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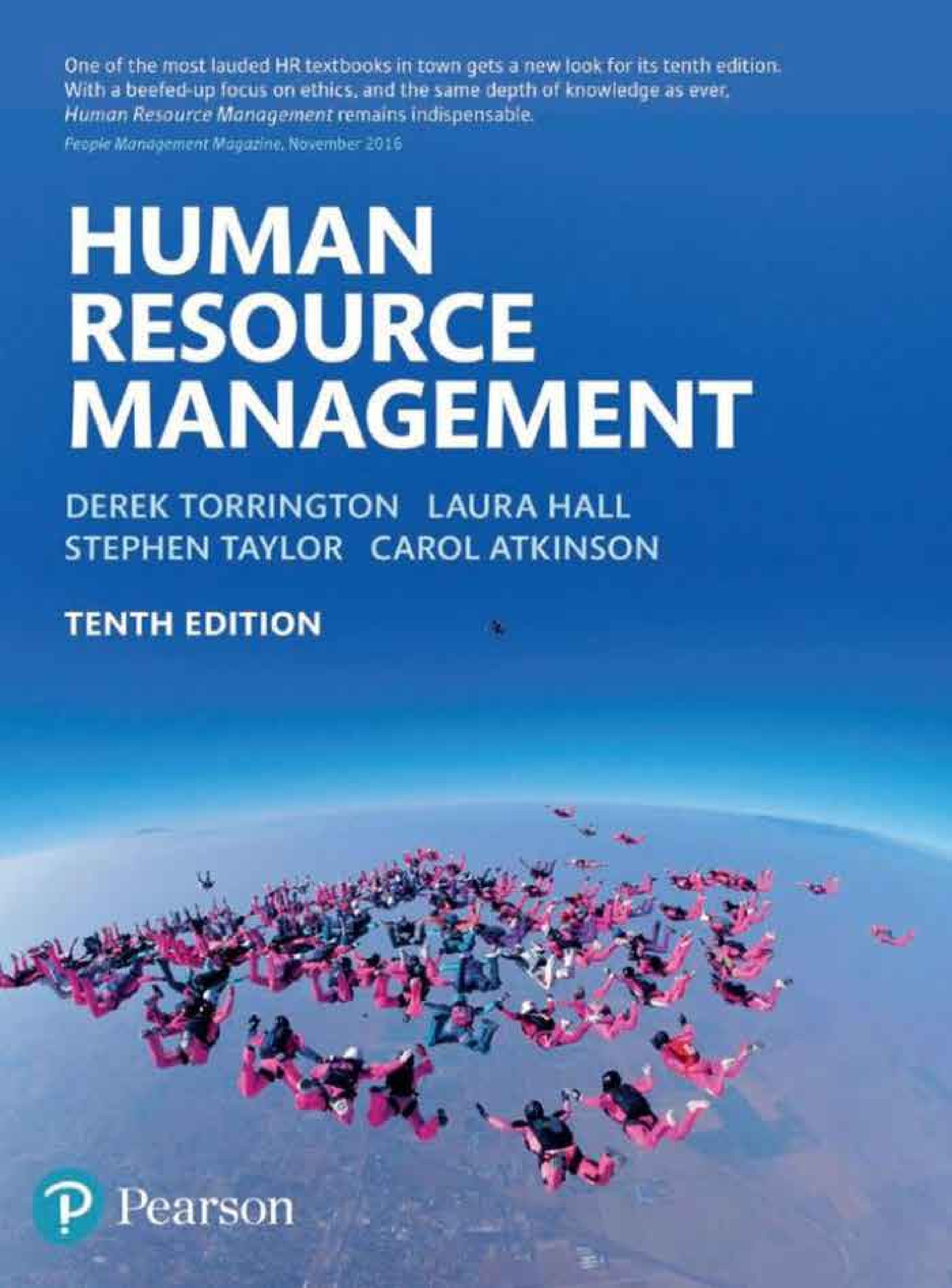
# HUMAN RESOURCE MANAGEMENT

