Derek Torrington, Laura Hall,
Stephen Taylor and Carol Atkinson

11th Edition

Human Resource Management



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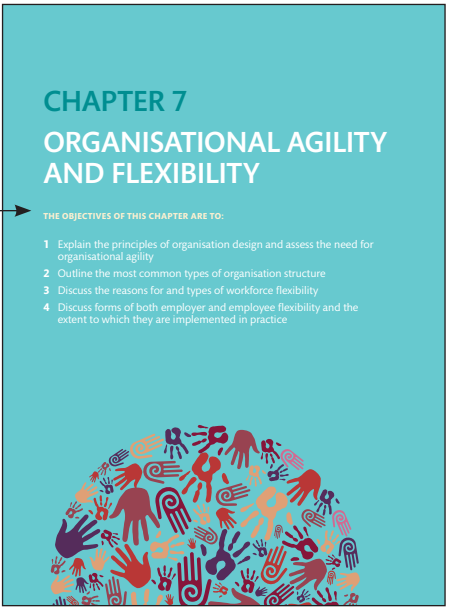
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GUIDED TOUR

Learning Objectives work in conjunction with the chapter-ending Summary Propositions to quickly show you what you will learn about in the chapter and help you compare how well you have understood the learning you undertake.



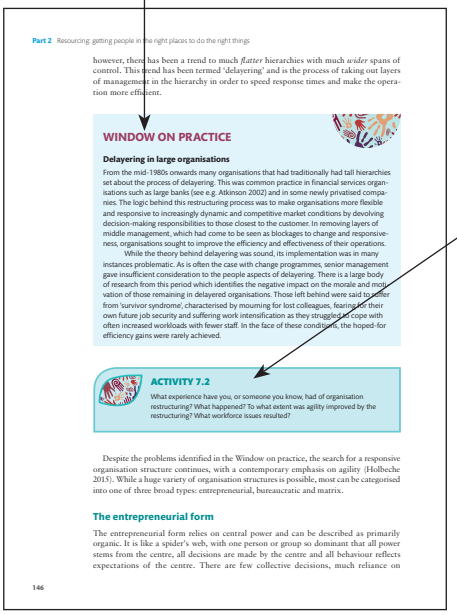
CHAPTER 7

ORGANISATIONAL AGILITY AND FLEXIBILITY

THE OBJECTIVES OF THIS CHAPTER ARE TO:

1 Explain the principles of organisation design and assess the need for organisational agility
2 Outline the most common types of organisation structure
3 Discuss the reasons for and types of workforce flexibility
4 Discuss forms of both employer and employee flexibility and the extent to which they are implemented in practice

Window on Practice boxes provide you with examples of real organisational practice, survey results, anecdotes and quotations and court cases, helping you to build up your knowledge of real-World practice and prepare you for life after study.



Part 2 Resourcing: getting people in the right places to do the right things

however, there has been a trend to much *flatter* hierarchies with much *wider* spans of control. This trend has been termed 'delayering' and is the process of taking out layers of management in the hierarchy in order to speed response times and make the operation more efficient.

WINDOW ON PRACTICE

Delayering in large organisations

From the mid-1980s onwards many organisations that had traditionally had tall hierarchies set about the process of delayering. This was common practice in financial services organisations such as large banks (see e.g. Atkinson 2002) and in some newly privatised companies. The logic behind this restructuring process was to make organisations more flexible and responsive to increasingly dynamic and competitive market conditions by devolving decision-making responsibilities to those closest to the customer. In removing layers of middle management, which had come to be seen as blockages to change and responsiveness, organisations sought to improve the efficiency and effectiveness of their operations.

While the theory behind delayering was sound, its implementation was in many instances problematic. As is often the case with change programmes, senior management gave insufficient consideration to the people aspects of delayering. There is a large body of research from this period which identifies the negative impact on the morale and motivation of those remaining in delayered organisations. Those left behind were said to suffer from 'survivor syndrome', characterised by mourning for lost colleagues, fearing for their own future job security and suffering work intensification as they struggled to cope with often increased workloads with fewer staff. In the face of these conditions, the hoped-for efficiency gains were rarely achieved.

ACTIVITY 7.2

What experience have you, or someone you know, had of organisation restructuring? What happened? To what extent was agility improved by the restructuring? What workforce issues resulted?

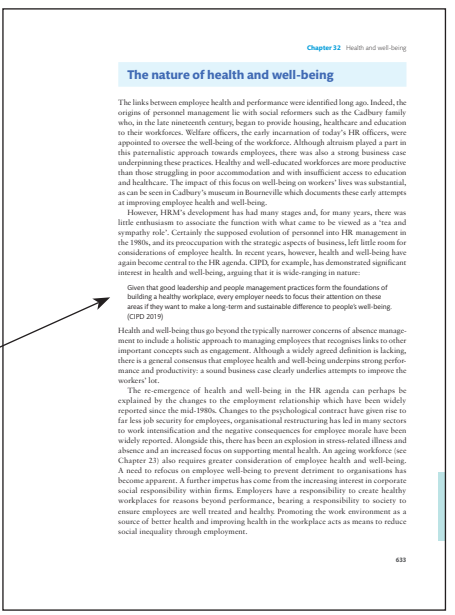
Despite the problems identified in the Window on practice, the search for a responsive organisation structure continues, with a contemporary emphasis on agility (Holbeche 2015). While a huge variety of organisation structures is possible, most can be categorised into one of three broad types: entrepreneurial, bureaucratic and matrix.

The entrepreneurial form

The entrepreneurial form relies on central power and can be described as primarily organic. It is like a spider's web, with one person or group so dominant that all power stems from the centre, all decisions are made by the centre and all behaviour reflects expectations of the centre. There are few collective decisions, much reliance on

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Activity boxes encourage you to regularly review and critically apply your learning, either as an individual or within a group. These have been developed for both students with little or no business experience, as well as those with more practical knowledge.



Chapter 32 Health and well-being

The nature of health and well-being

The links between employee health and performance were identified long ago. Indeed, the origins of personnel management lie with social reformers such as the Cadbury family who, in the late nineteenth century, began to provide housing, healthcare and education to their workforces. Welfare officers, the early incarnation of today's HR officers, were appointed to oversee the well-being of the workforce. Although altruism played a part in this paternalistic approach towards employees, there was also a strong business case underpinning these practices. Healthy and well-educated workforces are more productive than those struggling in poor accommodation and with insufficient access to education and healthcare. The impact of this focus on well-being on workers' lives was substantial, as can be seen in Cadbury's museum in Bournville which documents these early attempts at improving employee health and well-being.

However, HRM's development has had many stages and, for many years, there was little enthusiasm to associate the function with what came to be viewed as a 'tea and sympathy role'. Certainly the supposed evolution of personnel into HR management in the 1980s, and its preoccupation with the strategic aspects of business, left little room for considerations of employee health. In recent years, however, health and well-being have again become central to the HR agenda. CIPD, for example, has demonstrated significant interest in health and well-being, arguing that it is wide-ranging in nature:

> Given that good leadership and people management practices form the foundations of building a healthy workplace, every employer needs to focus their attention on these areas if they want to make a long-term and sustainable difference to people's well-being. (CIPD 2019)

Health and well-being thus go beyond the typically narrower concerns of absence management to include a holistic approach to managing employees that recognises links to other important concepts such as engagement. Although a widely agreed definition is lacking, there is a general consensus that employee health and well-being underpins strong performance and productivity: a sound business case clearly underlies attempts to improve the workers' lot.

The re-emergence of health and well-being in the HR agenda can perhaps be explained by the changes to the employment relationship which have been widely reported since the mid-1980s. Changes to the psychological contract have given rise to far less job security for employees, organisational restructuring has led in many sectors to work intensification and the negative consequences for employee morale have been widely reported. Alongside this, there has been an explosion in stress-related illness and absence and an increased focus on supporting mental health. An ageing workforce (see Chapter 23) also requires greater consideration of employee health and well-being. A need to refocus on employee well-being to prevent detriment to organisations has become apparent. A further impetus has come from the increasing interest in corporate social responsibility within firms. Employers have a responsibility to create healthy workplaces for reasons beyond performance, bearing a responsibility to society to ensure employees are well treated and healthy. Promoting the work environment as a source of better health and improving health in the workplace acts as means to reduce social inequality through employment.

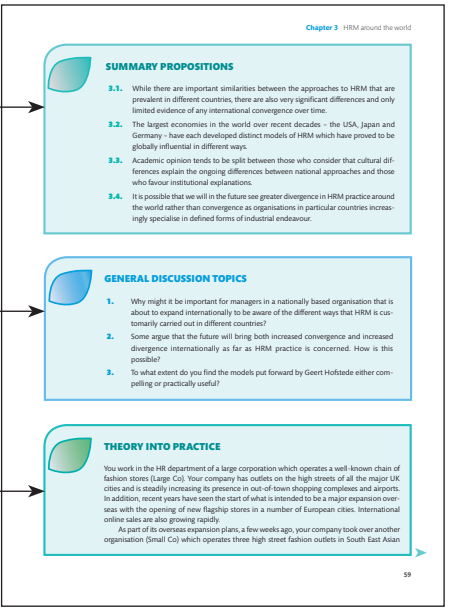
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Regular **quotes** throughout help to enliven and contextualise the subject.

Summary Propositions provide a useful revision tool enabling you to recap and check your understanding of the chapter. In conjunction with the chapter-opening Learning Objectives, you can quickly determine whether you are prepared enough to move on, or need further study.

General Discussion Topics are useful both as a basis for group discussion within tutorials or study groups, as well as activities to help develop your better understanding of the topics covered within the chapter.

Theory into Practice case studies or learning activities that enable you to put your learning into practice within a realistic scenario. Improve your employability by answering the associated questions and developing a better understanding of business practice.



SUMMARY PROPOSITIONS

3.1. While there are important similarities between the approaches to HRM that are prevalent in different countries, there are also very significant differences and only limited evidence of any international convergence over time.

3.2. The largest economies in the world over recent decades – the USA, Japan and Germany – have each developed distinct models of HRM which have proved to be globally influential in different ways.

3.3. Academic opinion tends to be split between those who consider that cultural differences explain the ongoing differences between national approaches and those who favour institutional explanations.

3.4. It is possible that we will in the future see greater divergence in HRM practice around the world rather than convergence as organisations in particular countries increasingly specialise in defined forms of industrial endeavour.

GENERAL DISCUSSION TOPICS

1. Why might it be important for managers in a nationally based organisation that is about to expand internationally to be aware of the different ways that HRM is customarily carried out in different countries?

2. Some argue that the future will bring both increased convergence and increased divergence internationally as far as HRM practice is concerned. How is this possible?

3. To what extent do you find the models put forward by Geert Hofstede either compelling or practically useful?

THEORY INTO PRACTICE

You work in the HR department of a large corporation which operates a well-known chain of fashion stores (Large Co). Your company has outlets on the high streets of all the major UK cities and is steadily increasing its presence in out-of-town shopping complexes and airports. In addition, recent years have seen the start of what is intended to be a major expansion overseas with the opening of new flagship stores in a number of European cities. International online sales are also growing rapidly.

As part of its overseas expansion plans, a few weeks ago, your company took over another organisation (Small Co) which operates three high street fashion outlets in South East Asian

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cities and also supplies garments to a range of retailers in the UK from its factories. It employs around 400 people in India, Pakistan and Bangladesh.

You have been seconded for a year to work at Small Co which has not to date ever employed a professionally qualified HR manager.

Soon after your arrival at Small Co, you become aware of various management practices which you are uneasy about and which are very different indeed from what you are used to at Large Co.

Pay rates, for example, do not appear to be established using any rational system. Its staff are appointed at a variety of rates according to what they were able to negotiate when they start working for the company. There are also a good number of junior managerial staff who are working in excess of 60 hours each week. Trade union membership is actively discouraged, while training and development opportunities are minimal. There is no formal induction provided and no staff handbook. Health and safety procedures appear to be minimal. Staff turnover is running at 35%. You are even more concerned when you visit some of the stores and garment factories that Small Co operates in Asia. Here pay is very low and hours of work are long. The more senior posts all seem to be held by male relatives of top managers (all themselves men), while people seem to be hired and fired on a whim. While the managers you meet deny bullying their staff, this is not what the staff themselves say to you when you speak to them confidentially. Moreover, while it is denied that anyone under the age of 15 is employed, some staff look to you to be considerably younger. You are also concerned to observe that water contaminated with dyes and fixing agents appears to be being channelled directly into a river behind one of the factories you visit.

You are taken aback by what you observe in your first few weeks at Small Co. You are used to working in Large Co with its big HR division, range of 'good practice' employment policies and prominent corporate code of ethics. None of this exists at Small Co and there is no sign at all that any kind of ethical culture has been developed. It is, however, a very profitable business.

Questions

1 What are the main strands of the business case you could make in support of the introduction across Small Co's operations, as a matter of priority, an ethical culture alongside ethically sound HR policies and practices? What counter-arguments might you expect to have to answer?

2 To what extent might the differences in the way HR is practised in Large Co and Small Co operations be explained by cultural or institutional factors?

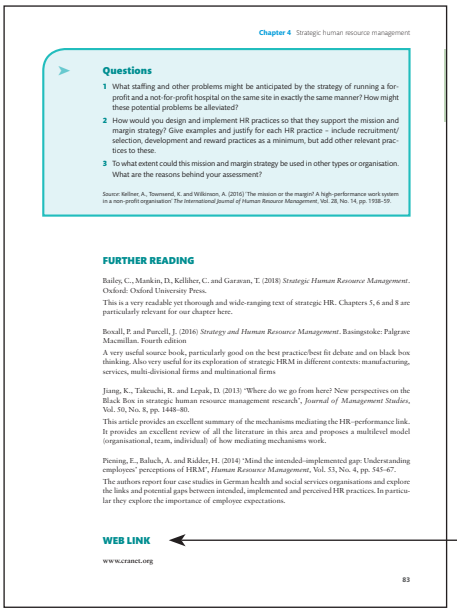
FURTHER READING

In recent years we have seen an explosion in interest in comparative HRM and the publication of numerous books and articles examining different aspects of the subject.

You might find it useful to start an exploration of this subject by reading Geert Hofstede's classic book pioneering thinking in the field. You can also visit his website and download short video presentations in which he explains different aspects of his theories. His most widely read book is: *Culture's Consequences: International Differences in Work-Related Values* (1980).

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Further Reading sections provide guided access to some key readings in the area, and help you to further develop your skills and learning.



Questions

1 What staffing and other problems might be anticipated by the strategy of running a for-profit and a not-for-profit hospital on the same site in exactly the same manner? How might these potential problems be alleviated?

2 How would you design and implement HR practices so that they support the mission and margin strategy? Give examples and justify for each HR practice – include recruitment/selection, development and reward practices as a minimum, but add other relevant practices to these.

3 To what extent could this mission and margin strategy be used in other types or organisation. What are the reasons behind your assessment?

Source: Kellner, A., Townsend, K. and Wilkinson, A. (2016) 'The mission or the margin? A high-performance work system in a non-profit organisation' *The International Journal of Human Resource Management*, Vol. 28, No. 14, pp. 1958–59.

FURTHER READING

Bailey, C., Mankin, D., Kelliher, C. and Garavan, T. (2018) *Strategic Human Resource Management*. Oxford: Oxford University Press.

