1

WHAT IS HRM?

CHAPTER OBJECTIVES

- To introduce competing definitions of HRM

- To describe how the term 'human resource management' came to be so widely used

- To outline the characteristics of the 'high-commitment' variant of HRM

- To outline the changing HR function and the growing role of line managers in HRM

- To introduce the ethical debates surrounding HRM

- To describe how HRM practices might differ in small and medium-sized enterprises.

INTRODUCTION

Human resource management (HRM or simply HR) is the term commonly used to describe all those organisational activities concerned with recruiting and selecting, designing work for, training and developing, appraising and rewarding, directing, motivating and controlling workers. In other words, HRM refers to the framework of philosophies, policies, procedures and practices for the management of the relationship that exists between an employer and worker. The purpose of this chapter is to introduce the broad area of managerial activity referred to as HRM, to explore the alternative meanings attached to the term and its relevance to today's work organisations. The chapter outlines how people management has developed over the past three decades from a largely administrative, operational function to an area of management often viewed as central to organisational viability and sustained competitive advantage. It also introduces a number of running themes that reoccur throughout the book and represent key challenges for

contemporary HRM, including ethical issues associated with people management and international differences in HRM practice.

HRM comprises a number of discrete but overlapping areas of managerial activity. Part Two of this book focuses on the following five broad functions of HRM, central to managing the workforce:

- *People resourcing* – Ensuring adequate staffing for current and future business needs through activities that include human resource planning, recruitment, **selection**, induction, talent management, succession planning and the termination of the **employment relationship** (including managing retirement and redundancy).
- *Managing performance* – Managing individual and team **performance** and the contribution of workers to the achievement of organisational goals, for example, through goal-setting and **performance appraisals**.
- *Managing reward* – Designing and implementing **reward** and pay systems covering individual and collective, financial and non-financial reward, including employee **benefits**, **perks** and pensions.
- *Human resource development* – Identifying individual, team and organisational development requirements and designing, implementing and evaluating **learning** and **development** interventions.
- *Employment relations* – Managing employee 'voice', communication and **employee involvement** in organisational decision-making, handling union–management relations (including industrial action and **collective bargaining** over terms and conditions of employment), managing employee welfare and handling employee grievance and discipline.

Other tasks and activities that come under the remit of HRM include workforce administration, health, safety and employee well-being, and **diversity** and equality management. HRM is also likely to be involved in wider strategic and operational managerial activity such as change management and employer branding. In some of these areas, HRM specialists play a central and leading role and in others they are more likely to fulfil an advisory capacity for managers in other areas of the business. For example, in filling a job vacancy, HR specialists in large organisations are likely to provide support in designing job specifications and advertisements, ensuring legal compliance (for example, with equal opportunities legislation) and assisting with or advising on the selection process. HRM professionals might be generalists responsible for all HR processes in a firm or, more likely in larger organisations, they might specialise in one or more specific areas, for example reward, training or diversity. Importantly, HRM encompasses not only those activities that are the responsibility of designated HR departments or specialists but also those activities that are carried out by managers in all areas of the business who are responsible for the management of co-workers.

COMPETING DEFINITIONS OF HRM

The term 'human resource management' is typically used in one of the two following ways:

- To describe any approach to managing people, as in Boxall and Purcell's definition: '*HRM includes anything and everything associated with the management of employment relationships in the firm*' (Boxall and Purcell, 2003: 1). In other words, it is the contemporary 'umbrella' term used to denote the activities associated with people management in work organisations.

- To describe a distinctive approach to managing people that is significantly different to traditional **personnel management** practices (as outlined later in this chapter) through its ability to contribute to both organisational performance and to engender employee commitment to the organisation (hence sometimes referred to as **high-commitment HRM**). Such an approach to HRM offers management, theoretically at least, the prospect of enhanced organisational performance whilst simultaneously improving workers' experience of employment (the 'mutual gains' perspective). In the words of Storey (2007: 7), it is a specific 'recipe' for the management of people. Price defines HRM in this way, as '*a philosophy of people management based on the belief that human resources are uniquely important in sustained business success. An organisation gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. HRM is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies*' (2007: 32).

This book takes a broad, inclusive perspective on HRM as referring to all aspects and approaches to the management of people and, therefore, not '*solely with a high-commitment model of labour management or with any particular ideology or style of management*' (Boxall and Purcell, 2003: 1). The reason for this is that by focusing exclusively on the distinctive model of HRM it is rather easy to lose sight of the fact that the majority of organisations do not adhere to such a sophisticated model of labour management (Bacon, 2003). The intention of this book is to consider the wide range of approaches that organisations can adopt for the management of people. HRM is therefore defined as an area of managerial activity with the *potential* to be formulated along the lines of Price's definition but acknowledging a wider array of management styles and associated practices.

THE EMERGENCE OF HRM

Despite taking an inclusive approach in this book, in order to understand the significance of HRM in contemporary firms it is important to discuss in greater depth the more specific meaning attached to HRM, as it helps explain why and how the term '*human resource management*' came to be so widely used. The term 'personnel management' has traditionally been used in British companies (and more widely) to denote the area of managerial activity, most usually a distinct department, that is principally concerned with administering the workforce (for example, in respect of payroll and contractual issues), providing training, ensuring legal compliance (for example in the area of health and safety) and managing collective **industrial relations** between the firm and **trade unions**.

In many firms, personnel management has traditionally been constituted as a support function, existing on the periphery of organisational and strategic decision-making, which held a relatively lowly operational status (Redman and Wilkinson, 2006). In the mid-1980s, however, patterns of innovative forms of people management began to emerge that held more strategic ambitions (Storey, 2007). Subsequently, over the course of the past three decades, people management has gradually developed and, whilst acknowledging that in many firms HRM remains marginalised and primarily an administrative function, for many firms its scope is rather wider today than in the past. Torrington et al. (2008) suggest that rather than representing a revolution in people management practices, the emergence of HRM represents an evolution towards more effective practice. Similarly, Watson (2009) stresses that HRM is

> not some new, or even recent, managerial or academic 'fad' or some novel or groundbreaking invention that is peculiar to modern circumstances. It is a profoundly commonsensical notion that would be sensibly taken up by people in charge of any human enterprise in which work tasks are undertaken and where there is a concern for that enterprise to continue into the future as a viable social and economic unit. (2009: 8–9)

In other words, HRM is the latest manifestation of ongoing attempts to allocate work tasks within a social group and to compel each member of that group to make best use of their individual knowledge, behaviours and capabilities for the greater good. Lengnick-Hall et al. (2009) suggests that whilst much of the literature addressing more strategic approaches to HRM have been written in the last thirty years, its origins can be traced back to 1920s America when more progressive employers were exploring ways to achieve competitive advantage through '*unity of interest* [between employer and employee], *cooperation and investment in labour as a human resource*' (Lengnick-Hall et al., 2009: 64). A historical perspective on the development of people management practices is presented in Chapter 2.