DEREK TORRINGTON   LAURA HALL
STEPHEN TAYLOR   CAROL ATKINSON

## TENTH EDITION



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# HUMAN RESOURCE MANAGEMENT

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DEREK TORRINGTON, LAURA HALL,
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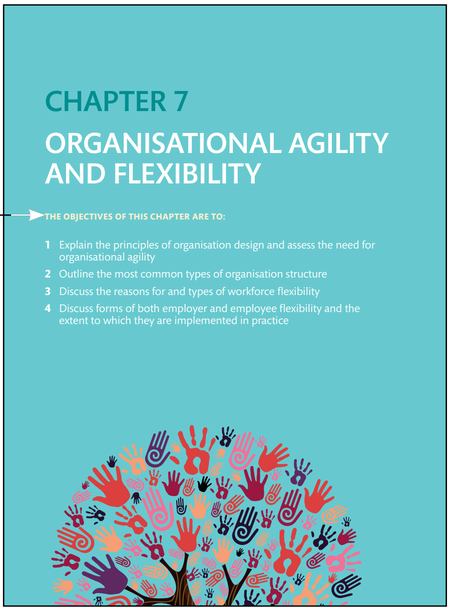
# GUIDED TOUR

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



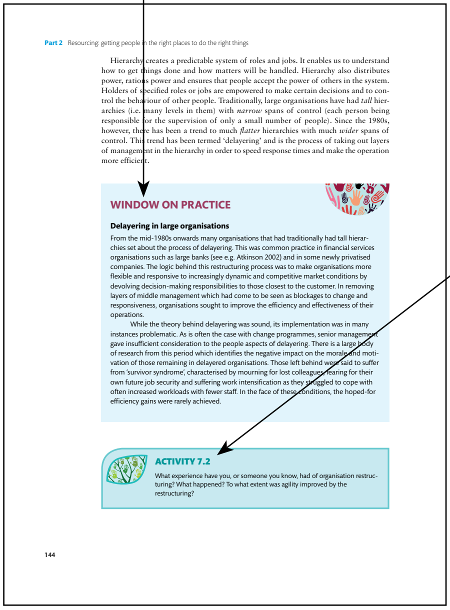
## CHAPTER 7

## ORGANISATIONAL AGILITY AND FLEXIBILITY

THE OBJECTIVES OF THIS CHAPTER ARE TO:

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

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



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

Hierarchy creates a predictable system of roles and jobs. It enables us to understand how to get things done and how matters will be handled. Hierarchy also distributes power, rations power and ensures that people accept the power of others in the system. Holders of specified roles or jobs are empowered to make certain decisions and to control the behaviour of other people. Traditionally, large organisations have had *tall* hierarchies (i.e. many levels in them) with *narrow* spans of control (each person being responsible for the supervision of only a small number of people). Since the 1980s, however, there has been a trend to much *flatter* hierarchies with much *wider* spans of control. This trend has been termed 'delayering' and is the process of taking out layers of management in the hierarchy in order to speed response times and make the operation more efficient.

WINDOW ON PRACTICE

**Delayering in large organisations**

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

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

ACTIVITY 7.2

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

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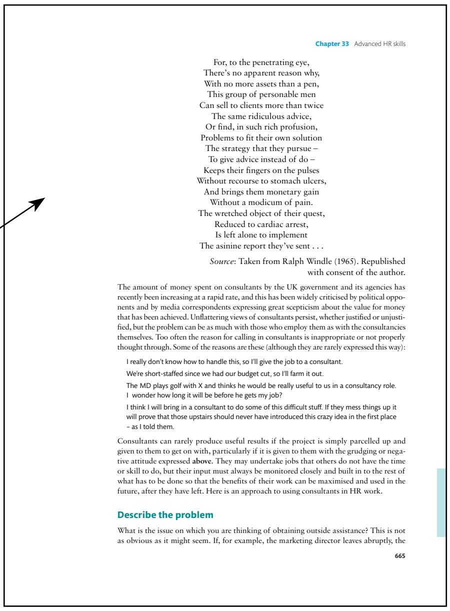
**Activity boxes** encourage you to regularly review and critically apply your learning, either as an individual or within a group. These have been developed for both students with little or no business experience, as well as those with more practical knowledge.