This is a very readable yet thorough and wide-ranging text of strategic HR. Chapters 5, 6 and 8 are particularly relevant for our chapter here.

Boxall, P. and Purcell, J. (2016) *Strategy and Human Resource Management*. Basingstoke: Palgrave Macmillan. Fourth edition

A very useful source book, particularly good on the best practice/best fit debate and on black box thinking. Also very useful for its exploration of strategic HRM in different contexts: manufacturing, services, multi-divisional firms and multinational firms

Jiang, K., Takeuchi, R. and Lepak, D. (2013) 'Where do we go from here? New perspectives on the Black Box in strategic human resource management research', *Journal of Management Studies*, Vol. 50, No. 8, pp. 1448–80.

This article provides an excellent summary of the mechanisms mediating the HR–performance link. It provides an excellent review of all the literature in this area and proposes a multilevel model (organisational, team, individual) of how mediating mechanisms work.

Piening, E., Baluch, A. and Ridder, H. (2014) 'Mind the intended–implemented gap: Understanding employees' perceptions of HRM', *Human Resource Management*, Vol. 53, No. 4, pp. 545–67.

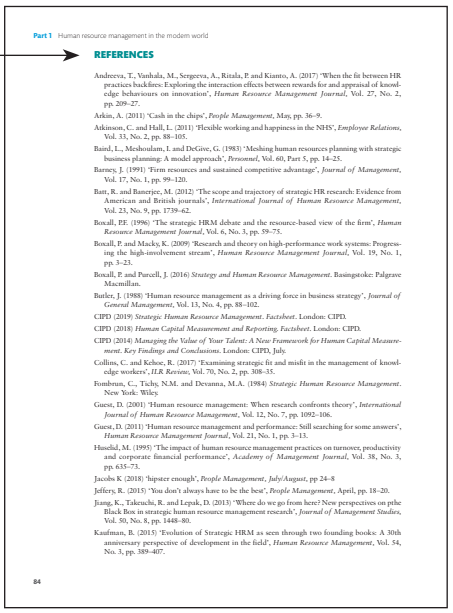
The authors report four case studies in German health and social services organisations and explore the links and potential gaps between intended, implemented and perceived HR practices. In particular they explore the importance of employee expectations.

WEB LINK

www.cranet.org

Some chapters list relevant **Web Links** that can help expand your understanding of the topics covered within the chapter.

Detailed **References** provide quick and easy access to the research behind the chapter and additional sources of information to support your learning.



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PREFACE

This book has evolved steadily for over forty years to this eleventh edition. Our objective has always been to track the development of the personnel/HR function and its activities in a way that fits with the changing approaches to the teaching of the subject in universities. There is no doubt that academic research and teaching has an important impact on practice. We see our role as helping the teaching and learning process to assist those working, or aspiring to work, in HR or kindred roles. We hope those who read it will move on to work in a way that contributes to the productivity of the organisation in which they are employed. The British economy has one of the lowest rates of productivity improvement in the western world. HR people believe that improvement can be achieved by making people's work more satisfying and effective in making a success of their jobs. That personal success must be connected, even if indirectly, to productivity improvement. Without that link between the decent work and overall productivity improvement, the success is shallow and fragile. Our updating of every chapter includes the implications of Brexit, the increasing use of artificial intelligence (AI) in different parts of HR. We have also developed our treatment of small and medium enterprises.

We live and work in Britain and basing a text in a specific context gives it more substance and meaning to its readers. Things that were understood in isolation fit together and acquire new meaning when applied in a specific setting. Nonetheless, we recognise the increasingly global nature of HR activities and our many readers who are working and studying in very different countries, so we try hard to be outward-looking, with international examples and references.

Our structure is of seven distinct parts with thirty-five chapters having a structure of objectives, text, summary propositions, general discussion topics, theory into practice, further reading and references. Bearing in mind that many of our readers as yet lack work experience, we entitle our chapters on skills as 'Employability skills', those basic skills that can be to some extent learned and practised away from the workplace. We see advanced skills (in the final chapter) as those often associated with more senior roles, such as chairing meetings or managing consultants, in which experience is an essential element in acquiring *skilfulness*.

As before there are several design features to assist readers further in using and learning from the text; these include:

- **Window on Practice boxes** provide illustrative material throughout the text, including examples of real company practice, survey results, anecdotes and quotations, and court cases.
- Integrated **Activity boxes** encourage readers to review and critically apply their understanding at regular intervals throughout the text, either by responding to a question or by undertaking a small practical assignment, individually or as part of a group. In recognition that this text is used on both professional and academic courses, most of the exercises reflect the fact that many students will have little or no business experience. Others may appear to exclude students who are not in employment by asking readers to consider an aspect in their own organisation; however, the organisation could be a college or university, the students' union, a political body or sports team.
- **Discussion topics:** at the end of each chapter there are two or three short questions intended for general discussion in a tutorial or study group.

- **Theory into Practice** at the end of chapters enable readers to review, link and apply their understanding of the chapter to a business scenario. For skills chapters 'Theory into Practice' becomes 'Putting it into Practice' as an indicator that these are generally more practical than traditionally academic.
- **Further readings** for each chapter suggest further relevant readings, with guidance on their value.
- **References** at the end of chapters aid further exploration of the chapter material, as required. Glossary of topics taken from the text is in the companion website.

Sections of *Human Resource Management*, 11th edition that match the CIPD Level 5 (Undergraduate)

CIPD	Chapters
Business issues and contexts of Human Resources	2
Using information in Human Resources	5
Managing and co-ordinating the Human Resources Function	30
Resourcing an talent planning	8–10, 19
Reward management	25–28
Improving organisational performance	4, 11–13, 15
Employee engagement	13, 14, 23, 32
Contemporary issues in Employee relations	21–24, 32, 33
Employment law	22
Organisation design and development	7, 16
Human resources delivery	4, 23, 30

This mapping leaves out the vital elements of this book that go above and beyond the CIPD framework, namely:

- A full chapter on the HR function and how it has developed into what it is today.
- Three chapters on global issues and managing internationally, as well as constant international references throughout the text and in the exercises at end of chapters.
- The book has chapters on health and well-being, business ethics, AI, analytics and planning.
- There are six chapters on employability skills, designed to enable new recruits in HR to "hit the ground running" in their first week.
- Finally there are two completely new chapters: one on the future of work, and the other on HR in small and medium enterprises, one of the main elements of economic growth that is usually ignored in mainstream management literature.

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PART 1

HUMAN RESOURCE MANAGEMENT IN THE MODERN WORLD

CHAPTERS

1 The nature of human resource management
2 The global context for human resource management
3 HRM around the world
4 Strategic human resource management
5 Workforce planning, analytics and AI
6 Employability: the basic skills



For those entering the HR profession, this book aims to demonstrate the interconnectedness of the discipline to which we are introducing you and Part 1 puts in place the totality of HRM in six ways. First, in Chapter 1 comes the nature of HRM, a specialism which is everywhere and in everything. Chapter 2 sketches in the background of the global context within which we operate, as what you do in your small corner has to make sense not only in your business but in the local, national and international situation. A closer look at this issue is in Chapter 3, reviewing how HR practice varies across different countries. Chapter 4 deals with strategy, which not only sets the course of the business but also ensures that the strategy is right and how it could be implemented. Implementation requires planning, the story of Chapter 5 is analytics or the application of statistics to many aspects of HR work; to deal with a question or a problem you need some information to know what it is and then you need some data to measure it with. We close, in Chapter 6, with a bundle of basic skills for employability and effectiveness in HR work.

Part 1 is the biggest in the book, but what you read and learn here will be a constant reference point throughout the rest of the book. We sincerely hope it works well for you

CHAPTER 1

THE NATURE OF HUMAN RESOURCE MANAGEMENT

THE OBJECTIVES OF THIS CHAPTER ARE TO:

1. Define the term 'human resource management'
2. Explain the different ways in which the term 'human resource management' is used
3. Set out the main objectives of the human resource function
4. Review the historical evolution of the modern HR function
5. Discuss links between HRM activity and business performance



Human resource management (HRM) is the basis of all management activity, but it is not the basis of all business activity. A business may depend fundamentally on having a unique product, like the Dyson vacuum cleaner, or on obtaining the necessary funding, like a bid to stage the Olympic Games, or on identifying a previously unnoticed market niche, like Saga Services. The basis of management is always the same: getting the people of the business to make things happen in a productive way, so that the business prospers and the people thrive.

All organisations have to draw on a range of resources to function and to achieve their objectives. They need access to capital to finance their operations, land and premises to operate from, energy, equipment and raw materials in order to manufacture a product or deliver a service. They also require access to some form of distribution network so that they can publicise, sell or dispense their goods and services. In addition, human resources are required in order to provide organisations with know-how, ideas, skills and experience. In a competitive market economy, the effectiveness and efficiency with which an organisation manages its relationship with the suppliers of all these kinds of resources often determines its success. And the scarcer the resource and the more critical it is to a particular organisation's operations, the greater the expertise, time and effort needed in order to manage the relationship.

There was a time when most people employed by organisations were required simply to provide manual labour. Relatively little skill, experience or intelligence was needed to do the jobs. The requisite training was cheap and speedy to provide, and payment methods unsophisticated. Finding people to do the work was rarely a problem and there were no restrictions of significance when it came to firing those were not satisfactory or who displeased managers in some other way. This remains the situation in some industries and in some parts of the world, but in industrialised countries it is now increasingly rare. Instead we have a situation in which the majority of jobs require their holders to have mastered some form of specialised skill, or at the very least to possess attributes which others do not share to the same extent. The demand for higher-level skills has grown particularly quickly, there being a need for many more people to fill professional and managerial jobs than was the case twenty years ago. Moreover, almost all informed commentators believe that these established trends will accelerate in the future (Ross 2016, UKCES 2016).

Just as the workforce has changed, so have the methods used to manage its members. The more specialised their roles, the harder it has become to find individuals with the right skills, qualifications, attributes and experience to undertake them. It has also become harder to keep people once they are employed because competitors are always keen to secure the services of the most talented people by offering them a better deal. Employing organisations have had to acquire a capacity for developing people effectively, together with increasingly sophisticated approaches to recruitment, selection, retention, employee relations and performance management. Further sophistication is required thanks to the substantial body of employment regulation that now governs the management of the employment relationship in most industrialised countries. The process becomes more complex still in the case of organisations that employ people in different countries. Not only do they have to grapple with a range of often diverse legislative and public policy regimes, but also have to find ways of effectively managing people whose expectations vary significantly for cultural reasons.

These developments have led all over the world to the evolution of a more complex human resource management function, charged with overseeing all aspects of managing the relationship between an organisation and its people in a professional and productive

manner (Lawler and Boudreau 2015, 2018). The management of people, however, can never be a responsibility shouldered by specialists alone. It is an area of management activity that all managers must share if it is to be carried out effectively and contribute to the achievement of competitive advantage.

In this chapter we introduce HRM by setting out its purpose and showing how the effective management of people helps organisations to achieve their objectives. We go on to examine the historical development of HR work and speculate on how this may evolve further in the future. The final part of the chapter introduces thinking about the extent and nature of the link between HR activities and organisational effectiveness and performance.

WINDOW ON PRACTICE



In 2008, twenty-five years after it was first planned, Terminal Five at Heathrow Airport in London finally opened its doors to passengers. The total cost of the building was £4.3 billion. The new terminal was exclusively for the use of British Airways who had been planning for several years to move all its existing operations from the various other terminals at Heathrow into Terminal Five and had gone so far as to contribute £330 million to its flamboyant interior design. The day before the opening an article in the *Financial Times* reported executives' concerns that the look of the place would raise expectations too high, but that it was 'beyond imagination to contemplate failure' (Blitz, 2008). Yet spectacular failure was what followed.

In the first few days of operation over 300 flights scheduled to depart from Terminal Five were cancelled, very long queues formed at check-in and transfer desks, while some 28,000 passengers found themselves separated from their luggage. The immediate cost to British Airways was £16 million, but the long-term direct costs were authoritatively estimated to be around £150 million (BBC 2008a) let alone vast further losses resulting from a deterioration in the airline's already poor brand image.

And why did this debacle happen? It appears that the major reason was simply extraordinarily poor management of people. The major immediate problem arose because the staff were not properly trained to use the equipment at Terminal Five and were unprepared when it came to solving the technical 'glitches' that quickly appeared once the baggage handling machinery started operating. In addition, long delays were caused on the first day as a result of staff being unable to find the staff car park or get through security screening on schedule. Later on, as flights began to arrive, staff simply failed to 'remove luggage quickly enough at the final unloading stage' (BBC 2008b).

Matters were not helped by the persistence over a long period of very poor employment relationships at British Airways. Done and Wilman (2008) reported that the failure of the airline to solve this fundamental problem was the real underlying cause of the Terminal Five debacle. An unnamed Heathrow executive said that they had all been expecting an outbreak of 'fuck'em disease' as the new terminal opened and some staff simply decided 'not to work very hard'. British Airways' staff were neither committed to the success of the operation nor to their employer. Goodwill was in short supply leading staff to be intransigent and uncooperative when effort, positive enthusiasm and flexibility were what was required.

Defining human resource management

The term 'human resource management' (HRM) has been defined in a number of different ways. Until quite recently it was common for commentators to make a distinction between 'an HRM approach' to the management of people in organisations and a more traditional approach associated with terms such as 'personnel administration' which were less overtly strategic in nature. Nowadays 'HRM' is much more frequently and simply used descriptively to refer to the range of different activities that are involved in the management of the relationship an organisation has with its people. These may be employees, but are often skilled people who are hired using a variety of other contractual arrangements to help it meet its objectives. The role of the human resource function is thus best explained by identifying its key purposes. Six objectives form the foundation of HR activity in most contemporary organisations.

Staffing objectives

Human resource managers are first concerned with ensuring that the business is appropriately staffed and thus able to draw on the human resources it needs. This involves designing organisation structures, identifying under what type of contract different groups of employees (or subcontractors) will work, before recruiting, selecting and developing the people required to fill the roles: the right people, with the right skills to provide their services when needed. There is a need to compete effectively in the employment market by recruiting and retaining the best, affordable workforce that is available. This involves developing employment packages that are sufficiently attractive to maintain the required employee skills levels and, where necessary, disposing of those judged no longer to have a role to play in the organisation. The tighter a key employment market becomes, the harder it is to find and then to hold on to the people an organisation needs in order to compete effectively. In such circumstances increased attention has to be given to developing competitive pay packages, to the provision of valued training and development opportunities and to ensuring that the experience of working in the organisation is, as far as is possible, rewarding and fulfilling. Recent years have seen organisations take a more strategic approach, at least in their rhetoric, towards the meeting of staffing objectives. They are, for example, increasingly seeking to differentiate and position themselves in their labour markets vis-à-vis competitors by engaging in employer branding exercises and by seeking to be recognised as 'employers of choice'.

Performance objectives

Once the required workforce is in place, human resource managers seek to ensure that people are well motivated and committed so as to maximise their performance in their different roles. Training and development have a role to play, as do reward systems to maximise effort and focus attention on performance targets. In many organisations, particularly where trade unions play a significant role, HR managers negotiate improved performance with the workforce. The achievement of performance objectives also requires HR specialists to assist in disciplining employees effectively and equitably where individual conduct and/or performance standards are unsatisfactory. Welfare functions can also assist performance by providing constructive assistance to people whose performance has fallen short of their potential because of illness or difficult personal circumstances.