Box 1.1 shows Storey's model of HRM, which emphasises the potential for 'people' to be a key strategic asset in the contemporary firm and the key prescriptions in how they should be managed to maximise their performance:

BOX 1.1

The HRM model

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

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

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

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

Source: reproduced with permission of Cengage Ltd from J. Storey (ed.) (2007) *Human Resource Management: A Critical Text* (3rd edn). London: Thomson, Figure 1.1, p. 9

Along similar lines, Sisson (1990) suggests that the distinctive notion of HRM has four critical dimensions: an integration of HR policies with business planning; a shift in responsibility of HR issues from personnel specialists to line managers; a shift from the **collectivism** of management–trade union relations to the **individualism** of management–employee relations; and an emphasis on employee commitment. Both of these formulations echo earlier work by Guest (1987), who suggested four key elements of HRM: employee commitment; workforce flexibility; quality (both in terms of required worker attributes and of their performance); and the strategic integration of HRM policies and practices.

Taken together, such models indicate a number of key features of HRM that represent a distinctive approach to people management. First, HRM is not simply the concern of HR specialists but requires the involvement of both senior and line managers in successfully developing and implementing policies and practices to maximise individual performance. Second, workers perform more effectively when committed to the goals of the organisation, rather than simply complying with its rules, and this can be achieved both by aligning the needs of employees and the firm and by the internalisation of organisational values through the management of culture. Third, HR practices and policies such as those in the areas of selection, development and reward should be integrated both with the overall **strategy** of the firm and each other. In relation to this last point, Caldwell (2002) suggests that the 'advanced' personnel policies associated with HRM pre-dated the development of HRM itself but that its importance lies in advocating HR policies and practices that are integrated with one another and are mutually reinforcing. In summary, HRM in its specific sense is concerned with ensuring that:

- HRM philosophies, policies and practices are supportive of wider organisational strategy
- The organisation has the right calibre or quality of employee to operationalise this strategy through the adoption of appropriate techniques for selection and recruitment, appraisal, development and promotion
- Line managers are committed to executing these HRM policies and practices
- Employment systems are flexible enough to allow adequate adaptation to changing organisational context.

This 'high-commitment' view of the workforce is clearly espoused in the Foreword to the *Report on the High-Performance Workforce Study 2006* conducted by Accenture, which states that:

> In the past two decades, a company's workforce has become increasingly important to business success – so much so that most senior executives now view people and workforce-related issues as a critical competitive differentiator and one of their top agenda items' and, 'attracting and retaining skilled staff and finding and developing talented leaders were cited by executives as critical factors in achieving high performance. (2006: 3)

The greater contemporary focus on people as a source of competitive advantage is also evident in the corporate literature of firms across diverse industry sectors that lay claim to a heavy reliance on their human resources to deliver strategic objectives, as well as seeking to position or 'brand' themselves as desirable organisations in which to work. A selection of such corporate statements is presented in Box 1.2.

**HRM IN PRACTICE
BOX 1.2**

The rhetoric of HRM and the importance of people to organisational success

BMW Hams Hall, Warwickshire – *'People create our success'*

'People are the most important factor in the BMW Group global production network, where producing individual vehicles for customers across the world requires an exceptional level of teamwork, cooperation and flexibility. Associates at Plant Hams Hall, recruited for their skill and commitment, demonstrate identification to the values that underpin BMW Group's reputation for technical excellence and quality. Ensuring the right people are in the right place at the right time combined with a high level of flexibility among the workforce enables the company to react quickly to changing customer requirements and market fluctuations.'

Virgin Atlantic – *'The people that make up Virgin Atlantic, make Virgin Atlantic'*

'Immaculate service and unrivalled quality are everything to us here at Virgin Atlantic. The high standards and experience of the people we hire has helped us become one of the world's most highly rated airlines.'

Sainsbury's – *'A great place to work'*

'We rely on our 150,000 colleagues to deliver our business goal of exceeding customer expectations for healthy, safe, fresh, tasty food at fair prices. Being a great place to work is not only rooted in our heritage and values, it is also crucial to achieving our business objectives. Every store, depot and office should be a place where skills and development are encouraged, and where our values and principles are not simply words but actions. Making this a reality is down to us. By recruiting, retaining and engaging the best people, from backgrounds that best reflect our communities, we can make our business a great place to work, which in turn helps us deliver great service to our customers.'

Shangri-La Hotels – *'Are you Shangri-La?'*

'Our success depends 100% on the quality of our people. That's why we are demanding when we look for new employees. And why successful candidates find careers at Shangri-La so rewarding.'

Walmart – *'… it all starts with our people'*

'At Walmart, it all starts with our people. Our 2.1 million associates worldwide have made us into a global retail leader, and their ideas, innovation and dedication are what enable us to continue to grow. In return, we work to support our associates in developing their careers and in building better lives for themselves, their families and our customers.'

HARD AND SOFT VARIANTS OF HRM

High-commitment or high-performance HRM, as outlined above, is often associated with management practices that focus on the 'human' element in managing people and the notion of 'soft HRM' (Guest, 1987). **Soft HRM** has its emphasis on developing and investing in **human capital**, nurturing employee loyalty and providing well-rewarded and satisfying work. This approach prioritises a positive employer–employee relationship based on mutual trust, developed through employee participation and involvement in organisational decision-making, worker **empowerment**, collaboration and **teamworking** and a stakeholder approach where the interests of all groups are equally valued. This model of HRM views the organisation as pluralist, where the differing needs of the organisation and individuals are acknowledged and addressed. This approach is also referred to as 'collaborative HRM' (Gooderham et al., 1999). An alternative approach to HRM tends to emphasise the 'resource' element in the management of labour. This

'hard' (Guest, 1987) or 'calculative' (Gooderham et al., 1999) approach emphasises the instrumental use of labour to meet business objectives. This model views the employment relationship as unitarist, where the needs and interests of the organisation and individuals are one and the same. Hard HRM is often associated with exploitative practices such as intensive working, low pay, low levels of job security and, subsequently, low levels of employee commitment. However, hard and soft approaches to HRM are not mutually exclusive as organisations can use 'soft' practices in an instrumental manner.

The distinction between soft and hard HRM raises the issues of **ethics** in people management and the extent to which the objectives and needs of a business should take primacy over the needs of its workforce. The question of ethics in HRM is a running theme of this book and later chapters will consider the ethical issues surrounding particular elements of HRM activity, such as employment flexibility and reward systems. Box 1.3 provides an introductory discussion into this ever-more important area of both HRM and wider business and management.

PATTERNS OF HRM PRACTICE

As stated previously, the definition of HRM adopted in this book is rather broader than a narrow 'high-commitment' approach. This is because for many employees this vision of people as a 'top agenda item' and a highly valued organisational asset might not ring true in their everyday working lives. The high-commitment rhetoric – that employees should be positively nurtured by an organisation in order for them to become more 'engaged' in their activities and, therefore, more productive – does not necessarily match the reality of HRM practice in many firms.

Despite many firms re-labelling their personnel departments as HR departments, this often represents '*old wine in new bottles*': a re-labelling rather than a fundamental reinvention of the function (Legge, 1995a). Storey (2007) suggests that whilst there is extensive evidence of the adoption of individual practices associated with HRM, evidence for the widespread integration of these practices is more limited. The most recent comprehensive evidence on the extent of the use of a range of HR practices in the UK is provided by the Workplace Employee Relations Survey (WERS) 2004 (Kersley et al., 2006). This research suggests that despite firms often having claimed to have adopted a strategic approach to HRM this often amounted to little more than the 'pick and mix' adoption of specific HRM practices that were not strategically integrated with either each other or any overarching **human resource strategy**. The evidence suggests therefore that most organisations adopt HR practices associated with good practice in a piecemeal or incomplete manner. Similarly, Guest and Baron (2000) report that whilst chief executives recognise the importance of good people management and the link between HR practices and business performance, most continue to fail to prioritise employee issues. For example, only 10 per cent of chief executives agreed that 'people' are a top priority ahead of finance or marketing. The integrated HRM models described by Guest, Storey and Sisson appear, therefore, to represent, at best, an aspiration rather than a workplace reality in many organisations.