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



**Chapter 33** Advanced HR skills

For, to the penetrating eye,
There's no apparent reason why,
With no more assets than a pen,
This group of personable men
Can sell to clients more than twice
The same ridiculous advice,
Or find, in such rich profusion,
Problems to fit their own solution
The strategy that they pursue –
To give advice instead of do –
Keeps their fingers on the pulses
Without recourse to stomach ulcers,
And brings them monetary gain
Without a modicum of pain.
The wretched object of their quest,
Reduced to cardiac arrest,
Is left alone to implement
The asinine report they've sent . . .

*Source*: Taken from Ralph Windle (1965). Republished with consent of the author.

The amount of money spent on consultants by the UK government and its agencies has recently been increasing at a rapid rate, and this has been widely criticised by political opponents and by media correspondents expressing great scepticism about the value for money that has been achieved. Unflattering views of consultants persist, whether justified or unjustified, but the problem can be as much with those who employ them as with the consultancies themselves. Too often the reason for calling in consultants is inappropriate or not properly thought through. Some of the reasons are these (although they are rarely expressed this way):

> I really don't know how to handle this, so I'll give the job to a consultant.
>
> We're short-staffed since we had our budget cut, so I'll farm it out.
>
> The MD plays golf with X and thinks he would be really useful to us in a consultancy role. I wonder how long it will be before he gets my job?
>
> I think I will bring in a consultant to do some of this difficult stuff. If they mess things up it will prove that those upstairs should never have introduced this crazy idea in the first place – as I told them.

Consultants can rarely produce useful results if the project is simply parcelled up and given to them to get on with, particularly if it is given to them with the grudging or negative attitude expressed **above**. They may undertake jobs that others do not have the time or skill to do, but their input must always be monitored closely and built in to the rest of what has to be done so that the benefits of their work can be maximised and used in the future, after they have left. Here is an approach to using consultants in HR work.

**Describe the problem**

What is the issue on which you are thinking of obtaining outside assistance? This is not as obvious as it might seem. If, for example, the marketing director leaves abruptly, the

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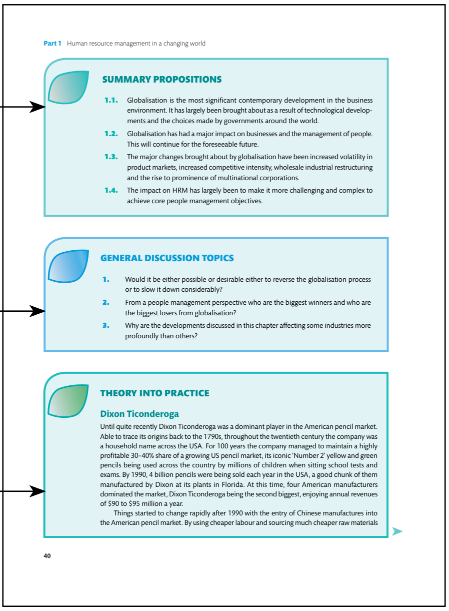
**Summary Propositions** provide a useful revision tool enabling you to recap and check your understanding of the chapter. In conjunction with the chapter-opening Learning Objectives, you can quickly determine whether you are prepared enough to move on, or need further study.

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

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



**Part 1** Human resource management in a changing world

### SUMMARY PROPOSITIONS

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

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

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

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

### GENERAL DISCUSSION TOPICS

1. Would it be either possible or desirable either to reverse the globalisation process or to slow it down considerably?
2. From a people management perspective who are the biggest winners and who are the biggest losers from globalisation?
3. Why are the developments discussed in this chapter affecting some industries more profoundly than others?