Last but not least, there is the range of employee involvement initiatives to raise levels of commitment and to engage employees in developing new ideas. It is increasingly recognised that a key determinant of superior competitive performance is a propensity on the part of an organisation's employees to demonstrate discretionary effort. Essentially this means that they choose to go further in the service of their employer than is strictly required in their contracts of employment, working longer hours perhaps, working with greater enthusiasm or taking the initiative to improve systems and relationships. Willingness to engage in such behaviour cannot be forced by managers. But they can help to create an environment in which it is more likely to occur. A term that is currently very fashionable in HR circles is 'employee engagement', an idea which encapsulates what is required if organisations are successfully to enhance individual performance. Engaged employees know what is expected of them, have a sense of ownership of their work, are satisfied (hopefully very satisfied) with their jobs and, as a result, prepared to contribute positively both with their effort and their ideas.

Change-management objectives

A third set of core objectives in nearly every business relates to the role played by the HR function in effectively managing change. Frequently change does not come along in readily defined episodes precipitated by some external factor. Instead it is endemic and well-nigh continuous, generated as much by a continual need to innovate as from definable environmental pressures. Change comes in different forms. Sometimes it is merely structural, requiring reorganisation of activities or the introduction of new people into particular roles. At other times cultural change is sought in order to alter attitudes, philosophies or long-present organisational norms. In any of these scenarios the HR function can play a central role. Key activities include the recruitment and/or development of people with the necessary leadership skills to drive the change process, the employment of change agents to encourage acceptance of change and the construction of reward systems which underpin the change process. Timely and effective employee involvement is also crucial because 'people support what they help to create'. However, it must also be remembered that change, particularly when imposed without genuine employee involvement, is also a major potential source of conflict in organisations. This can be minimised if plenty of time is available, but a degree of conflict is inevitable where groups of staff lose out in some way as a result of change. The effective management of conflict and its avoidance through careful management of expectations and involvement in decision-making are thus also significant features of an effective HR managers' role.

Administration objectives

The fourth type of objective is less directly related to achieving competitive advantage, but is focused on underpinning the achievement of the other forms of objective. In part it is simply carried out in order to facilitate an organisation's smooth running. Hence there is a need to maintain accurate and comprehensive data on individual employees, a record of their achievement in terms of performance, their attendance and training records, their terms and conditions of employment and their personal details. However, there is also a legal aspect to much administrative activity, meaning that it is done because the business is required by law to comply. Of particular significance is the requirement that payment is administered professionally and lawfully, with itemised monthly pay statements being

provided for all employees. There is the need to make arrangements for the deduction of taxation and national insurance, for the payment of pension fund contributions and to be on top of the complexities associated with Statutory Sick Pay and Statutory Maternity Pay, as well as maternity and paternity leave. Additional legal requirements relate to the monitoring of health and safety systems and the issuing of contracts to new employees. Accurate record keeping is also central to ensuring compliance with a variety of other legal obligations such as the National Living Wage and the Working Time Regulations. HR professionals often downgrade the significance of effective administration, seeking instead to gain for themselves a more glamorous (and usually more highly paid) role formulating policy and strategy. This is a short-sighted attitude. Achieving excellence (i.e. professionalism and cost effectiveness) in the delivery of the basic administrative tasks is important as an aim in itself because it can provide a source of competitive advantage vis-à-vis other organisations who struggle administratively. Moreover, as Stevens (2005:137) demonstrates, sound administration in HR matters is important to achieve if 'potential legislative risks' are to be minimised. It also helps the HR function in an organisation to gain and maintain the credibility and respect that are required in order to influence other managers in the organisation. In this respect it can be persuasively argued that efficient administration is a pre-requisite if the HR function is to make a really significant contribution in the three other areas outlined above.

Reputational objectives

In many organisations, particularly larger companies whose names are synonymous with valuable brands, the need to build and maintain a positive reputation has become a central corporate objective. This need has grown steadily in recent years as the media environment has become increasingly competitive and particularly since the advent of social media which by its nature is very difficult to influence, let alone control. The notion that the HR function should properly be concerned with helping to maintain an organisations wider corporate reputation links up with the ideas both of those who conceive of the HR role as being primarily about effective risk management (see Stevens 2005) and those who take a particular interest in the ethics of HR practices (see Pinnington *et al*. 2007, Klikauer 2014).

In organisations with a high public profile which are obliged to compete hard in order to survive, HR managers can find themselves thinking in risk management terms. Their main role, put simply, is to ensure that the organisation:

- avoids damaging, negative media coverage on account of its employment practices,
- is not required to defend itself in the employment tribunal,
- does not develop an image as a poor employer in its key labour markets,
- retains a good relationship with regulatory authorities,
- avoids disruptive strikes and other forms of industrial action,
- maintains positive relationships with customers and suppliers.

There is a particular need nowadays for managers in private sector organisations to reassure those whose job is to assess the long-term financial viability of the organisation that it is competently managed and is well placed to meet the challenges that lie ahead in both the short and the longer term. This includes fund managers who decide where to invest their clients' money as well as the financial journalists and advisors who influence them.

The ability to attract and retain a strong management team is central to achieving this aspect of organisational effectiveness as is the ability of the organisation to plan for the future by having in place effective succession planning arrangements and robust systems for the development of the skills and knowledge that will be key in the future. Above all, financial markets need to be assured that the organisation is stable and is thus a safe repository for investors' funds.

The HR function also plays a central role in building an organisation's reputation as an ethically or socially responsible organisation. This happens in two distinct ways. The first involves fostering an understanding of and commitment to ethical conduct on the part of managers and staff. It is achieved by paying attention to these objectives in recruitment campaigns, in the criteria adopted for the selection of new employees and the promotion of staff, in the methods used to develop people and in performance management processes. The second relates to the manner in which people are managed. A poor ethical reputation can be gained simply because an organisation becomes known for treating its staff poorly. In recent years, well-known retailing and fast-food brands in the UK have suffered because of their use of zero-hours contracts and poor levels of pay, while several large multinationals have had their reputations stained by stories in the media about the conditions under which their employees in developing countries are required to work.

WINDOW ON PRACTICE



In 2015 undercover reporters working for the *Guardian* newspaper got themselves jobs in a warehouse operated by the retailer Sports Direct, a company whose approach to HRM had attracted negative publicity in the past. The reporters found that a range of seemingly unethical and potentially unlawful employment practices were in use by managers in the warehouse. They recorded instances of employees being 'fined' fifteen minutes' pay when they were just one minute late for work, of unpaid overtime, mandatory searches of staff leaving the warehouse which took some time and were unpaid. This meant that in practice staff at the warehouse were not being paid the National Minimum Wage. They reported that there was a list of 800 sports brands that employees were not permitted to wear, that workers were harangued by tannoy for not working fast enough, and that 80% of them were employed on zero-hours contracts. The company also operated a 'black mark' system, sacking people who notched up six such marks in any six-month period. 'Offences that could lead to the receipt of a black mark included "periods of reported sickness"; "errors", "time wasting, in the form of excessive toilet breaks or chatting", "horseplay" and "using a mobile phone in the warehouse"'. Union officials told them that there was a climate of fear in operation in the warehouse that resulted in staff being too frightened to ask for time off even when their children were too sick to attend school. The story was placed on the front page of the *Guardian* alongside a picture of Sports Direct's owner, Mike Ashley.

The impact of this story was very substantial. Within days, Sports Direct's share price fell by 15%, wiping £600 million off the company's value and it was labelled 'a scar on British business' by the Institute of Directors. MPs raised the issue of the company's



conduct in the House of Commons, announcing that Mr Ashley would soon be summoned to answer questions before a Select Committee.

Sports Direct responded quickly to the allegations, giving its warehouse staff a pay rise and promising to investigate the allegations fully. Mike Ashley released a statement saying that it was now his intention to turn his organisation into the best employer on the high street. Time will tell whether or not this is actually achieved. In the meantime the experience of Sports Direct serves as a cautionary tale for other employers, showing what can happen to a corporation's reputation if it fails to treat its staff properly.

Source: *Guardian,* December 2015.

Well-being objectives

In the first half of the twentieth century looking after employee welfare was often the major concern of what would now be called HR management, particularly in larger organisations with a paternalistic leadership style. More recently as the function has been keener to stress its strategic credentials, the notion that one of its main functions is to look after employee interests fell out of fashion. HR managers sought to identify much more closely with management objectives and tried to lose their reputation as being part of a function that mediated between management and employees, for example by promoting the interests of an organisation's staff in the boardroom. There now appears to be something of a reversion to a situation in which organisations are keener again to boast of their well-being policies and practices. Macho-management still undoubtedly exists, but its significance tends to be downplayed and whenever possible denied. At the same time the need to be seen to be an employer which is serious about achieving far greater levels of equality and diversity has become standard.

This shift in direction is occurring in response to profound social change and the altered expectations that people have of business organisations and their proper social role. Professionalism and social responsibility have moved from being 'nice to have', fringe activities to ones which are necessary if an organisation is to ensure that it retains public respect. Some of the change has been led by government, for example in requiring all larger organisations to publish information about the gap between the amount they pay their male and female staff. It has also arisen as result of shifts in public attitudes towards, for example, a much greater concern for mental health and the 'me too' movement of 2017 and 2018 heralding the establishment a de facto zero-tolerance towards sexist behaviour on the part of men who hold positions of power and influence in society. It was striking, for example, in 2018 to observe MPs in the UK calling for the establishment of a proper HR function in the Palace of Westminster, not to help achieve any organisational objectives at all, but in order that staff would have somewhere to go to raise concerns about their treatment at work. In the UK we also see evidence of change in the stress the Chartered Institute of Personnel and Development (CIPD) now places on 'improving working lives' in its objectives for the HRM profession.



ACTIVITY 1.1

Each of these six types of HR objective is important and necessary for organisations in different ways. However, at certain times one or more can assume greater importance than the others. Can you identify types of situation in which each could become the most significant or urgent?

The evolution of modern HRM

Most large organisations have established a specialist HR function which is tasked with the efficient and effective management of the relationship that the organisation has with its employees. There is nothing at all new about the existence of such a function, managers specialising in people management having been employed at senior levels in organisations for over a century. Over time the nature of the role has evolved very significantly as have the labels that have conventionally been given to such managers, and the process of steady evolution continues today. However, this process has never totally seen the abandonment of earlier concerns. Instead as time goes by and new issues have come to the fore, the HR function has tended to add further layers to its activities. Significant legacies from each stage in the evolution of modern HRM have remained in the function's bloodstream and hence retain some significance. While the pace of development has varied considerably from country to country, largely because HR activity has evolved from different starting points in different places, the broad direction of travel has been fairly similar across the world (Kaufman 2014).

Theme 1: social justice

The origins of HRM lie in the nineteenth century, with the work of social reformers such as Lord Shaftesbury and Robert Owen. Their criticisms of the free enterprise system and the hardship created by the exploitation of workers by factory owners enabled the first personnel managers to be appointed and provided the first frame of reference in which they worked: to ameliorate the lot of the workers. Such concerns are not obsolete. There are still regular reports of employees being exploited by employers flouting the law, and the problem of organisational distance between decision makers and those putting decisions into practice remains a source of alienation from work.

In the late nineteenth and early twentieth centuries some of the larger employers with a paternalist outlook began to appoint welfare officers to manage a series of new initiatives designed to make life less harsh for their employees. Prominent examples were the progressive schemes of unemployment benefit, sick pay and subsidised housing provided by the Quaker family firms of Cadbury and Rowntree, and the Lever Brothers' soap business. While the motives were ostensibly charitable, there was and remains a business as well as an ethical case for paying serious attention to the welfare of employees. This is based on the contention that it improves commitment on the part of staff and leads potential employees to compare the organisation favourably vis-à-vis competitors. The result is higher productivity, a longer-serving workforce and a bigger pool

of applicants for each job. It has also been argued that a commitment to welfare reduces the scope for the development of adversarial industrial relations. The more conspicuous welfare initiatives promoted by employers today include employee assistance schemes, childcare facilities and health-screening programmes.

Theme 2: humane bureaucracy

The second phase marked the beginnings of a move away from a sole focus on welfare towards the meeting of various other organisational objectives. Personnel managers began to gain responsibilities in the areas of staffing, training and organisation design. Influenced by social scientists such as F.W. Taylor (1856–1915) and Henri Fayol (1841–1925) personnel specialists started to look at management and administrative processes analytically, working out how organisational structures could be designed and labour deployed so as to maximise efficiency. The humane bureaucracy stage in the development of personnel thinking was also influenced by the Human Relations School, which sought to ameliorate the potential for industrial conflict and dehumanisation present in too rigid an application of these scientific management approaches. Following the ideas of thinkers such as Elton Mayo (1880–1949), the fostering of social relationships in the workplace and employee morale thus became equally important objectives for personnel professionals seeking to raise productivity levels.

Theme 3: negotiated consent

Personnel managers next added expertise in bargaining to their repertoire of skills. In the period of full employment following the Second World War labour became a scarce resource. This led to a growth in trade union membership and to what Allan Flanders, the leading industrial relations analyst of the 1960s, called 'the challenge from below'. Personnel specialists managed the new collective institutions such as joint consultation committees, joint production committees and suggestion schemes set up in order to accommodate the new realities. In the industries that were nationalised in the 1940s, employers were placed under a statutory duty to negotiate with unions representing employees. To help achieve this, the government encouraged the appointment of personnel officers and set up the first specialist courses for them in the universities. A personnel management advisory service was also set up at the Ministry of Labour, which still survives as the first A in ACAS (the Advisory, Conciliation and Arbitration Service).

Theme 4: organisation

The late 1960s saw a switch in focus among personnel specialists, away from dealing principally with the rank-and-file employee on behalf of management, towards dealing with management itself and the integration of managerial activity. This phase was characterised by the development of career paths and of opportunities within organisations for personal growth. This too remains a concern of HR specialists today, with a significant portion of time and resources being devoted to the recruitment, development and retention of an elite core of people with specialist expertise on whom the business depends for its future. Personnel specialists developed techniques of manpower or workforce planning. This is basically a quantitative activity, boosted by the advent of information technology, which involves forecasting an organisation's likely future skills needs and taking steps to ensure that they are met in practice.

Theme 5: human resource management

The term 'human resources' was commonly used by social scientists in contrast to 'natural resources' for much of the twentieth century (see Ginzberg 1958), and a journal called *Human Resource Management* was launched at Michigan University in 1961. But the term HRM only came to be used commonly in organisations in the 1980s when courses with that name began to be offered as part of MBA programmes at leading American business schools. Before long 'HRM' replaced 'personnel management' and is now almost universally used in organisations across the world. The change of label coincided with the decline of trade union influence in many organisations and, consequently, with the seizing by managers of the opportunities that this decline gave them. Previously, across most industrialised countries industry-level collective bargaining systems had prevailed through which terms and conditions of employment were negotiated by trade unions and employer's associations on behalf of almost everyone in the country who worked in that industry. As a result pay, along with many other rules and management policies, were the same throughout a whole industry in each country, meaning that these were not issues about which local managers could make decisions. With the decentralisation of bargaining and the rise in many industries of non-union firms, managers in the private sector found themselves free and able to develop their own, local policies and practices. Some chose to adopt a macho approach, particularly during recessionary periods when employees were in no position to resist the introduction of efficiency and cost-saving measures, leaner organisational structures and downsized workplaces. Others sought to enhance their profitability and competitiveness by seeking to gain employee commitment and by investing in their people. Either way it was not long before organisations began to take an explicitly strategic approach to the management of human resources, setting objectives and seeking in a more proactive way to achieve these. As time went by the same kind of approaches were increasingly used in the public sector too, so that by the turn of the millennium it was the norm for organisations to employ human resource managers, officers and assistants whose aim was to add value by carrying out the four areas of activity we set out above in as efficient and effective manner as possible. The objective, quite explicitly, was to make a major contribution to the achievement and maintenance of competitive advantage.