Moreover, the evidence regarding employee treatment in the UK does not sit easily with employer pronouncements of employees as valued organisational assets. Research conducted by Guest and Conway (2004), who interviewed 1000 British employees at random, found that 'feelings of fairness' regarding their treatment at work was low (for example, 40 per cent of employees believed they are not fairly paid for the work they do) and trust in senior management was even lower (only 25 per cent of workers place a lot of trust in senior management to look after their interests and 41 per cent place little or no trust in them to do so).

Should people be treated as 'resources'?

Ackers (2006) suggests that the advent of HRM in the 1980s presented an opportunity for UK managers to demonstrate their concern for employees, particularly given that at the time both trade union and government regulation of the employment relationship in the country were declining. The language of HRM tends to emphasise the importance of the human resource and its role in uniting individual and organisational needs, addressing both employees' desire for 'social justice' (equity and fairness of treatment) and business imperatives. Indeed, much discussion of HRM assumes that high performance HRM practices are good for workers and that managers are '*the primary actors in the employment relationship, responsible for designing and implementing the appropriate HRM practices to produce gains for both employees and employers*' (Janssens and Steyaert, 2009: 145). However, research suggests that the reality is somewhat different to the rhetoric of 'mutual gains' (Legge, 1995a). Evidence shows limited take-up of HRM practices that might lead to such shared benefit, especially in the absence of trade unions, and suggests that the focus of labour management in the UK tends to remain on cost reduction and short-termism, leading to the poor treatment of workers.

Even where high-commitment HRM is practised there are ethical concerns about the model of the employment relationship upon which it is based. Within much HRM theory there is the implicit assumption that business needs should take primacy over human considerations, and where the needs of workers are met it is simply because of a convergence of the two. This is most obviously played out in the changing role of HR professionals, where as a consequence of their growing importance in strategic decision-making they are compelled to prioritise business needs over employee welfare. Indeed, the very term 'human *resource*' can be said to promote the treatment of workers not as both a means and an end, but as a means alone (Crane and Matten, 2006). In other words, workers are regarded as simply a factor of production, not as legitimate organisational stakeholders worthy of ethical treatment as an end in itself. Inkson (2008) makes the important point that the adoption of the standardised term 'human resources' to refer to people at work, even if only as a metaphor, leads both managers and employees to accept the notion of people as passive commodities, rather than active agents, and to behave accordingly.

Nonetheless, often a business case is made for the 'ethical' treatment of workers: for example, the positive effect that it can have on employee commitment, engagement and, consequently, performance. However, for many, the idea that business self-interest is sufficient to guarantee the ethical treatment of workers is flawed, not least because as business needs change the imperative to treat employees well might recede. The unitarist assumption of common interest and mutual benefit in much HRM theory and practice can subsequently be questioned (Boselie et al., 2009). The idea that organisations are harmonious 'families' where managers make decisions for the good of all stakeholders is problematic given the primacy of business needs, and, arguably, only where managers accept a plurality of interest groups with divergent needs will employee welfare be adequately considered as a first-order concern.

Even in firms where 'soft' HRM practices are firmly embedded and good treatment of employees is evident there remains controversy regarding managerial attempts to manipulate organisational culture and instil the values of the firm in their employees as a means of improving performance. This unease centres around the extent to which employees act as 'willing slaves' through '*extensive cooperation or complicity with living the "brand values" consciously generated by senior executives and management consultants*' (Storey, 2007: 5).

The question of ethics and corporate social responsibility are critical concerns for twenty-first-century work organisations. For this reason, ethics in HRM forms a central concern of this book and each chapter raises questions about the relationship between management practice and the ethical and unethical treatment of people in the workplace.

Questions

1 To what extent do you consider it to be the role of business enterprises to commit to the ethical treatment of workers beyond what is required by legislation?

2 How would you construct a 'business case' argument for ethical considerations in formulating HRM policies?

3 How could this business case be critiqued?

Furthermore, views on the quality of leadership provided by their immediate **line manager** were mixed, with fewer than half of respondents reporting that their managers regularly provide motivation or regular **feedback** (only one in three reporting that they usually or frequently receive praise and about a quarter rarely or never received praise). If we accept the importance of people to organisational performance, these findings present a significant challenge and a major competitiveness issue for UK employers.

When discussing the extent to which UK firms have adopted HRM, a further proviso is also necessary. Many of the claims for HRM and its emergence in the 1980s were a reflection of the role of sophisticated HR policies and practices in blue-chip multinational companies, and subsequent HRM literature has tended to focus on the development of people management practices in large work organisations. It is important, however, to understand HRM within small and medium-sized enterprises (SMEs). SMEs are increasingly important to the European economy as they make up both an increasing proportion of firms and a growing source of employment, particularly for highly qualified workers (Stewart and Knowles, 2000). Despite this growing importance, Cassell et al. (2002) suggest that there is both a lack of research into HRM practice in SMEs and an inference within management literature that SMEs should simply learn from the practices of large firms. Box 1.4 discusses some of the assumptions often made about people management in SMEs and the research that has sought to explore the reality behind those assumptions.

Further online reading The following article can be accessed for free on the book's companion website **www.sagepub.co.uk/wilton2:** Bartram, T. (2005) Small firms, big ideas: The adoption of human resource management in Australian small firms, *Asia Pacific Journal of Human Resources*, 43: 137–54.

HRM AND A CHANGING ORGANISATIONAL CONTEXT

The supposed shift in the way workers are viewed by senior managers can be at least partially linked to relatively recent changes to the external business environment that have reduced the impact of traditional sources of competitive advantage (such as technology or machinery) and increased the significance of new sources – particularly a firm's workforce – that need to be exploited to promote organisational adaptability and innovation (Pfeffer, 1994). This is most obviously the case for firms competing in sectors of the economy where organisational success relies heavily on the ingenuity, creativity, skills and knowledge of their workforce, such as information communication technology (ICT), business consultancy and pharmaceuticals. It is of no surprise, therefore, that the shift from personnel management to HRM has coincided with a set of perceived changes in the nature of advanced capitalist economies associated with **globalisation** and rapid advancements in ICT that are connected to the emergence of the 'post-industrial society' (Bell, 1973) or **knowledge economy** (Kinnie et al., 2006). Organisational success in such an economy relies on the commercialisation of the knowledge possessed by its workers and for firms to acquire and develop employee capabilities through increasingly sophisticated means of management (Davenport et al., 2006). However, it should also be acknowledged that these competitive pressures, particularly developing patterns of globalisation and the

HRM in small and medium-sized enterprises

Dundon et al. (1999) argue that most commentators on the employment relationship in small firms tend to adopt one of two polarised perspectives. The first has been described as 'small is beautiful' and suggests that SMEs are characterised by informal, cooperative and harmonious relationships between owner–managers and employees (Goodman et al., 1998). The small firm is therefore typified by low incidence of conflict and informal communications, characteristics that are assumed to negate the need for collective representation of workers by trade unions. Such firms gain the cooperation of their staff and develop a good working relationship between management and workers '*despite paying little explicit attention to people management issues and having few formalised practices for managing them*' (Goodman et al., 1998: 548).

