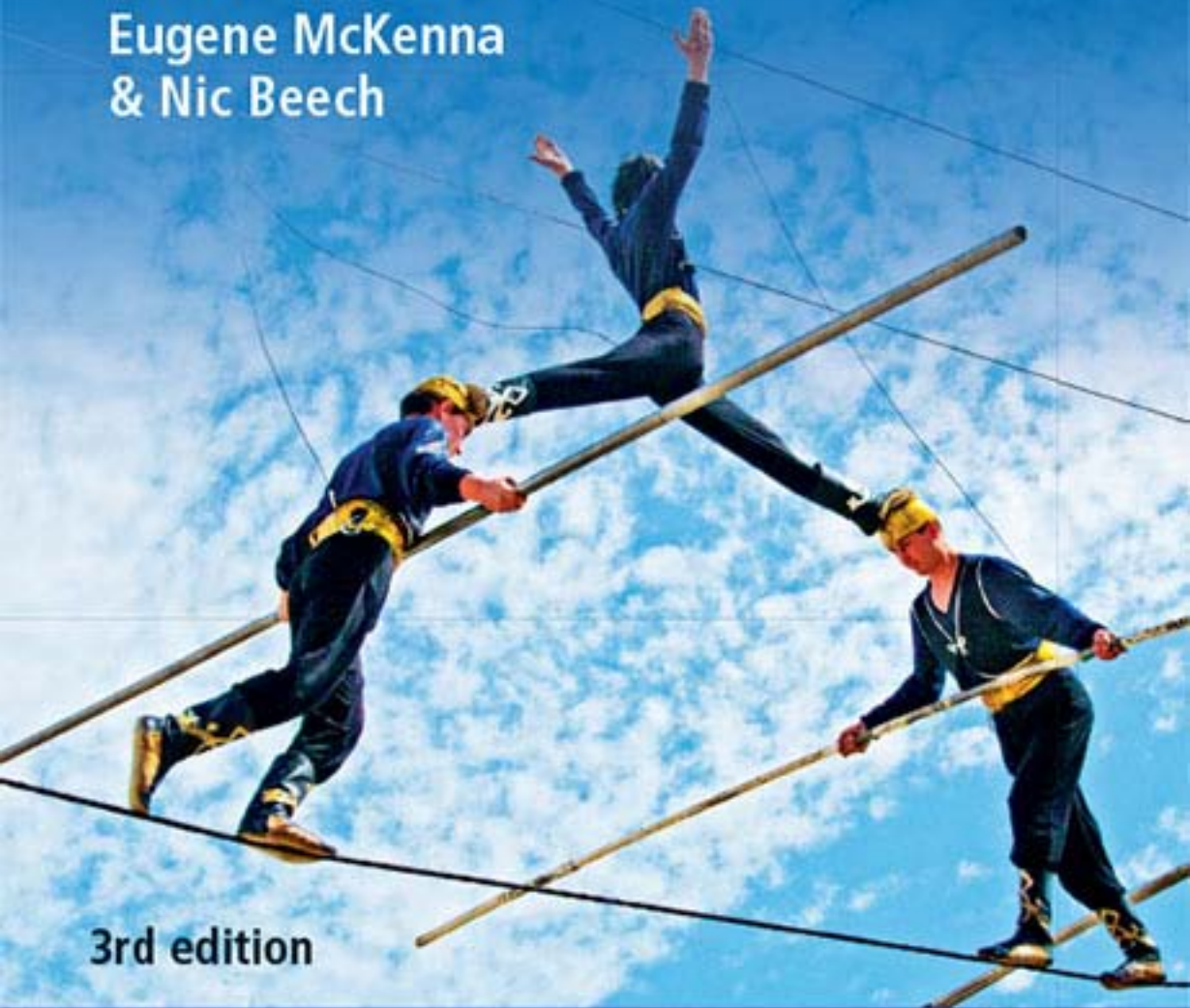


# Human Resource Management

*A Concise Analysis*

Eugene McKenna  
& Nic Beech



**3rd edition**

# Human Resource Management

A Concise Analysis 3rd edition

*Human Resource Management* offers a concise yet critical introduction to the subject, ideal for MBA and Master's students, as well as advanced undergraduates and executives looking to get a stimulating insight into HRM. It explores the relationship between HRM and organisational performance, clearly conveying the theoretical and applied aspects of the subject without the bulk that fills out many other HRM texts.

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# Human Resource Management

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Third Edition

# Human Resource Management

A Concise Analysis

Eugene McKenna  
Nic Beech

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To Alison, Geraldine, Graham, Linda and Rosie





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## Preface

We are delighted to present a third edition of *Human Resource Management: a concise analysis*. We are grateful to the many students and lecturers who have used the first edition and given us feedback over the past few years. In writing the third edition we have sought to retain key aspects of the principles that stimulated us to write the book – a need to present theory in an accessible way without over-simplifying it, a need to ground the study of HRM in practice and an aim to help readers develop as reflective practitioners.

