As a field, human resource management is undergoing significant transformation. Human Resource (HR) Management is designing management systems to ensure that human talent is used effectively and efficiently to accomplish organizational goals. Whether employees are in a big company with 10,000 positions or a small non-profit agency with 10 positions, employees must be recruited, selected, trained, and managed effectively. They also must be adequately and competitively compensated, and many will be given a range of benefits. Additionally, appropriate and legal HR systems are needed to comply with numerous legal requirements. In an environment in which the workforce keeps changing, laws and the needs of employers change too. Therefore, HR management activities continue to change and evolve. However, as the HR Headline suggests, managing people in an organization is about more than simply administering a pay program, designing training, or avoiding lawsuits.\footnote{Mark Roehling and Patrick Wright, “Organizationally Sensible vs. Legal-Centric Approaches to Employment Decisions,” \textit{Human Resources Management}, vol.45, 605–627, 2006.} If human resources are to be an important part of successfully competing in the marketplace, a different level of thinking about HR management is necessary. Productive, creative people working in a flexible, effective organization that provides rewarding work with an earned reputation as an excellent employer should be the goal. However, too often HR managers and professionals primarily concentrate on HR \textit{activities} such as job analysis or safety training— and those things certainly \textit{do} need to be done. But today, a traditional activities
approach to HR is necessary but insufficient. Part of the newer thinking is to treat people as part of the capital assets of the firm.

**The Concept of HR**

In *A Handbook of Human Resource Management Practice*, Armstrong\(^2\) defines HRM as a strategic approach to the management of people who are considered the most valued assets of the organization and are working there for the attainment of its goals individually and collectively. Likewise, Storey\(^3\) defines HRM as "a distinctive approach to employment management which seeks to obtain competitive advantage" using a set of cultural, structural and HR techniques. It has also a focus on strategic application of a highly skilled and committed workforce.

Luis Gomez-Mejia\(^4\) regards HRM as a general management approach to managing people to meet the challenges which organizations face as they attempt to deploy HR effectively. HRM can also help organizations to accomplish success and achieve competitive advantages in the face of these challenges. As the behavioural-based theories indicate, HRM is crucial for organizational success. Likewise, resource-based theories reveal that HRM system may help managers select and employ valuable and rare strategic human capital which competitors cannot imitate-within a short-time.\(^5\)

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5 Ibid.
Objectives

Cascio\textsuperscript{6} identifies two objectives of HRM: Broad and Special.

The Broad Objective. The broad objective of HRM is to optimise the usefulness of all workers in the organisation.

The Special Objective. The special objective of HRM department is to help line managers to manage workers effectively.

According to Armstrong,\textsuperscript{7} the overall purpose of HRM is to ensure that organizations are able to accomplish success through its people. These objectives can be accomplished by actuating capable people, utilizing their efforts effectively and maintaining their willingness to work towards the attainment of organizational goals. This necessitates the performance of several functions in the domain of management of human resources.

Four objectives\textsuperscript{8} form the foundation of all HR activity:

Staffing objectives

Human resource managers are first concerned with ensuring that the business is appropriately staffed and thus able to draw on the human resources it needs. This involves designing organisation structures, identifying under what type of contract different groups of employees (or subcontractors) will work, before recruiting, selecting and developing the people required to fill the roles: the right people, with the right skills to

\textsuperscript{7} Armstrong, M., \textit{A Handbook of Personnel Management Practice}, op. cit., p. 4.
provide their services when needed. There is a need to compete effectively in the employment market by recruiting and retaining the best, affordable workforce that is available. This involves developing employment packages that are sufficiently attractive to maintain the required employee skills levels and, where necessary, disposing of those judged no longer to have a role to play in the organisation. The tighter a key employment market becomes, the harder it is to find and then to hold on to the people an organisation needs in order to compete effectively. In such circumstances increased attention has to be given to developing competitive pay packages, to the provision of valued training and development opportunities and to ensuring that the experience of working in the organisation is, as far as is possible, rewarding and fulfilling.

Performance objectives

Once the required workforce is in place, human resource managers seek to ensure that people are well motivated and committed so as to maximise their performance in their different roles. Training and development has a role to play, as do reward systems to maximise effort and focus attention on performance targets. In many organisations, particularly where trade unions play a significant role, human resource managers negotiate improved performance with the workforce. The achievement of performance objectives also requires HR specialists to assist in disciplining employees effectively and equitably where individual conduct and/or performance standards are unsatisfactory. Welfare functions can also assist performance by providing constructive assistance to people whose performance has fallen short of their potential because of illness or difficult personal circumstances. Last but not least, there is the range of employee involvement initiatives to raise levels of commitment and to engage employees in developing new ideas. It is increasingly recognised that a key
determinant of superior competitive performance is a propensity on the part of an organisation’s employees to demonstrate discretionary effort.

Essentially this means that they choose to go further in the service of their employer than is strictly required in their contracts of employment, working longer hours perhaps, working with greater enthusiasm or taking the initiative to improve systems and relationships. Willingness to engage in such behaviour cannot be forced by managers. But they can help to create an environment in which it is more likely to occur.

*Change-management objectives*

A third set of core objectives in nearly every business relates to the role played by the HR function in effectively managing change. Frequently change does not come along in readily defined episodes precipitated by some external factor. Instead it is endemic and well-nigh continuous, generated as much by a continual need to innovate as from definable environmental pressures. Change comes in different forms. Sometimes it is merely structural, requiring reorganisation of activities or the introduction of new people into particular roles. At other times cultural change is sought in order to alter attitudes, philosophies or long-present organisational norms. In any of these scenarios the HR function can play a central role. Key activities include the recruitment and/or development of people with the necessary leadership skills to drive the change process, the employment of change agents to encourage acceptance of change and the construction of reward systems which underpin the change process. Timely and effective employee involvement is also crucial because ‘people support what they help to create’.
Administration objectives

The fourth type of objective is less directly related to achieving competitive advantage, but is focused on underpinning the achievement of the other forms of objective. In part it is simply carried out in order to facilitate an organisation’s smooth running. Hence there is a need to maintain accurate and comprehensive data on individual employees, a record of their achievement in terms of performance, their attendance and training records, their terms and conditions of employment and their personal details. However, there is also a legal aspect to much administrative activity, meaning that it is done because the business is required by law to comply. Of particular significance is the requirement that payment is administered professionally and lawfully, with itemized monthly pay statements being provided for all employees? There is also the need to make arrangements for the deduction of taxation and national insurance, for the payment of pension fund contributions and to be on top of the complexities associated with Statutory Sick Pay and Statutory Maternity Pay, as well as maternity and paternity leave. Additional legal requirements relate to the monitoring of health and safety systems and the issuing of contracts to new employees. Accurate record keeping is central to ensuring compliance with a variety of newer legal obligations such as the National Minimum Wage and the Working Time Regulations. HR professionals often downgrade the significance of effective administration, seeking instead to gain for themselves a more glamorous (and usually more highly paid) role formulating policy and strategy. This is a short-sighted attitude. Achieving excellence (i.e. professionalism and cost effectiveness) in the delivery of the basic administrative tasks is important as an aim in itself, but it also helps the HR function in an organisation to gain and maintain the credibility and
respect that are required in order to influence other managers in the organisation.

**HR Management Activities**

One aspect of getting the greatest contributions from human capital in an organization requires that a fit be made with how people are treated and the long-term effect on the company’s bottom line. The way that happens is through HR activities that are based on research, best practices, and continuing enhancement of HR efforts.

HR management can be thought of as seven interlinked activities taking place within organizations, as depicted in Figure 3.1. Additionally, external forces—legal, economic, technological, global, environmental, cultural/geographic, political, and social—significantly affect HR activities and how they are designed, managed, and changed. The HR activities are:

- **Strategic HR Management**: As part of maintaining organizational competitiveness, *HR effectiveness* can be increased through the use of *HR measurement* and *HR technology*. Through *HR planning*, managers anticipate the future supply of and demand for employees. An additional strategic HR concern is the *retention* of employees.