The second perspective suggests that this portrayal of harmonious relations serves to obscure exploitative practices in small firms that characterise them as '*Bleak House*' (Sisson, 1993: 207) and their employee management practices as '*ugly*' and '*bad*' (Guest and Hoque, 1994: 3). Rainnie (1989) suggests that such organisations are typified by poor working conditions, authoritarian management, poor safety conditions and little involvement of staff in the running of the business. These '*black hole*' organisations (Guest and Conway, 1999) – a term used to describe firms that have little in the way of formal individual or collective structures and practices for the purposes of employee management – are typically small establishments, often privately owned, operating in labour-intensive sectors such as hotel and catering (Guest and Conway, 1999). Wilkinson (1999) argues that a lack of overt conflict in small firms may simply represent the fact that employee dissatisfaction is more likely to be manifest in individual expressions such as absenteeism and high turnover, rather than collective action.

However, conclusions drawn on the HRM practices of SMEs based on either of these two polarised perspectives are likely to be too simplistic. Wilkinson (1999, quoting Ram, 1991) claims '*workplace relations in SMEs may be "complex, informal and contradictory rather than simply either harmonious or autocratic"*'. Indeed, Cassell et al. (2002) found considerable diversity among a sample of SMEs (also, Kotey and Slade (2005) and Storey (1995), in a study of the take-up of HRM practices, found that whilst larger firms were more likely to have adopted such practices, the success of their implementation was greater in smaller organisations). Therefore, given the sheer number and diversity of SMEs and evidence for a wide variety of approaches to HRM, it is perhaps not helpful to assume that they conform to one stereotype or the other.

emergence of new economic powers such as Brazil, India, China and Russia, are at the same time compelling managers to cut costs, often leading to the more instrumental use of labour. Developments in the labour market context of HRM are discussed further in Chapter 4 and patterns of globalisation in Chapter 5. Chapter 15 specifically addresses the issue of **knowledge management** and how HRM can facilitate the development and sharing of employee knowledge as a source of competitive advantage.

Further online reading The following article can be accessed for free on the book's companion website **www.sagepub.co.uk/wilton2:** Dietz, G., van der Wiele, T., van Iwaarden, J. and Brosseau, J. (2006) HRM inside UK e-commerce firms: Innovations in the 'new' economy and continuities with the 'old', *International Small Business Journal*, 24 (5): 443–70.

The movement from collectivism to individualism in the management of the employment relationship is also reflective of contextual change. In the last three decades there has been a marked decline in trade union membership, representation and collective bargaining over pay and conditions in the UK, especially in the private sector. The reasons for this trend are complex, encompassing changing political attitudes towards unionism, increased global competition, changes in social attitudes towards increased self-interest, economic restructuring (notably the accelerated shift from a manufacturing to a service-based economy) and legislation that has placed greater restrictions on union activity. HRM itself can be viewed both as a cause and consequence of the decline in workplace collectivism. The decline in trade union power and influence opened up a space in which **managerial prerogative** over decision-making could be asserted more emphatically and the adoption of anti-union strategies associated with US management used as a lever to further marginalise or substitute for the presence of unions. As a result of this changing landscape, management saw greater opportunities to implement more flexible, individualised arrangements for employees. For example, there has been a marked increase over recent years in individualised **performance-related pay** and performance targets, non-representative methods of **employee communication** and greater individual responsibility for career development. Individualised HRM practices partly reflect, therefore, a desire amongst organisations to alter the employment relationship to make it more flexible by dismantling workforce solidarity and mechanisms for the expression of shared worker interests. This is discussed in more detail in Chapter 10.

It is important to recognise that the concept of high-commitment or high-performance HRM is underpinned by a particular set of assumptions reflective of the cultural context in which it developed, specifically the USA and, latterly, the UK. Given patterns of globalisation and the growth in both size and scope of **multinational corporations (MNCs)**, it is important to recognise that the specific ideas and practices associated with HRM are not necessarily universally applicable. Box 1.5 provides an introduction to another running theme central to this book, that of the international context of HRM. Chapter 5 develops this discussion of cultural influence on people management.

THE CHANGING HR FUNCTION

As the high-commitment perspective on HRM has developed since the 1980s so has the role of HR managers and specialists. The HR profession has undergone a significant transformation reflecting the increased responsibility placed upon it to deliver improvements in worker performance; a 'mission' at odds with the traditional outsider status of the personnel function. In line with the movement of HRM to centre stage in its perceived ability to contribute to the sustained competitive advantage of the firm, the HR function in some organisations has shifted from a predominant emphasis on operational issues to a more strategic focus (Francis and Keegan, 2006).

Stanton and Coovert (2004) suggest that the activities of the HR function can be divided into three broad, interlocking functional areas:

- *Administrative* – HR professionals ensure the organisation's compliance with regulatory structures (including organisational policy and employment law) as they relate to personnel activities such as **recruitment** and dismissal.
- *Financial* – HR professionals research, recommend and manage the organisation's use of monetary rewards and perquisites.

- *Performance* – HR professionals develop, deploy and maintain organisational policies and practices that allow workers to create the greatest possible value with the available 'human capital' (for example, training, **performance management**, talent management).

GLOBAL INSIGHT
BOX 1.5

HRM and national difference

It is important to recognise that the approach to people management specifically referred to as HRM embodies a Western perspective on the employment relationship and the means by which employees can be a source of added value to an organisation. In particular, much of the rhetoric and reality of HRM reflects its origins in the USA, to the extent that Guest (1990) referred to HRM as a '*manifestation of the American dream*' and Gooderham and Brewster (2003: 16) suggest that the growing influence of HRM in Europe (particularly the UK) reflects the '*Americanization of personnel management*'. As Price (2007) suggests, US corporations have dominated world trade for much of the twentieth and into the twenty-first century and, therefore, it is not surprising that North American business methods and ideology have been widely promoted and adopted, first in some Western European countries, notably the UK, and then in other countries further afield.

Whilst much of the discussion in this book reflects this Western perspective, each chapter outlines how HRM practices vary throughout the world. In particular, it outlines how the social, cultural and institutional context in which people management practices develop are reflected in how employees are recruited, managed and rewarded. For example, in the USA, people management techniques have tended to reflect a psychological perspective with an emphasis on improving worker motivation. This has led to a focus on the individual, on analysing employee needs and responding through the manipulation of rewards systems and job design which, in turn, reflect American cultural values of individualism and self-reliance. In (continental) Europe, however, people management has evolved more from sociology resulting in a greater focus on the collective workforce and understanding organisations as social systems within a broader economic and political context. Therefore, rather than focusing on the individual employee's relationship with the employer, there is greater concern for the collective employment relationship between government, unions and management. The focus of managerial activity is on industrial democracy and joint regulation of the employment relationship, reflective of cultural values such as workforce solidarity and low tolerance for inequality (Schneider and Barsoux, 2008).

As well as divergent views on managing the employment relationship, von Glinow et al. (2002) note that the status of the HRM function varies across countries, according to, for example, the average size of organisations, ownership patterns, the credibility that the HR function has in that country and where power tends to reside within firms. For example, in the UK power within firms tends to reside with the finance function, which has implications for the extent to which people are viewed as investment or cost and, therefore, the strategic influence afforded to HR managers.