Theme 6: A 'new HR'?

Some commentators argue that little of substance has changed in the way that HRM has been organised and carried out over the past twenty years in most organisations (Lawler and Boudreau 2018). Others, however, argue that we are now witnessing the beginning of a sixth stage in the evolution of personnel / HR work. While there is by no means a clear consensus about this point of view, it is notable that leading thinkers have identified a group of trends which they believe to be sufficiently dissimilar, as a bundle, from established practices to justify, at the very least, a distinct title. Bach (2005: 28–29), for example, used the term 'the new HR' to describe 'a different trajectory' which he believed was beginning to become discernible. Others have started using the term HR 2.0, likening recent developments to a new and improved edition of a software package. A number of themes are identified including a more global perspective, a tendency for issues relating to legal compliance to move up the HR management agenda and the rise of multi-employer networks which Bach calls 'permeable organizations'. Here, instead of

employees having a single, readily defined employer, there may be a number of different employers, or at least more than one organisation which exercises a degree of authority over their work. Examples are found in public–private partnerships, joint ventures, franchises, situations where work is outsourced by one organisation to another, in the employment of agency workers and where strong supply chains are established consisting of smaller organisations which are wholly or very heavily reliant on the custom of a single large client corporation.

Another apparently new trajectory can be summarised as an approach to the employment relationship which views employees and potential employees very much as individuals or at least small groups rather than as a single group and which seeks to engage them emotionally. It is associated with a move away from an expectation that staff will demonstrate commitment to a set of corporate values which are determined by senior management and towards a philosophy which is far more customer-focused. Customers are defined explicitly as the ultimate employers and staff are empowered to act in such a way as to meet their requirements. This involves encouraging employees to empathise with customers, recruiting, selecting and appraising them according to their capacity to do so. In turn, and this is what seems to make 'the new HR' different from established HRM, managers are starting to refer to the staff and line managers who they 'serve' as their 'internal customers', a client group which they aim to satisfy and which they survey regularly as a means of establishing how far this aim is in fact being achieved. Another term that is becoming very much more commonly used in HR is 'strategic business partner'. The image conjured up here is of the HR manager as internal consultant, assisting clients in the achievement of their objectives and expecting to be judged on results.

The practice of viewing staff as internal customers goes further still in some organisations with the use of HR practices that borrow explicitly from the toolkit of marketing specialists (see Edwards and Bach 2013). We see this in the widespread interest in employer branding exercises (see Chapter 8) where an organisation markets itself in quite sophisticated ways, not to customers and potential customers, but to employees and potential employees.

Gratton (2004) shows how highly successful companies such as Tesco go further still in categorising job applicants and existing staff into distinct categories which summarise their principal aspirations as far as their work is concerned in much the same way that organisations seek to identify distinct market segments to use when developing, designing, packaging and marketing products and services. Such approaches aim to provide an 'employee value proposition' which it is hoped will attract the right candidates, allow the appointment of highly effective performers, motivate them to provide excellent levels of service and subsequently retain them for a longer period of time.

Lepak and Snell (2007) also note a move in HR away from 'the management of jobs' and towards 'the management of people', which includes the development of employment strategies that differ for different groups of employees. Importantly this approach recognises the capacity that most people have to become emotionally engaged in their work, with their customers, with their colleagues and hence (if to a lesser extent) with their organisations. The employment relationship is not just a transactional one in which money is earned in exchange for carrying out a set of duties competently, but is also a relational one which involves emotional attachments. The 'new HR' understands this and seeks to manage people accordingly.

Cardy *et al*. (2007) are also keen to advocate the repositioning of the HR function as one which is focused on providing services to 'internal customers' who the aim is to satisfy. Like Gratton they argue in favour of a degree of segmentation. They also take the concept of 'customer equity' long used by marketing analysts and apply it to the employment relationship, developing the notion of 'employee equity'. The argument they advance is complex, but at base they advocate thinking about employment from the perspective of the employee and to take steps which serve to:

- increase the value employees perceive that they derive from the relationship (value equity);
- improve the reputation of the organisation as an employer (brand equity);
- establish and maintain high levels of loyalty with employees (retention equity).

Saunders and Hunter (2009) adopt the same philosophy, but focus on the practicalities of transforming a traditionally focused HR function into one which sees managers and employees at all levels as customers who the function needs to satisfy if it is to achieve its wider, longer-term objectives.

What we appear to be seeing here is a re-positioning of HR thinking and activity. The aim is the same, namely to help the organisation achieve its objectives, but the means are different. Instead of simply devising and then operationalising HR strategies and policies which suit the short-term, current, financial needs of the organisation, there is an increased recognition that this cannot be done successfully over the longer term without the active engagement and support of people. In a world where many are employed because of their knowledge, in which skills that employers seek are often scarce and in which employees enjoy substantial protection from the law, there are major limits imposed on the extent of management's freedom to manage people at will. The most successful organisations are thus those which are best able to recruit good people, retain them and motivate them. This means looking after their interests and involving them as far as is possible in decision-making – often using technologies that enable collaborative decision making. Hence we see the evolution of thinking based around internal customers, collaboration, partnership and employee engagement which are characteristic of the new HR trajectory.



ACTIVITY 1.2

Lynda Gratton (2004) reported that Tesco use the following five 'identities' to categorise their staff. The way that they are managed and the reward packages that are available to them can thus be tailored so as to be more appropriate to the needs and aspirations of each individual:

- work–life balancers;
- want it all;
- pleasure seekers;
- live to work;
- work to live.

Which of these categories best describes you as far as your present employment is concerned? What about friends and members of your family? Choose any two of the categories and think about in what ways it would make sense to manage people in each group differently from one another.

HRM and the achievement of organisational effectiveness

As Storey *et al*. (2009: 4) point out, unless HR activity can be shown to add value to an organisation, there would be no point in devoting time and resources to it except insofar as is necessary 'to comply with prevailing employment laws or to meet minimum operational requirements in hiring, firing, labour deployment and the like'.

So for the past two decades the theme which has dominated the HR research agenda has been the study of links between HR practices and organisational effectiveness.

Two main types of research have been carried out extensively in this field:

1 The first involves establishing correlations between superior business performance as measured against a range of indicators and the presence of HR practices in thousands of organisations. Major examples of this kind of research are the studies carried out by Mark Huselid (1995) in the USA and by David Guest and his colleagues (2003) in the UK.

2 The second involves seeking to establish through interviews in successful case study organisations what factors have contributed to their growth, profitability, quality of service, etc. This type of work has been carried out by researchers such as Jeffery Pfeffer (1994, 1998) in the USA and by John Purcell and colleagues in the UK (2003).

Both streams of research have produced strong, if by no means inconclusive, evidence to suggest that organisations which adopt appropriate, sophisticated, 'good-practice' HR practices are more likely to meet their business objectives over the long-term than those which do not. What these business objectives are varies from organisation to organisation and industry to industry. For major private-sector corporations the aim is to gain and maintain sustained competitive advantage. For smaller organisations in the private and voluntary sectors growth or survival are key objectives. In the public sector organisational effectiveness and meeting government targets are the key objectives defined in terms of meeting a service need as cost-efficiently as possible and to the highest achievable standard of quality. In all these situations good HR management can be shown to correlate with the achievement of core business objectives, particularly when skills are in relatively short supply or where the potential contribution made by individual employees to the success of an organisation is substantial.

What is less clear is exactly through what processes HR makes this contribution. There are a number of possibilities, none of which are mutually exclusive:

- Good management and the establishment of a positive employment relations climate means that an organisation is better able than its competitors to recruit, retain and motivate staff. Superior performance results because the best performers want to work for the organisation, because they are motivated to work hard and demonstrate commitment once employed, and because there is less resistance to change and a greater capacity to seize opportunities when they arise.
- Effective HRM alongside good management of other functions allows an organisation to develop and maintain a strong and positive corporate reputation. This enables it to raise money with relative ease when it is needed and also helps to ensure that managers of investment funds and financial advisors see it or its shares as a desirable place to put their clients' money. The maintenance of a positive reputation in the media is

also an important objective as this helps to maintain and grow the customer base. A reputation for ethical management is increasingly important in this context.

- There is a big difference between the rhetoric of HRM, which is positive and people centred, and the experienced reality in many organisations. In the real world HRM is focused on reducing labour costs and extracting greater value for organisations from their human resources. This leads to the intensification of work and more efficient operations, and it is these which account for the apparent link between HRM and measures of corporate financial performance.
- The relationship between HR and business performance is in fact the other way around. The presence of a correlation does not mean that there is any causal relationship. Any HR contribution to the maintenance of superior business performance is limited. Having gained its competitive advantage, an employer has the resources to develop good HR practices.

Fleetwood and Hesketh (2010) rightly warn against uncritical acceptance of the findings of studies that link HR practices to business outcomes. Ultimately, they point out, it is the people who work in organisations who are generally responsible for the achievement of sustained superior business performance. At best all HR practices and policies can do is play 'an enabling role' in this process and in many organisations there is little evidence to suggest that the average employee's commitment or level of engagement is linked particularly closely to the formal 'architecture' of HRM.

Purcell *et al*. (2003) and in subsequent publications also stress the inadequacy of thinking that assumes having in place a range of 'good practice' HR policies and practices will lead inexorably to the achievement of sustained, superior business performance. Their research strongly suggests that this can help, but they argue that what really makes the difference in practice are sufficient numbers of line managers who are both willing and able to give life and meaning to the policies and practices. These are the people with whom employees interact on a day to day basis, and unless they buy in to the ideas that underpin progressive HRM and manage their teams accordingly, the chances that well-chosen HR policies will have any serious impact on organisational performance are very limited. Purcell *et al*. (2003) point out that poor implementation of policies and practices by line managers who have not bought into them is often worse for the organisation than not having any policies at all.

The central importance of the mediating role played by line managers in the delivery of HRM was further stressed by Purcell and Hutchinson (2007) in their identification of a 'people management-performance causal chain' and by Nishii and Wright (2008) in their 'process model of HRM' (see Den Hartog and Boon 2013). Both argue that an important distinction must be made between 'intended HR practices', how these are actually perceived by employees and what impact they actually have in practice. Without effective communication and, crucially, the active support of line managers in implementing the policies, there is little chance that the desired outcomes will ever materialise. It follows that all managers in an organisation must take a good deal of responsibility for the delivery of HRM practices if they are to add value in any meaningful way.

Increasingly others play a role too as HRM in organisations is less and less shaped by generalist HR managers alone. In larger organisations there is scope to employ people to specialise in particular areas of HRM. Some, for example, employ employee relations specialists to look after the collective relationship between management and employees and to provide advice about legal developments. Further common areas of specialisation are training and development, recruitment, reward management and health and safety. In all these areas there is an increasing tendency for the term 'consultant' to be used instead of 'officer' or 'manager', indicating a shift towards a situation in which line managers determine the services *they* want rather than these being prescribed by a central HR

function. Indeed, it is not at all uncommon nowadays, for these aspects of HR work to be undertaken on behalf of organisations by subcontractors or independent consultants rather than by directly employed HR officers.

While responsibility for making sure that HRM really does add value for an organisation rests with all managers, it typically remains the role of HR managers with a generalist remit to shape the policies and practices that are ultimately implemented. Subsequently, their job is not merely to enable, but also actively to promote the effective implementation of these practices. It may be an enabling role, but it is nonetheless a crucial one. And on the question of which types of approaches are most likely to underpin superior business performance, the research that has been carried out over the last twenty years is fairly conclusive. The need, quite simply, is for organisations to achieve the core HR objectives described above more effectively than their competitors are able to. When this is achieved the result tends to be high levels of trust, a strong sense of shared purpose and an enhanced capacity for recruiting, retaining, motivating and engaging an excellent workforce that is both willing and able to adapt to changed circumstances when necessary. Purcell *et al.* (2003), like other researchers stress the role that a bundle of progressive HR practices can play in bringing about these outcomes (Figure 1.1):

- giving people career development opportunities;
- giving people influence over their own area of work;
- making jobs challenging and interesting;
- providing good training;
- appraising people regularly on their individual performance;
- teamworking;
- involving employees in decision making;
- providing a good work–life balance;
- employing line managers 'who are good at leadership and who show respect'.

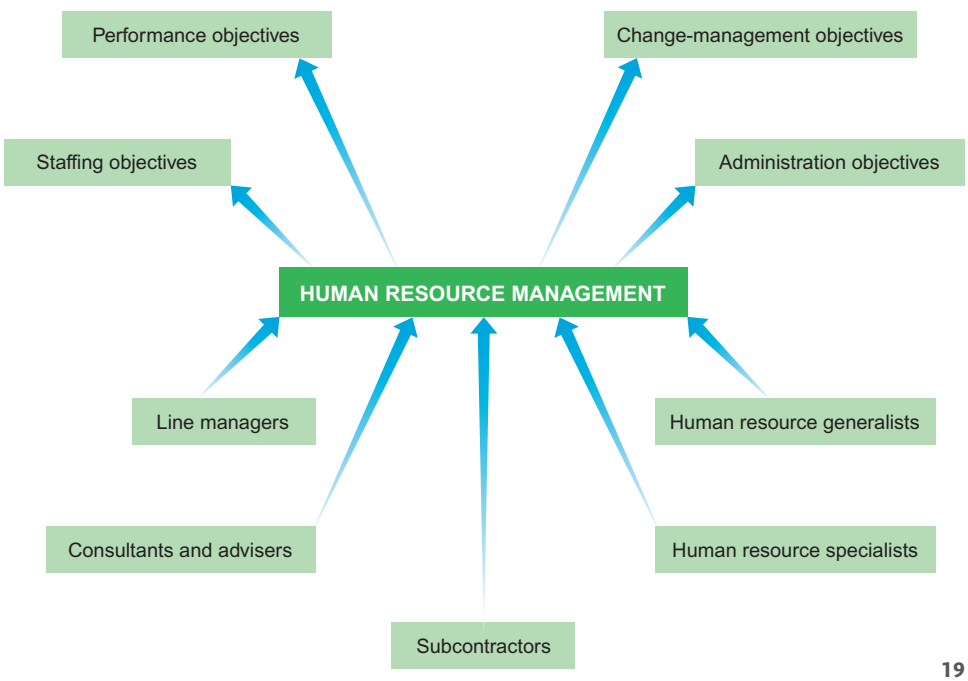


Figure 1.1
HRM roles and objectives

A further potential contribution made by the HR function involves recognising the significance of the organisation's people as an effective barrier preventing would-be rivals from expanding their markets into territory that your organisation holds. The term human capital is more and more used in this context to signify that the combined knowledge and experience of an organisation's staff are a highly significant source of competitive advantage largely because they are difficult for competitors to replicate easily. Attracting, engaging, rewarding, developing and retaining people effectively is thus vital. Failing to do so enables accumulated human capital to leak away into the hands of competitors, reducing the effectiveness of commercial defences and making it harder to maintain competitive advantage.