- **Equal Employment Opportunity**: *Compliance* with equal employment opportunity (EEO) laws and regulations affects all other HR activities. The *diversity* of a workforce creates additional challenges. For instance, a company must have sufficient diversity to meet *affirmative action* requirements.

- **Staffing**: The aim of staffing is to provide a sufficient supply of qualified individuals to fill jobs in an organization. *Job analysis* lays the foundation for staffing by identifying what people do in their jobs. These analyses are
used when *recruiting* applicants for job openings. The *selection* process is concerned with choosing qualified individuals to fill those jobs.

**Talent Management and Development:** Beginning with the *orientation* of new employees, talent management and development includes different types of *training*. Also, *HR development* of employees and managers is necessary to prepare for future challenges. *Career planning* identifies paths and activities for individual employees as they move within the organization. Assessing how well employees perform their jobs is the focus of *performance management*.

**Figure 3.1**

HR Management Activities

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- **Technological**
  - Global
    - Strategic HR Management
      - HR effectiveness
      - HR measurement
      - HR technology
      - HR planning
      - HR retention
    - Equal Employment Opportunity
      - Compliance
      - Diversity
      - Affirmation action
    - Staffing
      - Job analysis
      - Recruiting
      - Selection
    - Talent Management
      - Orientation
      - Training
      - HR development
      - Career planning
      - Performance Management
    - Total Rewards
      - Compensation
      - Incentives
      - Benefits
  - Environmental Cultural/Geographic

- **Economic**
  - Employee and Labor Relations
    - Employee rights and Privacy
    - HR policies
    - Union/management relations
  - Risk Management and Worker Protection
    - Health and wellness
    - Safety
    - Security
    - Disaster and recovery planning
  - Legal

- **Political**
  - External environment

- **Social**

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70
■ **Total Rewards:** *Compensation* in the form of *pay, incentives, and benefits* rewards people for performing organizational work. To be competitive, employers develop and refine their basic *compensation* systems and may use *variable pay programs* such as gain sharing and productivity rewards. The rapid increase in the cost of benefits, especially for health-care benefits, will continue to be a major issue for most employers.

■ **Risk Management and Worker Protection:** Employers need to address an increasing number of workplace risks to ensure worker protection. For decades employers have had to meet legal requirements and be more responsive to concerns for workplace *health* and *safety*. Also, workplace *security* has grown in importance along with *disaster and recovery planning*.

■ **Employee and Labor Relations:** The relationship between managers and their employees must be handled effectively. *Employee rights* and *privacy* issues must be addressed. It is important to develop, communicate, and update *HR policies and procedures* so that managers and employees alike know what is expected. In some organizations, *union/management relations* must be addressed as well.

The major activities of HRM performed by both line managers and HR professionals, as identified by Armstrong,⁹ are as follows:

- Organization. Organization design; job design and role building, and organizational development.
- Employment relationship.
- Resourcing. HR planning; recruitment and selection.
- HR development. Organizational and individual learning; management development; career management.

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• Reward management. Job evaluation paying for contribution; non-financial rewards; employee benefits
• Employee relations. Industrial relations; employee involvement and participation; communications.
• Health, safety and employee services.
• Employment and HR administration. Employment practices and procedure; HR information systems.

Scope and Functions of HR

The above general functions and their constituent activities form the scope of HRM.

Activities for Outcomes

Henema\textsuperscript{10} observed that HRM is concerned with improving contributions of people towards the effectiveness of organizations. Their contributions can be assessed in terms of specific personnel/human resource outcomes: attraction, performance, retention, attendance and satisfaction. These outcomes can be influenced by matching job requirements and rewards with individual ability and motivation. To accomplish this matching, the personnel/human resource department and individual line managers perform a set of activities.

Support and Functional Activities These activities reveal management's personnel policies, programmes and procedures and influence both indirectly (support activities) and directly (functional activities) the match between individuals and jobs. The support activities include: analysis of individuals and their jobs, assessment of outcomes—such as performance

appraisal and human resource planning. The functional activities revolve around external and internal staffing and development, compensation, labour relations and work environment like job design, quality circles and safety programmes. These activities are highly interrelated and influenced by external factors such as economic conditions, labour markets, laws and regulations and labour unions.

Changing Role of Professionals: From Traditional to Strategic

Traditional Tasks According to Fisher, Schoenfeldt and Shaw\textsuperscript{11}, the traditional role of the HR/personnel department was essentially functional in nature and revolved around the following tasks: human resource planning, recruiting of staff, job analysis, performance review, wage/salary and benefits administration, employee training, personnel administration, legislative compliance and labour relations. Personnel managers were thus mainly paper-pushers, who handled administrative tasks associated with pay, benefits, hiring and so on. The personnel department was often physically bond psychologically separated from the 'real work' of the organization.

Emerging New Patterns Within the strategic view of HRM, the functional tasks described above remain important, as they are essential to any organization even today. However, many organizations are developing new structural and cultural patterns to meet the competitive demands of the international marketplace. Steward\textsuperscript{12} discusses such integrated growth organizations. Firms at this stage of development focus on decentralizing, delegating authority to line managers, moving from controlling systems to


enabling systems, and breaking down the organizational bureaucracy. Integrated growth firms foster a more entrepreneurial climate with positive encouragement, risk taking, less emphasis on formal relationships, and more direct contact between managers and employees: These 'organizations' also spend much time "getting back in touch with the customer".

To use a traditional HR model in such firms and focus HRM exclusively on bureaucratic tasks would be inconsistent with these organizational strategies. As a result, a new strategic HRM view has emerged.

It is essential that management practices support and facilitate achievement of overall HRM. The HRM program should ensure:

(i) Selection of the best available persons and their placement in positions where their talent and abilities can be most effectively utilized.

(ii) Equal opportunity in all aspects of employment and positive action to promote progressive employment practices and maximum utilization of skills and training to further equal employment opportunities for all employees, and to provide, wherever practicable, job opportunities and work experience for the economically or educationally disadvantaged.

(iii) Current and timely classification of positions and evaluation of jobs, consistent with approved standards, to provide equitable compensation for employees and facilitate sound organisation.

(iv) Sound pay administration policies and procedures and the effective and equitable administration of laws, regulations and policies relating to the hours of work and pay.

(v) Effective training and supervision which will result in the development and maintenance of an efficient and productive work force and create a positive climate for the career development of employees.
(vi) Advancement of employees in accordance with their qualifications, potential, and merit.

(vii) Improvement of the level of performance of employees whose work is marginal or substandard or assignment to work for which they are better fitted.

(viii) Separation of employees whose work performance or conduct is unsatisfactory, and who fail to improve after a reasonable opportunity has been given them to do so.

(ix) Prompt, fair and equitable consideration of employee complaints.

(x) Constructive relationships between management and recognized labour organisations.

(xi) Exchange of information with employees concerning the goals of the organisation and their career objectives, as well as their rights, benefits, privileges, responsibilities, and obligations as Federal employees.

(xii) Promotion of an effective flow of information and ideas for work improvement between and among management and employees.

(xiii) Stimulation and recognition of employee accomplishments.

**New Strategic Roles**

Most of the development in HR have taken place over the last twenty years and have precipitated changes in the nature of these functions from being reactive, prescriptive and administrative of being proactive, descriptive and executive.  

**(a) Creating Value and Delivering Results.** In order to create value and deliver results, HR professionals must begin not by focusing on the activities

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or work of HR but by defining the deliverables of that work as they guarantee outcomes of HR work. In order to accomplish it, the HR professional must perform a set of four management activities.14

Management of Strategic HR. This involves designing HR and business strategy of an organization (organizational diagnosis). The deliverable outcome of this role is 'executive strategy'.

