CHAPTER 1

People management: personnel management and human resource management

INTRODUCTION

Good managers are not only effective in their use of economic and technical resources, but when they manage people they remember that these particular resources are special, and are ultimately the most important assets. People are the only real source of continuing competitive advantage. Good managers also remember that these particular assets are human beings.

LEARNING OUTCOMES

On completion of this chapter you should:

- have a good appreciation of what the 'people management' function in contemporary organisations comprises
- know what we mean by the term 'human resource management' (HRM) and how this differs from the earlier 'personnel management' (PM) concept of the function
- have some appreciation of the theoretical development of HRM
- understand the relationship between HRM and business strategy
- have an appreciation of the practical application of HRM
- understand the impact of new working methods on HRM
- recognise some of the key themes of HRM in the twenty-first century.

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

The definition of terms such as 'personnel management' and 'human resource management' is one area of particular confusion and irritation to general managers, and we will discuss later the differences between what typically is meant by these terms. We will use the phrase 'people management' as a generic term to cover both 'personnel management' (PM) and 'human resource management' (HRM) in the absence of a specific definition of either.

But broadly, we can say that the 'people management' function – whether we wish to define it as 'personnel management' or as 'human resource management' – may be described as:

> All the management decisions and actions that directly affect or influence people *as members of the organisation rather than as job-holders*.

In other words, people management is not executive management of individuals and their jobs. Management of specific tasks and responsibilities is the concern of the employee's immediate supervisor or manager – that is, the person to whom his or her performance is accountable (sometimes this might be the person's team). So people managers – whether 'personnel managers' or 'human resource managers' – do not have line authority over employees.

The term 'human resource management' was being used by Peter Drucker and others in North America as early as the 1950s without any special meaning, and usually simply as another label for 'personnel management' or 'personnel administration'. By the 1980s, however, HRM had come to mean a 'radically different philosophy and approach to the management of people at work' (Storey, 1989; pp4–5) with an emphasis on performance, workers' commitment, and rewards based on individual or team contribution, differing significantly in all of these from the corresponding aspects of traditional personnel management.

One of the main characteristics of HRM is the devolution of many aspects of 'people management' from specialists directly to line managers. HRM itself has been called 'the discovery of personnel management by chief executives'. So line managers over the past ten years or so have frequently been confronted with HRM decisions and activities in their day-to-day business in a way that was not the case previously.

This process has been accelerated by a more recent development which adds to the burden of the line manager while increasing the effectiveness of the organisation as a whole. Outsourcing of large areas of the traditional personnel management department's routine functions has happened on a massive scale in the last decade. Outsourcing of non-core functions, allowing the organisation to concentrate on its core competencies, has been one of the single most important organisational factors in both business and the public sector in recent times. It is extremely unlikely that this will be set in reverse in the foreseeable future. In the case of HR services the 'dis-integrating' effects of outsourcing have been amplified by such related developments as 'e-HR', in which the use of new technologies allows the provision of 'self-service' HR to employees and managers, and 'HR business partnering', in which large organisations disperse 'HR partners' to constituent businesses (Caldwell and Storey, 2007).

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

This outsourcing does not remove the day-to-day burden of HR from line managers: it increases it. Nor does it remove the need for HR specialists, but these people are just that – highly specialised, technical experts who act as consultants, either internally in the case of larger organisations, or externally (eg as a specialised bureau service used by line mangers as required). This means that it will be more important than ever for line managers to communicate effectively with HR specialists and be able to weigh up their advice in an intelligent and knowledgeable manner – and to do that they have to speak the language and understand the concepts of the expert.

REFLECTIVE ACTIVITY

Write down what you think personnel or human resource managers are actually supposed to do.

WHAT DO PEOPLE MANAGERS DO?

Torrington *et al* (2008), an authoritative text widely used in teaching managers who are studying for the professional exams of the Chartered Institute of Personnel and Development (CIPD), describe the general role of people management as comprising specific objectives under four headings: staffing, performance, change management, and administration.

- *Staffing objectives* are firstly concerned with 'getting the right people in the right jobs at the right times' – ie the recruitment and selection of staff, but increasingly these days also advising on subcontracting and outsourcing of staff. Staffing also concerns managing the release of employees from the organisation by, for example, resignation, retirement, dismissal or redundancy.
- *Performance objectives*: people managers have a part to play in assisting the organisation to motivate its employees and ensure that they perform well. Training and development, reward and performance management systems are all important here. Grievance and disciplinary procedures are also necessary, as are welfare support and employee involvement initiatives.
- *Change management objectives* include employee relations/involvement, the recruitment and development of people with the necessary leadership and change management skills, and the construction of rewards systems to underpin the change.
- *Administration objectives* include the maintenance of accurate employee data on, for example, recruitment, contracts and conditions of service; performance; attendance and training; ensuring organisational compliance with legal requirements, for example in employment law and employee relations; and health and safety.

General managers are increasingly involved directly in all of the first three types of objectives. Other than in managerial oversight for legal compliance issues, administration objectives tend to remain the preserve of dedicated PM/HR support staff.

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

The above closely reflects the arguments in David Ulrich's highly influential *Harvard Business Review* article of 1998, 'A new mandate for human resources', which has helped to shape human resources (HR) in the new century. After acknowledging that some commentators had been calling for the 'abolition of HR' on the grounds of serious doubts about its contribution to organisational performance, Ulrich agreed (Ulrich, 1998; p.124) that:

> there is good reason for HR's beleaguered reputation. It is often ineffective, incompetent and costly.

His solution was for HR to be 'reconfigured' to focus on outcomes rather than on traditional processes such as staffing or compensation:

> HR should not be defined by what it does but by what it delivers – results that enrich the organisation's value to customers, investors and employees.

His recommendations were that:

- First, HR should become a 'partner' with senior and line managers in strategy execution.
- Second, it should become an 'expert' in the way work is organised and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained.
- Third, it should become a 'champion for employees', vigorously representing their concerns to senior managers and at the same time working to increase employees' contribution – 'that is, employees' commitment to the organisation and their ability to deliver results'.
- Finally, HR should become an 'agent of continuous transformation', shaping processes and a culture that together improve an organisation's capacity for change.

Ulrich's model of the HR role has set the agenda for people management in the twenty-first century as being essentially about its contribution to organisational performance.

Linda Holbeche, the Director of Research and Policy for the CIPD, has written (Holbeche, 2007; pp10–11) that

> building organisational capability is HR's heartland,

and she added that HR managers

> can help make capitalism human.

These two statements more or less sum it all up.

SO WHAT IS HRM?

What exactly does this rather self-important-sounding phrase 'human resource management' actually mean? To many people it is seen as just a fancy or

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

pretentious re-labelling of what used to be called 'personnel management'. But to many managers and management theorists it is vital to the survival and success of organisations in the twenty-first century. Why they think so really derives from one single, simple idea: that people – their skills, knowledge and creativity – are *the* key resource for economic and organisational success in what Peter Drucker (1993) called 'the knowledge-based economy'.

By the 1970s a settled idea of people management in large organisations had evolved in developed free-market economies, and this was typically termed 'personnel management' (PM) or sometimes 'personnel administration' (PA). It reflected the predominantly Taylorist[1] organisation of work, which in turn had developed to exploit the technology available for the mass production of industrial goods. It acknowledged and incorporated the institutions of collective industrial relations recognising the role and power of trade unions.

The extraordinary economic success of Taylorist industrial practices ensured that this became the standard model for all large organisations, even those in service industries and in the public sector, and PM techniques used in industry – eg in recruitment and selection – were usually assumed to be best management practice.

Something of a revolution in people management occurred in the 1980s which seemingly overturned the established paradigm[2] of personnel management in favour of 'human resource management' (HRM). If today, over a quarter of a century later, one surveys the academic and professional management literature on people management, whether aimed at specialists or at general managers, one would think the revolution had been total. Normative models[3] of HRM and examples of HRM 'best practice' abound, with little or no trace of traditional personnel management.

However, if in fact we look at the empirical evidence, we are forced to conclude that indeed there has been a revolution, but that it is not complete in terms of either organisational culture or management practice.

Few, if any, new techniques of people management have been developed within HRM. It is often the scope and manner of their use, and the intent behind their employment, that differs in the two approaches. For example, psychometric testing and personality profiling have been available for decades but in PM these were used only for executive and other highly paid appointments. Many firms adopting HRM now routinely apply such techniques to all appointments, the intention being not to predict whether one high-cost appointment will be successful in a particular role but rather to ensure that all employees can accept a strong common culture.