SUMMARY PROPOSITIONS

1.1. It is possible to identify two distinct definitions of the term 'human resource management'. The first describes a body of management activities, while the second signifies a particular approach to carrying out those activities.

1.2. Human resource managers are concerned with meeting six distinct sets of organisational objectives: staffing, performance, change management, administration, reputational and welfare / fairness objectives.

1.3. HRM activities are carried out in various ways through various forms of organisational structure. In some larger organisations HR generalists work alongside specialists in particular HR disciplines.

1.4. Human resource management can be characterised as one of the more recent in a series of incarnations that personnel practitioners have developed since the origins of the profession over 100 years ago.

1.5. The HRM function contributes to the achievement of different dimensions of organisational effectiveness. Prominent are the gaining and maintaining of competitive advantage, the fostering of a positive standing in financial markets and the development of a reputation for corporate social responsibility.

GENERAL DISCUSSION TOPICS

1. What are the major advantages and disadvantages associated with HR managers seeing employees as 'internal customers' who need to be satisfied?

2. How far do you agree with the view that an HR function which achieves administrative excellence adds value to an organisation just as much as one which focuses on improving its employees' performance?

3. To what extent is your organisation successful in translating its 'intended HR outcomes' into 'actual HR outcomes'? What could it do to make it more successful?

THEORY INTO PRACTICE

The following is an opinion piece by the business writer Bernard Marr. In it the author puts a case against typical HRM departments.

Why we no longer need HR departments

The time has come for HR (Human Resources) departments to call it a day. HR departments often portray themselves as a valued business partner for management and staff alike. However, how can anyone take a department seriously that refers to people as 'resources'?

Nothing matters more to companies than the people who work there. Companies are nothing without the right people! And I am sure that not one, single individual wants to be referred to as a 'human resource'.

So, the first point I want to make is that the name is wrong: very wrong. It signals to everyone that *this* department manages 'human resources' in a top-down fashion, i.e. managing humans in a similar way to other resources such as finance, property or machines. If departments can't see that this is sending out the wrong messages, then they don't deserve to be there anyway.

Another issue is that HR departments are trying to serve two masters – which, in most cases, is not very successful. On the one hand, they are there to provide support for the employees and, on the other hand, they are there for the company and the senior management to help manage (and monitor, discipline, appraise, etc.) employees. This conflict of interest can cause friction and in many instances HR departments swing to the 'support the company' side, rather than the 'support the employees' side.

There is more. We can argue about whether the name is right or wrong, or whether the focus should be on the company or on the employees, but what really matters is whether HR delivers value. I have recently seen a number of companies that shut their HR departments down completely; outsourced the function or reduced it to a minimum. The reason they have done it, and not suffered any significant throw-back, is because HR wasn't delivering any real value. Most of their time was taken up with bureaucratic and administrative tasks or legal issues. If HR doesn't deliver some unique benefits then outsourcing it makes a lot of business sense.

Other companies, however, have invested in the 'people function'. They realise that they need people who ensure that the company finds, recruits, retains and develops its people. So here is what I recommend:

1. Don't call it HR!
2. Put two teams in place: a '*people analytics' team* and a '*people support' team.*
3. The role of the *people support team* is, as the title suggests, supporting all employees in the organization – from the front line to the senior leadership team. The tasks of this team include: helping employees with their development; ensuring staff engagement; identifying issues with morale and culture and generally looking after the well-being of the people in the business.
4. The role of the *people analytics team* is to look at people more scientifically and support the company with insights and analytics. The kind of questions this team would help to answer includes: What are our talent gaps? What makes a good employee in our company and how

do we best recruit them? Which employees have got the highest potential? How can we predict staff turnover? Etc.

5 Outsource or automate the non-value adding part of HR.

Reprinted with permission from Bernard Marr, Published online in 2013: www.linkedin.com/pulse/20131118060732-64875646-why-we-no-longer-need-hr-departments

Questions

1 What is the essence of Bernard Marr's case against HR departments and common HR practices?

2 Many of the criticisms of HRM expressed in this article are commonly held by managers in organisations. Why do you think this?

3 What arguments could be deployed to counteract the major points Mr Marr makes?

4 What is your view of the alternative approach that is set out in the second part of the article?

FURTHER READING

Human Resource Management: Rhetorics and Realities by Karen Legge (1995).

This seminal book provides a rigorous discussion of the differences between personnel management and HRM, as well as introducing and considering a series of other debates about the nature of HRM and its purpose for organisations.

Transforming HR: Creating Value through People by Mark Withers, Mark Williamson and Martin Reddington (2010).

A very accessible book which develops many of the themes we have introduced in this chapter, going on to explore the particular contribution the HR function can make in the contemporary business environment.

'Human resource management and performance' by Paul Boselie (2013) in *HR & Performance: Achievements and Challenges,* edited by Jaap Paauwe, David Guest and Patrick Wright.

Boselie's chapter sums up most effectively the current state of ongoing research into the extent and nature of the link between HRM activity and the achievement of superior business performance. Paauwe *et al*. examine the same issues at much greater length in their recent book.

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CHAPTER 2

THE GLOBAL CONTEXT FOR HUMAN RESOURCE MANAGEMENT

THE OBJECTIVES OF THIS CHAPTER ARE TO:

1. Define and account for the development of globalisation
2. Set out the significance of globalisation for industry and the labour market
3. Examine the major consequences of globalisation for HRM
4. Explain why the global business environment is characterised by increasing uncertainty, volatility and unpredictability



Human resource management practice, as is the case for most fields of business and economic life, is being profoundly affected by globalisation. It is the single most significant development in our current business environment, manifesting itself in all kinds of different ways. People disagree profoundly about the ways in which it is a force for good and a force for ill making it a major source of political division. We have been heading down a path towards greater globalisation for several decades, and while many would like to slow down the pace of change in this area, few seriously argue that it can be reversed. In this chapter we explain what the term 'globalisation' means, discuss its antecedents and its major consequences. We go on to explore key ways in which contemporary HR practice is being changed as a result of globalisation and what this may mean for the future if these trends continue.

Defining globalisation

The term 'globalisation' tends to be used in rather different ways by different people depending on their perspective (Scholte 2005). For some, it can be used interchangeably with the term 'internationalisation' to signify in general terms an increase in cross-border relations between peoples and governments. From this perspective the trend towards greater globalisation simply means the development of more international exchange and greater interdependence. Others see 'globalisation' as representing a more profound development. It is more than increased international activity, instead being used to signify a new development best described as 'international economic integration'. It is thus seen as representing a process of movement away from a world economic system which is dominated by national and regional economies for the most part trading internally, to one in which pretty well anyone based anywhere across the globe can sell things to anyone else. A third definition stresses universalism, by which is meant a dilution of national identity and separateness as people of all backgrounds increasingly share a similar global culture and set of aspirations, buy the same products and live under similar types of governmental and economic system. A fourth definition sees globalisation as Americanisation, sometimes conceived as the development of an American global empire. It thus focuses on the significance of capitalism, western-style representative government, liberalism, bureaucracy and rationalism in the establishment of a 'new world order'. The growing international power of US-based corporations is also often stressed by those who adopt this perspective. A fifth characterisation stresses a change in our perceptions of distance. Globalisation, according to this definition, is about the world becoming 'smaller' due to modern transportation and communications technologies which allow readier and much more affordable contact between people across national borders. For the purposes of thinking about the evolving global business environment it is helpful not to have any single definition of the term 'globalisation' in mind, but instead to accept that a variety of significant trends are observable and that they are having a differential impact on the lives of different people. 'Globalisation' is thus best conceived of as an umbrella term covering a variety of developments.

It is not possible to say when globalisation started because a degree of international economic exchange has been carried on for many centuries. Some argue that before the First World War economies such as the UK's were more globally integrated than they are in the modern era (Wes 1996: 5), but most agree that the process of

globalisation that we observe today properly got going in the decades after 1945 as the western countries recovered from the Second World War and steadily transformed into much more affluent, consumer-oriented societies. They started to trade more and more with one another and to welcome investment in their economies by overseas-based corporations. This period also saw the rapid rise of economies such as those of Japan, Taiwan, South Korea, Hong Kong and Singapore, expanding the number of consumers who were in a position to participate in international economic exchange. There was then a big acceleration after 1990 following the fall of the Berlin wall, the rise of capitalism in China, the adoption of a more western-oriented economic policy in India, the very rapid development of some economies in the Middle East, and the move towards liberal democratic forms of governance in South Africa and across much of South America. The full integration of these economies into the world trading system brought about its transformation – a process that is still very much ongoing (see Dicken 2015 for an excellent account of this process). At the same time across much of the industrialised world, governments adopted more liberal trading regimes and started to promote much more competition in their home markets.

The practical consequences of these trends have been huge. First, since 1950 world output has increased six-fold, while world trade has increased over twenty-fold, meaning that the proportion of goods and services which are exported and consumed in countries other than from that in which they originate has increased very markedly. Annual export growth across the world is now running at three to four times greater than the growth in world output. Second, we have seen unprecedented growth in levels of foreign direct investment (FDI) through which a corporation based in one country sets up operations overseas or acquires an existing overseas operation. FDI has grown even faster than international trade. This too is a long-term trend which saw great acceleration in the 1990s, since when FDI has grown annually at a faster rate than international trade and a much much faster rate than international output. Third, we are living through a period in which the amount of overseas travel, both for business and pleasure, has increased at unprecedented levels, making the travel industry by some margin the biggest and fastest-growing industry in the world. In 1954 the number of passengers going through UK airports was just 4 million. By 1974 it had reached 45 million, by 1984, 57 million and by 1994, 98 million. In 2018 the total number of passengers using UK airports was over 280 million (Civil Aviation Authority 2018). Internationally the rate of growth has been more spectacular still. The number of air passengers rose from just 9 million in 1945, to 88 million in 1972 and to 344 million in 1994. The International Air Transport Association reports that the figure topped 3.5 billion in 2015 and predicts that it will reach 7 billion by 2034 (IATA 2015).

Alongside increased international economic exchange, recent decades have also seen significant increases in migration across national boundaries. According to United Nations (UN) estimates, in 2017, there were 258 million people living long term in a country other than the one they were born in, compared to just 81.5 million in 1970. These figures probably represent a considerable underestimate because a great deal of cross-border migration is illegal in nature and so does not get recorded in the official statistics that governments collect, but they nonetheless demonstrate how much more likely people are now to move overseas than used to be the case, even when world population rises are taken into account (Goldin *et al*. 2011). The impact has been far greater in some regions than in others as migration is by no means spread evenly across the globe: 75% of all international migrants live in just 28 countries, over 20% of the total settling in the USA, while a further 30% live

in the European Union countries. This means that organisations are much more likely to employ multicultural teams of staff in some areas than in others. For example, while over 12% of the population of Western Europe originates overseas, this is true of less than 2% of the Eastern European population. The biggest immigrant populations are found in the Gulf countries where people born overseas make up a majority of the total population in some cases (Bahrain 55%, Kuwait 70% and Qatar 74%). As a proportion of the workforce in these countries, migrants account for even larger shares. In the UAE, in 2018, 88% of the workforce was born overseas. Elsewhere immigration levels are very much lower. In Indonesia, Vietnam and China for example, only 0.1% of the population is made up by overseas immigrants, while in India it is just 0.4% (United Nations 2018).



GLOBALISATION AND THE UK

The UK has been affected by globalisation more than most countries for a range of reasons. First, thanks to its history as a major imperial and maritime power, the UK has long-established the habit of trading internationally and operating globally. UK industries have thus had to make less adjustment culturally in order to embrace some of the consequences of globalisation such as competing on an equal footing with overseas-based corporations. Second, the UK (along with the Republic of Ireland) has benefited greatly from being for the most part English-speaking at a time when English has firmly established itself as the language of international business, while also for most of the past fifty years providing international investors with good access to the European Single Market. This, combined with a relatively favourable tax regime, more limited business regulation and a preference for free trade arrangements has helped to attract a great deal of FDI. UK-based companies are also among the biggest foreign investors in the world. They invest more in the USA than those of any other country as well as being the second largest foreign investors globally after the USA. The UK has also long been a destination which overseas migrants want to come to. Net inward migration has topped 200,000 in almost all of the past twenty years, making parts of the country very diverse in terms of the population's cultural background. The population of London is increasing by over 10,000 every month. Nearly 34% of the babies now born in England and Wales each year have at least one parent who was themselves born overseas, while the figure for London reached 58% in 2017 (ONS 2017).

The causes of globalisation

One of the major debates about globalisation concerns its origins. Why did we start thinking and acting globally in the second half of the twentieth century and not earlier, and why, in particular have we seen such an acceleration in the past two decades? While there is much disagreement about the significance of particular developments, it is generally agreed that different, interrelated factors have combined together to facilitate the change. Of these, two stand out as being particularly significant: technological developments and government policy.

Technology

There are two major areas of technological development which have made globalisation possible: transportation and information and communications technologies (ICTs), principally by bringing down very substantially both the costs associated with international communication and trade, and the time they take. Dicken (2015) notes that until the past 100 years, to all intents and purposes, communications and transportation technologies were one and the same. Their separation through telegraph, telephone, radio and now digital satellite thus represents one of the most extraordinary achievements of the twentieth century. Transportation was as slow 200 years ago as it was 2,000 years ago. Since then a number of technological advances have transformed our ability to ship people, goods, raw materials and ideas around the world. The nineteenth century saw the arrival of steam power, enabling the development of trains and bigger, faster, ocean-going ships. These drove the development of international economic exchange in the years prior to the First World War. The early twentieth century then saw the development of the internal combustion engine, the arrival of the motor car and, in consequence, the speeding up of ships and trains. The late 1950s saw two major transport developments that have been major facilitators of globalisation:

1 The development of large commercial jet aircraft able to carry people and goods across the world at previously unimaginable speeds.
2 Containerisation (i.e. the use worldwide of standard-sized steel containers that can be easily and quickly shifted by crane from lorries, to trains and on to ships).

ICTs, by contrast, have transformed our ability to transmit information in the years since then. The big breakthroughs here have been the evolution of satellite communications technology since the 1960s, of fibre-optic cables since the 1970s, and of course the World Wide Web and internet technologies since the 1980s. Together these have given people, as well as organisations, the capacity to transmit very substantial quantities of information (now including video and sound as well as text) almost instantly to every corner of the world very affordably. Therefore, it is now not only possible for a consumer in the UK to find out about the existence of, say, a furniture manufacturer in Vietnam, but also to download detailed colour brochures, to order bespoke items and even to watch them being manufactured in real time. Moreover, the speed of container ships now permits delivery from Vietnam to the customer's home less than a month after the original order was placed.

Government action

Commentators often point to deregulation as being the other major driver of globalisation alongside technology. They are referring here to the liberalisation of the world trading and economic system over recent years. However, as Dicken (2015) argues strongly, it is important to understand that globalisation has also been accelerated by a good degree of additional regulation in the form of cross-national standardisation in different fields (40 ft containers for transportation, customs documentation, air traffic control conventions, accounting standards, insurance rules, global patents, etc.). Moreover, the establishment of international property rights across most countries has hugely helped to promote FDI.