The extent to which HR responsibilities are entrusted to line managers – as 'required' under high-performance HRM – also varies between countries (Lucas and Curtis, 2006). For example, Larsen and Brewster (2003) report that devolution to line managers in the UK and Ireland was low compared to other EU countries, particularly Denmark and Finland. The extent of devolution in a country tends to reflect the institutional framework within which organisations operate: for example, the complexity of employment legislation that determines the extent to which an employer needs decisions to be made by HR specialists rather than line managers. However, recent studies have noted a growing international trend towards greater devolution, for example, Kulik and Bainbridge (2006) (in Australia) and Mesner Andolsek and Stebe (2005) (across 20 European countries).

The greater HR focus on strategic issues emphasises the importance of the last of these three areas of activity and stresses the contribution of HRM towards the achievement of organisational objectives through the innovative design and implementation of value-adding policies and practices. A survey of senior HR practitioners (CIPD, 2003a) supports the impression that HRM is becoming a more prominent aspect of organisational strategic decision-making. The survey found that almost three-quarters of respondents reported that the influence of HR practitioners on senior colleagues had increased in recent years. Seventy per cent also reported that their CEO believes HR has a key role to play in achieving business outcomes. The Accenture *High-Performance Workforce Study 2006* reports that

‘ for years, HR leaders have been asking for 'a seat at the table' – to be taken seriously in the executive suite as a key contributor to the overall direction and mission of the business … judging from the results of our study, HR leaders' wish has been granted: In a large majority of companies participating in our survey, the HR head is viewed as a strategic partner to the business, and in most companies he or she reports directly to the chief executive officer or head of the overall enterprise. (Accenture, 2006: 1) ’

The growing influence of HRM within organisations is also reflected in the changing role of HR practitioners. This is exemplified in the encouragement of HR specialists to become **thinking performers** (CIPD, 2008a) by the Chartered Institute of Personnel and Development (CIPD, the professional body for HR specialists in the UK). The promotion of this concept points towards the wider development of HRM as shown in the following definition of the *thinking performer* as someone who:

1 Consciously seeks to contribute to underlying organisational purposes (and therefore understands what those strategic purposes are)

2 Reinforces the compliance role of the HR/personnel function (both legally and ethically) when it is necessary, yet fully appreciates that to do so is not a sufficient condition of HR/personnel's genuine added-value effectiveness

3 Challenges the way in which things are done, to find solutions that are better, cheaper or faster

4 Keeps in touch with their 'customers' through networking in order to understand the business better, reacts to feedback and proactively develops (or contributes to the development of service innovations that yield 'customer' advantage.

At the core of the 'thinking performer' concept is the need for HR practitioners to go beyond an administrative role and to critically reflect on the contribution of HR activities to overall business success and to develop more effective mechanisms to provide people-added value. In other words, the HR department should operate as a '*business within a business*' (Ulrich et al., 2008). HR professionals are encouraged to continually update their professional knowledge and skills and gain greater understanding of wider business processes in order to increase their influence on corporate strategic decision-making. This perspective of the role of HRM in the organisation clearly fits with that espoused in Box 1.2. Ulrich's (1997) typology of HR roles reflects the growing complexity of the HR function by suggesting that it is now concerned with

a combination of people and process-related activities and strategic and operational functions. Ulrich suggests that the contemporary HR professional fulfils four main roles:

- A partner with senior and line managers in strategy execution
- An expert in the way work is organised and executed so as to increase efficiency and reduce costs
- A champion for employees, representing their views and working to increase their contribution
- An agent for continuous transformation, shaping processes and culture to improve an organisation's capacity for change.

Central to Ulrich's typology is the notion of **business partnering**. The CIPD (2004: 6) suggest business partnering involves '*executing business strategy, meeting customer needs and becoming overall champions of competitiveness in delivering value*'. Ulrich and Brockbank (2005) expand on this original typology and identify five distinct roles that HR professionals should adopt to respond to the changing business context, combining effectiveness in the present with preparing for the future (Table 1.1).

This role profile suggests that HRM practitioners should seek to reconcile the interests of all **stakeholders** in the organisation, addressing the welfare and development needs of workers and the strategic imperatives of senior management, providing support for line managers and ensuring external compliance on issues of corporate governance. The role of the HR specialist is, therefore, multifunctional, acting as both a facilitator and leader of the strategic direction of the firm. However, Ulrich and Brockbank's typology has been criticised for assuming that the needs of all these stakeholders can be balanced by the HR function, especially as evidence suggests that the strategic and financial imperatives of the firm often override concern for employee welfare. Legge (1978, 1995b) argues that the HR function experiences a fundamental 'role ambiguity' associated with being part of 'management' whilst also being expected to be representative of employees' interests. CIPD (2003a) found that HR practitioners are more likely to aspire to involvement in the strategic dimensions of Ulrich's typology rather than the operational roles, such as employee advocate. The same survey also found, however, that operational activity still dominates the work of HR practitioners, suggesting that the short-term, day-to-day imperatives of HRM continue to supplant longer-term considerations.

TABLE 1.1 *A typology of HR roles*

Strategic partner	Incorporating the roles of change agent, business expert, strategic HR planner and manager of organisational 'knowledge'
Functional expert	Emphasising concern for administrative efficiency and the design of HR policies and interventions
Employee advocate	Addressing the needs of an organisation's current workforce
Human capital developer	Preparing employees to meet future challenges
Leader	Incorporating leadership of the HR function itself, working collaboratively with other areas of the business and being effective in the preceding four roles

Source: adapted from Ulrich and Brockbank, 2005

Devolution of HRM responsibility to front line managers

There are a number of factors that continue to facilitate a movement away from an administrative model of people management. In particular, there is evidence of a growing trend to devolve at least some operational responsibility for HR issues to front line managers (as defined in Box 1.6). For example, line managers are now more likely to have greater responsibility for conducting performance appraisals, identifying training requirements for subordinates, providing **coaching** and **mentoring** and dealing with grievances and disciplinary matters.

Marchington and Wilkinson (2008) suggest that part of the reason for devolution of responsibility is a response to long-running criticism by line managers of the contribution of HR specialists to organisational performance. They suggest that this criticism generally takes four forms:

- HR specialists are out of touch with commercial realities and do not fully understand the needs of managers, customers and the business itself
- HR constrains the autonomy of line managers to make local decisions that would benefit the business
- HR specialists are unresponsive, slow to act and hinder the firm's ability to respond quickly to unfolding circumstances
- HR specialists tend to promote policies that are difficult to put into practice or are inappropriate for the workplace.

Guest and King (2004) argue that recent developments in HRM have seen HR managers become more closely aligned with management and increased devolution of the **employee champion** role to line managers. Therefore, HR professionals act in an advisory capacity, ensuring that those with direct supervisory responsibility are equipped to make appropriate decisions through 'ownership' of HRM initiatives. In other words, line managers and HR specialists work in **partnership** to manage the workforce (Ulrich, 1998). This reflects a growing body of research that shows that line managers are increasingly perceived as key to the successful implementation of HR practices and the relationship between line managers and

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BOX 1.6

Who are front line managers?