Management of Company Infrastructure. This includes re-engineering organization processes (shared Services). The deliverable outcome of this role is 'building on infrastructure’.

Management of Employee Contribution. This involves listening and responding to employees by providing them with resources. The deliverable outcome of this role is increasing employee commitment and capability:

Management of Transformation and Change. This means managing transformation and change processes effectively. The deliverable/outcome of this transformation is the creation of a renewed organization.

The above management activities are termed, respectively by Ulrich as follows:

- Strategic partner role
- Administrative expert role
- Employee champion role
- Change agent role

Thus, of present, the scope of HRM embraces not only the traditional functions but also the new strategic HRM roles. Thus, both traditional and strategic HRM (refer to Annexure I for details) are of utmost importance in today's changing globalized business environment.

Significance of HR

Traditional HRM

Traditionally, management of human resources is of utmost significance from at least three stand points - social, professional and individual enterprises.

(a) Social Standpoint. The effective management of human resources is likely to serve the goals of our society by enhancing the importance and dignity of the individual providing welfare and freedom in organizational settings. Specifically, it can serve at least five social goals as indicated by Yoder.15

- It can help to maintain an even balance between jobs and job holders to raise the living standards of individuals in the society.
- It can help people to secure most productive and most gainful jobs where they can be happy, enthusiastic and effective.
- It can assist every member of the organization in maximising his or her contribution and give reward in return for that contribution, by developing and utilizing the best talents in their jobs.
- It can help to ensure the best protection and conservation of human resources to prevent its wasteful or careless use.
- It can help people make their decisions with a minimum of direction and control, thereby serving the prominent goal of the society.

(b) Professional Standpoint. From the professional standpoint, the management of human resources is also of great significance. It can provide motivation for effective teamwork by providing desirable working

conditions and policies and preventing unethical use of human resources. Specifically serving six professional goals, it can

(i) help to maintain and respect the dignity of the individual members.
(ii) provide maximum opportunities for personality development of each participant in the organization.
(iii) provide relationships to ensure effective allocation of services to different jobs.
(iv) help in effective utilization of people's talents and interests in work-settings through employment.
(v) ensure conservation of human resources by preventing the waste resulting from idleness, partial employment, error in placement, inefficient application, etc.
(vi) lead to increased productivity by making available better standards of living.

(c) Individual Enterprise Standpoint. The management of human resources is also of significance from the standpoint of the objectives of individual enterprise. It can create attitudes which motivate the workforce to accept special goals of the enterprise. This can be achieved in three ways:

(1) It can help in the attainment of goals of the enterprise by obtaining capable people and by employing effective recruitment and selection techniques.

(ii) It can help in the attainment of goals of the enterprise through effective utilization of the efforts of human resources. In this respect, measures such as induction and on-the-job training, provision of feedback through periodic appraisal, proper organization and planned individual development, can be of great help.
(i) It can help in the attainment of goals of the enterprise by maintaining the willingness of people to work through equal provisions of opportunities for satisfaction of human needs not only physiological and security but also need, of love, esteem and self-actualization.

Strategic HRM

Strategic HRM is significant for at least four of its contributions to value addition, competitive advantage, quality management and overall business performance.\(^\text{16}\)

(a) Obtaining Added Value. HRM can help in achieving added value by:

- facilitating change management and building a positive work culture
- ensuring proper return on initiatives such as training and development
- delivering cost-effective services.

(b) Achieving Competitive Advantage. HRM can help in achieving competitive advantage by

- building core competencies of people through traditional services such as recruitment, reward management and employee development
- helping in managing macro systems such as corporate culture, management development and organizational structures.

(c) Promoting Total Quality Management. HRM can help in promoting total quality management by:

- Advising on the development of integrated quality management processes.

• helping line managers to achieve their quality objectives.
• facilitating development of philosophies and strategies and core values for quality and a quality-oriented culture at the corporate level.

(d) Improving Overall Business Performance. HRM can help in improving the overall business performance by:

• developing employee commitment
• facilitating a positive psychological contract
• promoting business success through employee engagement
• building employee skills and attitudes.

Notwithstanding its utmost significance, HRM faces varied challenges in today’s globalized world.

Challenges in HRM

Based on the HR development model, Bhatia classifies17 challenges in HRM under three categories:

• Challenges at organizational level,
• Challenges at workplace level, and
• Challenges at HRM department level.

At the Organizational Level

The organizational level challenges include: (a) integration of human resource plans with corporate plans, (b) task of motivating executives in view of reduced promotional opportunities, (c) wage settlement and executive salaries, (d) integration of change techniques, (e) task of keeping

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the organization young and productive, (f) task of keeping industrial relations movement from conflict to cooperation, and (g) development of an organization's culture.

(a) Integration of HR Planning with Corporate Plans. There is a challenge relating to integration of human resource planning with the strategic plans of the organization. Here, efforts may be made to forecast the human resources required to implement the plans of the entire organization for meeting varied requirements including expansion, diversification or reduction in operations. The process of integration is likely to positively reinforce the human resource objective of the enterprise and effectuate human resource planning. The integration of training and development objectives and strategies with the corporate plans represents a major challenge to improve organizational performance.

(b) Motivating Executives. The second challenge involves the task of motivating executives in an increasingly stringent environment in view of declining promotional opportunities. There is a trend towards executive salary compression in organizational settings as a result of levelling pressures. Although efforts by labour unions have helped improve condition of wages at the worker level, the salaries of managerial personnel remain nearly the same. Moreover, technological changes have caused reduction in hierarchical levels, further reducing the promotional opportunities.

These developments pose a great challenge to human resource managers forcing them to evolve measures for motivating the executives in a stagnant environment. To overcome the frustration arising from blocked upward mobility among executives, efforts may be made to redesign the job as a motivational measure by providing alternate job experience or lateral movement. Other motivational measures include indirect compensation or
benefits, recognition of the workers' personal worth and treatment in a dignified way.

(c) Wage Settlements and Executive Salaries. The third challenge involves wage settlements and emerging trends in the dynamics of relationship with respect to executives. There are varied challenges in the domain of wage and salary administration, especially in public sector enterprises in India. The Bureau of Public Enterprises (BPE) issues guidelines to regulate negotiations in public enterprises which does not remain unknown to even trade unions. For example, if the BPE allows 10 per cent rise, the trade unions seek to coax further increase from the management. Moreover, the negotiations on wages in the joint committee of each public enterprise assume a national character. For example, in 1983, it was the steel industry which gave the lead in finalizing the agreement, and soon other industries followed. Thus, a very hard core bargaining on wage settlement is obtained mostly at one industry or enterprise level, while others simply adopt the same with or without minor improvements. This practice nullifies the benefits of industry-based bargaining and an organization's capacity to pay for its productivity level. Again, a flat increase in wages for all categories of workers arrived at during the negotiation dilutes the wage differentials, causing grievances among executives. Likewise, the increasing differences in the DA rates for public sector executives and central government officers causes dissatisfaction among the former.

(d) Integration of Change Techniques. There is a challenge relating to the integration of various change techniques in HRM. An effort may be made to focus on strategies to improve organizational effectiveness through improved labour-management relations, increased productivity and product quality, improved stability of workforce and enhanced readiness of the company to deal with change. The application of innovative change
techniques has become imperative in view of the declining productivity growth and the economic competition. While introducing change, the companies use varied amount of participation and adhere to a process-oriented approach. The typical change techniques relate to organizational development, job redesign, problem-solving groups, i.e., quality circles, autonomous work teams, business teams (for product development), greenfield plants (establishment of a new work culture from the very outset using self-managed teams), productivity sharing plans, joint participation, management development and supportive practices. These techniques are used in combination rather than in isolation and their effective implementation depends upon varied factors including the top management support, the willingness of the middle management and a sense of security among rank and file workers.