Nonetheless, it is unquestionably true that a major impetus for increased international trade has been the abandonment or relaxation in recent years of foreign exchange controls and by reductions in the strength and size of tariff regimes aimed at stifling global free trade. We have also seen a strong trend across much of the world away from forms of socialist and communist governance towards forms of liberal democracy. As far as

economic policy is concerned, the result has been a great deal less direct state intervention in business activity, a tendency to privatise and to deregulate markets, and a preference on the part of governments across the world actively to encourage competition between businesses while also encouraging entrepreneurship.

The impact of globalisation

It is no exaggeration to claim that globalisation processes of the kind we have described above have utterly transformed the environment in which the vast majority of business is conducted. Moreover, it is unquestionably the case that further transformation will occur in the future, not least in the world's established geo-political balance as economic power steadily transfers from west to east. We only have space here to discuss some of the more apparent, direct effects of these profound developments, concentrating in particular on those which have the greatest implications for the management of people.

Competition

It is notoriously difficult to measure the extent of competition in an industry in any objective or satisfactory manner, and hence impossible accurately to track growth or decline in competitiveness over time. This is because industries vary so much in terms of their competitive structures. You might think that the number of firms in competition would be a good measure on the basis that the more players there are in the competition, the tougher it is to do well. This is, however, over-simplistic as some of the most cut-throat markets in the world are dominated by just two or three companies. We thus have a situation in which all informed opinion agrees that trading conditions in most economies have become hugely more competitive in recent years, but there is no way of measuring whether the change has doubled, tripled or increased twenty-fold over the past few decades. Instead economists use a series of different measures which each act, some more satisfactorily than others, as proxies for measures of competitive intensity. Examples are as follows:

- reductions in the length of time leading firms are able to maintain dominance of a market;
- increases in the extent of churn in 'industry membership';
- increases in the incidence of financial instability (among both established and newer entrants to a market);
- increases in the length of time that episodes of financial instability last;
- increases in the extent to which a market is open to overseas competitors;
- increases in the number of small businesses/start-ups, and increases in their growth rates;
- increases in concentration ratios (i.e. the extent to which the top five or top ten companies in an industry contribute to its total output);
- increases in the extent of 'discounting' – i.e. price reductions;
- decreases in 'perceived ability to increase prices' as measured in surveys of executives.

Against all these measures, while the extent of change varies greatly, the majority of industries both in the UK and across the world can be judged to have become very substantially more competitively intensive over the past thirty years, much of the increase being experienced in the most recent years (McNamara *et al*. 2003).

There is no question that globalisation has played a major role in creating more competitive commercial conditions simply by increasing several-fold the number of potential competitors any one organisation faces. Established organisations that once dominated national markets now find themselves to be relative small-fry in an expanding and much less predictable global market. Indeed, in recent years a number of academics and consultants have advanced the view that the competitive environment in some industries is not just reaching a new level of intensity, but is developing in a qualitatively different direction than has been the case in the past. The term 'hyper-competition' is increasingly used in this context; another term that is sometimes used is 'high-velocity competition' (Adcroft *et al*. 2010, Chew and Osborne 2009). In conditions of hyper-competition, turbulence and unpredictability are the norm, so that firms which gain competitive advantage find that it is rapidly eroded by the changing business environment. Competitive advantage thus becomes transitory in nature, requiring organisations that wish to grow to continually 'reinvent the wheel' or 'ride the wave of innovation'.

Hyper-competitiveness conditions are most readily observed in the finance, manufacturing, IT and biotechnology industries. But more generally, all organisations with any kind of exposure to international competition are finding it harder either to gain or sustain any kind of competitive advantage or to maintain a high level of profitability. In many cases survival has also become increasingly hard to guarantee.

Organisations thus have to develop strategies to cope effectively. For example, they have to continually seek ways of increasing the efficiency with which they conduct their operations, keeping a lid on costs while ensuring sufficient investment in value-producing activities. There is also an increased requirement accurately to anticipate future environmental developments as well as customer tastes and preferences in order to stay ahead of their competitors. Additional competition also requires companies to drive technological advances themselves through appropriate research and development (R&D) activity, to enter and exit markets with greater frequency and to participate in more merger and acquisition activity in order to generate economies of scale.

A number of the more significant contemporary issues and developments in the HR field derive directly from increased competitive intensity in product markets. Examples are the following, all of which we return to discuss at length later in the text:

1 The need to run the HR function in as efficient a manner as possible. The growth of the shared-services model, as well as HR outsourcing, is a result. The increased emphasis on measuring HR outcomes and progress against quantitative targets is another.

2 A capacity to recruit, retain and motivate high performers becomes increasingly significant the more competitive an industry becomes. The firms which gain and maintain exclusive access to the best brains are best placed to survive and thrive.

3 Increased competition tends to dampen wage demands, but in any event, produces a situation in which the capacity to increase pay is increasingly limited. Positive motivation, as well as the attraction and retention of staff, thus has to be achieved through different means. This is leading to an increased focus on the relational aspects of the employment experience and a reduced focus on transactional aspects.

4 Growing competitiveness means that it is more necessary to maintain high standards of quality and of customer service. This means meeting customer expectations, if possible surpassing them, and treating them as individuals rather than as a mass. To achieve this it is necessary to treat employees in such a way as to elicit high levels of effort and performance. This requires more attention to be given to job satisfaction and to employee engagement so that employees feel both valued and committed.

Industrial restructuring

Over the past sixty years, the trend accelerating in more recent years, most economies in the world have restructured profoundly in response to globalisation. Put simply, agrarian economies have become industrial economies, while established industrial economies have largely become service-based and knowledge-based. This has rarely been a matter of choice. Instead, in order to maintain growth, economies have increasingly had to focus on industrial activities in which they have a particular competitive advantage of some kind. The UK is a good example of a country that has restructured profoundly in response to globalisation, experiencing what amounts to a second Industrial Revolution over the past three or four decades. The adjustment has often been very uncomfortable as our economy has moved in a generation from one which was largely based on manufacturing prowess to one which is now dominated by service industries.

The key long-term trends are shown in Figure 2.1. This shows how during the period known as 'the Industrial Revolution' the proportion of UK output devoted to agriculture fell hugely as farming became more efficient, the population grew and became urbanised. Until the 1960s the manufacturing sector continued to grow and accounted for a very substantial proportion of the economy. Since then growth has been focused on the service sector, which now accounts for over 80% of both output and jobs.

The UK's shift in balance from manufacturing to services is typical of all the major western industrialised countries, although the process has been notably faster, and has gone further, in the UK than in most other EU member states and in the USA. The trend is almost entirely explained by the globalisation of the world economy. Quite simply it has become far cheaper to manufacture most products overseas in low-wage economies and to ship them to the big consumer markets than it is to manufacture them close to the consumer. The same is true of mined goods and agricultural products. The manufacture of lower cost goods is no longer profitable in the UK because the sources of raw materials are distant and because labour costs are relatively high. It has also become cheaper for UK consumers to import much of our food from overseas rather than to grow it here.

In place of the mass production of manufactured goods, the UK economy like many others has had to adjust so that it specialises in the provision of services for which there is demand elsewhere in the world. Hence, in recent decades as traditional manufacturing and agriculture have become less significant, the following industries have grown:

- financial services
- business services
- creative and cultural industries
- higher education
- research/science
- tourism
- hi-tech manufacturing
- sports and leisure
- retailing
- restaurants/bars
- IT
- construction/engineering

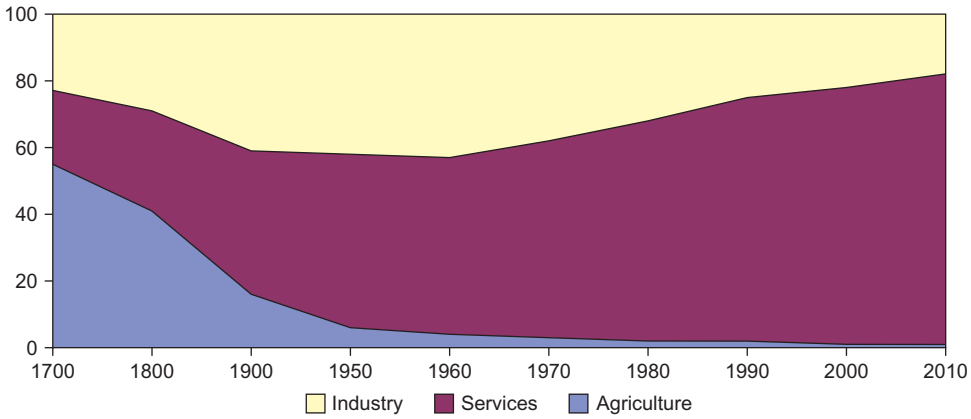


Figure 2.1
Proportion of the UK workforce employed in different sectors

Profound restructuring is also occurring across the developing world. Here we are seeing shifts of a similar nature to those experienced during the first Industrial Revolution in the UK. Agrarian economies in which most people work on the land producing food are becoming industrial economies, manufacturing goods which are sold all over the world. The key difference this time is in the speed with which developing economies are transforming themselves. They are also, in many cases, fast moving beyond the manufacture of cheaper manufactured goods into hi-tech, high value-added manufacturing and service provision. In the 1950s and 1960s Japan led the way, closely followed by other 'tiger economies' such as Hong Kong, South Korea, Singapore and Taiwan. These are now among the wealthiest nations in the world. We are currently seeing a similar transformation of the massive Chinese economy, which is truly now the centre of world manufacturing. Brazil, India and many other countries are following on close behind, with their vast populations and strong rates of economic growth. The beginnings of similar developments can also be observed in many African nations.

The impact of these changes on labour markets has been vast and continues to have a transformational effect. Quite simply they mean that the established stock of skills among a people becomes increasingly obsolete. We are all having to learn new ways of earning a living, and often having to relearn another set of skills later in life again. The process of industrial restructuring is thus a very painful one for many people, and indeed for whole communities. The skills that used to make people highly employable are increasingly not required. Established industries have less and less demand for people all the time as they decline and introduce labour-saving technologies, while newer industries often struggle to recruit people with the skills and experience that they need. We see this process happening across the world. It is creating in most countries a situation in which some skills are in over-supply, while others are in under-supply.

This has some deeply worrying social effects, as it leads inexorably to far greater levels of inequality. Goos and Manning (2007) and Goos *et al*. (2009) have argued in highly influential articles that labour markets in the UK and across Europe are increasingly assuming an hourglass shape as they become more polarised between higher and lower skills. In brief, they argue that the following is happening:

- Increasing numbers of people are being employed in relatively highly paid, secure, professional and managerial occupations in the finance, private services and some parts of the public sector.

- Jobs in manufacturing along with many clerical and administrative roles are being 'exported' to countries in Eastern Europe, to China, India and other developing economies where cheaper labour is readily available.
- At the same time, the growing number of higher paid people are using their disposable income to purchase services which cannot be provided from overseas. Hence the simultaneous and rapid growth in demand for hairdressers, beauticians, restaurant workers, and people to work in tourist and entertainment-oriented industries. These jobs tend to be lower paid.

The net impact is easy to appreciate. In the top half of the hourglass are people with skills that are in demand from the expanding industries. Here, over the long term, there are more jobs available than there are people who are appropriately qualified to fill them. The result is a relatively tight labour market in which skills shortages are relatively common, leading to upward pressure on wages and to desirable terms and conditions of employment. In short, employers have to pay well and to treat people well in order to attract and retain them. By contrast, in the bottom half of the hourglass things are very different. There are more people looking for jobs than there are jobs available. Wages are thus being pushed downwards, while employers get away with treating people poorly, employing them on terms which are undesirable. These trends can be traced back to the 1970s in the case of the UK and are clearly associated with the industrial restructuring that our economy has undergone in response to globalisation in the years since then. But the same processes are observable around the world as the new skills sought by economies are nearly always in shorter supply than those sought in the past. This is why, for example, there are major shortages of appropriately-qualified managerial staff in China (Cooke 2005: 175), skilled factory workers in South Africa (Wood 2011: 308, 317), academics in India (Thankachan *et al*. 2010) and medical staff in a great many developing countries (Koser 2007: 52).

SKILLS SHORTAGES IN THE UK



The Chartered Institute of Personnel and Development's (CIPD) annual surveys on recruitment report that throughout the past fifteen years a good majority of respondents work in organisations that are facing 'recruitment difficulties due to skills shortages':

2002:	77%	2008:	86%	2014:	78%
2003:	93%	2009:	81%	2015:	76%
2004:	85%	2010:	68%	2016:	75%
2005:	85%	2011:	75%	2017:	75%
2006:	82%	2012:	82%		
2007:	84%	2013:	60%		

There is every reason to expect these to continue in the future, and if anything to worsen due to demographic trends and the inability of the education system to meet the rapidly increasing demands of a knowledge-based economy. You can read more about these trends in Chapter 34.

The rise of multinational corporations

A multinational organisation is generally defined as one which is clearly based in a home country but which owns assets overseas. This is different from an organisation that operates internationally by exporting and importing products or services, but which does not own any overseas assets. Multinationals are also often distinguished from transnational corporations which operate internationally but are not run from or necessarily originate in any one country. There are plenty of multinational corporations (MNCs). Vodaphone is an example of a major British multinational. While based in the UK, the vast majority of its assets are overseas, as are its staff (85,000 of its 101,000 employees are based outside the UK).

As we explained above, FDI is the term that is used for a situation in which a company based in one country purchases assets in other countries. The United Nations Agency for Trade and Development (UNCTAD) publishes annual estimates of the total value of FDI across the world. They have been using the same methodology since 1980, allowing us to track the huge extent of its growth over the past thirty years, including a rapid acceleration in more recent years. Once inflation is taken into account, UNCTAD calculates the total value of FDI stock to have been worth just over $700 billion in 1980. By 1990 the figure had tripled to $2.1 trillion and by 2000 had reached $7.4 trillion. Their last published estimates in 2012 valued the total value of world FDI at $20.4 trillion, since when there have been further significant increases (UNCTAD 2012). The United Nations no longer estimates the total value of global FDI, instead reporting an annual figure. The latest estimate in 2018 put this at $1.43 trillion (UNCTAD 2018). These figures illustrate the sheer scale of the rise of multinational organisations in recent years. Some now have combined assets that are worth more than the gross domestic products of small countries.

Forbes, the American Business Journal, compiles a list of the biggest companies in the world as measured by an index which includes sales, profits, assets and overall market value. The top places are dominated by multinational banks, technology and oil companies. But what is most interesting about the *Forbes* list is the way that it changes from year to year, allowing us to observe the key trends. In 2006, the top ten contained six American-owned companies, one Japanese company (Toyota), one from Germany (DaimlerChrysler), one from the UK (BP) and Dutch Shell. Of these none are still in the top ten today. Back then there were four car manufacturers in the top ten, there are now only four in the top 50. Another major recent trend is the rise up the list of the giant Chinese banking and oil corporations. They hardly featured in the upper echelons of the *Forbes* list ten years ago when there were only twelve listed in the top 500. There are now fifty-two Chinese companies in the top 500, including five of the top ten.

Giving these companies a single national designation is becoming less and less tenable over time as they expand internationally and are increasingly owned by shareholders based all over the globe. BP, for example, actively discourages the use of its full, original name (British Petroleum) on the grounds that it owns more assets in America than it does in the UK and employs as many people there too. DaimlerChrysler is labelled 'German' but was formed by the merging of two corporations, one German and the other American.