As we will discuss in some detail in the following section, it makes sense to talk of two paradigms in people management: 'personnel management' ('PM') and 'HRM', the latter being predominant, and increasingly so, but with most organisations still showing some mixture of the two.

We will first discuss the evolution of each of these paradigms.

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

THE EVOLUTION OF PEOPLE MANAGEMENT AND THE EMERGENCE OF 'PERSONNEL MANAGEMENT'

People management originated in the UK in the nineteenth century amidst the factory conditions of the first Industrial Revolution. The unrestrained capitalism of the initial industrialisation of the UK was restricted by the Factory Acts of the 1840s, which compelled factory owners to consider the well-being of their workforces, at least to some degree. Enlightened capitalists such as Rowntree and Cadbury, who were often motivated by religious convictions, appointed 'welfare officers' to monitor and improve the conditions and lives of workers. Their actions would often seem intrusive and paternalistic today – for example, they discouraged drinking out of work hours as well as during. Caring for the welfare of employees was thus the first true 'people management' role in the sense of organisational responsibility beyond that of specific job performance.

With the rise of industrial trade unionism in the twentieth century another role evolved in people management – that of negotiating and communicating with the collective representatives of the workforce (the workplace 'shop stewards' and the full-time paid trade union officials) on behalf of the organisation.

The rise of 'scientific management' and the organisation of industrial work along Taylorist lines also led to increased interest in more rigorous selection of personnel administered by management, instead of the haphazard traditional methods which often relied on the foremen or 'gangmasters' to pick men and women for work. It also led to management taking an interest in organising and providing skills training.

Following World War II, social science – particularly as employed in the Human Relations School – started to exert a direct influence on work in the areas of job design, attempting to ameliorate the worst side-effects of scientific management while still achieving its productive and economic benefits. Although such developments might not affect people management directly, they shaped the culture in which it was operating and evolving. The conscious application of social science also encouraged the use of more sophisticated techniques in recruitment and selection, which did have an impact on people management policies and practice.

By the 1970s a fairly consistent set of activities and roles had developed for people management, which in most large organisations was perceived as a specialist management function, usually termed Personnel Management and comprising the areas of recruitment and selection, pay and conditions of service, employee welfare, industrial relations, training and development, and employee exit (retrenchment, redundancy or retirement). Most day-to-day people management, especially in the area of employee relations, was handled by personnel specialists and not by line managers. In the UK the professional status of personnel managers was supported by the formation of the Institute of Personnel Management (IPM), which was later to evolve and become the present-day Chartered Institute of Personnel and Development (CIPD).

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

Of course personnel management was not without its critics. Peter Drucker (1955) thought that 'personnel administration', as he called it, was just a set of unrelated, albeit individually important, activities. The Drucker critique can be read now as an early plea for people management to be returned to line managers as later advocated by HRM models. The ambiguity of traditional personnel management was noted with the welfare role expected by employees but efficiency and cost-control increasingly demanded of it by management (Legge, 1995). Radical critics disliked it on principle (see below).

THE DEVELOPMENT OF HUMAN RESOURCE MANAGEMENT

The people management policies and practices which are usually termed 'HRM' originated in manufacturing industry in the USA during the late 1970s and early 1980s. These represented a significant break with the personnel management paradigm. A number of factors led to this new management thinking, principally loss of faith in the traditional approach to mass production, the example of Japanese work organisation and manufacturing processes, and the realisation of the impact of new technology on work practices (Gallie *et al*, 1998).

The remarkable success of Japanese manufacturers in the 1970s and 1980s in capturing Western markets for sophisticated products, such as electronics and cars, brought to a head long-standing concerns about traditional Taylorist/Fordist models of work organisation. These models were characterised by low- or semi-skilled work, close supervision, pay being linked to quantity of output, and – at least in mass-production industries – assembly-line technologies in which the pace of work was controlled by machine. Academic studies had shown concern about some of the human effects of Taylorism and Fordism for decades, and this led to the rise of the Human Relations School, but by the 1980s it was recognised by business and managers as well that the costs of such systems were becoming unacceptable in terms of low levels of job involvement and weak commitment to the employing organisation. There was an increasing willingness on the part of employees to disrupt production to achieve higher financial or other rewards despite the damage such action could have on the long-term health of the organisation. Crucially, it had also become recognised that these traditional systems of work organisation were intrinsically unable to produce the quality output now required to compete in a global marketplace (Beer *et al*, 1984; p.viii).

The perceived superiority of the Japanese model was confirmed for many Western managers and academics by an influential MIT study in the 1980s which concluded that Fordist methods would inevitably be replaced in the car industry by the 'lean production' model of work organisation typified by Toyota's work methods. This approach to work organisation was seen to combine the best features of both craft-production and mass production (Kenney and Florida, 1993) and to achieve very high levels of employee commitment with resulting benefits in quality and flexibility.

Technology also played a part in shifting managerial concern towards human resources. Managers had become aware that the rapid development of new

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

technologies in competitive markets meant that organisations faced continual technological change, which in turn implied the need for continuous learning by employees. Employers would have to be able to assess individual employees' training needs and provide the necessary investment in changing and upgrading skills.

All this implied the development of a much closer relationship between managers and employees, and therefore also changes in the work of managers as well as that of workers. In particular, it meant that the traditional approach of managing people – 'personnel management' or 'personnel administration', which had evolved to help manage Taylorist/Fordist organisations more effectively – was no longer viable. In an increasingly competitive global economy, with advancing technology and better-educated workforces, it was not enough to manage people reactively or passively. In the industries that mattered, competitive advantage now ultimately came not from capital investment but from human resources, and these had to be managed proactively and strategically if an organisation was to be successful.

The collectivised employment relationship, in which trade unions represented the workforce and bargained with employers on its behalf for wages and conditions of employment (often on an industry-wide basis), had come to be seen by management as a hindrance to the adoption of the new technologies and work practices which were necessary to compete with the Japanese. In fact most Japanese workers in the major exporting industries were unionised but the Japanese trade unions did not share the pluralist culture of their counterparts in the West (see below).

Initially, the new human resource policies were linked to non-unionised and greenfield sites (Foulkes, 1980; Kochan *et al*, 1994). Typically, these were in large-scale manufacturing, where the Taylorist/Fordist pattern of work organisation had been most dominant, but the new approach soon exerted influence in all sorts of organisations and in every part of the economy, including services and the public sector.

Theoretical and academic models of HRM signalled from the outset the importance of strategy in normative models of HRM. HRM was regarded as superior to personnel management or personnel administration partly because it was supposed to be 'strategic' in two senses: (i) the function itself was conceived of in strategic rather than reactive ways; and (ii) the HRM strategy would be intimately linked to, and consciously supportive of, overall business and corporate strategies.

PERSPECTIVES IN THE MANAGEMENT OF PEOPLE

As we will see below, managerial perceptions of how people view relationships within their organisations are important in our analysis of human resource management. Our 'frame of reference' will influence how we expect people to behave, how we think they *ought* to behave, and how we react to the behaviour

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

of others. We are concerned here with three major perspectives: the 'pluralist', the 'unitarist' and the 'radical' or 'critical' (Fox, 1966).

THE PLURALIST PERSPECTIVE

Until relatively recently, this reflected the typical Western industrial workplace post-World War II. It rests on the assumption that society consists of various groups which will each have their own interests and beliefs. It is naive to pretend that the interests of workers and managers/owners can be fully reconciled, and so institutions such as trade unions and arrangements such as collective bargaining are needed to achieve workable compromises between these differing interests. In the pluralist view, conflict at work is seen as inevitable, because management and workers will not have identical interests, but conflict is not in itself 'wrong'. The issue is not to try to eliminate it, which would be impossible, but rather how it should be handled. In cases where conflicts seem to be insoluble at the workplace or industry level, third-party intervention – often through state agencies (eg ACAS: the Advisory, Conciliation and Arbitration Service, in the UK) – can provide solutions.

THE UNITARIST PERSPECTIVE

From this perspective a work organisation has a purpose (or set of purposes) common to all members of it – owners, managers and workers. So there should be no real conflict of interest between these groups. Everyone has the same ultimate interest in high levels of efficiency which will generate high profits and add to shareholder value – and allow the payment of high wages.