(e) Maintaining a Young and Productive Organization. There is a challenging task of maintaining a young and productive organization. Here, efforts may be made to take into account the emerging dimension related to the imbalanced age structure of the human resources in the future. This necessitates adherence to a designed strategy for renewal of manpower in a phased manner. The future age distribution of workforce can be assessed using a "manpower renewal forecast model". Based on this diagnosis of potential manpower problems, young blood may be inducted into the workforce where imbalanced age composition is likely to occur.

(f) Keeping HR from Conflict to Cooperation. There is a baffling challenge relating to the movement of industrial relations from conflict to cooperation. The present industrial relations situation in India is marked by multiplicity of unions giving rise to insurmountable barriers in the process of bipartism and collective bargaining. It has become very difficult for the management to ascertain the 'right' representative among their employees.
The unions tend to make irrational and false promises and adopt erratic and violent measures to compete with their rivals. Indeed, inter-union rivalry stemming from political groupism has caused violent clashes designed by outside leaders. This problem can be resolved by evolving a system of recognition of trade unions. It may be pointed out that all-major public sector undertakings have devised a system of bipartite committee which, after the finalization of wage settlements, tends to deal with varied problems, such as production target, productivity, quality, safety, quality of work life and unhealthy restrictive practices. In conjunction with the above measures, an attempt may be made to accomplish industrial harmony through workers' participation which has vast potential for the integration of workers with the organization. However, the practice of this concept must start from the top and percolate downwards to supervisors. The secret to harmonious industrial relations rests with the improved interpersonal interaction based on trust and confidence between workers and the management.

(g) Developing Organizational Culture. There remains to be accomplished a challenging task of developing an organizational culture where members have values conducive to organizational growth, innovation and effectiveness. There has been a continuous debate over the virtues and difficulties of the changing corporate culture. HR managers here play a major role in evolving a new organizational culture conducive to excellence and helping people to adapt it.

At the Workplace Level

Bhatia further identifies five challenges at workplace level for human resource managers. These include: (a) task of adapting the workplace to rapid technological changes, (b) problem of non-performers and managerial competence development, (c) problem of grievance management, (d)
emergence of socio-psychological needs, and (e) HRM as a growing concern for all managers.

(a) Adaptation of Technological Changes. There is a challenging task of adapting workplace to rapid technological changes which influence the nature of work and generate obsolescence. Accordingly, the human resource managers will be required to perform the following tasks:

(i) Maintain human resource competence through training and development programmes, (ii) ensure a fit between technology and people for its optimal utilization through job design, (iii) arrange alternative careers through training of employees displaced by technology, (iv) update the new entrants to the workforce with the technology used at the job through a closer relationship between business and educational institutions, and (v) increase the productivity of non-manufacturing jobs.

(b) Problem of Non-performers and Managerial Competence Development. There is a problem of ineffective manpower and competence development of executives to utilize it. Efforts may be made to develop concern for tackling ineffective manpower and adapt a constructive approach to it. The measures to tackle it include: (i) identification of problematic employees, (ii) analysis of factors responsible for their ineffectiveness, and (iii) use of constructive approach to rehabilitate them. The task of utilizing the non-performers necessitates development of competence among executives to assist the unutilized workforce by understanding its strengths and weaknesses, providing feedback on its performance and using counselling to revitalize it.

(c) Management of Grievances. Management of grievances represents a baffling challenge. Frequently, representatives of workers in the shop council or in the plant level joint council tend to voice workers' grievances which remain unresolved. Indeed, redressal of grievances as soon as they
arise is essential for handling industrial complaints as well as preventing varied human relations problems, namely, low morale, employee unrest, indiscipline, apathy, lack of commitment, alienations and allied restraining behavioural manifestations.

(d) Emergence of Socio-Psychological Needs. There is a challenge relating to the shift from 'economic man' concept of human being to a 'dynamic, self-activating concept'. This necessitates emphasis on the overall quality of work life and fulfilment of socio-psychological needs of people. Specifically, the following areas will be the focus of attention of HR managers: (i) creation of a congenial human relations climate conducive to improved communication with employees, (ii) optimal utilization of a majority of average workers through their training and participation in management problems and-processes rather than excellent ones, (iii) utilization of the large reserve of energy available with the younger executives for constructive purposes, (iv) harnessing employee creativity, (v) establishment of a Reacting Participative Base (RPB) to supplement the formal joint bodies set up by the organization (the RPB involves a small group of workers from a specific work area which tends to solve particular problems related to them), and (vi) prevention of a demoralising effect on newcomers by assigning them responsible work.

(e) HRM as a Growing Concern for Managers. There is a challenge relating to improving the effectiveness of managers in the process of HRM. All executives have to develop concern for different personnel and industrial relations functions such as appraisals, rewards, punishments, promotions, selections, training and development, discipline, and dealing with unions.
At HRM Department Level

As Bhatia observes, there are five challenges at the human resource management department level: (a) process-orientation, (b) a concern with strategy and proactive approach, (c) research-orientation (d) developing HR policies, and (e) strengthening a matrix personnel department organization,

(a) Process-Orientaion. There must be a focus on process-orientation involving development of less formal processes which the line executives can use in managing people effectively.

(b) Concern with Strategy and Proactive Approach. There must be a concern to develop human resource strategies in line with organizational goals. The development of these strategies must be based on environmental scanning embracing emerging political issues, socio-cultural changes, economic factors, advancing technology and international events influencing domestic labour relations. Thus, anticipation of problem areas by environmental diagnosis is a very crucial strategy.

(c) Research-Orientaion. The challenge relating to research-orientation involves audit of current practices and manpower utilization, experimentation of innovative ideas, evaluation of personnel programmes and computerisation of manpower information system for enhancing quality and efficiency.

(d) Developing HR Policies. The challenge for developing personnel policies may involve improvement of human resource systems to fulfil growth and development needs of people, formulation of policies to meet the organization's internal requirements, and long term perspective and maintenance of consistency of firmness in implementation and interpretation of these policies.
(e) A Matrix Organization. There is a challenge relating to reinforcement of a matrix organization of personnel department at plant level. This challenge can be met by: (i) working closely with the line executives, (ii) seeking to hand over the personnel function to the line executives through persuasion and education and adopt a consultative role, (iii) evolving a participative approach in developing personnel policies, and (iv) maintaining a high level of reputation of integrity and ability.

HRM in a Changing Environment

As a Key to Competitive Advantage

Bernardin describes HRM in a changing environment as a key to competitive advantage. As he points out, the effectiveness with which line managers perform HRM functions with the tools, data and processes offered by the HK specialists, leads to competitive advantages of the firm. For this it is necessary that the HR specialists take into account the research findings by academics while considering various HRM policies and practices. To accomplish effectiveness, the HRM policy and activities must be established, and measured in the context of the mission and strategic objectives of the organization. Attempts should be made to improve company's competitiveness by focusing on meeting, and even on exceeding customer requirements, thereby enhancing the customer base. This focus is likely to improve corporate financial performance by improving competitive position. It involves providing value addition to customers and offering uniqueness. The uniqueness can be offered if the company possesses a set of four capabilities—financial, strategic or product, technological or operational, and organizational. Competitive advantage can be sustained by

focusing organizational capability in the context of other three capabilities. The company drives its organizational capability from HRM practices.

As Linked to Environmental Changes

To accomplish sustained competitive advantage, it is necessary that adequate attention is given to contemporary changes in the environment. These changes relate to globalization, technology, flexibility, litigation and workforce. The emerging trends and challenges in these dimensions necessitate that HRM activities are linked to them for accomplishing effectiveness.

Globalization

Globalization has caused intense competition as well as concern for productivity. Because of close linkage between HRM expertise and productivity, there is a growing interest in HRM. HRM experts are helping the companies in improving productivity through restructuring and downsizing programmes. They conduct vocational counselling for displaced employees and assist in evolving new staffing plans as a result of restructuring.

