to divine an abstract meaning to their work. Rather, in doing their job well — helping connect people and business — they will be adding value, demonstrating their worth and indicating their USP [unique selling point].**
> (2006, p 49)

Conclusion

There is little doubt that HR, as a specialist management function, faces a challenging future: a future that, for some, involves something of a metamorphosis. There also seems to be a general consensus that it has to change before it can meet the requirements and expectations of other organizational stakeholders, and be accorded the status and credibility that the function is seeking. Whether the change, as Rucci (1997) believes, will involve its demise is more problematical and contentious.

What are the changes to which HR needs to commit in order to preserve its future? They can perhaps be expressed in relation to the following.

- Acquiring and applying a much stronger *business orientation* in designing and delivering HR activities and services

This has major implications for the skills and mindset of HR professionals and in relation to their recruitment and selection. The employment of people from outside of the HR profession to senior HR positions is a trend that is likely to continue.

- Being clearer about the *priorities* they pursue and why certain activities have been prioritized

  This will inevitably mean than the HR agenda and the deployment of HR resources is influenced, if not determined, by the 'users' of HR – i.e. by employees, line managers and senior executives, as well as HR professionals.

- Developing their *functional expertise*

  This involves developing skills and competences that allow HR to deliver 'solutions' and to offer advice and support to managers that is founded on a body of professional theory that has been tested and refined in countless situations. If line managers retain a degree of dependence on HR experts, then the expertise offered has to deliver the contributions and outcomes that those line managers need.

- Building *personal credibility* and a reputation for reliability and professionalism

  In their article on what distinguishes successful from less successful HR managers, Buckingham and Elliot (1993) found that those rated as 'above average' in performance were associated with:

  – the ability to motivate others;
  – the ability to build relationships;
  – the ability to seek and build commitment;
  – the possession of a conceptual mindset, and a clear perspective on their role and its purpose.

  They conclude:

  > **This mind set may be defined as a philosophy of Personnel Management and a conceptual ability to define the significant contribution that the personnel professional can make to the organisation. This philosophy is strongly rooted in clear perceptions about, and a real commitment to, the value of good employees and of their contribution to the company.**

The future of HR will undoubtedly be influenced by developments in technology, in organizational forms and in relation to the capability of line managers in taking on much more responsibility for the management of their staff. It might also be argued that its future is in the hands of those who work in HR and whether they can rise to the challenges confronting the profession.

STUDENT ACTIVITY 2.3 Identifying HR competences

This final activity involves researching the kind of competences needed by HR professionals and can be the basis of a group project or presentation.

1. Research the literature on HR roles and their associated competences, and summarize your findings. You may also be able to collect data from within organizations to help build this picture.
2. On the basis of your findings, devise a strategy for developing these competences, showing, in a practical way, how a newly recruited graduate to HR might acquire these competences.
3. Explore how the competency and effectiveness of HR professionals might be measured.

Summary

This chapter has deliberately adopted a more questioning and critical approach to the role and contribution of HR in organizations than is found in some other HR textbooks. The reason for this is that HR professionals are under increasing pressure to 'deliver' and those who cannot, or do not, understand

what this means will not be considered credible. The departments within which they work are likely to be reorganized and parts of their responsibilities outsourced: this is the new reality.

HR also operates in an often-unpredictable external environment, which can undermine existing practices and priorities, and transform what the organization expects HR to do. In Chapter 14, the Oliver's case study involving plant closure is an example of what this can involve. The conclusion is, therefore, that HR and those who are associated with it need to become flexible and adaptable, and be comfortable with uncertainty and ambiguity. To be able to do this requires new skills and competences, and the effective recruitment and development of HR staff is becoming increasingly important and challenging.

Signpost to Chapter 14: The Role of HR in Closing a Factory

Finally, to secure its long-term future as a specialist management function, the evidence from many of the academic contributions on HR suggests that it must become much more 'business-orientated' and deliver value-adding contributions to the business. What this actually means has to be determined within each organization, but it will inevitably involve accepting that the HR agenda has to be more business-led. Those who work in the HR department, meanwhile, must recognize that human resource management has become far more important than Human Resource Management.

online resource centre

Visit the Online Resource Centre that accompanies this book for self-test questions, weblinks, and more information on the topics covered in this chapter.
www.oxfordtextbooks.co.uk/orc/banfield_kay/

REVIEW QUESTIONS

1. What are the contributions of HR professionals and line managers to the behaviour and performance of employees?
2. What is the difference between human resource management and Human Resource Management?
3. In the context of the knowledge economy, what particular employment and HR practices will be necessary if organizations are going to maximize the performance and contributions of knowledge workers?
4. What will be the issues and pressures affecting HR in ten years' time?

CASE STUDY

Reforming the HR function at the Royal Mail

The material for this case study is taken from a presentation given at the CIPD national conference in 2005.

The Royal Mail, prior to recent changes, employed over 200,000 people and had been a national institution for over 300 years. In the early part of this century, however, it began to suffer serious performance and financial problems. It was known for poor industrial relations and accounted for nearly 50 per cent of working days lost because of strikes. It was a business that was near to insolvency, and was renowned for low pay and long hours, and an overreliance on agency workers. It was, in other words, a business that had failed to adapt its internal structures and culture to a rapidly changing external environment in which increasing competition was the most important development.

The HR function, defined in terms of those who worked in and for the specialized HR department, was costing the business £200m each year. Approximately 3,700 people were employed in HR, which

meant that the ratio of HR staff to total employees was near to 1:55 (i.e. for every 55 employees, there was one member of HR). The primary role of HR was in relation to the trade unions, which defined the state of the company's employee relations. But, increasingly, HR had become associated with numerous policies and procedures covering almost every aspect of the employment and management of people. Unfortunately, the increasing influence of the centralized HR function had led to a defranchising of line managers, who felt unable to engage directly with their staff.

The need to transform HR as part of changing the culture of the organization was based on a clear understanding of how the 'people' side of the business needed to change. It involved:

- an overall reduction in costs;
- a modernization of employment processes and procedures;
- the professionalization of the HR function;
- a change in the relationship with trade unions;
- adding more strategic value;
- empowering line managers;
- driving change.

The transformation was achieved by creating a new HR architecture, based on a very clear distinction between the different contributions that HR was required to make. The 'new' HR was based on three distinctive domains:

- establishing functional expertise that supported the line;
- creating business partners that worked with the line;
- a shared service capability that delivered administrative efficiency.

The transformation was not achieved without considerable investment in the development of HR staff, supplemented by the injection of new talent to lead the changes. The newly appointed 'Business Partners' were assessed against a demanding competency framework and there was an emphasis away from 'doables to deliverables', with a new focus on how HR could add value to the business.

The results of the transformation were both impressive and challenging. The ratio of HR staff to employees rose to 1:130. A new attitude and relationship with the trade unions resulted in a reduction in industrial disputes and restrictive work practices, and a reduction in headcount of 34,000.

The clear message, however, was that this was the beginning rather than the end of a process. Further competitive pressures meant that Royal Mail needed to become more competitive, leading to increasing pressure on jobs and the need to raise productivity levels even higher. For HR, there was 'no hiding place', but its key contributions could only be made as a result of a very different HR architecture and a new relationship with line managers.

Questions

1. What particular competencies do the organization's HR 'Business Partners' need to be able to work effectively with line managers?
2. What are shared service centres and how do they operate?
3. What needs to be done to allow line managers to take direct responsibility for managing their staff?
4. What happened to those HR staff that were lost to the company?

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