### THEORY INTO PRACTICE

#### Dixon Ticonderoga

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

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

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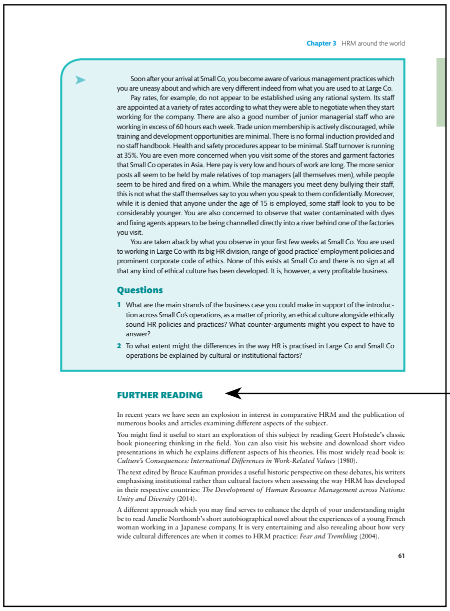

**Chapter 3** HRM around the world

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

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

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

#### Questions

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

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

### FURTHER READING

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

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

The text edited by Bruce Kaufman provides a useful historic perspective on these debates, his writers emphasising institutional rather than cultural factors when assessing the way HRM has developed in their respective countries: *The Development of Human Resource Management across Nations: Unity and Diversity* (2014).

A different approach which you may find serves to enhance the depth of your understanding might be to read Amelie Northomb's short autobiographical novel about the experiences of a young French woman working in a Japanese company. It is very entertaining and also revealing about how very wide cultural differences are when it comes to HRM practice: *Fear and Trembling* (2004).

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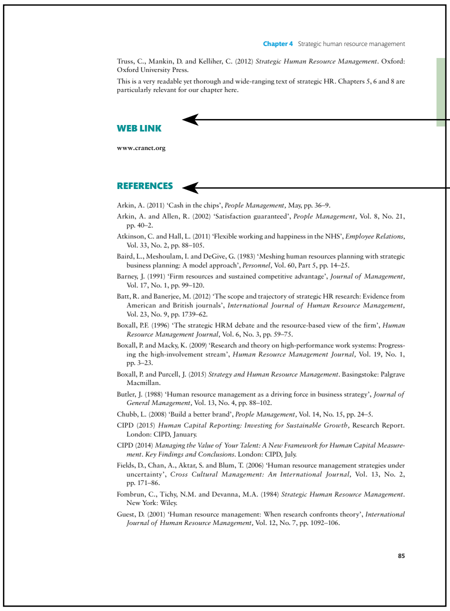
**Further Reading** sections provide guided access to some key readings in the area, and help you to further develop your skills and learning.



**Chapter 4** Strategic human resource management

Truss, C., Mankin, D. and Kelliher, C. (2012) *Strategic Human Resource Management*. Oxford: Oxford University Press.

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

**WEB LINK**

**www.cranet.org**

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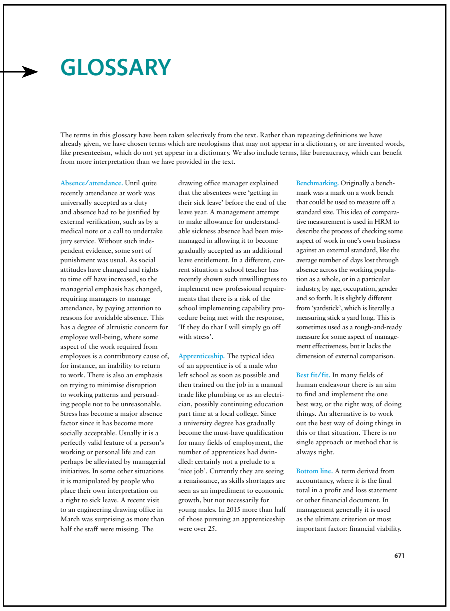
Some chapters list relevant **Web Links** that can help expand your understanding of the topics covered within the chapter.