Technological Change

Companies are now moving towards an optimal combination of people, software and equipment to deliver products and services effectively. The HR services are used to maximise profit margins while providing customer value. This is evidenced from the impact of Internet on HRM activities. HRM specialists are helping in employee requirement on the Internet. They are playing a key role in this context because of their specialization in job analysis, and personnel selection procedures such as testing and interviewing. The entire process, starting from job description to interviewing the candidates, hardly takes a day.
Need for Flexibility. The changing environment demands utmost flexibility in response of the company's success. In India, innovative response to environmental situations is a key for sustained profit and growth. To accomplish flexibility, the companies focus on their core competencies and outsource other activities. HR specialists can help them discover their core competencies and develop optimal work design out of old HR strategies. Of course, there is also a trend towards out-sourcing the HR function itself for cost savings.

Increased Litigation

The companies are bound by numerous central, state and local laws, regulations, executive orders, and rules which influence every HR decision. There are health and safety regulations laws relating to employee benefits, plant closures, mergeis and acquisitions and allied issues. The HR specialists must be expert in these laws and regulations so that their company comply with them and defend allegations regarding violations.

Changing Nature of Workforce

The nature of workforce is drastically changing these days and is likely to influence HRM policies and practices. Thus, with the increasing diversity of the workforce, there is a need for diverse HRM systems and practices. The workforce has also seen tremendous increase in the number of women and minorities. Moreover, there is also an increase in individual-career couples in the present workforce. All these necessitate compliance with several legal provisions and considerations of varied organizational design and staffing issues. The HRM specialists are thus required to evolve and implement flexible work schedules, relevant training programmes and career development strategies for accomplishing a quality workforce on a continuous basis.
As Bernardin concludes, through better coordination with organizational planning and strategy, people can be used to create and sustain a firm's advantage in an increasingly competitive world. In the context of changing business environment, the HRM department has become a partner in evolving a company's strategic activities of the HRM function.

Roles and Responsibilities of HR Managers and Structure of the Department

Roles

In the context of changing environment described earlier, HR managers perform varied roles to accomplish outstanding results. As identified by Armstrong\(^{19}\), these include: (a) the reactive/proactive roles, (b) the business partner role, (c) the strategist role, (d) the interventionist role, (e) the innovative role, (f) the internal consultancy role, and (g) the monitoring role.

Based on his analysis, these roles are briefly examined here.

(a) Reactive / Proactive Roles. Largely, HR managers play a reactive role. They tend to do what they are asked to do. Thus, they may comply with requests for services or advice. Of course, at a strategic level, they tend to play a proactive role. Accordingly, they may act as internal consultants and provide guidance on issues relating to upholding core values.

(b) Business Partner Role. As a business partner, they may integrate their activities with top management and identify business opportunities. They may facilitate attainment of the firm's business objectives. They may make

proposals for innovations that have value addition. Thus, they may share responsibility with line managers for the success of the company.

(c) Strategist's Role. In this context, they may deal with basic long-term issues, relating to the development of people and the employment relationship. They may ensure that top managers lay stress on the HR implications of their plans. They may convince the top management that people are a strategic resource for the competitive advantage of the company. They may also strive to accomplish strategic integration and fit.

(d) Interventionist's Role. In this role, the HR managers are expected to observe and analyze the happenings in their organizations. Thus, they may intervene with proposal on job design, taking into account people for the introduction of new technology. They may also intervene when they think that prevailing people management processes should be changed for improved performance.

(e) Innovation Role. Attempt may be made to introduce innovative processes and procedures which can enhance organizational performance. However, the need for innovation must be determined through careful analysis. The appropriateness of such innovation must be demonstrated by HR managers.

(f) Internal Consultancy Role. In this role, the HR managers work as external management consultants to analyze problems, diagnose issues and suggest solutions. Thus, they may develop HR processes or systems (i.e., new pay structures, etc.) for their organizations.

(g) Monitoring Role. In this context, they are required to ensure that the procedures and policies are implemented consistently. Thus, HR managers work as regulators. For example, they may insist on following the standard
disciplinary procedure as their organizations. This role is particularly pronounced in the context of labour legislation.

**Responsibilities**

Armstrong\(^{20}\) further classifies responsibilities (activities) of HR managers in three general categories:

(a) **Service Provision**
(b) **Advice**
(c) **Guidance**

(a) **Service Provision.** The basic responsibility performed by HR managers is that of providing services to internal customers (i.e., management, line managers, team leaders and employees). These services may embrace varied areas of HRM (i.e., HR planning, recruitment and selection, etc.).

(b) **Advice.** HR managers provide advice on varied issues such as job design, health and safety requirements, etc. They perform the responsibilities of counsellors and mentors as well as problem solvers by providing advice to individuals, team leaders and managers.

(c) **Guidance.** The HR managers provide guidance to the management on HR policies, procedures and the implications of labour legislation. Thus, they make recommendations on HR strategies. They may also provide guidance to ensure that consistent decisions are made on varied issues such as pay increases, performance appraisal, etc.

\(^{20}\) Ibid., pp. 24-25.
French classifies specific responsibilities of HR managers in large organizations under six categories. These responsibilities relate to:

(i) Vice President (HR)
(ii) Director (recruitment and employment)
(iii) Director (compensation and benefits)
(iv) Director (labour relations)
(v) Director (training and development)
(vi) Director (employee relations)

Figure 3.2
Typical Reporting Relationship of the HR Director to the Top Management in a Large Organization

(ii) Responsibilities of the Vice President (HR): His responsibilities include: tasks related to the executive committee, organization planning, HR planning, policy and organization development.

(iii) **Responsibilities of the Director (Recruitment and Employment):** He is responsible for recruiting; interviewing, testing, placement and termination.

(iv) **Responsibilities of the Director (Compensation and Benefits):** His work involves job analyzes and evaluation, services, performance appraisal, compensation administration, giving bonus and profit-sharing plans and taking care of employee benefits.

(v) **Responsibilities of the Director (Labour Relations):** His responsibilities revolve around negotiations, contract administration, grievance redressal procedure, arbitration, health and safety, medical plans and cafeteria.

(vi) **Responsibilities of the Director (Training and Development):** His responsibilities embrace: orientation, training, management development, career planning and development, quality circles and exit interviews.

(vii) **Responsibilities of the Director (Employee Relations):** His responsibilities include equal employment opportunity relations, contract compliance, social assistance programmes, employee counseling and out-placement.

**Structure of the HR Department**

Typically, in large organizations, the human resource director may report to the CEO (usually designated as President or Chairman and Managing Director). Figure 3.2 shows typical reporting relationship of HR director to the top management in a large manufacturing company. As French observes, in such organizations, the HR director and his/her staff play a major role in the design and monitoring of systems. These
organizations (as compared to small ones) are more likely to employ people with specialized expertise to assist in designing and implementing HR systems. Responsibilities assigned to varied HR positions may be quite different in large (employing more than 3000 people) and small (employing around 300 people) organizations. Figure 3.3 depicts a typical structure of the HR department in a small organization. As the figure shows, the HR department has only three persons including personnel officer, personnel assistant and administrative assistant. They perform a wider variety of responsibilities as compared to those of a large organization. Figure 3.4 shows a typical structure of the HR department in a large company. In such organizations, each HR position is marked by a high degree of specialization or expertise in a particular area. As it may be noted from Figure 3.4, varied levels of HR executives report to HR director and, in turn, these executives have several HR personnel of varied levels reporting to them.

Figure 3.3

Typical Structure of HR Department in a Small Company
Defining HRM: soft versus hard HRM

Within the HRM, view, two approaches have been identified. Storey\textsuperscript{22} labelled these two approaches hard HRM and soft HRM. The 'hard' approach, rooted in manpower planning, is concerned with aligning human resource strategy with business strategy, while the 'soft' approach is rooted

in the human relations school, has concern for workers' outcomes and encourages commitment to the organisation by focusing on workers' concerns.