Firms internationalise their operations for a variety of reasons. For most the major motivation is growth and the wealth-generating possibilities that are associated with expansion into new markets. However in some cases there is another aim, namely the desire to reduce costs by locating operations where labour is cheaper or more productive and other resources are more readily available at a lower cost. Dicken (2015) distinguishes

between these two approaches, naming the first a 'market orientation' approach to internationalisation, and the second, an 'asset orientation' approach. Other objectives also mentioned in the books and articles on internationalisation are as follows:

1 To reduce risk associated with a domestic business cycle. When one country is in recession, another may be booming. It thus makes sense for a company to have a presence in several countries.
2 In response to foreign competition in the home market.
3 To reduce costs by producing close to customers and suppliers.
4 To avoid tariffs by serving foreign markets from within.

Expansion into overseas markets tends to occur through two main mechanisms. One approach involves an organisation establishing subsidiaries in overseas countries, often with the help of intermediaries such as banks and consultants who are familiar with markets and how they operate in those countries. The second approach, which is becoming more common, involves merging with or taking over companies based in the target markets. One or two organisations, according to Dicken (2015), have been 'born global', in the sense that they start out as joint ventures between entrepreneurs who are based in different countries. He gives the example of the Momenta Corporation which was recently founded to exploit developments in 'pen-based computers'. Its founders come from four countries. Its initial operations were based in the USA, Germany and China, while its funding came from institutions based in several further countries.

In terms of its aims and objectives IHRM (i.e. HRM in an international or multinational organisation) is no different from HRM in an organisation based in one country. The purpose is to mobilise an appropriately qualified workforce, and subsequently to retain it, motivate it and develop it. IHRM, however, is more complex and necessarily has a rather different emphasis:

- IHRM involves working with an organisational structure that is more complex.
- There are a greater number of more diverse stakeholder groups to take account of.
- There is greater involvement in people's private/family lives because of the need to expatriate employees with their families.
- Diversity is necessary in terms of management style.
- There are greater numbers of external influences and risks to understand and manage.

IHRM is also generally harder to operationalise really well because of the communication difficulties that arise due to distance and language differences as well as cultural and institutional traditions and assumptions. This makes effective knowledge management and change management harder to achieve in particular. International HR managers thus need to have a somewhat different skill set from domestically focused HR managers and tend to develop careers exclusively in international organisations.

A particular issue of significance for international organisations concerns the design of internal structures and reporting lines. While these are complex issues at the best of times for large organisations, they are made a great deal more involved when geographically diverse workforces are included. Another significant way in which HR varies between nationally based and multinational organisations results from the presence of more multicultural teams, including senior management teams. While culturally diverse teams work well as generators of ideas and in their capacity to harness knowledge, they can operate

in a dysfunctional fashion unless care is taken to manage them thoughtfully. Steers *et al.* (2010) set out what they describe as three 'coping strategies' to use and develop when managing culturally diverse teams:

- Avoid cultural stereotypes (i.e. don't make assumptions about people based on a crude and limited understanding of their national cultures).
- See cultural differences in neutral terms (i.e. be fully aware of both the advantages and disadvantages that can come from the employment of diverse teams).
- Prepare for the unexpected (i.e. be aware of your own biases and cultural perspectives so that you can adapt quickly when dealing with those of others).

Volatility

The more competitive markets become, particularly as they internationalise, the more volatile and unpredictable the trading environment becomes for organisations. Economic stability of the kind that can exist and be promoted by government in a national market is much much harder to achieve internationally. Moreover, new technologies and applications are continually being developed all over the world and brought to market very rapidly. Insecurity, unpredictability and volatility are thus increasingly characterising many product markets, although the impact is far greater in some than it is in others. This inevitably makes it much harder than is the case in relatively stable business environments for organisations to be able to offer their staff long-term, stable employment of a traditional kind.

More intense competition and greater volatility also provide the pretext for organisations to change their structure more frequently. In some industries it has been observed that organisations are now engaged in 'permanent restructuring' as new opportunities present themselves and established businesses cease to generate the profits they once did.

Thanks in large part to globalisation we are thus faced with the evolution of a business environment which requires:

- more opportunistic approaches to business;
- maximum organisational agility;
- much more flexible working patterns;
- greater levels of functional flexibility;
- faster and more frequent change – both of a structural and cultural kind.

The result is a change in emphasis as far as HR is concerned. Different types of activity now top the HR agenda in organisations than used to in the past. There is, for example, a requirement to be much more actively involved in the promotion of effective change management. Organisations often handle the 'people side' of change very poorly. Decisions, even about major restructuring exercises, let alone mergers, acquisitions, downsizing and outsourcing initiatives, are frequently taken without consulting employees and, in many cases, without any genuine communication at all. This is partly due to poor management, partly due to wishes on the part of leaders to avoid conflict and resistance, and partly to the premium that must often be placed on commercial confidentiality in many situations (e.g. takeovers or sales of businesses).

Published research on the subject of change management is full of examples of situations in which change has been very poorly managed with negative consequences for

organisations. Baxter and Macleod (2008), for example, undertook a major longitudinal research project involving change management episodes in twenty diverse organisations. The aim, in each case, was to increase efficiency or quality. In practice all failed to meet their initial expectations due to poor management. Communication exercises were typically inadequate, while managers failed to take proper account of 'employees' feelings of insecurity and anger'. What was worse though, according to this study, was that the senior managers who were responsible sometimes failed to accept that their initiatives had disappointed in practice. Great efforts were made to manipulate data so that the appearance of success could be proclaimed, even though the vast majority of employees knew this to be a fake. Further cynicism was then generated by the launch of newer initiatives aimed at achieving the same objectives, but with different names. According to Baxter and Macleod, it was only when employees were fully involved in planning and decision making that the same problems were subsequently avoided, making second attempts at introducing change more successful. This conclusion should come as no surprise. The well-known adage 'people support what they help to create' carries a great deal of truth, but is something that leaders in organisations often appear to ignore.

Conclusions

We can conclude this chapter by observing that globalisation is both deeply rooted and probably irreversible. Its impact on industry and the business context has been and continues to be transformational. As far as people management is concerned globalisation has not, however, changed the core purpose of the HRM function. This remains as it always has been: to recruit, retain, develop, motivate and engage employees more effectively than competitors are able to in order to sustain superior levels of performance. Instead the major impact has been to complicate HR practice and in important ways to make it harder to accomplish the core purpose effectively. Globalisation requires us increasingly to manage in culturally diverse settings and to manage teams of staff from a wider variety of backgrounds. It requires us to manage people through more complex organisational structures and often to do so in a state of near-perpetual change. Increased competitive intensity requires us both to work harder at recruiting, retaining and motivating good performers, while at the same time restricting the resources available to achieve these objectives as tighter cost control becomes increasingly necessary. We are tasked with making organisations much more flexible and responsive to change which inevitably reduces job security. Yet at the same time we are being urged to elicit loyalty and greater levels of discretionary effort from our staff. The need to keep a tight rein on costs is also creating a situation in which HR functions not only have to add value for their organisations, but also must be seen to be adding value, being required to justify their existence in raw financial terms. Above all, globalisation has brought much more uncertainty and unpredictability to our business environment. This makes longer-term human resource planning less and less viable, its place in HR strategy gradually being replaced by the need to build a capacity for flexibility and organisational agility so that unforeseen opportunities can be seized and exploited more rapidly and effectively than can be achieved by competitor organisations.

SUMMARY PROPOSITIONS

1.1. Globalisation is the most significant contemporary development in the business environment. It has largely been brought about as a result of technological developments and the choices made by governments around the world.

1.2. Globalisation has had a major impact on businesses and the management of people. This will continue for the foreseeable future.

1.3. The major changes brought about by globalisation have been increased volatility in product markets, increased competitive intensity, wholesale industrial restructuring and the rise to prominence of multinational corporations.

1.4. The impact on HRM has largely been to make it more challenging and complex to achieve core people management objectives.

GENERAL DISCUSSION TOPICS

1. Would it be either possible or desirable either to reverse the globalisation process or to slow it down considerably?

2. From a people management perspective who are the biggest winners and who are the biggest losers from globalisation?

3. Why are the developments discussed in this chapter affecting some industries more profoundly than others?

THEORY INTO PRACTICE

Dixon Ticonderoga

Until quite recently Dixon Ticonderoga was a dominant player in the American pencil market. Able to trace its origins back to the 1790s, throughout the twentieth century the company was a household name across the USA. For 100 years the company managed to maintain a highly profitable 30–40% share of a growing US pencil market, its iconic 'Number 2' yellow and green pencils being used across the country by millions of children when sitting school tests and exams. By 1990, 4 billion pencils were being sold each year in the USA, a good chunk of them manufactured by Dixon at its plants in Florida. At this time, four American manufacturers dominated the market, Dixon Ticonderoga being the second biggest, enjoying annual revenues of $90 to $95 million a year.

Things started to change rapidly after 1990 with the entry of Chinese manufactures into the American pencil market. By using cheaper labour and sourcing much cheaper raw materials

of superior quality, Chinese pencils could be retailed at half the cost of those manufactured by Dixon. Moreover, in many consumers' eyes they not only looked the same, but functioned more effectively too. The result was a prolonged period in which pencils originating in Chinese factories steadily captured a greater share of the US market. In 1991 imported pencils accounted for just 16% of the total US pencil market, reaching 50% by the turn of the century. In 2004 imports accounted for 72% of the market and by 2010 for 87%. What is more, this level of penetration was achieved despite the US government applying big tariffs on imported pencils in order artificially to inflate their prices, $4 million being collected from Chinese pencil manufacturers in 2010.

Dixon Ticonderoga was slow to respond effectively to the challenge of overseas competition. Reluctant to downsize or close its US plants or to source materials from outside the USA, it held back from taking the radical strategic decisions necessary in order to secure its revenues and its future as an independent company. It was one of the companies that successfully lobbied for the imposition of tariffs on imported pencils in 1994.

Over time though, changes were made. Dixon started to ship wood from Indonesia, and rubber for erasers from Korea. The company also experimented by making pencils out of recycled paper cases. But they were still unable to compete effectively with their Chinese competitors. Eventually the difficult decision had to be taken to stop manufacturing standard, mass-market pencils in the USA, so in 2000 production was shifted to a plant in Mexico and to a wholly owned subsidiary in China.

Today the Dixon Ticonderoga brand remains in existence, but its market share is tiny compared to that which it enjoyed twenty or thirty years ago. It focuses increasingly on niche stationery products at the luxury end of the market, and no longer manufactures pencils in America or uses raw materials sourced in the USA. Since 2005 Dixon has been owned in its entirety by the Italian industrial conglomerate Fila-Fabricca Italiana.

Questions

1. How did Dixon Ticonderoga and the other US-based pencil manufacturers manage to hold on to such a dominant share of their market until 1990?
2. Why do you think managers at Dixon Ticonderoga were so slow to respond radically to the arrival of overseas competitors?
3. In retrospect, what steps should they have taken in the 1990s to secure their future?
4. What would have been the likely HRM consequences had they taken these steps?

Sources: www.fundinguniverse.com/company-histories/dixon-ticonderoga-company-history; www.bloomberg.com/news

FURTHER READING

The book entitled *Global Shift* by Peter Dicken (2015), now in its seventh edition, offers a superb introduction to all aspects of globalisation including detailed case studies of the impact on particular industrial sectors.

Global HR: Challenges Facing the Function by Peter Reilly and Tony Williams (2012) provides a very readable, well-informed and up-to-date survey of the various different ways in which mostly UK companies are adjusting their HRM practices in the face of globalisation.

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CHAPTER 3

HRM AROUND THE WORLD

THE OBJECTIVES OF THIS CHAPTER ARE TO:

1. Set out the major ways in which HRM practice is similar from country to country
2. Recognise the major ways in which HRM practice varies from country to country
3. Identify models of HRM that are associated with particular countries
4. Explore the major dimensions of cultural difference between work-places based in different countries
5. Assess how institutional differences help account for differences in HRM practice across national borders



It would be reasonable to assume that the globalisation of so much economic activity and the growth of multinational corporations would mean that HRM practice would also be thoroughly globalised. In fact, as has been demonstrated by many hundreds of comparative studies carried out in recent years, this is not the case at all. While some aspects of HRM activity are pretty standard across much of the world, there remains a great deal of diversity and this looks set to remain the case for the foreseeable future. That said, it is also true that much contemporary HR thinking and many theories concerning the effective management of people are now debated internationally and are thus inevitably having an influence across both industrialised and developing economies. It is also the case that models of HRM which have served particular countries very well over the years are widely studied internationally and that these have influenced practice well beyond the nations in which they originated. This is particularly true of the American and Japanese models, and also – at least within the context of Europe – of approaches associated with German HRM.

In this chapter we will introduce the field of comparative HRM, looking at the major ways in which HRM is carried out in a broadly similar way internationally and those in which we observe significant differences. We will also consider the evidence in support of greater convergence over time and that which points to continued divergence. We will go on to examine some of the major alternative models of HRM that are associated with different countries before discussing why, in an era of greater globalisation, HRM practice continues to retain such strong national characteristics.

Global HRM: similarities

In the published research on comparative HRM most of the attention is focused on the significant diversity of practice that we see across the world, but this should not obscure the fact that there are also very significant similarities too, particularly when it comes to fundamentals. We can state with some confidence, for example, that it is now usual to find a specialist function with responsibility for employment issues in organisations of any size everywhere in the world. This is true of the industrialised countries where such a function has been established in larger organisations for a century or more, and also of those in emerging economies where it is a much more recent innovation. Secondly, it is true to state that in the vast majority of countries the term 'human resource management' is commonly used to describe these activities and that this has replaced terms such as 'personnel administration' and 'personnel management' that were previously used very widely. It is also the case that across the world the core objectives of the HR function in organisations are broadly similar and very much along the lines that we set out in Chapter 1. Administrative objectives are more pronounced in some countries than others, but everywhere the administration of the employment relationship takes up a good portion of HR managers' time and is carried out along broadly similar lines (Lawler and Boudreau 2015: 17). It is thus reasonable to conclude that it is not what HR managers do that varies so considerably from country to country, but the way in which those core tasks are approached and the priority that is given to different types of activity.

In 2014, Bruce Kaufman published an edited text in which leading scholars based in seventeen diverse nations on all five continents discussed the historic development of

HRM in their own countries. When reading these chapters, one is struck as much by the similarities between their experiences as by the very different contexts in which contemporary HRM practice has evolved. Pretty well everywhere, for example, it is clear that the presence of specialised HR functions has become much more common in recent years and that HR management has grown in terms of its prestige and prominence within organisations. This has also been accompanied in most countries by the growth of some form of professional body to represent the interests of HR managers and of HRM courses being offered in business schools. This text also makes it clear that across the world there is a well-established interest in ideas about HRM strategy and the potential contribution that HRM can make to the achievement of organisational goals, including superior business performance. However, its authors also note that relatively slow progress has yet been made towards the realisation of such ideas in practice. In other words, while strategic thinking is in the ascendancy, the function remains essentially administrative in nature in the majority of organisations (Kaufman 2014).