- Responsible for an employee or work group to a higher level of management
- Normally lower management

- Employees who report to them do not themselves have any managerial or supervisory responsibility
- Often promoted from within
- Unlikely to have formal management education.

Source: CIPD, 2009g

subordinates has a significant influence on individual performance (Harney and Jordan, 2008; Hope Hailey et al., 2005; Purcell and Ahlstrand, 1994; Purcell and Hutchinson, 2007). Ulrich (1997) suggests that line managers must have ultimate responsibility for HR processes and outcomes, and whilst they have always also been people managers to some degree, the growing emphasis on the strategic dimension of HRM in contributing to corporate performance has elevated this role to the extent that some argue that HRM responsibilities should be of equal importance to line managers' day-to-day functional responsibilities.

Despite the apparent strength of this trend, however, the research evidence concerning devolution of HR responsibility to line managers does not always suggest business benefits. On the one hand, line managers are more likely to be able to determine appropriate HR solutions by virtue of their better under-standing of operational complexities and being 'closer' to workers. Whittaker and Marchington (2003) report that line managers were both prepared and willing to take on additional HR responsibilities, particularly where they related explic-itly to the development of their team. However, devolution of HRM activities has also been shown to have created frustration and role conflict for managers, espe-cially where they have inadequate resources or time to fulfil these obligations (McConville, 2006). Considered from a political perspective, HR managers might not want to relinquish responsibility for certain elements of HRM (Harris et al., 2002) but, equally, line managers might be reluctant to take on new responsibili-ties. Recent research (Boury and Sinclair, 2012) suggests confusion among 4000 UK line managers about the strategic role of HRM and a continued reluctance to take on people management responsibilities.

There are also concerns that line managers often do not possess the skills (IRS, 2000) or are not provided with adequate training and HR support to fulfil this additional responsibility. This might result in HR issues not receiving adequate attention or being handled poorly or inconsistently (Renwick, 2003). Indeed, there are concerns that despite the importance of integrated HR systems in many models of HRM, the decentralisation of HR activities to line managers might lead to differently applied policies and practices. Significant devolution can lead to the limited integration of HR policies and strategy through their differential applica-tion in different parts of the organisation, particularly where support from HR specialists is lacking. In contradiction, however, Caldwell and Storey (2007) sug-gest that the greater empowerment of line managers in HR process might actually have an integrative effect, bringing together a variety of elements of people man-agement under the individual manager.

Further online reading The following article can be accessed for free on the book's companion website **www.sagepub.co.uk/wilton2:** Kulik, C. T. and Bainbridge, H. T. J. (2006) HR and the line: The distribution of HR activities in Australian organisations, *Asia Pacific Journal of Human Resources*, 44 (2): 240–56.

Outsourcing and HRM

Recent years have also seen a notable trend towards the greater **outsourcing** of HR administration, leaving HR professionals to focus on more strategic concerns related to business performance. For example, Scott (2008) reported that the UK retail arm of Barclays Bank, which employs 32,000 people in the UK, outsources its recruit-ment for permanent staff (up to senior management level) to a specialist third-party

HR outsourcing at the UK Ministry of Defence

In March 2012, *People Management* magazine reported that the human resource function (along with a number of other back office functions, including finance) of the UK Ministry of Defence (MoD) was to be managed by outsourcing firm, Serco, as part of a deal to make savings of £71 million over the firm's four-year contract (*Personnel Management*, 2012a). Under the contract, Serco will not only manage these functions, but also seek to 'radically transform' how such support services are delivered in the department, partly through the creation of a shared service centre and through building on 'private sector best

practice' in the shape of cost-cutting, efficiency gains and innovation.

Despite assurances over the maintenance of terms and conditions for employees that will be transferred from the MoD to Serco, trade unions representing MoD staff have expressed concern over jobs and pay cuts, and over the manner in which the deal was done with unions claiming that they were not consulted over the arrangements.

The outsourcing deal with Serco represents the latest attempt at the MoD to cope with a significant funding shortfall, due to both spending cuts across the public sector and overspending at the department. Job cuts at the Ministry since mid-2010 will ultimately see its workforce reduced by 36,000 employees and the final number of redundancies may run to tens of thousands more as the MoD seeks to 'plug a £38bn budget black hole' (*Guardian*, 2012a).

service provider. The CIPD (2009c) also suggest that an increasing number of firms are exploring the use of HR shared service centres (either in-house or outsourced) to provide routine HR administration services, such as recruitment, payroll and training, to all parts of the business. Income Data Services (IDS) (2006a) reported that, as part of a wide-reaching review of the organisation's effectiveness, the UK National Trust has overhauled its HR function with a view to placing greater accountability on line managers for people issues and delivering more cohesive and cost-effective HR support. This has been enabled by the establishment of a shared service centre to handle all lower-level HR transactions and the greater use of ICT (for example, in recruitment) allowing field-based (HR) advisors to focus on helping the business with strategic planning and more complex casework. Box 1.7 provides a recent example of how the UK government has sought to use outsourcing as a key means by which to reduce public sector spending. Box 1.8 provides an example of both HR outsourcing and **e-HR** in practice in the private sector.

The increasing use of ICT in HRM

The movement away from a transactional focus within HRM departments is increasingly enabled and supported by the use of new technology (Lengnick-Hall and Moritz, 2003; Martin; 2005; Parry and Tyson, 2007). For example, firms are making ever-greater use of company intranets and the Internet for the purposes of recruitment, the management of the **internal labour market** and for employee development. At a basic level, e-HR can assist in carrying out the administrative functions of the role, potentially freeing up HR specialists for more strategic concerns. However, e-HR is also seen as possessing the potential to be 'transformational', for example, through its ability to contribute to more

Outsourcing HR and the use of e-HR at BT

In August 2000, BT outsourced its HR administration and transactional activities to Accenture HR Services (IDS, 2003a). This arrangement was renewed in 2005 for a further 10 years with a £300 million deal that saw the services provided by Accenture extended to cover an additional 10,000 BT employees in 37 countries, alongside the existing services provided to BT's 87,000 UK employees and 180,000 pensioners (IDS, 2005).

The work carried out by Accenture HR Services on behalf of BT covers the administrative and transactional activities associated with the whole employment life cycle, from recruitment to retirement. Service provision can be grouped into six main areas: recruitment (including recruitment advertising, screening applicants, running assessment centres and candidate testing), deployment (including managing internal transfers, relocations and internal vacancies); employee performance (including health and safety and appraisal administration); employee development (including designing and delivering online and classroom-based training and induction); reward (including pension, pay and benefits administration); and leavers (including severance administration and alumni data management). Accenture HRS is also responsible for sickness monitoring, **occupational health**, **employee assistance programmes** and handling disciplinary and grievance cases. HR Services are delivered through two main channels:

- A *Web-enabled e-HR system* that allows employees to access and update their 'personal profile', register for international assignments, apply for internal vacancies, book training and access remuneration statements. It also provides a portal for **e-learning**, e-performance management and for graduate recruitment.

- The *PeopleLine HR service centre*, which employs 120 staff in a centralised location and deals with HR enquiries from line managers and employees in three areas: HR, training and pensions. Queries that require more specialist advice (for example, handling disciplinary matters) are referred on to 'case workers'.