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

A detailed **Glossary** is included at the end of the book, for quick reference to key terms and definitions within each chapter.



GLOSSARY

The terms in this glossary have been taken selectively from the text. Rather than repeating definitions we have already given, we have chosen terms which are neologisms that may not appear in a dictionary, or are invented words, like presenteeism, which do not yet appear in a dictionary. We also include terms, like bureaucracy, which can benefit from more interpretation than we have provided in the text.

**Absence/attendance.** Until quite recently attendance at work was universally accepted as a duty and absence had to be justified by external verification, such as by a medical note or a call to undertake jury service. Without such independent evidence, some sort of punishment was usual. As social attitudes have changed and rights to time off have increased, so the managerial emphasis has changed, requiring managers to manage attendance, by paying attention to reasons for avoidable absence. This has a degree of altruistic concern for employee well-being, where some aspect of the work required from employees is a contributory cause of, for instance, an inability to return to work. There is also an emphasis on trying to minimise disruption to working patterns and persuading people not to be unreasonable. Stress has become a major absence factor since it has become more socially acceptable. Usually it is a perfectly valid feature of a person's working or personal life and can perhaps be alleviated by managerial initiatives. In some other situations it is manipulated by people who place their own interpretation on a right to sick leave. A recent visit to an engineering drawing office in March was surprising as more than half the staff were missing. The drawing office manager explained that the absentees were 'getting in their sick leave' before the end of the leave year. A management attempt to make allowance for understandable sickness absence had been mismanaged in allowing it to become gradually accepted as an additional leave entitlement. In a different, current situation a school teacher has recently shown such unwillingness to implement new professional requirements that there is a risk of the school implementing capability procedure being met with the response, 'If they do that I will simply go off with stress'.

**Apprenticeship.** The typical idea of an apprentice is of a male who left school as soon as possible and then trained on the job in a manual trade like plumbing or as an electrician, possibly continuing education part time at a local college. Since a university degree has gradually become the must-have qualification for many fields of employment, the number of apprentices had dwindled: certainly not a prelude to a 'nice job'. Currently they are seeing a renaissance, as skills shortages are seen as an impediment to economic growth, but not necessarily for young males. In 2015 more than half of those pursuing an apprenticeship were over 25.

**Benchmarking.** Originally a benchmark was a mark on a work bench that could be used to measure off a standard size. This idea of comparative measurement is used in HRM to describe the process of checking some aspect of work in one's own business against an external standard, like the average number of days lost through absence across the working population as a whole, or in a particular industry, by age, occupation, gender and so forth. It is slightly different from 'yardstick', which is literally a measuring stick a yard long. This is sometimes used as a rough-and-ready measure for some aspect of management effectiveness, but it lacks the dimension of external comparison.

**Best fit/fit.** In many fields of human endeavour there is an aim to find and implement the one best way, or the right way, of doing things. An alternative is to work out the best way of doing things in this or that situation. There is no single approach or method that is always right.

**Bottom line.** A term derived from accountancy, where it is the final total in a profit and loss statement or other financial document. In management generally it is used as the ultimate criterion or most important factor: financial viability.

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# PREFACE

Peter Drucker, the early and highly respected management guru, once said that management was largely about making things difficult for other people. HR is a management function which many people regard as making life difficult for them. This text has evolved steadily over thirty-five years to this tenth edition. Our objective has always been to track the development of the personnel/HR function and its activities in a way that fits with the changing approaches to the teaching of the subject in universities. There is no doubt that academic research and teaching has an important impact on practice. We see our role as to help the teaching and learning process to assist those working, or aspiring to work, in HR or kindred roles. Our hope is that those who read this text will move on to work in a way that seems less like making things difficult for other people and more like making their employment more satisfying, and make a success of the jobs they share. At the same time, some people sometimes do need to have their working lives made more difficult!