It is a win/win situation for all concerned. Managers and those they manage are really all members of the same 'team'. Management has special leadership responsibilities and should pursue policies which allow the organisation to achieve its goals and satisfy shareholders (and other stakeholders), but which are also fair to employees. On this view, conflict within the organisation between management and the workforce is perceived as being the result of some sort of failure; it is not regarded as necessary or inevitable – in principle, at least, it could be eliminated. From this perspective trade unions are often seen as competing for the loyalty of the employees, and collective bargaining may be regarded as unnecessary.

The unitarist perspective in its purest form was traditionally found in private, typically family-owned employers, but HRM is usually associated with unitarism (sometimes termed 'neo-unitarism' to distinguish it from the earlier, more paternalistic, family-firm version).

THE RADICAL/CRITICAL PERSPECTIVE

Quite different from both the other perspectives, this derived originally from the Marxist view of society and industrial capitalism. In essence this saw all work as inevitably being exploitative of workers. Conflict between management and

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

labour was unavoidable as part of wider class conflict in society. Management always, and inevitably, represented the interests of capital. There may be few unreconstructed Marxists in the twenty-first century, but shades of post-Marxist thought persist, and there are cultural and social radicals of various types who reject the mainstream, free-market culture in which most organisations now operate. To such radicals, as to nineteenth- and twentieth-century Marxists, work organisations reflect the inherently unfair or oppressive structures of society (for example, to radical feminists they reflect the patriarchal nature of society) and help to buttress these same structures.

Postmodern intellectuals often share this view (see McKinlay and Starkey, 1998), and many writers on HRM and management within the Critical Management School hold a radical perspective in this sense (see, for example, Legge, 1995, and Thompson and McHugh, 2002).

From this perspective even 'enlightened' management practices and philosophies such as the Human Relations School, or employee 'empowerment', or profit-sharing are really either hopelessly naive and doomed attempts to overcome the inevitable exploitative nature of capitalism/existing society, or are conscious and cynical strategies to fool the employees. Even pluralistic industrial relations structures can be seen in this light.

REFLECTIVE ACTIVITY

In terms of the perspectives examined above, how would you describe:

a) your personal perspective?

b) the managerial culture of your own organisation?

HUMAN RESOURCE MANAGEMENT IN THEORY

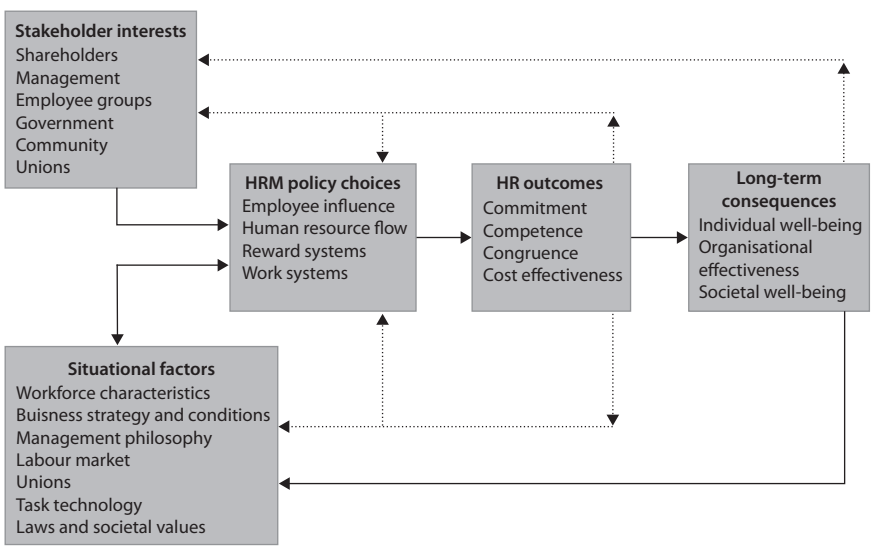
We noted above the practical considerations such as quality, competition and technology which led to questioning of the traditional forms of people management. Management theorists were as concerned as practising managers and governments were about the evident failure of the Taylorist/Fordist approach and produced a number of academic models of HRM.

The theoretical heritage of HRM includes the managerial writings of Peter Drucker, the Human Relations School, human capital theory, and Organisational Development. Interest in HRM proceeded alongside other developments in economics, business strategy and organisational change. Many of these ideas revolved around the notion of the resource-based theory of the firm (Barney, 1991) and core competencies (Prahalad and Hamel, 1990), which argued that sustained competitive advantage ultimately derives from a firm's internal resources provided that these (i) can add value, (ii) are unique or rare, (iii) are difficult for competitors to imitate, and (iv) are non-substitutable. Of course, human resources fit such a list of criteria well (Storey, 2001).

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

One of the first, and most important, intellectual proponents of HRM was the Harvard Business School (HBS). The faculty and alumni of the School agreed in the early 1980s that a new course in HRM was required to equip general managers to deal with the changes that were occurring both in society and in the competitive environment in which business had to operate. Accordingly, in 1981, HBS introduced a course in HRM in its core MBA curriculum, the first new required course since Managerial Economics twenty years before (Beer *et al*, 1984; p.ix). The primary intention of Beer *et al* was to develop a framework for general managers to understand and apply HRM in their organisations. Figure 1 shows the Harvard model of HRM.

Figure 1 The Harvard model of HRM



Source: Beer *et al* (1984; p.16 'Map of the HRM territory')

The central issue here is performance – managing human resources to achieve positive HR outcomes in terms of a committed workforce, working in harmony with the objectives of the organisation and achieving competence and cost effectiveness. These outcomes in turn lead to positive long-term consequences: firstly organisational effectiveness, but also individual and society's well-being.

We should note the emphasis on policy choice. This implies that managers have at least some degree of discretion in their HR policies. The situational factors and stakeholder interests identified in the model may impact on managerial decisions on HRM, but none of these will *determine* which HRM polices are followed. The choice made will have outcomes and long-term consequences both of which, as the model shows, may feed back into policy choices, and, in the longer term, also into the stakeholder interests and situational factors.

The Harvard model has been influential worldwide. Hollinshead and Leat (1995) used the model as a framework to examine HRM in Germany, France, Italy,

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

the Netherlands, Sweden, the UK, Japan, Australia and the USA. However, as these authors acknowledge (1995; p.27), although the fundamental principles and relationships identified by the model are pretty much universal, it is always necessary when applying it in a specific country, or in making comparisons between countries, to give due weight to specific cultural factors.

For instance, in the UK from the end of World War II to the 1980s trade unions were unusually powerful, and while their power is now much diminished, that era has left a legacy of a pluralistic industrial relations framework, especially in the public sector. In Germany and Scandinavia trade unions remain relatively powerful, whereas in the USA their influence has been waning for a generation and is practically non-existent in many industries, especially high-technology and other 'knowledge-based' ones. The wide degree of applicability of the Harvard model is one of its most useful aspects.

Of course, there have been significant developments in management practice and theory since the 1980s when the Harvard model was first conceived – for example, in areas such as knowledge management, talent management, ethics and corporate governance, the details of which often transcend the limits of the Harvard model. Technological advances also have had an obvious major impact on work including HRM (eg online recruitment, teleworking, the use of virtual teams). Nonetheless, the model has proved to be remarkably durable because, as its authors intended, it still serves as a wide-ranging 'map of the HRM territory'. It is still probably the best single model to give general managers an initial picture of what HRM entails and what it tries to achieve. The biggest single omission from the Harvard model is the neglect of learning and development.

UNIVERSALIST VERSUS CONTINGENCY

One of the faultlines in the theoretical debates on HRM has been an argument that in one form or another has run through all of management literature from the time of Taylor's 'scientific management' to the present day. This is whether there is one best way to manage – ie is there a set of principles which if applied correctly will always bring better performance, or does it depend on the particular circumstances and factors such as the nature of the work and technology that is employed? This is sometimes referred to as the 'universalist versus contingency' debate.

Somewhere between the two extremes lies the 'best fit' view: there may or may not be eternal, universally applicable management techniques but experience (sometimes supported by theory) shows that, given similar structures and contexts, successful organisations tend to employ the same methods or policies.