**Soft HRM**

The soft view of HRM, developed by Storey,\(^{23}\) popularised a distinctive approach to managing the human resource. Beer et al.\(^{24}\) proposed the Harvard model as a means of improving managers' methods of managing people. Walton\(^{25}\) argued that the role of HRM was to develop strategies to gain employees' commitment, not to be a means of controlling them.

**Figure 3.5**

*A Model of The Shift To Human Resource Management*\(^{26}\)

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Beer et al.\textsuperscript{27} suggest that managers need to be more responsible for HRM. The Harvard model opened the debate in the 1980s and proposes four human resource categories, as is demonstrated in Figure 3.6.

The issues proposed by Beer \textit{et al.} argue that managers need to take responsibility for employee influence, human resource flow, reward systems and work systems, regardless of the size of the organisation. They recognise that different stakeholders have different interests and, for an organisation to be effective, managers need to take these interests into account.\textsuperscript{28}

\textbf{Employee influence}

This refers to how managers disperse their power and authority throughout the organisation while ensuring that the organisational goals are met.

\textbf{The human resource flow}

This refers to issues of recruitment, selection, development and ending the contract for the people in the organisation. The model argues that managers must work together to ensure that the right people are in the right place at the right time.

\textbf{Rewards systems}

These are concerned with how employees are rewarded for their work. They include monetary reward such as pay bonuses and profit sharing, and non-monetary rewards such as holidays and health insurance. They are also concerned with intrinsic rewards such as job

\footnotesize{\textsuperscript{27} Beer, M. Spector, B. et. al., \textit{Managing Human Assets}, op. cit. \textsuperscript{28} Ibid.}
fulfilment and empowerment, which help to maintain a motivated and productive workforce. The Harvard model recommends that employees are involved in the design of the reward system, while managers must ensure it is consistent with the organisation's goals.

**Figure 3.6**

**The Human Resource System**\(^\text{29}\)

\[
\text{Work system}
\]

\[
\text{Employee influence}
\]

\[
\text{Human resource flows} \quad \text{Rewards}
\]

**Work systems**

This refers to the organisation of work to ensure that it is efficient and productive and, again, can meet the organisation's goals. Work systems need to ensure that the communication channels work and the correct technology is in place at the various levels of the organisation.

As can be seen from Figure 3.7, the human resource system forms one part of the Harvard model and cannot be considered without taking into account stakeholder interests, situational factors, HR outcomes and the long-term consequences of decisions.

\(^{29}\) Ibid.
Stakeholder interests

This refers to shareholders who have a financial interest in the business. These range from the management, who need to ensure that organisational goals are met, to employee groups, either formal or informal. Externally, the government also has an interest in how organisations operate; this includes legislation to ensure that people are protected and to monitor how the organisation contributes to the economy. Often in communities where one type of organisation is a major employer, the community may also have a stake in the organisation. This was the case in the 1980s when, with the demise of the coal mines and manufacturing industries, many communities were destroyed as people moved away to find work. Unions may also have an interest in the organisation and, although

\[30\] Ibid.

101
many unions lost their power after 1980s. Workers still have the right to belong to a union and employers have a duty to recognize this.

Situational factors

These include the characteristics of the workforce, which in turn include labour markets, union representation, laws and societal values. Questions need to be asked such as: Who are they? Where do they come from? What is the culture? The business environment also needs to be considered, such as the economic conditions, strategic issues as to the direction of the organisation, and the management philosophy that drives the organisation. The technology and work systems also need to be taken into account to ensure that the workers can be effective. These lead to the HRM policy choices of employee influence, human resource flow, reward systems and work systems, which were illustrated in Figure 3.6.

HR outcomes

These follow on from the HRM policy choices and are concerned with commitment, competence, congruence and cost-effectiveness. Managers need to ask: How can we gain commitment from our workers to enable the achievement of organisational goals? How can we ensure we have a trained and competent workforce who are able to perform productively? How can we sustain congruence; in other words, ensure that our workers are compatible with the management style and will fit in with other employees? Finally, how can managers ensure they are cost-effective while maintaining employee satisfaction?

Long-term consequences

These follow on from HRM policy and outcomes and refer to individual well-being. Will the outcomes ensure that individuals are
looked after and their needs considered? Will the organisation still be able to be effective and compete or provide a service in the external market? How will the HR outcome satisfy the wider needs of society and the community as a whole?

Managing diversity is another important issue for managers today, which is why HR managers need to be aware, not only of legislation, but also how it can affect the morale of employees. Managing for diversity ensures that all employees can feel valued as part of the organisation. An example of this is illustrated in the 'Managing diversity' box. The soft view of HRM proposed by the Harvard model recognises the importance of people and that stakeholder interests are more likely to be met if HR policy choices and outcomes ensure the long-term consequences of individual well-being, which impact on societal wellbeing and increase organisational effectiveness. The Harvard model suggests that organisations that encourage employee influence in decision-making are likely to be more effective provided they are consistent with organisational goals. Guest has developed this model further as is discussed below:

A pain in the neck: tied-down dress codes

In a significant judgment in January 2004 (Thompson vs Department for Work and Pensions – unreported, EAT 0254/03), the EAT (Employment Appeal Tribunal) overturned a tribunal decision that Matthew Thompson, who works for JobCentre Plus, had been treated less favourably on the grounds of his sex by being required to wear a collar and tie at work. Another 6950 other male JobCentre workers have lodged similar complaints. All JobCentre staff were required to dress 'in a professional, business-like way'. Men were required to wear a collar and tie, women to 'dress appropriately and to a similar standard'. Thompson said this was unlawful sex discrimination.
The tribunal's decision was based on men being required to wear clothing of a particular kind, whereas women were not, and on a 'higher standard' being imposed on men than on women. The EAT said the question for the tribunal should have been whether the level of smartness required for all could be achieved for men only by requiring them to wear a collar and tie. The appeal from the Department for Work and Pensions (DWP) was allowed and the case was remitted to a differently constituted tribunal. Both sides were given permission to appeal.

Although the employer's appeal was successful, the case serves as a timely reminder to employers to avoid any allegations of unlawful discrimination by applying a sensible approach to dress codes and to be flexible in trying to accommodate individual needs. Employers are entitled to request their staff to dress in an appropriate manner and, while there can be different rules to reflect the conventions of dress for men and women, there must be an even-handed approach so the 'package' as a whole is not discriminatory. With legislation against religious discrimination now in place, employers should have already reviewed their dress codes to ensure provisions do not constitute indirect discrimination – for example, preventing Muslim women from wearing a hijab (headscarf). In some cases, dress codes can be adapted to allow employees to wear the required items/adornments. Where indirect discrimination is concerned, employers may be able to objectively justify applying the dress standard – for example, when religious dress requirements conflict with health and safety or hygiene rules.31

Development of the Soft HRM Model

Guest\textsuperscript{32} extended the Harvard model’s four HR policy choices of employee influence, human resource flow, reward systems and work systems to a total of seven. These seven policy areas (illustrated in Figure 3.8), included: organisational job design; policy formulation and implementation, and management of change; recruitment, selection and socialisation; appraisal, training and development; manpower flows; reward systems; and communication systems. The correct policy choices will lead to HR outcomes of commitment, competence and cost-effectiveness, and result in the long-terms consequences of individual well-being, organisational effectiveness and societal well-being.