Other researchers have argued that we are seeing a degree of convergence over time in terms of how HRM is carried out in different countries, although the evidence for this remains patchy and is the subject of considerable controversy. Lawler and Boudreau (2015), for example, in their study of multinational organisations based in seven countries, suggest that over time HRM functions are becoming increasingly sophisticated in the approaches they take, keener to adopt strategic thinking (if not practice) and also more likely to evaluate their contribution using analytical tools of one kind or another. Sparrow (2012: 285) cites International Labour Organization (ILO) research which shows that 'new forms of employment have gained ground' all over the world in recent decades as organisations have adopted different forms of flexible working practices such as part-time working and variable hours. Others such as Briscoe *et al*. (2012: 403) note a tendency across most countries towards more of a 'performance-driven' approach to HRM, to which Brewster and Mayrhofer (2012: 9) add greater professionalisation and sophistication of HRM activity, more usage of contingent reward systems such as performance-related pay and much more focus on effective communication with employees.

However, these developments do not necessarily mean that we are heading towards a situation in which there is greater uniformity in the ways that HR managers approach their work across different countries. Most researchers working in this field make a distinction between what they call 'directional convergence', by which they mean the broad direction of travel that is observed in HRM across countries, and 'final convergence', which describes a situation in which a broadly similar approach to HRM is adopted across national boundaries. The consensus is that while we can identify a good deal of directional convergence, we are still a very long way from seeing much by way of final convergence. In other words, almost everywhere the same ideas are being adopted, influencing the way that HR management is carried out, but adoption and diffusion of these is occurring in countries which start from very different points. We can thus say that there is a tendency in most countries for better communication with employees (directional convergence) but that this still leaves a very big gap indeed between the nature and extent of that communication in, for example, the USA, where communication is already common and relatively sophisticated, and Russia, where communication has been very limited historically.



ACTIVITY 3.1

We introduced 'best practice' thinking in HRM (see Chapter 1), a commonly held point of view which holds that there is a bundle of HR practices that, when implemented, together provide a recipe for superior business performance. Importantly, supporters of this view argue that best practice HRM applies across all types of organisations, operating in all manner of industries.

What implications does the research on best practice HRM have for the debate about international convergence and divergence in approaches to HRM? What might it suggest will happen in the future?

Global HRM: differences

While it is, of course, true that HRM policies and practices vary very considerably within different countries, it is clear from decades of research that the differences between countries are considerably greater. In other words, we can usefully identify and make comparisons between the ways that people are typically managed in different countries and regions of the world. There is a distinct French approach which is different from the German approach, a distinct Russian approach, a distinct American approach and a range of different approaches used across Africa, South America, the Middle East and the Asia–Pacific countries.

The key differences are not always easy to summarise. This is because there is often a mismatch between formal HRM policies (which tend to be quite similar internationally) and the way things are actually done in practice by managers on a day-to-day basis. The following are some of the key variables that we can observe:

- The extent to which independent trade unions play a role in decision making and the manner in which managers and unions interact.
- The extent to which 'a rule of law' applies across an organisation, everyone complying with set policies regardless of rank or relationships.
- The level of sophistication of HR practices that are adopted and the extent to which HRM has a strategic character.
- The propensity of people to move from employer to employer when developing their careers.
- The extent to which labour law restricts management action and the costs associated with complying with the law, particularly when terminating contracts.
- The extent to which organisations are in the habit of planning for the long term when developing HR policies and practices.
- The level of individual employee involvement in decision making.
- The extent to which management decision making is evidence based and not informed by individual management 'hunches'.

We do not have the space here even to begin to summarise the different approaches that tend to be taken in each of these areas across the world, as every country differs in some respects from others. Instead, we will illustrate the extent of global diversity in HRM by considering examples of national HRM models associated with some of the largest economies in the world: the American model, the Japanese model and the German model – each of which has proved to be internationally influential over time.

The American model

Human Resource Management, as it is typically practiced by larger private sector companies in the UK, was largely invented in the USA – at least in larger organisations – with a good degree of sophistication.

The presence of highly competitive, liberalised product markets and a strong trend 'towards a footloose capital without commitments to place or people' (Friedman 2013: 165) mean that organisations tend to focus on achieving relatively short-term financial objectives and that employees are 'hired and fired' as required to help fulfil these objectives. Because of the widely held assumption in the USA that private sector companies exist primarily in order to further their owners' financial interests, earnings per-quarter per-share tend to be the most significant benchmark by which management teams are judged. The short-termist outlook also apples to employees. It is not usual for people to work in any one organisation for very lengthy periods and employees do not generally enter employment with such expectations. It is more common for them to develop their careers by moving from employer to employer every few years, resulting in relatively high levels of staff turnover when compared with the norm in most other countries.

In the USA there is thus a very fluid and highly competitive labour market which obliges employers to compete fiercely with each other to secure high-quality employees with the skills and experience necessary to enable them to thrive as corporations.

It follows that the HRM activities in the USA are more central to an organisation's ability to survive and compete effectively than is the case elsewhere. Strong performers have to be treated well if they are to be recruited, retained, engaged and persuaded to perform to high levels. This has led many US corporations to develop HR strategies which mirror their organisational strategies, and to invest a good deal of money in sophisticated selection, training and reward systems which help them to employ the best possible people. Once hired, talented employees tend to be relatively well paid, but also to be rewarded according to personal performance measured in financial terms. Poor performers, by contrast, tend to be dismissed without much ceremony. Trade unions have a peripheral role in most US corporations, where they are present at all, and managers thus enjoy very considerable freedom to shape HR practices according to the needs of their businesses.

Hampden-Turner and Trompenaars (1993) further observe that management (including HRM) in the USA has two characteristics that tend to differentiate it from common practice elsewhere in the world:

1 A strong preference for evidence-based decision making and financial analysis. Everything is evaluated in financial terms and decisions made according to judgements about what will bring the best short-term financial returns.

2 A commitment to universalism. US managers like everything to be standardised across their operations. Rules-based decision making is thus the norm. Everyone is expected to conform to the same sets of rules and to apply them across the organisation.

HRM in the USA thus tends to be quite formal and rational in character, procedures being developed at the corporate level which are then observed without exception across the whole organisation.

US-style HRM has been hugely influential globally, not least in the UK where broadly similar assumptions tend to underpin the way people are managed, at least in the private sector. The only fundamental differences between US and UK HRM arise from the much more restrictive legal environment in which UK-based organisations are obliged to operate. The US-model has also tended to be followed, albeit with significant local adaptations, by companies in other English-speaking countries, notably Canada, Australia, New Zealand and Ireland. Its influence, however, has proved to be far more widespread in recent years. As we noted above, the broad direction of travel for HRM internationally has been towards a more sophisticated, individualised, people-focused approach to the management of the employment relationship. Moreover, much global, contemporary thinking about HRM in a broad sense can be said to originate in large part in the USA. This is true, for example, of the idea that HRM managers should seek to develop a strategic approach to their work, looking to support the achievement of defined organisational objectives and adding value rather than simply carrying out administrative activities.



WINDOW ON PRACTICE

The US-based media services provider Netflix started out in 1997 as a company that sold and rented DVDs. Since 2007 it has been streaming video content. In 2012 it started producing its own films and TV dramas. In 2019 it had over 140 million subscribers in 190 countries and produced around 150 films and TV series, amounting to over 1,000 hours of high-quality TV. Its content has won numerous awards and it is now estimated to be worth over $5 billion. By any standards it is a massively successful enterprise. The company, however, has chosen to take a rather unconventional approach to aspects of its HRM. It only employs 5,500 people directly, relying very heavily on contracting arrangements made with other companies. When it hires people no guarantees at all are made about long-term job security. Instead the Netflix model involves paying high salaries while employing a lot of people on a sub-contracted or fixed-term basis. Very limited formal training is provided, employees being obliged to seek out their own human resources development (HRD) opportunities. The company is, however, very transparent about its future plans so that staff can plan their own possible career trajectories in and outside the company.

The German model

HRM in Germany differs from the US model in many respects. First and foremost, management is less exclusively focused on serving shareholder interests. A 'stakeholder' approach underpins assumptions, recognising that a number of parties, including employees and the communities that they are drawn from, share with a company's owners a legitimate interest in its success and survival. The result is a longer-term orientation to decision making and a preference for management by consensus. The widespread presence of Works Councils ensures that employees participate formally in decision making and that their interests are taken into account. Moreover, industry-level collective bargaining serves to limit the extent

to which HR managers are free to implement strategies which support the strategic objectives of their particular organisations (Zagelmeyer 2011: 322).

People are also much more likely in Germany to remain employed in the same enterprise for many years, and the commitment to investment in internal training systems reflects this. There are also strong internal labour markets and hence a focus on succession planning, career development and internal promotion.

Managers in Germany are also much more restricted than they are in the USA by legislation and by the continued presence of national-level collective bargaining whereby management representatives negotiate terms and conditions of employment with trade unions on behalf of a whole industry.

The result is a system of relatively generous holiday entitlement, limited working hours and high expenditure on training and development. Reward tends to be less heavily performance-based, more incentives being paid on a team rather than individual basis as in the US model. Differentials between high and low paid people are much less than in the USA. It is a great deal harder (and more costly) to fire people in Germany than in the US. This is partly because trade unions are much stronger, and partly due to legal restrictions.

Where the US and German models are similar is in their use of sophisticated HR practices that are universally applied. Hence recruitment and selection operate in a very similar way. General organisation rules are developed and applied to everyone in the same way too. The main difference is that in Germany staff participate to a far greater extent in the making of the rules.

Both the US and German models are associated with high levels of productivity, but this could be more to do with the strong work ethic that exists in both countries as much as the HR policies and practices which prevail. The German model has been influential across Europe, and is largely followed elsewhere with some significant variations. In Scandinavian countries such as Denmark and Sweden, a model that is similar to that of Germany is broadly followed, but here, because labour law is somewhat less restrictive than it is in Germany, managers have more freedom to hire and fire. However, because democratic approaches to management and trade union involvement are even more pronounced, workplace cultures tend to be less hierarchical and bureaucratic than they often are in Germany. In France and the southern EU counties (Italy, Spain, Portugal, etc.) unions are much weaker, but collective bargaining is still very common at industry level. Legal requirements are also stricter. Yet within businesses managers are less likely than they are in Germany to consult about decisions, being more autocratic and less rule-bound in their approaches. Legal restrictions limit what managers can do, but they interpret the rules unilaterally and expect to be deferred to. There is thus much less of a commitment to consensus decision making. This also appears to be true of the Eastern European countries as they have emerged from the communist era. They are adopting some elements of the German model, but also are heavily influenced by US-type HR thinking. Here, though, management is a lot less consensual, much more autocratic and less rule-bound than is the case in the USA (Morley *et al*. 2012: 567–8).

The Japanese model

The Japanese model of HRM, like the German model and the American model, has been widely studied and has been very influential globally over recent decades (Ahmadjian and Schaede 2015). In some respects, Japanese management practices are like those of Germany, only more extreme. The system of 'life-time employment', for example, ensures

that there is relatively little competition for labour between companies and very strong internal labour market structures. Once employed by a company, the norm is for people to stay there for many years, showing very considerable levels of loyalty which are reciprocated by the employers. HR systems thus tend to be based heavily on consensus and a long-term orientation, with significant investment in training and development so that people can progress within their firms. The big differences are:

- much more flexibility on the part of Japanese workers to work in different parts of an organisation, retraining as required;
- far fewer formal rules and much more decision making influenced by personal relationships;
- unions are enterprise-based rather than industry-based;
- seniority-based payment systems that reward long service over individual performance.

Aspects of Japanese working practices have been copied all over the world, some more successfully than others. In the UK, for example, there have been strong moves in recent years towards team working and employee involvement, more flexible working practices and partnership agreements with trade unions including no-strike deals. The management philosophy known as 'total quality management' also originated in Japan and has proved highly influential internationally. This approach involves lighter-touch supervision and more team-working, teams taking responsibility for ensuring that they meet targets and achieve defined levels of quality when carrying out their work.

Accounts of the Japanese model nowadays always need to carry an important caveat. The long-term stagnation of the Japanese economy over the past two decades has tended to mean that aspects of the established model are being challenged in Japan, resulting in the adoption of new approaches which are less consensual in nature, more individually focused and more performance-driven (Woo 2014). While the core elements of the Japanese approach to HRM remain in place, there is a question mark over their longer-term survival.

HRM in industrialising countries

Across the world economies are industrialising at a rapid rate, developing large, educated, middle class populations while competing increasingly effectively in the global economy (see Chapter 2). This process involves people moving from agricultural employment into jobs in factories and offices that are mainly based in cities. In many cases it is also associated with the privatisation of state-owned enterprises and substantially increased competition between firms both for business and people. At the same time, we see a more sophisticated approach to HRM evolving which resembles established practice in the industrialised countries. There is also a strong tendency, once a country begins to reach an advanced state of industrial development, for labour regulations to increase.

It is too early to tell whether a distinctive Chinese model or Indian model or South American model or African model will ultimately evolve which will be substantially different from the US, German or Japanese models discussed above. At present, in the main, we observe the adoption of these practices blended with local traditions. In China, for example, American-style HRM practices are mixed with the more traditional egalitarian

and bureaucratic approaches that are associated with employment in state-owned organisations. Trade unions are weak and passive, but employees tend to be loyal and committed to their enterprises. By contrast, in India traditional and highly autocratic management styles are vying for dominance with the more democratic, involving thinking associated with more sophisticated, rules-based HR practices associated with western enterprises. Everywhere across the emerging economies multinational corporations play an important part in introducing more sophisticated HRM practices and strategic HR thinking as they seek to maximise their attractiveness as employers in order to recruit the most talented staff.



WINDOW ON PRACTICE

The success of the Chinese economy in recent decades and the country's emergence as one of the very biggest economies in the world has generated a great deal of interest among western researchers. This has led to much debate about the extent to which a distinctively Chinese approach to HRM is emerging which may, in time, prove to be as internationally influential as the US, Japanese and German models were in the past.

What might a Chinese model of HRM look like?

China shares its long-term orientation with Japan, but in China labour markets are much more competitive and open. Skills shortages prevail in many industries and people move from employer to employer much more readily than is the case in Japan. Trade unions exist in most larger Chinese enterprises, but they operate in a very different manner than that we are used to in western industrialised countries. They tend not to oppose management decisions and are, to all intents and purposes, part of an organisations' management. Labour law is developing quite rapidly, but because its enforcement is widely considered to be patchy, Chinese workers have little by way of formal employment regulation to protect them from unreasonable demands on the part of their managers. They remain productive in the large part because the strong collectivist traditions that are deeply embedded in Chinese culture ensure that managers take a reasonable approach, seeing it as their duty to look after the interests of their employees. The system retains discipline and integrity because of the importance in China of 'not losing face' and hence performing your duties effectively, as well as the presence of 'guanxi' which means that people feel a strong sense of obligation towards others in their personal social networks. Chinese HRM is also a lot less administratively sophisticated than it is in many other countries, companies being much less burdened with policy and bureaucracy of an HR-related kind (Lawler and Boudreau 2015: 159).

Things may change in China, but the model that appears to be emerging is decisively different from others in the world and may well prove globally influential in time. It is characterised by simplicity, and limited rules, combined with an autocratic management style which has a strongly paternalistic character. Decisions are taken with a long-term focus, steady evolution being preferred to more risky, revolutionary or transformative change of the kind so often favoured in western industrialised countries.