At the time of writing we see this debate in the arguments over whether there are specific 'bundles' of HRM which enhance performance. In reality, the debate in HRM is usually about the range and choice of techniques rather than one of absolute principle. There probably are some generic HR processes and general principles of people management common to all successful organisations (Boxall and Purcell, 2006; p.69). No one really doubts that it is best to be as

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

systematic and accurate as possible in selecting people for work, for example, but there is much less certainty as to whether it is effective or even ethical to screen employees' personality profiles to select only those whom the organisation believes will conform to the company culture.

On the other hand, Huselid (1995) argues that there is sound evidence, gathered from over 1,000 firms in various (US) industries, for a universalist case for specific high-performance work practices impacting on firms' financial performance.

The framework presented by the Harvard model is clearly in the contingency camp, but can accommodate a variety of 'best fit' practices in various specific environments (eg industries, technology groups or cultures) as determined by the situational factors and stakeholder interests.

Critical and postmodernist interest has always been high in academic treatments of HRM, especially in the UK – for example, Legge (1995), Blyton and Turnbull (1992), du Gay and Salaman (1992), and Kennoy (1999). As might be expected, such commentators tended to be hostile to the HRM model and were often opposed to its adoption, fearing that it represented continuing or even enhanced exploitation of ordinary employees.

On the other hand, even non-radical critics have pointed out that the specific practices associated with HRM are actually rather varied in nature, even in the theoretical models, and some have questioned whether they really can be regarded as making up a coherent approach to the management of people. For example, performance-related payment systems on the one hand seem to represent an individualisation of the employment relationship, whereas the promotion of team involvement – eg quality circles and total quality management (TQM) – represent the opposite (Gallie *et al*, 1998; pp6–7).

HARD AND SOFT MODELS OF HRM

Two main variants of HRM were identified early in academic discussions of HRM: 'hard' HRM with an emphasis on the strategic, quantitative aspects of managing human resources as an economic factor in production, and 'soft' HRM rooted in the Human Relations School and emphasising communication, motivation and leadership (Storey, 1989). All models of HRM are concerned with strategic issues, but 'hard' models typically have a stronger focus on ensuring that the HRM strategy 'fits' and is driven by the overall corporate strategy (Keenan, 2005). This is a matter of degree, however, since all HRM models stress the importance of taking a strategic view of the human resource, but in the Harvard model, for example, the link to business strategy is implied rather than explicit. Table 1 shows a simple typology of HRM models with classification according to (i) the degree of emphasis on strategic fit, and (ii) a 'hard' or 'soft' model of HRM.

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

Table 1 A typology of HRM models: hard/soft, and strategic fit

	'Hard' HRM model	**'Soft' HRM model**
High emphasis on strategic fit	Fombrun *et al* (1984)	Mabey and Salaman's 'open approach' (1995)
Low emphasis on strategic fit	Schuler and Jackson (1987) Huselid (1995)	Beer *et al* (1984) [the Harvard model] Guest (1987)

SUMMING UP THEORETICAL HRM: KEY DIFFERENCES BETWEEN PERSONNEL MANAGEMENT AND HUMAN RESOURCE MANAGEMENT

At this stage the reader might plausibly ask, 'Why bother with personnel management? Haven't you just shown us how it has been replaced by HRM?' Well, not quite. As we shall see below, the empirical evidence is that the adoption of HRM in practice has been incomplete when compared to theoretical models. At the time of writing it can make sense to talk of two 'traditions' in people management: one largely following the 'personnel management' (PM) paradigm and the other the HRM paradigm – most organisations showing some aspects of each in their management of people, and few following either completely. Table 2 on page 16 contrasts theoretical PM with theoretical HRM along a number of key characteristics.

ARE MODELS USEFUL?

Before we look at this comparison we should deal with another question the sceptical reader might have. We acknowledge that both the HRM and PM descriptions above may never be found in their entirety in real life. So the sceptic may reasonably ask: why bother with them? The work of the great social scientist Max Weber provides an answer with his concept of 'ideal types' (Weber, 1949; p.90).

An ideal type is formed by simplifying the description of complex reality to accentuate its most important features and ignore less relevant ones, so that what is really vital about the subject under study can be identified and understood. Weber did not mean that the ideal type is some completely hypothetical entity, but rather that it possesses all of the relevant features of the type exhibited in extreme clarity. Ideal types exist, but you cannot expect to find them empirically in their purest states.

For example, no actual coin in circulation meets perfectly all the requirements of its design because of imperfections in manufacture and wear in use, yet we have complete knowledge of what the coin ideally should be like – an 'ideal type'. By comparing any actual coin to this 'ideal type' an expert can grade or classify the condition of a rare coin in terms of, for example, wear and damage, and so estimate its worth to a collector (Bailey, 1994).

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

The concept of ideal types is very useful in social science. For instance, an economist will not expect to find examples of 'pure competition' in any actual market in real life but by having an explicit model of pure competition he or she can make comparisons between the actual and the ideal and come to a reasoned judgement as to whether improvements in the degree of competition in the market should be pursued.

So, bearing in mind the dictum of the anonymous statistician that 'all models are wrong, but some are useful', we can regard the descriptions of PM and HRM in Table 2 as representing 'ideal types' of PM and HRM respectively. We could then study the characteristics of the people management function in a real firm or organisation, and use the descriptions in Table 2 to help us to assess whether this was closer overall to the HRM model or the PM one.

In some contexts ideal types might seem to be similar to 'normative models', as discussed in this chapter's Endnote 3. They are not identical, however. The author of a normative model may expect it to be fully realisable in practice, whereas for the reasons given above, ideal types are not.

We can consider the differences in the characteristics of the two models.

Strategic nature: traditional PM was usually expected to work on a short time-scale – 'fire-fighting' (ie dealing with immediate problems such as local industrial relations issues, or urgent staff shortages) rather than taking a long-term, strategic view of people management issues. Note the implications for this longer-term perspective for all HR issues, and the necessity for an articulated strategy for HRM, which should not only be coherent in itself but should be informed by, and support, the business strategy of the organisation.

The psychological contract is not to be confused with the legal contract of employment, or any written statement of terms and conditions of employment. As the term implies, it exists purely in the mind of the employee and his or her managers, and so is unwritten and never clearly articulated. It has been described by Armstrong (2009; p.297) as follows:

> The psychological contract expresses the combination of beliefs held by an individual and his or her employer about what they expect from one another.

There will always be some sort of psychological contract between the employee and the organisation, but David Guest concluded (Guest, 1996) that:

> a positive psychological contract is worth taking seriously because it is strongly linked to higher commitment to the organisation, higher employee satisfaction and better employee relations.

The PM model assumed that the basis of the psychological contract was compliance – the employee would do as he or she was told and the employer in turn expected this. Management should be able to determine exactly what is required of the employee and enforce at least minimal compliance. The HRM model, on the other hand, assumes that the employee shows positive, willing

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

Table 2 'Ideal types' of personnel management and human resource management

Characteristics	Personnel management (PM)	Human resource management (HRM)
Strategic nature	• Predominantly dealing with day-to-day issues • Ad-hoc and reactive in nature: a short-term perspective rather than strategic	• Dealing with day-to-day issues; but proactive in nature and integrated with other management functions • A deliberately long-term, strategic view of human resources
Psychological contract	• Based on compliance on the part of the employee	• Based on seeking willing commitment of the employee
Job design	• Typically Taylorist/Fordist	• Typically team-based
Organisational structure	• Hierarchical • Tendency to vertical integration	• Flexible with core of key employees surrounded by peripheral shells • High degree of outsourcing
Remuneration	• Collective base rates • 'Pay by position' • Any additional bonuses linked to Taylorist work systems	• Market-based • Individual and/or team performance • 'Pay for contribution'
Recruitment	• Sophisticated recruitment practices for senior staff only • Strong reliance on external local labour market for most recruitment	• Sophisticated recruitment for all employees • Strong internal labour market for core employees. Greater reliance on external labour market for non-core
Training/ development	• Limited and usually restricted to training non-managerial employees. Narrowly job-related. Management development limited to top executives and fast-track candidates	• Transformed into a learning and development philosophy transcending job-related training. An ongoing developmental role for all core employees including non-management. Strong emphasis on management and leadership development • A learning organisation culture
Employee relations perspective	• Pluralist: collectivist; low trust	• Unitarist: individualistic; high trust
Organisation of the function	• Specialist/professional • Separated from line management • Bureaucratic and centralised	• Largely integrated into line management for day-to-day HR issues • Specialist HR group to advise and create HR policy
Welfare role	• Residual expectations	• No explicit welfare role
Criteria for success of the function	• Minimising cost of human resources	• Control of HR costs, but also maximum utilisation of human resources over the long term

Source: adapted and developed from Guest (1987)

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

commitment. Because more is expected from employees, management cannot always specify exactly what is required, and so employees must use their own judgement and initiative to a much greater extent than in the past. They must also extend and upgrade their skills and knowledge-bases.