Despite the increasingly global nature of HR activities, we live and work in Britain and basing a text in a specific context gives it more substance and meaning to its readers. To paraphrase Shakespeare, the writer brings a shape to things unknown, giving them a local habitation and a name. Things that were understood in isolation fit together and acquire new meaning when applied in a specific setting. The time of writing and revising the text was through the Summer of 2016, before and immediately after the referendum that produced a vote in favour of the United Kingdom leaving the European Union. Being a member state has always been the background to our writing, but we see no need to make alterations. It is clear that the process of withdrawal will be protracted and the implications for employment practice are going to be limited. We are confident that the book will remain up to date and relevant throughout its lifetime.

Our structure is of seven distinct parts with thirty-three chapters, each with objectives, summary propositions, general discussion topics, theory into practice (or putting it into practice), further reading and references; Part 7 is different. We have had feedback from a number of people who use the text in their teaching with the result that we have reverted to our practice in editions five (2002) to seven (2008) of having a skills section at the end of each part, with skills of particular relevance at that point. They have been refocused with the title of 'Employability: skills in . . .'. This is a key theme in contemporary UK universities, with an emphasis on ensuring that their students will be effective in the workforce alongside their academic credentials. We also have a new chapter on advanced HR skills, which concludes Part 7. We set it clearly apart from the rest, where the treatment is of basic skills that can to some extent be learned and practised away from the workplace. We see advanced skills as those often associated with more senior roles, like chairing meetings or managing consultants, in which experience is an essential element in acquiring *skilfulness*.

As before there are several design features to assist readers in using and learning from the text, including the following:

a Integrated **Window on practice boxes** provide a range of illustrative material throughout the text, including examples of real company practice, survey results, anecdotes and quotations, and court cases.

b Integrated **Activity boxes** encourage readers to review and critically apply their understanding at regular intervals throughout the text, either by responding to a question or by undertaking a small practical assignment, individually or as part of a group. In recognition that this text is used on both professional and academic courses, most of the exercises reflect the fact that many students will have little or no business experience. Others may appear to exclude students who are not in employment by asking readers to consider an aspect in their own organisation; however, the organisation could be a college or university, the students' union, a political body or sports team.

c **Discussion topics** at the end of each chapter comprise two or three short questions intended for general discussion in a tutorial or study group.

d **Theory into practice** at the end of chapters enables readers to review, link and apply their understanding of the chapter to a business scenario. For skills chapters, 'Theory into practice' becomes 'Putting it into practice' as an indicator that these are generally more practical than traditionally academic.

e **Web links** are given as appropriate at various points in the text. These are links to other websites containing useful information relating to the topics covered.

f **Further reading** for each chapter suggests further relevant readings, with guidance on their value.

g **Each part** of the text includes a brief introduction explaining its scope and purpose.

h **Chapter objectives** to open and **Summary propositions** to conclude each chapter set up the readers' expectations and review their understanding progressively.

i **References** are given in full at the end of each chapter to aid further exploration of the chapter material, as required.

j **Glossary**: we close with a short glossary of terms taken selectively from the text.

# PUBLISHER'S ACKNOWLEDGEMENTS

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## Figures

Figure 4.2 from *Strategic Human Resource Management*, New York: John Wiley & Sons, Inc. (Fombrun, C., Tichy, N.M., and Devanna, M.A. 1984) p. 41, © John Wiley and Sons 1984, reproduced with permission of John Wiley and Sons Inc.; Figure 4.3 from Human resources and sustained competitive advantage: A resource-based perspective, *International Journal of Human Resource Management*, 5(2), p. 318 (Wright, P.M., McMaham, G.C., and McWilliams, A. 1994), reprinted with the permission of Taylor and Francis Ltd, www.tandf.co.uk/journals; Figure 4.4 from Front-line managers as agents in the HRM performance causal chain: theory, analysis and evidence, *Human Resource Management Journal*, 17(1), pp. 3–20 (Purcell, J. and Hutchinson, S. 2007), p. 7, Figure 1, reproduced with permission of Wiley-Blackwell; Figure 7.1 from Manpower strategies for flexible organisation, *Personnel Management*, August, pp. 28–9 (Atkinson, J. 1984); Figure 14.1 from Major influences on employee attendance: A process model, *Journal of Applied Psychology*, 63, p. 393 (Steers, R.M. and Rhodes, S.R.), copyright 1978 by the American Psychological Association, reprinted by permission.