Figure 3.8

Extended Policy Choices\textsuperscript{33}

\begin{itemize}
  \item Policy formulation and implementation, and management of change
  \item Organisational job design
  \item Communication systems
  \item Recruitment, selection and socialisation
  \item Appraisal, training and development
  \item Reward systems
  \item Manpower flows
\end{itemize}


\textsuperscript{33} Ibid.
**Organisational and job design**

This is similar to the Harvard model's *work systems* and includes how the design of a job fits into the organisational design. It takes into account the suitability of the tasks and technology used to achieve organisational goals. The design of organisations should reflect a high commitment model to HR and demonstrate how work design can be related to organisation strategy. For example, workers would be empowered to take control of their work as a means of increasing commitment to the organisation. The organisational structures would be designed to enable this to happen, power is more likely to be dispersed and management would be less authoritarian.

**Policy formulation and management of change**

This means using HR policy to identify and manage change in a business environment. This extends from the Harvard model, which had not identified change as a separate policy. It is especially important in a fast-changing business environment to manage change effectively to ensure competitiveness. Apple computers managed to develop the iPod and gain competitive advantage by having policies for managing innovation and change.

**Recruitment, selection and socialisation**

This is covered in the Harvard model's human resource flow. As the name suggests, it covers aspects of how and where employees are recruited, selected and inducted into the organisation, to ensure that they will be suitable in achieving organisational outcomes. However, this is more than just having the right people in the right place at the right time: it also needs to ensure that the workforce will be involved in the achieving of organisational goals.
Appraisal, training and development

This is not covered in the Harvard model as a separate policy. Guest\textsuperscript{34} argues that policies are necessary to ensure that employee performance is evaluated, which in turn ensures that the appropriate training and development take place. The aim for a motivated, involved and contented workforce. Competing commitments, such as union involvement and work/life balance, would be identified and strategies would be developed to ensure that workers are able to be fully committed.

Manpower flows

These ensure that systems are in place to monitor employees throughout their life in the organisation. They can provide information on how staff are promoted or why they may leave the organisation. The Harvard model covers this in its workflow policies. It is important, as high staff turnover can indicate a problem with morale. Poor morale leads to poor productivity and low commitment to the organisation.

Reward systems

As with the Harvard approach, these cover the type of monetary and non-monetary rewards the organisation uses to maintain employee commitment. It needs to ensure that appropriate rewards are available, desirable and achievable. For example, if performance-related pay is part of the reward system then the criteria for achieving qualifying targets need to be transparent and achievable. If targets are imposed that are perceived to be out of reach, employees are less likely to feel committed to achieving them.

\textsuperscript{34} Ibid.
Communication systems

This refers to the processes the organisation has in place to ensure that efficient communication takes place and that information can be shared between employees and managers. Communication is seen as a vital part of ensuring employee participation and commitment. In a high-commitment organisation communication would be open and effective. Employees need to feel they are listened to and their opinions and concerns taken into account. Employers cannot be expected to meet the goals of the organisation if these have not been communicated to them, which is important for a high-commitment organisation. Poor communication also often leads to a disgruntled and dissatisfied workforce and poor employee relations.

Guest\textsuperscript{35} continued with the theme of a soft HRM model, but argued that policies and practices should be designed to achieve the organisational outcomes of strategic integration, employee commitment, workforce flexibility and quality. This is demonstrated in Figure 3.9. The distinguishing feature of Guest's model is that HR policies should be designed to achieve the outcomes shown in the figure.

Strategic integration

This ensures that the HR policies and business policies are integrated. It argues that HR strategies and planning, form part of a manager's role and that the HR strategy should form part of the business strategy and not be treated as a separate entity. This means that managers take responsibility for the human resource and need to ensure that they have the right people in the right places to ensure that the business strategy can be achieved.

\textsuperscript{35} Ibid.
**Employee commitment**

This encourages employees to have 'buy in' to the organisation, which in turn encourages high levels of productivity. Commitment is gained through 'winning their hearts and minds', rather than imposing management sanctions. This means that the employment relationship should be more than an economic exchange where employees receive a financial reward for their services. It should also include a psychological relationship of shared goals and values, and a sense of belonging.

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36 Ibid.
**Workforce flexibility**

This ensures that the workforce is adaptable and flexible; this in turn will mean that the organisation can respond to changes. Training to enable increased flexibility will be integral to the HR strategy and will be designed to encourage a motivated, skilled and involved workforce.

**Quality**

A high-quality workforce will ensure that the products and services provided are of the highest standards. The drive for quality will be encouraged through a high-commitment model, which also encourages effective commitment to the organisation.

Guest\textsuperscript{37} argued that the HR outcomes will result in organisational outcomes of high job performance, high problem-solving ability, a greater ability to adapt to change and improved cost-effectiveness. The HR outcomes, will also reduce employee turnover, absence and grievances. However, Guest proposes that this will happen only if a strategic approach is taken to integrate HRM policies into business policies and they have the support of all the managers in the organisation.

Keenoy\textsuperscript{38} criticises Guest's model as being too simplistic and unrealistic in that it would be hard to implement in a realistic working environment. In response, Guest\textsuperscript{39} argues that progress in the UK in integrating HR policies has been slow and, for soft HRM to work, managers need to take into account social market attitudes and develop long-term

\textsuperscript{37} Ibid.


thinking through consultation within the workforce. Many managers do not take a long-term view for their organisations and, as a consequence, many HRM policies are also short term and follow fashion rather than ensuring long-term commitment to the organisation through its people.

Both the Harvard model and Guest's model represent the soft approach to HR. The ideas they propose should create highly committed workforce managers who have concern for workers' outcomes and are able to link these to the organisation's outcomes. In conclusion, the soft approach to HR ensures that employees are competent to perform, are committed and that this is congruent with organisational goals, which in turn should result in cost-effective HRM and lead to the organisation achieving competitive advantage.

An alternative approach to HRM identified by Storey is the 'hard' approach which is discussed below.

**Hard HRM**

Storey\(^{40}\) identifies the 'hard' model of HRM as that proposed by Fombrun et. al.\(^{41}\), also referred to as the Michigan model.

The 'hard' model of HRM emphasises that employees should be treated as a means of achieving the organisation's goals. This means that employees are a business resource and successful organisations are those that best deploy their human resources.

'Hard' HRM assumes that increasing performance will be the manager's main reason for improving HRM. Fombrun et. al.\(^{42}\) argue that the


\(^{42}\) Ibid.
external environment of increased competition and market instability will necessitate HRM strategies be designed to achieve the goals of the organisation.

Fombrun et al.\textsuperscript{43} also argue that organisations exist to accomplish a mission or achieve objectives, and strategic management takes into account three interconnected issues of mission and strategy, organisation structure and human resource systems. See Figure 3.10 to find out how these fit together.

**Figure 3.10**

**Strategic Management And Environmental Pressures**\textsuperscript{44}

This refers to the organisation's reason for being. The mission articulates the organisation's fundamental purpose and defines the nature of

\textsuperscript{43} Ibid.
\textsuperscript{44} Ibid., p. 41.
the business. It is there to unify human and other resources. Organisations exist to achieve a mission and managers need to think strategically about how people are managed and deployed to this end.

**Organisation structure**

This refers to the requirements and tasks needed to achieve the organisation's goals. These include accounting systems and communication networks, as well as the personnel required at the different levels and the tasks to be accomplished.

**Human resource management systems**

These establish the need for people to be recruited and developed, which in turn will enable them to achieve the organisational goals and maintain performance.

The Michigan model shown in Figure 3.10 recognises the external and internal forces of HRM as a triangle. Management decides the mission and strategy, it designs the organisational structure to meet the strategy and mission, and integrates and organises HRM to fit in with the structure and to fulfil the mission and strategy. The mission, strategy, organisational structure and human resource management cannot operate in isolation. They also need to respond to the external forces of politics, economics and culture. Once these have been taken into account, managers can begin to design the human resource system.

Devanna *et al.*\(^4^5\) describe the four functions of the cycle as follows:

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Performance is a function of all of the human resource components: selecting people who are best able to perform the jobs defined by the structure, appraising their performance to facilitate the equitable distribution of rewards, motivating employees by linking rewards to high levels of performance, and developing employees to enhance their current performance at work as well as to prepare them to perform in positions they may hold in the future.