Job design: the compliance sought in Taylorist organisational culture is reflected in the low degree of autonomy workers typically have in such a context. We would expect the PM model to be followed where jobs tend to be designed under scientific management principles (see Endnote 1). The search for greater commitment in the HRM approach implies that employees should be allowed and encouraged to use self-control in matters of work and organisational discipline, rather than be driven by a system of compliance and direction imposed upon them by management. Teamworking and similar initiatives would be much more common under HRM than PM.

Organisational structure: reflecting the higher-commitment working associated with HRM we would expect to find less hierarchical and more flexible organisational structures, with the team as the 'organisational building-block' and with fewer management levels. Organisations featuring PM will tend to be hierarchical, pyramid-shaped and bureaucratic. Those following HRM will typically be flexible with a core of key employees surrounded by peripheral shells of other workers. Note that the core employees are not all senior executives – the core is defined as comprising those members of the organisation who possess the skills, knowledge and competence necessary for the organisation's success. Core workers will possess considerable market attractiveness and will consequently enjoy better remuneration and terms of employment than others. In return, they will be expected to provide high levels of performance and flexibility in working, and accept the need for continuous learning and re-skilling to support incessant technological and process improvement. The peripheral shells of employees act as buffers against short-term market fluctuations and can be relatively easily shed or reinforced. Thus employees in those parts of the organisation will tend to be employed on short-term or temporary contracts. HRM organisations also tend to feature considerable outsourcing of non-core work.

Remuneration: PM is usually associated with traditional approaches to remuneration, long pay scales characterising the hierarchical organisational structure mentioned above, reflecting length of service rather than current contribution. Pay structures are usually agreed via collective bargaining, at least for non-managerial employees. The HRM approach to remuneration is more focused on rewarding contribution and is likely to be individually or team-based. This implies both the use of performance management and appraisal and the setting of base rates from the market rather than by means of collective agreements.

Recruitment: sophisticated techniques such as the use of psychometric testing, psychological profiling and assessment centres have often been used with PM for recruitment and selection into senior executive posts, while much simpler and less costly methods usually suffice for non-managerial employment. With HRM these sophisticated tools are much more likely to be used for all employees, or at least core ones.

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

Training and development: when employees are viewed mainly as a cost (which should be minimised), commitment to training is usually negligible, employers fearing that employees will be 'poached' by free-loading competitors who do no training themselves, and this would be the typical position in the PM paradigm. An exception was often made, however, in industries with collective agreements on apprentice training. Except for large PM organisations, management training and development would be virtually non-existent. When two UK academics, Iain Mangham and Mick Silver, surveyed management development in the mid-1980s, they reported a surprisingly high proportion of firms which seemed to do no management training at all, on the grounds that, as one respondent put it, 'We only employ managers who can do the job' (Mangham and Silver, 1986).

In HRM there is a culture of continuous development of all core employees who are seen as the originators and possessors of the organisation's strategic competencies necessary for sustainable competitive advantage. Senior managers are not exempt, the directors and CEO receiving 'executive development'. This commitment would not be expected in the peripheral shells surrounding the core.

Employee relations perspective – ie the dominant managerial perspective within the organisation: personnel management typically operates in a unionised, pluralistic environment. This can be contrasted with the HRM model in which the employment relationship is much more individualised than when dealing with the workforce collectively. This is reflected in, for example, the absence of trade unions and the introduction of performance-related rewards systems.

The unitarist nature of HRM would seem to discourage the formation of a pluralist organisational culture, but in practice there have been examples where HRM has been successfully adopted within a previously pluralist culture while maintaining the pluralist style of collective bargaining in employee relations. See for example Tayeb's account of the Scottish division of the American firm NCR (Tayeb, 1998). But see also the empirical evidence from the Workplace Industrial/ Employment Relations Surveys in the UK (referred to below in this chapter) on the long-term decline of trade unionism in the UK.

The organisation of the function differs in the two models. In the PM model the function tends to be seen as a specialist function which, in many important respects such as dealing with employee relations issues, is separate from line management. This often leads to the creation and maintenance of large, rather bureaucratic, personnel departments. The HRM model instead stresses that most people management, even employee relations, is actually just part of normal management, at least in its day-to-day aspects. Accordingly in the HRM model, where there are specialist HR departments, they will be small and highly specialised and their function is (i) to formulate HR policies and (ii) act as internal consultants to line managers. The line managers will implement most HR policy, only seeking the involvement of HR in particularly difficult issues.

Welfare role: there are at least residual expectations under PM of a welfare role, the personnel manager being the member of the management team who could be approached with personal problems (at least if these impacted on work). This

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

always led to ambiguous perceptions of PM. By the time the PM paradigm had become fully established, there was no doubt that it was a management function with the primary objective of reducing and controlling labour costs (see 'Criteria for success' below) but many employees expected a fuller welfare aspect than was often given, and this was a principal reason for the ambiguity with which PM was often viewed. Unreconstucted finance managers sometimes viewed PM in similar terms albeit negatively as an unnecessary cost on the organisation. So personnel managers often felt themselves to be 'the meat in the sandwich' caught between dissatisfied employees and unsympathetic management colleagues, neither of whom really understood what they were supposed to be doing. Marxist critics always saw PM as in any case reflecting the perceived contradictions of capitalism (Legge, 1989), but even dyed-in-the-wool free-marketers could see the possibility of perceived inconsistencies in the role of PM and unreconciled expectations here.

There is no explicit welfare role in HRM although proponents might argue that with its unitarist culture it is no longer necessary. Critics would not agree.

The two models also show very different *criteria for success of the function* – ie how the organisation judges the performance of the people management function. In the personnel management model, the organisation will judge the effectiveness of the function by how well it minimises unit labour costs; in the HRM model by how well it maximises the use of the organisation's human resources (while still maintaining proper control of costs).

REFLECTIVE ACTIVITY

Taking each of the people management characteristics listed in Table 2 to be represented by a seven-point scale in which 1 corresponds to 'pure PM' and 7 to 'pure HRM', profile your own organisation. Is it predominantly PM or HRM? Why is that, do you think?

It can be a useful exercise to discuss your results first with a senior line manager and then with a senior HR manager.

HRM IN PRACTICE

In addition to the theoretical literature, empirical studies have shown that significant changes in the practice of managing people in modern organisations have occurred in recent years. Interpretations may sometimes be controversial, but that there have been changes is not in doubt.

The late 1980s and early 1990s saw a transformation in the vocabulary of management in the UK, as in the USA, concepts such as 'empowerment', 'teamworking' and 'commitment' becoming widespread, along with 'human resource management' itself. Substantial survey evidence shows the adoption of a range of new practices which reflected HRM ideas: McKersie (1987); Storey (1992); Fernie *et al* (1994); Osterman (1994); Wood and Albanese (1995) – even if these studies found less evidence of integrated adoption of the whole HRM

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

programme, or of Walton's (1985) assumed transformation of the employment relationship 'from control to commitment' (Gallie *et al*, 1998; pp9, 57).

Evidence of the adoption of a number of key HRM practices in the UK has been authoritatively established by the series of Workplace Industrial Relations/ Workplace Employment Relations Surveys. These surveys provide a nationally representative account of the state of employment relations, working life and the management of people inside British workplaces, and of how these have all been changing over a quarter of a century. The surveys were jointly sponsored by the Department of Trade and Industry (DTI), the Advisory, Conciliation and Arbitration Service (ACAS), the Economic and Social Research Council (ESRC) and the Policy Studies Institute (PSI), and were conducted in 1980, 1984, 1990, 1998 and 2004. These were all large-scale, representative surveys. The fieldwork for the 2004 survey, for example, was conducted between February 2004 and April 2005: face-to-face interviews were conducted with around 3,200 managers and almost 1,000 worker representatives. Over 20,000 employees completed and returned a self-completion questionnaire.

The 1990 survey found evidence of a shift from collectivism to individualism, with a marked decline in trade unionism, and a significant increase in the sort of approaches to participation and communication that are embraced by HRM, such as team briefings, quality circles and newsletters. There was also evidence of organisational changes such as the increasing involvement of line managers in personnel activities (Millward *et al*, 1992).