## Tables

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## Cover

Quotation on front cover from *People Management Magazine*, November 2016: www.peoplemanagement.co.uk.

# PART 1

# HUMAN RESOURCE MANAGEMENT IN A CHANGING WORLD

## CHAPTERS

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

For those entering the HR profession this text aims to introduce you to the interconnectedness of the discipline. Part 1 puts in place the totality of HRM in six ways. Chapter 1 describes the nature of HRM, a specialism which is everywhere and in everything. Chapter 2 sketches in the background of the global context within which we operate, as what you do in your small corner has to make sense not only in your business but in the local, national and international situation. A closer look at this issue is provided in Chapter 3, which reviews how HR practice varies across different countries. Chapter 4 deals with strategy, which not only sets the course of the business but also ensures that it is right, and how it could be implemented. Implementation requires planning: the story of Chapter 5 is analytics or the application of statistics to many aspects of HR work; to deal with a question or a problem you need some information to know what it is and then you need some data with which to measure it. We close Part 1, in Chapter 6, with a bundle of basic skills for employability and effectiveness in HR work. At the end of each chapter you will find a case study in Putting it into practice which will help you to put these ideas into context and explore them more thoroughly.

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

# CHAPTER 1

# THE NATURE OF HUMAN RESOURCE MANAGEMENT

**THE OBJECTIVES OF THIS CHAPTER ARE TO:**

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

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

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

There was a time when most people employed by organisations were required simply to provide manual labour. Relatively little skill, experience or intelligence was needed to do the jobs. The requisite training was cheap and speedy to provide, and payment methods unsophisticated. Finding people to do the work was rarely a problem and there were no restrictions of significance when it came to firing those who were not satisfactory or who displeased managers in some other way. This remains the situation in some industries and in some parts of the world, but in industrialised countries it is now increasingly rare. Instead we have a situation in which the majority of jobs require their holders to have mastered some form of specialised skill, or at the very least to possess attributes which others do not share to the same extent. The demand for higher-level skills has grown particularly quickly, there being a need for many more people to fill professional and managerial jobs than was the case twenty years ago. Moreover, almost all informed commentators believe that these established trends will accelerate in the future (UKCES 2012, Ross 2016).

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

These developments have led all over the world to the evolution of a more complex human resource management function, charged with overseeing all aspects of managing the relationship between an organisation and its people in a professional and productive manner (Lawler & Boudreau 2015). The management of people, however, can never be a responsibility shouldered by specialists alone. It is an area of management activity that all managers must share if it is to be carried out effectively and contribute to the achievement of competitive advantage.

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

## WINDOW ON PRACTICE

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

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

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

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

# Defining HRM

The term 'human resource management' (HRM) is not easy to define. This is because it is commonly used in two different ways. On the one hand it is used generically to describe the body of management activities covered in texts such as this. Used in this way 'HRM' is really no more than a more modern and supposedly imposing name for what used commonly to be labelled 'personnel management.' On the other hand, the term is equally widely used to denote a particular approach to the management of people which is clearly distinct from 'personnel management'. Used in this way 'HRM' signifies more than an updating of the label; it also suggests a distinctive philosophy towards carrying out people-oriented organisational activities: one which is held to serve the modern business more effectively than 'traditional' personnel management. We explore the substance of these two meanings of human resource management in the following subsections, referring to the first as 'HRM mark 1' and the second as 'HRM mark 2'.

## HRM mark 1: the generic term

The role of the HR functions is explained by identifying the key objectives to be achieved. Five objectives form the foundation of HR activity in most contemporary organisations.