This outsourcing arrangement was part of a wider process of restructuring and changes to business processes at BT to respond to changes in the competitive environment that saw their workforce cut from 250,000 in 1990 to less than 100,000 a decade later. This included the rationalisation of the HR function that in 1990 employed 14,500 staff working in 25 separate offices (Pollitt, 2008). Driven by technological innovation and the potential for efficiency gains and cost savings, BT instigated greater automation of standard HR processes (including the move to desktop-delivered self-service e-HR) and the creation of an HR shared service centre, separate from the strategic HR function. This shared services organisation subsequently became a joint venture (known as e-peopleserve) with Andersen Consulting (now known as Accenture) designed to use the knowledge developed and offer similar services to other firms. BT sold their share of this organisation to Accenture in 2002 and it was subsequently rebranded as Accenture HR Services.

effective strategic decision-making. Therefore, technological developments not only present challenges for HR professionals in respect of how they are changing the way workers do their jobs but also how HR specialists themselves work (Stanton and Coovert, 2004). For example, line managers and employees themselves are increasingly able to undertake basic HRM transactions (for example, updating their personal details or booking training courses) via 'self-service' portals on their desktop computers.

Overall, Caldwell (2003) suggests that the personnel function has become increasingly fragmented as a result of outsourcing, the use of HR consultants,

the use of shared service centres and e-HR and the devolution of responsibility to line managers (Valverde et al., 2006). Consequently, CIPD (2003a) reported that, although most senior HR practitioners did not agree that the traditional HR function will cease to exist, 72 per cent agreed that it will be increasingly difficult to define its boundaries. Whilst the increasingly strategic focus within HRM and recognition of its value in contributing to competitive advantage has led to the elevated status of HR professionals, continued fragmentation of the function over the longer term may present challenges. For example, the devolution of HR responsibility and growing use of ICT might not always lead to the liberation of HR specialists from operational concerns for more strategic work and might actually have the effect of marginalising HRM specialists. In one sense, therefore, contemporary developments in HRM can be seen as somewhat contradictory in that whilst managers increasingly profess the value of their human resources, the HR function is increasingly seen as an area ripe for cost-cutting (as in the MoD example in Box 1.7), as businesses evaluate the option of managing without a formal, centralised HR function (Morley et al., 2006). Others, however, view the increasing use of HR consultants as reflecting the increased importance of HRM, in that HR concerns are seen as important enough to warrant such investment. Chapter 15 further considers the future of the HR function and provides a more detailed discussion of the implications of outsourcing, shared service centres and e-HR.

SUMMARY POINTS

- HRM can be understood as the contemporary term used to describe all activities associated with the management of people. An alternative, more specific, meaning of HRM is as a novel approach to people management based on the view that people represent a key strategic asset to work organisations and should be managed as such.

- The main concern of high-commitment or 'best practice' HRM is to design and operationalise integrated systems of HR policies and practices that serve both individual and organisational needs. Such models have emerged in response to a range of changes in the context of organisations over the last three decades.

- Adoption of high-commitment approaches to HRM in the UK, especially in a 'full-blown', highly integrated form, is patchy and many employers fail to live up to this 'best practice' model. However, such thinking remains very influential, especially among larger employers.

- HRM can be understood as having 'hard' and 'soft' variants. The former emphasises the use of human resources in an instrumental manner and is often associated with low pay, low job security and poor terms and conditions of employment. The latter emphasises the positive treatment of workers in order to develop employee commitment.

- Contemporary models of HRM represent the individualisation of the employment relationship, commensurate with declining involvement of trade unions in managing the collective workforce.

- There have been a number of developments in the HR function associated with the perceived movement from an operational to a more strategic focus for HR specialists. These include the greater use of shared service centres, the adoption of e-HR systems, greater line manager responsibility for HRM and increased outsourcing of HR activities.

1 Outline the two competing definitions of human resource management.

2 What are the characteristics of high-commitment HRM that differentiate it from traditional approaches to personnel management?

3 What changes in environmental context contributed to the emergence of HRM in the 1980s?

4 What are the differences between hard and soft variants of HRM?

5 What are the central issues concerning ethics in HRM?

6 What are the causes and implications of the individualisation of the employment relationship?

7 What specific roles do HR professionals fulfil according to Ulrich and Brockbank's (2005) typology?

8 In what ways does the formulation of HRM activities differ internationally?

9 What trends have led some commentators to suggest increasing fragmentation of the HR function?

CASE STUDY

Challenging times at the Redfield and Clifton Building Society

The Redfield and Clifton (R&C) Mutual Building Society – a form of bank found in the UK and elsewhere that is owned by its customers, rather than shareholders – is one of Britain's oldest and largest organisations of its type. Like many building societies, the R&C has an explicit focus on personal and business banking and the provision of financial services, such as home and life insurance, credit cards, loans and mortgages. The R&C has approximately 10 million customers and assets of around £140 billion. It is one of the UK's largest mortgage lenders and savings providers, with around 600 branches and approximately 11,000 employees.

Despite the global economic downturn that began in 2007, R&C has performed well over recent years, expanding its customer base and offering an increasingly wide range of financial products. In part, this growth has been a result of customers switching their banking to such 'narrow' banks – those that simply offer current accounts and provide basic financial services – away from the 'too big to fail' banks that have an investment banking arm and many of which have been blamed for causing the financial problems of recent years and required government bailouts to continue to operate. Senior management at R&C view the current market conditions as challenging, but also view greater consumer awareness of the differences between different types of financial services providers as an opportunity to gain market share.

In recent marketing activity, R&C has played heavily on their traditional core values of integrity, customer focus and stability that they offer in direct contrast to the less reliable 'fast buck' banks. Retail banking remains a very competitive industry, and the challenge for the R&C is to deliver products and services that provide long-term value for its customers, alongside exceptionally high standards of customer service, to ensure that it maintains its recent success.

Therefore, as well as great play being made of its longevity and tradition, R&C has recently

embarked on an ambitious change process designed to improve customer service quality and the efficiency and effectiveness of its business processes in order to reduce the 'price' of its products. Through such change, R&C senior management aim to grow the business sustainably whilst maintaining its reputation as a safe haven for its customer's money.

One element of this growth strategy has been to purchase 150 high street branches from a larger bank (Big Bank) formed when two bailed-out banks merged and which the UK government has insisted be broken up in the interests of competition. As part of the purchase, R&C has made a promise to employ all those staff previously employed by Big Bank. In addition, R&C have recently recruited 500 new members of staff in response to a recent customer satisfaction survey that found dissatisfaction with the time spent queuing in branch and difficulties in getting appointments with advisors. These new employees will be spread throughout the branch network. For this reason, they are keen to have the new branches assimilated into R&C as quickly as possible and the 'new and improved' customer service provision rolled out to coincide with a rebranding exercise, seeking to reinforce R&C's reputation with the slogan 'We care about your money'.

This process of expansion, however, is taking place at a time when consumer confidence in the financial services industry is at an all-time low, with even R&C's customer surveys indicating a deep suspicion of the industry and of 'bankers' in general (which the company takes to mean all those who work within the sector). Moreover, recently introduced regulation has made the controls on the selling of banking and insurance products much stricter.

Under the new strategy, as the 'face of the R&C', customer-facing staff in the branch network, including those in the newly acquired branches, have a central role to play in the continued success of the organisation. These employees have been identified as critical to marking-out R&C as 'not like other banks' and to be exemplars of its recently unveiled core values: integrity, prudence, customer focus and constancy. Branches are staffed by a range of employee roles, from Customer Representatives, who can perform transactions and deal with general enquiries about products, through to Customer Account Managers, Mortgage Consultants and Senior Financial Consultants, who provide more bespoke financial planning advice on a range of products and services.