The 1998 survey found that human resource matters were often incorporated in wider business plans. They concluded that there was evidence that a number of practices consistent with a human resource management approach were 'well entrenched in many British workplaces' (Cully *et al*, 1999).

The preliminary findings of the 2004 survey showed that most of the HR practices which the earlier surveys had identified had become consolidated or were increasing in use (Kersley *et al*, 2006).

These findings reinforced the view that many organisations operated a 'flexible organisation' with a 'core' of key employees and a 'peripheral' workforce of other workers who typically enjoyed less secure and less attractive terms and conditions of employment. A large majority (83%) of workplaces had part-time employees (up from 79% in 1998). In 30% of all workplaces more than half of the workforce were part-time employees. Just under one third (30%) of workplaces had employees on temporary contracts. The use of temporary agency staff, although less prevalent than fixed-term contracts, was still quite widespread, 17% of all workplaces employing 'temps'. About one fifth (22%) gave preference to internal applicants when recruitiung, and the proportion was higher for the private sector (25%).

The selection process usually involved the use of interviews, application forms and references. Personality or competency tests, although used less frequently, had gained in importance in the search for greater objectivity in selection, even though their validity and reliability continued to be subjects of debate. Among

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

workplaces using personality tests, three-fifths (61%) of managers said that they used these tests when recruiting core employees. Performance or competency tests were routinely used in 46% of workplaces. Performance tests were also more likely to be used when recruiting core employees, irrespective of their occupation, even more so than personality tests. Overall, one third (34%) of all workplaces used such tests for these recruits.

The use of performance appraisals had increased, 78% of managers in workplaces reporting in 2004 that performance appraisals were undertaken, compared with 73% in 1998. Two-thirds (65%) of all workplaces conducted regular appraisals for most (60% or more) non-managerial employees (48% in 1998).

Most workplace managers (84%) reported that off-the-job training had been provided for some of their experienced, core employees over the previous year – an increase since 1998, when 73% of workplaces provided training for some of their experienced core employees.

The authors of the 2004 survey noted that in recent years much of the discussion about methods of work organisation had concerned 'high-performance', 'high-commitment' or 'high-involvement' work practices. These were practices that were intended to enhance employee commitment and involvement, often by increasing employees' participation in the design of work processes and the sharing of task-specific knowledge. The most commonly cited practices included teamworking, cross-training (or 'multi-skilling') and the use of problem-solving groups.

Teamworking was the most common, almost three-quarters (72%) of workplaces having at least some core employees in formally designated teams. The incidence and operation of teamworking had changed little since 1998. Where teamworking was in place, it was 'usually embedded among staff': four-fifths (80%) of workplaces with teamworking extended it to at least three-fifths of core employees. In 83% of workplaces with teamworking, teams were given responsibility for specific products and services, and in 61% they could jointly decide how work was done. However, in just 6% they were allowed to appoint their own team leaders.

Cross-training involves training staff to be able to undertake jobs other than their own. Two-thirds (66%) of workplaces had trained at least some staff to be 'functionally flexible'; again, this proportion had changed little since 1998 (69%). Around one-fifth (21%) of workplaces had groups of non-managerial employees that met to solve specific problems or discuss aspects of performance or quality. The equivalent figure in 1998 had been 16%. Almost half (48%) of all workplaces had trained at least some core employees in teamworking, communication or problem-solving skills in the previous year.

These new methods of working are at once the effects of development in HRM and the cause of further changes in HRM practice.

Additionally, the 2004 survey found that the UK trend for work culture to become more unitarist and less pluralistic was unremitting. Trade unionism

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

continued to decline, particularly in the private sector; almost two-thirds of workplaces (64%) had no union members (compared to 57% in 1998), and union members made up a majority of the workforce in only one-sixth (18%) of all workplaces (22% in 1998).

Subsequent empirical research such as the 2009 European Company Survey (Eurofound, 2010) confirms the picture.

SUMMING UP HRM PRACTICE

So the empirical evidence seems clear. In most UK workplaces the management of people has been progressively moving closer to the HRM model and away from the PM model over the last 20 years (see Table 2), and the most recent evidence suggests strongly that this is continuing. We can assume that the UK is not unique in this, and that giving due weight to local cultural and contextual factors, similar changes in the management of people have been happening worldwide in the developed and developing economies.

KEY THEMES IN HUMAN RESOURCE MANAGEMENT IN THE TWENTY-FIRST CENTURY

The authors of the 2004 Workplace Employment Relations Survey (2004 WERS) referred to above (Kersley *et al*, 2005) identified many of the key themes current in HRM.

The survey noted the interest in the UK in 'high-performance', 'high-commitment' or 'high-involvement' work organisation and practices. This was confirmed by a study funded by the UK government Department of Trade and Industry (DTI) and conducted in association with the CIPD. *High-Performance Work Strategies: Linking strategy and skills to performance outcomes* (DTI/CIPD, 2005) comprised detailed case studies of a sample of 10 firms drawn from the *Sunday Times* 100 Best Companies to Work For 2004, and a survey of nearly 300 firms.

In addition to reinforcing the findings of the 2004 WERS survey this report provided further empirical evidence on present managerial interests in the management of people in the UK. The case studies established good practice in a range of 'high-performance work practices' (HPWPs), these being defined as:

- a set of complementary work practices covering three broad areas or 'bundles' of practices covering:
  - high employee involvement practices – eg self-directed teams, quality circles and sharing/access to company information
  - human resource practices – eg sophisticated recruitment processes, performance appraisals, work redesign and mentoring

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

– reward and commitment practices – eg various financial rewards, family-friendly policies, job rotation and flexi-hours.

It was found from the case studies that leadership was regarded as crucial in creating, shaping and driving these high-performing organisations. Skills development was focused on achieving specific business outcomes and levels of performance. In most of the case studies, high levels of training and continuous development were regarded as fundamental to success, and tacit skills and institutional knowledge were perceived as relatively more important than technical skills. Employees could learn all the time as part of their normal work and were encouraged to innovate and improve performance (individual, team and organisational).

High-performing organisations tended to be leaders in their industries and they set the standards for best practice. In most of the case studies HPWPs had been used to create business success from the founding of these companies, but to ensure their continued success, these practices were subject to constant modification in line with the requirements of business objectives.

The wider survey of CIPD members established how far the high-performance work practices identified in the case studies were adopted by other UK organisations, and examined the relationship between the level of adoption of high-performance work practices and a range of organisational outcomes. It was found that many of the HPWPs had been adopted by UK organisations, and there was evidence that the level of HPWP adoption, as measured by the number of practices adopted, was positively correlated with better organisational outcomes. For example, those adopting more HPWPs identified had greater employee involvement, and were more effective in delivering adequate training provision, in motivating staff, in managing change and in providing career opportunities. These organisations also had more people earning over £35,000 and fewer people earning less than £12,000.

THE INTERNATIONAL CONTEXT

The importance of high-performance working for organisational performance was confirmed in the international context by an earlier joint study from the International Federation of Training and Development Organizations (IFTDO) – of which the CIPD in the UK is a member – and the International Labour Organisation (ILO). This examined high-performance working in nine organisations around the world (ILO/IFTDO, 2000): the *Laiki Bank* (Cyprus), the *Mandarin Oriental Hotel* (Hong Kong), *SATS Security Services* and Comfort Driving Centre (Singapore), *W.H. Smith & Sons* and Thorn Lighting (UK), South African Breweries, and Motorola and the *Social Security Administration* (United States).

High-performance working was understood (ILO/IFTDO, 2000; Appendix B) to be associated with:

> the achievement of high levels of performance, profitability and customer satisfaction by enhancing skills and engaging the enthusiasm of employees.

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

The report also cited an Organization for Economic Co-operation and Development (OECD) definition of the characteristics of HPW organisations as:

> flatter non-hierarchical structures, moving away from reliance on management control, teamworking, autonomous working based on trust, communication and involvement. Workers are seen as being more highly skilled and having the intellectual resources to engage in lifelong learning and master new skills and behaviours.

The report concluded:

> Increasing evidence is becoming available about the connections between people management and development and 'the bottom line'. Researchers have identified three ways in which this occurs: through the use of best HR practice; getting the right 'fit' between business strategy and HR practices; and using specific 'bundles' of practices, varied according to organisational context. The case studies used in the ILO/IFTDO research show significant evidence of the use of all these approaches. They bear witness to the search by organisations for an alignment between practices and outcomes and active searching for examples of good practice.