The concept of reflective practice is particularly important to us. It is one that has recently been stressed by the Chartered Institute for Personnel and Development and we regard it as central to the successful management of people. Getting the right structures and systems in place (such as appraisal, rewards and training) is important, but is only part of the story. The way that systems are put into action and the relationship employees have with their managers is fundamental to how they interpret the meaning of the systems and structures. It is possible for employees to interpret managerial systems as well-intentioned and trustworthy, or conversely as ill-intentioned and exploitative. The interpretation that is made will impact on the commitment and behaviour of the employees, and hence on the performance of the organisation. HRM is fundamentally about trying to create a virtuous cycle in which trust is built up along with commitment and performance. Reflective practice is important as this is the process through which managers weigh up the needs of employees, the theories and practices they could apply in a situation and develop good judgement in order to be able to choose an effective course of action.

Developing such judgement does not happen over night. It can be informed by action-orientated theory and previous practice. It is also informed by self-awareness and a questioning approach. This book seeks to assist readers to develop such judgement by presenting theories and case studies, and also by posing reflective questions and suggested activities. Exercising judgement must incorporate an understanding of ethics because it is people rather than ordinary 'resources' that we are dealing with. Consequently, ethical issues and questions are raised throughout the book. Many people have been exploited by organisations, and sometimes the title 'HRM' has been used to hide practices that have negative outcomes for people. We believe that an ethical approach to reflective practice should challenge exploitation and unfair treatment, and at the same time should overtly be concerned with individual and organisational performance.

The third edition represents a significant updating of the previous edition. New and lengthier cases have been introduced, many of which are international. Along with the classic theories and underpinning knowledge, areas of theoretical debate reflecting developments in the field have been incorporated. These include issues of corporate governance, employee engagement, social networks, the ways HRM theory influences practice and how HRM practice is influenced by prolonged recessionary or low growth conditions.

We have paid careful attention to practice and professional standards in order to ensure that the practical aspects of the book are useful. In making such changes it is easy to move away from being 'concise', but we have sought to keep the book accessible and to-the-point. We hope that readers will find it so, and that it will be helpful in stimulating a thoughtful approach to managing people.

*Eugene McKenna and Nic Beech, 2013*

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## Tables

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## Text

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## List of abbreviations

16PF	16 personality factors (Cattell's)
ABLE	Aptitude for Business Learning Exercises
ACAS	Advisory, Conciliatory and Arbitration Service
AI	appreciative inquiry
APR	aligning people with roles
ARP	aligning roles with people
ATM	automatic teller machine
BPR	business process re-engineering
BPS	British Psychological Society
CBI	Confederation of British Industry
CEO	chief executive officer
CIPD	Chartered Institute of Personnel and Development
CPD	continuous professional development
CSR	corporate social responsibility
CV	curriculum vitae
DIY	do-it-yourself
EAP	employee assistance programme
EFQM	European Foundation for Quality Management
EI	employee involvement
EOC	Equal Opportunities Commission
ESG	environmental, social and governance
ESRC	Economic and Social Research Council
EU	European Union
EWCs	European Works Councils
HCM	high-commitment management
HR	human resource
HRM	human resource management
HRP	human resource planning
ICT	information and communication technology
IDS	Income Data Services
IiP	Investors in People
IPM	Institute of Personnel Management (now the Chartered Institute of Personnel and Development)
JIT	just in time

LSC	Learning and Skills Council
L Tips	long-term incentives
MBO	management by objectives
MOD	Ministry of Defence
MSF	Manufacturing, Science and Finance (union)
NVQs	National Vocational Qualifications
NTO	national training organisation
OD	organisational development
OECD	Organization for Economic Cooperation and Development
PBR	payment by results
PRP	performance-related pay
QCs	quality circles
SBU	Strategic Business Units
SCW	skilled contingent worker
SHRD	strategic human resource development
SHRM	strategic human resource management
SME	small and medium sized enterprise
STARs	situations, tasks, actions and results
SWOT	strengths, weaknesses, opportunities and threats
T&G	Transport and General Workers Union
TEC	Training and Enterprise Council
TQM	total quality management
TUC	Trades Union Congress
VDU	visual display unit
WERS	Workplace Employment Relations Survey



## Introduction and overview

### Introduction

Human resource management (HRM) seeks to maximise organisational performance and the well-being of employees through the adoption of the most promising practices in the management of people. In seeking to understand promising practices, HRM draws on theoretical foundations from disciplines such as psychology, sociology and critical management studies, and has developed a distinctive body of research over the years. The aim of this book is to conduct an analysis of HRM – the practice, theories and implications from research – in a concise and accessible way. The first chapter seeks to set the scene for such an analysis by introducing some of the key themes that will be revisited in more detail in subsequent chapters, and by showing how they can be integrated in practice.

Having read this chapter, you should:

- understand the general nature of HRM – its aims and practices;
- be aware of the development of HRM and its context;
- have a broad awareness of the various aspects of HRM that will be covered in greater depth in the book;
- be aware of some of the main topics of debate in the subject area.