Questions

1 What are the specific challenges facing the R&C – both external and internal to the organisation – in respect of its management of people?

2 How do you think the firm needs employees to behave in their work and interactions with customers in order to make its current business strategy a success?

3 What problems might be presented by a large number of new staff, both those being transferred from Big Bank and new recruits, entering the business at a critical time for the business?

4 How do you think the key HRM activities of recruitment and selection, training and employee reward might contribute to the ongoing success of the firm?

USEFUL READING

Journal articles

Boselie, P., Brewster, C. and Paauwe, J. (2009) In search of balance – managing the dualities of HRM: an overview of the issues, *Personnel Review*, 38 (5): 461–71.

This short paper introduces a special edition of *Personnel Review* that is concerned with managing the dualities in HRM. The paper provides a useful summary of the development of the HR field of academic study and discussion of the complexity of the concept and practice of HRM today. It discusses a number of concepts and ideas discussed in this and subsequent chapters.

Francis, H. and Keegan, A. (2006) The changing face of HRM: In search of balance, *Human Resource Management Journal*, 16 (3): 231–49.

This article explores the changing roles of HRM and HR practitioners and the extent to which the concept of the 'thinking performer' has been diffused within the profession. The authors report that notions of 'business partnering' and the strategic role of HRM dominate the way in which HR professionals view their roles. They note, however, that this model fails to adequately consider the 'human' element of HRM and that greater consideration is needed of employee well-being alongside strategic concerns.

Hope Hailey, V., Farndale, E. and Truss, C. (2005) The HR department's role in organisational performance, *Human Resource Management Journal*, 15 (3): 49–66.

This article reports on a longitudinal case study undertaken to explore the link between HRM and organisational performance. It reports on how a failure by the HR department in the case study organisation to fully consider the employee commitment dimension of HRM – by assuming that line managers would fulfil this role – can lead to both employee alienation and poor financial performance.

Inkson, K. (2008) Are humans resources? *Career Development International*, 13 (3): 270–9.

This short article provides a thought-provoking discussion of the issues associated with the use of the metaphor 'human resources' to refer to people at work and presents a number of alternatives to its use.

Morley, M., Gunnigle, P., O'Sullivan, M. and Collings, D. (2006) New directions in the roles and responsibilities of the HRM function, *Personnel Review*, 35 (6): 609–17.

This paper introduces a special edition of *Personnel Review* concerned with the theme of changing roles and responsibilities in the HRM function at organisational level. It discusses many of the contemporary debates in HRM outlined in this chapter and introduces the five papers in the special edition that explore issues including role conflict among line managers with responsibility for HRM and models of HR outsourcing.

Paauwe, J. (2009) HRM and performance: Achievements, methodological issues and prospects, *Journal of Management Studies*, 46 (1): 129–42.

This article provides a concise summary of the development of HRM as an academic field of study over the past three decades. It introduces a range of debates and controversies in the field of HRM and, therefore, acts as both a useful backdrop and companion piece for much of the discussion in this and the next two chapters.

Purcell, J. and Hutchinson, S. (2007) Front-line managers as agents in the HRM-performance causal chain: Theory, analysis and evidence, *Human Resource Management Journal*, 17 (1): 3–20.

This article reports on extensive research concerned with the role of front line managers in the causal chain between HRM and organisational performance. In particular, the article stresses the importance to employee commitment and job satisfaction of line manager leadership and their local implementation of HR practices.

Winstanley, D. and Woodall, J. (2000) The ethical dimension of human resource management, *Human Resource Management Journal*, 10 (2): 5–20.

The article introduces a range of issues associated with ethics in HRM. It provides an outline of previous work in the area and the frameworks by which ethics can be applied to HRM, stressing the importance of developing 'ethical sensitivity' among HRM professionals and managers, particularly in professional education, training and development.

Books, book chapters and reports

CIPD (Chartered Institute of Personnel Development) (2003) *Where We Are, Where We're Heading*, London: CIPD. Available at: **www.cipd.co.uk/NR/rdonlyres/ A036F1E9-4C9A-4317-B592-124C1AC3DB33/0/ 2872hrsurvey.pdf**.

The report outlines the findings of a survey with over 1000 senior HR practitioners and considers fundamental questions about the current state of HR, its roles and responsibilities, the changing structure of the HR function, the competencies required for effective performance and its future direction. It also provides an assessment of how 'HRM is doing' in relation to many of the developments outlined in this chapter, for example, its strategic and value-adding contribution, how it is perceived by senior management and the challenges associated with outsourcing and decentralisation.

Renwick, D. (2009) Line managers, in T. Redman and A. Wilkinson (eds), *Contemporary Human Resource Management* (3rd edn), Harlow: FT Prentice–Hall.

This comprehensive book chapter explores the developments connected to the increasing use of line managers in HRM. It provides international comparisons on the extent of devolution of responsibility, its impact in different contexts and the pitfalls and challenges associated with this trend.

Caldwell, R. and Storey, J. (2007) The HR function: Integration or fragmentation? in J. Storey (ed.), *Human Resource Management: A Critical Text* (3rd edn), London: Thomson.

This book chapter critically explores contemporary developments in HRM and addresses two fundamental questions about the changing HR function. First, it evaluates the impact of new models of HR delivery, including outsourcing and self-service e-HR systems. Second, it assesses changes to the role of HR professionals themselves, with particular focus on the concept of 'business partnering'.

FURTHER ONLINE READING

The following articles can be accessed for free on the book's companion website **www.sagepub.co.uk/wilton2:**

Kulik, C. T. and Bainbridge, H. T. J. (2006) HR and the line: The distribution of HR activities in Australian organisations, *Asia Pacific Journal of Human Resources*, 44 (2): 240–56.

This article presents research evidence on the trend within Australian organisations to devolve people management activities to line management and the differing views of HR and line managers about the extent to which they consider it likely to yield positive results.

Dietz, G., van der Wiele, T., van Iwaarden, J. and Brosseau, J. (2006) HRM inside UK e-commerce firms: Innovations in the 'new' economy and continuities with the 'old', *International Small Business Journal*, 24 (5): 443–70.

This paper investigates the approach to HRM adopted in small to medium-sized UK e-commerce firms to explore the assumption that such firms are more likely to adopt radically new and innovative management practices. The authors find the dominant approach falls somewhere between radical 'new' innovations and enduring continuities with 'old' people management techniques.

Bartram, T. (2005) Small firms, big ideas: The adoption of human resource management in Australian small firms, *Asia Pacific Journal of Human Resources*, 43: 137–54.

This paper investigates the adoption and character of HRM in small firms in Australia relative to medium and large firms, as well as some of the critical issues that small firms face. In particular, it suggests that small firms are generally less likely to adopt 'formal' HRM practices and a formal organisational strategy.

Wright, C. (2008) Reinventing human resource management: Business partners, internal consultants and the limits to professionalization, *Human Relations*, 61: 1063–86.

This article examines how HR managers interpret the role of 'business partners' and 'internal consultants' and assess the extent to which this results in greater self-esteem and organisational status and contributes towards identity as a member of a unitary HR 'profession'.

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