The report thus also illustrates how HRM now has a global relevance beyond the US/UK industrial cultures in which it first developed.

Of course the concept of high-performance working has not been without its critics in terms of both its theoretical base and its practical effects – eg Guest (1997); Guest *et al* (2003); MacDuffie (1995); Applebaum *et al* (2000); Legge (2001); Purcell (1999) – but the International Labour Organisation (ILO) could acknowledge the validity of many of the criticisms and, while calling for more research to clarify contested areas, conclude (ILO/IFTDO, 2000) that:

> Increasing evidence is becoming available about the connections between people management and development and 'the bottom line' . . . The seamless application of people management and development and line management leadership, expertise and vision provides the strategy and powerhouse for high-performance working. Finding out how to manage and develop people so as to generate freedom to learn and contribute will be a major challenge in the early part of the twenty-first century.

So the empirical evidence is mounting up to support the commonsense view that the idea that 'better' management of people should lead to 'better' performance at individual, team and organisational level – everything else being equal – is probably true. Common sense would also suggest it is wise to take what management theorists call a 'contingency' approach to this question. That is, instead of looking for a universally applicable set of HR practices that will inevitably lead to better performance in all cases, the specific circumstances of the situation should be taken into consideration. For example, individual performance-related pay might boost performance in some cases, such as sales personnel, but not others (policemen, say). This does not alter the underlying key principle that reward should reflect contribution. It just means that the principle

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

may be applied in different ways according to the circumstances. It is worth remembering here the policy choice aspect of the Harvard model (Figure 1).

In fact, the DTI/CIPD (2005) report cited above found that different 'bundles' of high-performance work practices seem to be effective in different industry sectors (p.71):

> There is no 'one best way' or 'one best set of practices': this is not a tick-box approach. The crucial component is the business strategy, because this underpins the choice of practices, the way they are implemented and their effectiveness in improving performance. It is the business strategy that gives the high-performance working practices their dynamism and provides the framework against which performance can be evaluated and improved. ...
>
> The choice of which bundle of practices to use in order to achieve a given organisational outcome or objective is influenced by the type of sector in which the organisation or company is operating. Some bundles of practices are more effective in particular industrial sectors than others.

KEY THEMES IN HRM

The findings of these reports, together with those of the WERS series, especially the 2004 survey, allow us to build a picture of the key themes in HRM in the twenty-first century.

- The adoption of 'high-performance work practices' – also known as, 'high-commitment' or 'high-involvement' work practices' – which are intended to achieve better individual, team and organisational performance by increasing employee commitment and involvement. These are typically thought of as comprising 'bundles' of sophisticated HR practices in the areas of employee involvement, resourcing (eg in recruitment), and rewards and commitment.
- A 'flexible organisation' with a 'core' of key employees (including non-managerial employees) with greater investment in these human resources; and a 'peripheral' workforce of other workers who typically enjoy less secure and less attractive terms and conditions of employment and less HR development. But in efficient organisations the barriers to the core will be permeable to hard-working and capable employees on the periphery.
- The organisation of work at a micro-level – teamworking, cross-training, multi-skilling, and problem-solving groups to increase functional flexibility, participation in the design of work processes, and the sharing of task-specific knowledge.
- Sophisticated HR practices in recruitment and selection – eg the use of psychometric testing and personality profiling and competency and performance tests for a wide range of key or core employees including non-managerial ones.
- Employee relations in a unitarist environment – trade unions are in a historically precipitate decline in most advanced economies, and especially

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

in new industries, but all but the smallest employers have to find means of communicating with their employees and achieving perceptions of fairness and legitimacy in pay rates and conditions of employment agreement.

- Change management: 'the only constant is change' has become a cliché but reflects the acknowledgement now that the competitive global economy and continuous increasing technological advances are realities. Physical resources are relatively easy to change; human ones are much more challenging. HRM is often tasked with taking the lead and coordinating change across the organisation.
- The 'learning organisation', defined as an organisation which encourages learning at all levels and thereby brings about continuous (and by definition often unpredictable) change to itself. This is a consequence of the realisation that employees are expected and encouraged to learn all the time, and should employ their learning by being innovative and enhancing performance; that 'to pay someone to work is to pay them to learn'.
- Knowledge management: 'using the ideas and experience of employees, customers and suppliers to improve the organisation's performance', in the words of a managing editor of the *Financial Times* (Skapiner, 2002).
- Leadership to initiate and effect change and to achieve high-performance working.

In all of these areas it will usually be the line or general manager who initiates action and carries responsibility to make it happen, but he or she will increasingly rely on HRM specialists, who may have a lead role within the organisation in coordinating activities across the organisation.

SUMMING UP: WHAT IT'S ALL ABOUT

In July 2006, in an article entitled 'Technology dinosaurs', *The Economist* reported that exactly 25 years after the launch of the IBM 5150 – the famous IBM PC which led the personal computing revolution – many of 'Silicon Valley's former high-fliers' were in trouble. Dell's share price had hit a five-year low following a profit warning; Intel was still losing ground to AMD; Silicon Graphics had filed for bankruptcy; and Borland had laid off a fifth of its staff and was about to sell the best-known part of its business. Even Microsoft had just announced that it would buy back 8% of its shares for some $20 billion – 'a sign that its high growth days are behind it', according to *The Economist*. Noting that companies which start off with a successful product often fail to stay the course, the article concluded that having a great business idea often creates a false sense that the firm is stronger and more successful than it really is, and that 'failure to evolve leads to extinction'. Evolution means managing and developing people.

In today's and tomorrow's world, sustainable competitive advantage can only come from the skills, experience, creativity, imagination and brainpower of people. In the modern economy it is relatively easy to raise capital to fund a bright idea, but managing the human resources of an organisation to turn that

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

idea into a business and achieve *sustainable* competitive advantage – how to create and build the next BMW or the next Apple – is the single most important management challenge in the twenty-first century, and that's what ambitious MBAs want to be involved in.

To do this, managers have to know about people. Of course they need to know about other things like strategy, finance and marketing as well, and they really do need to understand the technology underlying their businesses, but they *must* know about people. They have to understand HRM and be able to work with specialists in that field.

KEY ISSUES

A consensus has evolved that post-Taylorist organisations require a new approach to managing people because in a technologically advancing, global economy sustainable competitive advantage ultimately can only come from the talents and efforts of an organisation's core employees. This approach is usually termed human resource management (HRM) and differs from more long-established personnel management (PM) in taking a strategic view of the use of human resources; in seeking to harness the willing commitment of employees rather than their coercion; and in favouring an individualistic rather than collective employment relationship.

All models of HRM should be regarded as 'ideal types' or 'normative models' which are unlikely ever to be found in entirety in real life. The Harvard model – one of the earliest such, which links situational factors and stakeholder interests to HR policy choices and outcomes – remains a useful first 'map of the HRM territory' for general managers, although it ignores crucial aspects of learning and of employee development.

Almost certainly no organisation practises absolutely pure HRM or PM. It can be helpful to think in terms of two traditions in people management: the older personnel management one, which tends to be pluralistic, bureaucratic and Taylorist; and the newer human resource management one – unitarist, non-bureaucratic and post-Taylorist. Many firms will have some mixture of these two traditions – but HRM is in the ascendant.

There has been considerable academic interest in HRM, much of it hostile both to its intent and its effects, but there is well-established empirical evidence that in the UK and other countries many HRM initiatives have become well established, without perhaps attaining the comprehensive changes in management philosophy and action that many early champions of HRM predicted. We may safely conclude that in the twenty-first century people management in developed economies in general far more closely resembles the HRM model than the PM one. One important consequence of this is that line and general managers are more directly involved in people management issues than previously.

We identified the current areas of key interest in HRM for managers as being:

- the adoption of 'high-performance' (or 'high-commitment' or 'high-involvement') work practices to increase employee commitment and involvement to achieve better individual, team and organisational performance
- a 'flexible organisation' with a 'core' of key employees and a supporting 'peripheral' workforce

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

- the organisation of work at a micro-level – especially teamworking and associated initiatives
- the use of sophisticated HR practices in recruitment and selection
- a unitarist environment in which trade unions have limited influence or are non-existent
- change management
- the establishment of a 'learning organisation' culture
- knowledge management
- leadership.