The Michigan model's human resource cycle is illustrated in Figure 3.10 Fombrun et. al.'s concept of HRM (Figure 3.11) was influenced by much of the well-known literature on management style, such as Mayo, Chandler, and Galbraith and Nathanson.46, 47, 48

The Michigan model is based on strategic control, organisational structure and systems put in place for managing people. It identifies the need for human assets to be managed to achieve strategic goals. Motivation and rewards are important but only as a means of achieving the organisational mission and goals.

An organisation operating 'hard' HRM would aim to have a rational fit between the organisation's strategy, structure and HRM systems. The management style would see employees as a means of achieving business goals, and employees would be valued only if their worth had a positive effect on business strategy. The hard model of HRM is much closer in its philosophy to free market thinking with the use of hiring, firing and cost-cutting to ensure that the human resource is fully utilised.

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Empirical research by Truss et. al.\textsuperscript{49} into large organisations such as BT, Lloyds TSB and Hewlett-Packard has not produced evidence of organisations' systematic and consistent practice of HRM. However, it did find that employees were strategically controlled in order for them to achieve organisational goals, which is consistent with the hard approach.

\textbf{Figure 3.11}

\textbf{The Human Resource Cycle}\textsuperscript{50}

\begin{figure}
\centering
\begin{tikzpicture}
\node (S) at (0,0) {Selection};
\node (P) at (2,0) {Performance};
\node (A) at (2,-2) {Appraisal};
\node (D) at (0,-2) {Development};
\node (R) at (2,2) {Rewards};

\draw[->] (S) -- (P);
\draw[->] (P) -- (A);
\draw[->] (A) -- (D);
\draw[->] (D) -- (S);
\draw[->] (R) -- (P);
\draw[->] (R) -- (A);
\draw[->] (R) -- (D);
\end{tikzpicture}
\end{figure}

\textbf{The context of human resource management}

Human resource management cannot take place in isolation from the internal organisation or the external environment where the political, economic, societal, technological and international context can have an impact on how the organization operates and how HRM is managed within


\textsuperscript{50} Fombrun et. al., \textit{Strategic Human Resource Management}, op. cit.
that context. The context within which HRM takes place will impact on organisational policies and have implications for the functions of HR. One example is the Beardmore Conference Hotel, whose flexible benefits reflected the local society and culture as well as the economic environment, where managers recognised the need to attract and retain staff at that time. Context has many layers, which build up to impact on how the organisation does business. Figure 3.12 demonstrates how organisations operate within a given context.

The organisational context

To operate successfully the organisation needs to ask itself the following questions: What business are we in? How can we carry out our business to be as effective as possible and to meet our stakeholders' needs? The organisational context is also influenced by the external context; it interacts with its environment and this in turn impacts on HR. For this reason, HR practices need to be designed to reflect the organisational context. However, in a fast-changing working environment this is often difficult to achieve: new technologies are developed, governments and attitudes change. Policies should inform practice, but these need to be flexible enough to respond to the influences of the external environment. For example, changes in working hours have meant changes in policies, which in turn have led to changes in practice, which in theory should have meant a reduction in working hours for some workers.
Figure 3.12
The Context of HRM

_The external context_

The external environment influences the external context of the organisation. An organisation would not be effective if it ignored the external context of politics, economics, society and technology. In London and the south-east of England, there is a shortage of key workers, such as nurses and teachers, and many workers have been employed from abroad to fill the vacancies. For organisations, this means a review of policies to ensure that new workers' needs are considered. On the practical side, new aspects of training may have to be delivered to meet language needs. To do this an organisation needs to operate as an open system, which can change to
meet the needs of its external environment. Katz and Kahn\textsuperscript{51} identify open systems as those that interact with the environment; this makes them complex and difficult to control.

\textit{The political context}

The political context not only refers to the type of government in power at the time, but also whether the country is democratic or not. In the UK the political context changes depending on which political party is in power. In the past, the Conservative Government has tended to favour the employer over the employee; an example of this was the removal of the minimum wage. Traditional Labour Governments have focused on the employee and have had close links with the unions. With New Labour the lines have become somewhat blurred: although they have reintroduced the minimum wage, they have also formed close links with industry by encouraging public/private partnerships. With every change of government the HR practitioner needs to identify the impact on the organisation and the HR department.

\textit{The economic context}

The economic context refers to the health of the nation. If business is booming and unemployment is low, it may be harder to find and retain staff. In times of economic decline, unemployment increases and a greater choice of labour is available to the employer. However, economic decline may also mean that your organisation has to 'downsize' and the HR department will then face the dilemma of dealing with redundancies. An organisation may also need to answer to shareholders, who expect to see a healthy return on their investment. For the HR professional this could mean developing

operations overseas where labour is cheaper, such as Prudential moving its call centres to India. It may also mean outsourcing some or all of the functions of HR, as the organisation pursues its competitive advantage.

**The social context**

The social context refers to the culture, politics, leadership and management style that influence the organisation. The example of Enron in the opening vignette is an example of how culture, politics, leadership and management style can influence an organisation. An HR manager must be able to identify the culture within which the organisation operates. This means she or he must be able to identify the culture within which organization operates. This means she or he needs to recognise and understand the values the organization is trying to promote. However, they also need to understand the culture and society from which their employees are recruited. Schein, offers the following as a definition of culture: “a pattern of basic assumptions — invented, discovered or developed by a given group as it learns to cope with its problems of external adaption and internal integration — that has worked well enough to be considered valuable and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems.”

Many industries in the past have grown up in particular regions. For example, coal mining in the north-east of England, steelworks in Wales; pottery in the Midlands, financial services in London. Even though many of these industries have now gone, society often clings to the past tradition: As new industries move in, the HR manager needs to adapt and change the culture to match the new organisation.

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An HR manager should not underestimate the importance of the societal context of business as in many instances, businesses have foundered due to a lack of understanding of the culture. Examples are EuroDisney Paris, whose lack of understanding of European culture and its failure to embrace all things American, had a serious impact on business, or Wal-Mart in Argentina, which failed to understand how the Argentines liked to shop, and could not understand why business was not booming in its bright and shiny new supermarkets.

*The technological context*

The technological context refers to the technology available for the organisation to use. In today's world, technology has a major impact in ensuring an organisation can maintain competitive advantage. For the HR manager it means keeping up to date with the technology available and the implications for using that technology. Thirty years ago the HR manager would have kept paper records, probably with the minimum of information. Today, the HR manager is expected to collect tax and national insurance, administer pensions and keep the information secure to comply with legislation such as the Data Protection Act. The HR manager also needs to ensure that staff are trained and developed to allow the company to embrace a fast-changing technological environment. Then there are the implications of technology replacing people or using technology to relocate sectors of the organisation such as customer services. There are also the new ways of working made possible through the use of email, video conferencing and the Internet, where organisations can exist virtually. The HR manager needs to understand how to manage in the context of technology.
The global context

Today, many organisations operate in a global context. Globalisation is directing HR managers to develop an international strategy, which can impact on the activities of the HR department. Managers need to work across cultures and direct activities either externally from the home country or internally in the host country.

With these context of human resource management, the human resource manager's job has grown broader and more strategic over time. In the earliest firms "personnel" first took over hiring and firing from supervisors, ran the payroll department, and administered benefit plans. As technology in areas like testing and interviewing began to emerge, the personnel department began to pay an expanded role in employee selection, training, and promotion. The emergence of Union Legislation in the 1930's added "protecting the firm in its interaction with Unions" to the personnel department's responsibilities. Today, globalization, technology, and nature of work trends mean that human resource managers have taken on several new responsibilities. The first is that employers expect their human resource functions to be more strategic.