### Staffing objectives

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

### Performance objectives

Once the required workforce is in place, HR managers seek to ensure that people are well motivated and committed so as to maximise their performance in their different roles. Training and development have a role to play, as do reward systems to maximise effort and focus attention on performance targets. In many organisations, particularly where trade unions play a significant role, HR managers negotiate improved performance with the workforce. The achievement of performance objectives also requires HR specialists to assist in disciplining employees effectively and equitably where individual conduct and/or performance standards are unsatisfactory. Welfare functions can also assist performance by providing constructive assistance to people whose performance has fallen short of their potential because of illness or difficult personal circumstances. Last but not least, there is the range of employee involvement initiatives to raise levels of commitment and to engage employees in developing new ideas. It is increasingly recognised that a key determinant of superior competitive performance is a propensity on the part of an organisation's employees to demonstrate discretionary effort. Essentially this means that they choose to go further in the service of their employer than is strictly required in their contracts of employment, working longer hours perhaps, working with greater enthusiasm or taking the initiative to improve systems and relationships. Willingness to engage in such behaviour cannot be forced by managers. But they can help to create an environment in which it is more likely to occur. A term that is currently very fashionable in HR circles is 'employee engagement', an idea which encapsulates what is required if organisations are successfully to enhance individual performance. Engaged employees know what is expected of them, have a sense of ownership of their work, are satisfied (hopefully very satisfied) with their jobs and, as a result, prepared to contribute positively both with their effort and their ideas.

### Change-management objectives

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

### Administration objectives

The fourth type of objective is less directly related to achieving competitive advantage, but is focused on underpinning the achievement of the other forms of objective. In part it is simply carried out in order to facilitate an organisation's smooth running.

Hence there is a need to maintain accurate and comprehensive data on individual employees, a record of their achievement in terms of performance, their attendance and training records, their terms and conditions of employment and their personal details. However, there is also a legal aspect to much administrative activity, meaning that it is done because the business is required by law to comply. Of particular significance is the requirement that payment is administered professionally and lawfully, with itemised monthly pay statements being provided for all employees. There is the need to make arrangements for the deduction of taxation and national insurance, for the payment of pension fund contributions and to be on top of the complexities associated with Statutory Sick Pay and Statutory Maternity Pay, as well as maternity and paternity leave. Additional legal requirements relate to the monitoring of health and safety systems and the issuing of contracts to new employees. Accurate record keeping is also central to ensuring compliance with a variety of other legal obligations such as the National 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 because it can provide a source of competitive advantage vis à vis other organisations who struggle administratively. Moreover, as Stevens (2005: 137) demonstrates, sound administration in HR matters is important to achieve if ‘potential legislative risks’ are to be minimised. It also helps the HR function in an organisation to gain and maintain the credibility and respect that are required in order to influence other managers in the organisation. In this respect it can be persuasively argued that efficient administration is a prerequisite if the HR function is to make a really significant contribution in the three other areas outlined above.

### Reputational objectives

Until recently it seemed that the above four objectives between them provided a comprehensive summary of what HRM in contemporary organisations seeks to achieve. It is now becoming clear that it is appropriate to add a fifth core objective. In many organisations, particularly larger companies whose names are synonymous with valuable brands, the need to build and maintain a positive reputation has become a central corporate objective. This need has grown steadily in recent years as the media environment has become increasingly competitive, and particularly since the advent of social media, which by its nature is very difficult to influence, let alone control. The notion that the HR function should properly be concerned with helping to maintain an organisation’s wider corporate reputation links up with the ideas both of those who conceive of the HR role as being primarily about effective risk management (see Stevens 2005) and those who take a particular interest in the ethics of HR practices (see Pinnington *et al*. 2007, Klikauer 2014).

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

- avoids damaging, negative media coverage on account of its employment practices,
- is not required to defend itself in an employment tribunal,
- does not develop an image as a poor employer in its key labour markets,
- retains a good relationship with regulatory authorities,