CASE STUDY

AN HRM STRATEGY FOR CALEDONIAN HEALTHCARE

You have been retained as a management consultant for Caledonian Healthcare (CH), one of the largest health insurance companies in the UK, insuring 435,000 lives and with a 6% market share. Following the acquisition of Acme Health Limited in June 2002, Caledonian Life renamed itself in April 2003 to become Caledonian Healthcare. It now employs 770 staff – 450 people in Guildford and 320 in Stockport. The ratio between female and male staff is roughly 60:40, and 20% of company employees are part-time staff. CH offers a range of products from traditional private medical insurance to self-pay options, which reduce premiums. It has also recently started providing healthcare solutions that aim to prevent health problems before they occur and manage absence for corporate customers.

The organisation is in major financial difficulties and has lost money in the financial year 2005/6. There is no clear business strategy and business focus has been entirely on sales. This has resulted in poor customer service, with increasing numbers of complaints. Supporting the failing business is a poor culture characterised by 'siloed' management, poor leadership, blame and power struggles. Staff turnover is running at 20% a year. As a result, the HR strategy is simply focused on survival and is mainly reactive (focusing on recruitment). There is no support or resources for new initiatives, like job evaluation or appraisal systems. In 2006, a new chief executive joined the company with ideas to turn the business around. In particular, he sees an opportunity for HR to work closely with him to help achieve desired business outcomes and he has hired you to produce an HR strategy aligned to the business needs of the company.

Case study question

What would you recommend?

CALEDONIAN HEALTHCARE: GUIDANCE

Resolution

The new chief executive in fact did not hire a management consultant but instead worked with the existing HR team from the outset. He sought to combine commercial ideas with HR corporate values, including customer and quality focus, teamwork, communications and integrity.

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

The business needed, first, cost-cutting and then profitable growth. Changes were made at director level to 'refresh' the top team and create a new start. The chief executive and his new team quickly decided that the people needed were for the most part already in the organisation, but that they had not been supported, nurtured or encouraged to use their potential. Aligning HR and business strategy was focused on building trust and engagement with staff. As the chief executive put it,

> We expect a lot from our people and expect them to have their own demands in return. People want to be valued for what they do.

The business aim was to increase market share from 6% to 15% over the next five years by differentiating through customer service, and HR had an important role to play in this. To make sure HR became, and continued to be, aligned with business objectives, HR staff were taken through business strategy documents at quarterly briefings.

There was an initial review of turnover and absence management policies, reward and recognition practices, and the company's approach to learning and development. There was also continual appraisal of HR policies and procedures in order to make sure that the policies supported the ethos of a 'great place to work' and did not inadvertently work against it.

The HR strategy focused on specified activities, with a designated member of HR to lead each one. The areas were: staff engagement; resourcing and retaining staff; reward and recognition; creating a learning organisation; and establishing a partnership with staff.

The company promoted staff engagement and created a staff consultative committee designed around the European Works Council model.

The chief executive and head of HR hosted two coffee mornings a month at which employees could speak frankly about any issues from any area of the business. People were encouraged to speak out if they thought their jobs were limited by business processes. It was the head of HR's responsibility to take notes and get back to individuals by email or letter with actions for improving the situation or an explanation of why the situation could not be changed. There was a 'back-to-the-floor' scheme where directors worked in all different parts of the organisation. The chief executive instituted a policy of meeting every new employee when they started, and to support this there was also a presentation, through which they were told three key messages:

1. Everyone's job is important to the success of the business.
2. Everyone is encouraged to contribute ideas.
3. It's important to enjoy work and get on well with colleagues, and a work–life balance is necessary to perform well.

Outcomes

Two years on, the business had moved into profit, and was looking sustainable

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

with new business up by 26%. Staff turnover was at less than 10% at both sites (reduced by 60%), and sickness absence was around 3%. The company was in the top 25th percentile of companies in the UK for staff engagement and was finding that ex-staff were returning. Customer satisfaction was measured at 97% overall and customer retention was up by 2.2%.

The head of HR felt that the improvements were a 'virtuous circle' and the company was increasingly 'a great place to work'. The most positive outcomes for HR were showing how important it was as a function and the difference it could make to the company. The HR policies were now taken seriously. For example, when HR recommended that the company should only recruit the best people, the organisation stuck to this, even if it meant not filling a vacancy.

Based on the case of Standard Life Healthcare described in the Work Foundation Report *Achieving Strategic Alignment of Business and Human Resources* (2005).

ENDNOTES

1 The main elements of Frederick Taylor's *Principles of Scientific Management* (1911) were time and motion studies of work processes; standardisation of tools, implements and methods; and increased division of labour. This approach is often termed 'Taylorism'. Henry Ford pioneered the modern model of mass production by combining scientific management and moving assembly lines, and this was first put into operation at Ford's Model T plant at Highland Park, Michigan, in 1914. 'Fordism' displaced a largely craft-based production process in which skilled workers exercised substantial control over their conditions of work.

2 'Paradigm' is a term that was popularised by Thomas Kuhn in his study of scientific revolutions and has become widely used in the social sciences. Kuhn defined it as 'the entire constellation of beliefs, values, techniques, and so on shared by the members of a given community' (1970; p.175).

3 Normative models – In the social sciences we have two types of description. One is the 'normative', which is prescriptive, telling us what *ought* to be; the other is the 'positive', which describes what *actually is*. Understandably, much of management literature is normative – readers want to know the 'best' way to do something. But if the nature of such descriptions is not made clear, confusion results when we assume that what the author is saying ought to happen is really happening.

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.

EXPLORE FURTHER

Armstrong, M. (2009) *Armstrong's Handbook of Human Resource Management Practice*. 11th Edition. London Kogan Page.

Chapter 1, 'Human Resource Management'. A brief overview, useful for quick reference and starting exam revision.

Boxall, P. and Purcell, J. (2006) *Strategy and Human Resource Management*. Basingstoke: Palgrave Macmillan.

Chapter 1. 'Human resource management and business performance'. A scholarly introduction to HRM which makes explicit linkage to business performance.

Boxall, P., Purcell, J. and Wright, P. (eds) (2007). The *Oxford Handbook of Human Resource Management*. Oxford: Oxford University Press.

Not to be confused with a practitioners' handbook such as Armstrong's (2010). This, like Storey (2007), is a collection of specialist chapters all by leading academics in the field, with a wider disciplinary and international scope than Storey.

Chapter 2. P. Boxall. 'The development of HRM in historical and international perspective'. A concise but thorough account.

Chapter 7. D. E. Guest. 'HRM and the worker: Towards a new psychological contract'. A discussion of how HRM helps to shape workers' attitudes and behaviour, especially their satisfaction and well-being. Optimistic about the potential of HRM to improve the workers' lot.

Chapter 8. P. Thomson and W. Harley. 'HRM and the worker: Labor Process Perspectives'. Something of a counter- argument to Guest's optimism in the previous chapter, an analysis from the Critical Management School.

Chapter 26. J. Purcell and N. Kinnie. 'HRM and business performance'. A sceptical evaluation of the case that HRM's impact on organisational performance can be measured.

Kersley, B., Alpin, C., Forth, J., Bryson, A., Bewley, H., Dix, G. and Oxenbridge, S. (2006) *Inside the Workplace: Findings from the 2004 Workplace Employment Relations Survey*. Abingdon: Routledge.

Chapter 3, 'The management of employment relations'. The definitive empirical evidence of the move in UK management practice from the traditional Personnel Management (PM) model to (at least some elements of) the Human Resource Management (HRM) model. As with other chapters which we recommended below, this also serves as a useful corrective to some of the more highly flown theoretical discussions in the HRM literature.

Storey, J. (ed.) (2007) *Human Resource Management: A critical text*, 3rd edition. London: Thomson Learning. The 3rd edition of a collection of essays by leading academics. This edition also has some useful short illustrative case studies.

Chapter 1. J. Storey. 'Human resource management today: an assessment'. Another scholarly introduction, this time with a flavour of the critical management school. Especially sceptical of the universalist approach.

A free sample chapter from *Human Resource Management for MBA Students 2nd Edition*
By **Iain Henderson**
Published by the CIPD.
Copyright © **CIPD 2011**
All rights reserved; no part of this excerpt may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency.
If you would like to purchase this book please visit www.cipd.co.uk/bookstore.