Human resource management can be viewed as an approach to management that considers people as the key 'resource', although many professionals do not see people as resources in the same way that they view materials or equipment. HRM subscribes to the notion that it is important to communicate well with employees, to involve them in what is going on and to foster their commitment and engagement with the organisation. In addition, a strategic approach to the acquisition, management and motivation of people is heavily emphasised. Fair and ethical treatment of people is combined with seeking to enhance organisational performance. Sometimes the various aspects of HRM fit together easily, but often difficult judgements need to be made. For example, introducing change into organisations can produce 'winners' and 'losers', so balancing the perspectives of stakeholders can be a nearly impossible task. It might be possible to cut production costs by offshoring activities to a geographical site where employees have very limited rewards or rights. In such circumstances, it is necessary to weigh up the pros and cons and to be able to make a good-quality decision. Studying HRM should help you to develop an insight into, and knowledge of, cases and research findings so that you are equipped to make such judgements.

Human resource management has developed from the practice of personnel management, and so this begs the question: what do we know about the origins of personnel management and its current standing? Before answering this question, a definition of personnel management is useful. Personnel management assists with the management of people in an organisation. It is concerned with establishing, maintaining and developing systems that provide the framework of employment. These systems operate throughout an employee's membership of the company, starting with the system for entry (recruitment and selection), continuing through the management of the employment relationship (reward, appraisal, development, industrial relations, grievance and discipline), and finishing with the termination of the relationship (retirement, resignation, redundancy or dismissal). Ideally, this management process is reinforced by the drive for efficiency and equality of opportunity.

## Historical development

In the latter part of the 1800s and early 1900s, the concept of welfare personnel developed. This was prompted by the humane concerns of certain families involved in business (e.g. Cadbury and Rowntree in the UK, and Kellogg and Goodrich in the USA). Welfare personnel was concerned with the provision of schemes, considered progressive at that time, dealing with unemployment, sick pay and subsidised housing for employees. The introduction of these schemes can be viewed as a reaction to the harshness of capitalism at that period of economic history. The motives of some industrialists adopting welfare schemes were questioned, because there was a belief that some practices were intended to be an alternative to realistic wages, and a ploy to keep trade unions at bay.

Welfare personnel continued as a force until the Second World War, and later manifestations of it included the provision of canteens and company outings for workers. Even today it can be recognised that the welfare tradition has some significance in current practices, e.g. health schemes and crèches for the children of employees.

The next phase in the development was the emphasis on personnel administration. This amounted to support for management and was basically concerned with recruitment, discipline, time-keeping, payment systems, training and maintaining personnel records. It came into its own in the period between the First and Second World Wars. The growth in the size of organisations is a factor to consider in connection with this development.

After the Second World War and up to the 1950s, personnel management incorporated a wider range of services, including salary administration, basic training and advice on industrial relations, but the main focus was at the tactical rather than the strategic level. Again, increasing organisational size was notable in activating certain changes in industrial relations practices. For example, the movement from collective bargaining at industry level to the level of the company was apparent, resulting in the advent of the industrial relations specialist within personnel management.

The 1960s and 1970s saw a significant increase in the number of staff engaged in personnel work. This was attributable, in part, to an increase in the amount of employment legislation. However, the state of the economy had a part to play as well. In conditions of full employment, up to the early 1970s, there was evidence of much recruitment, selection, training and payment system activity in the practice of personnel management. This was prompted to some extent by labour shortages, and was reflected in actions to retain skilled labour and increase the skill levels of the workforce. The approach to training was



systematic and planned. In turn, this spawned a rapid growth in the number of training specialists within the personnel function. Related activities, such as performance appraisal (e.g. management by objectives) and management development, also assumed importance, as did forecasting manpower needs (manpower planning).

The prevalence of ideas and insights derived from behavioural science ought to be acknowledged as having played a part as well. During this period the strength of the bargaining power of the trade unions in the workplace was conspicuous. The consequence of greater union influence was a substantial increase in the workload of personnel specialists. The involvement of the personnel function in matters connected with industrial relations issues, and with productivity deals, elevated its concern to matters of strategic significance to the organisation, at a time when most of its activities could be considered tactical in nature. The emphasis on industrial relations heralded a delicate role for the personnel specialist interacting with both management and workers. This signalled a need to develop negotiation skills and to learn more about various systems of remuneration, and there was a tendency to identify the personnel function with management.

The 1980s saw personnel management entering the entrepreneurial phase, adapting itself to the market economy and enterprise culture. It was not uncommon to find senior personnel executives contributing to the debate within companies about future direction, the relevance of existing business objectives, and improved ways of achieving revised objectives. This era heralded a preoccupation with the management of change, the development of appropriate corporate culture, the acceptance of Japanese industrial relations practices, such as single unions to represent a company's workforce, and Japanese management practices in the form of quality circles and total quality management.

As the economic recession of the early 1980s began to bite, the role of the trade unions began to change. The threat of strike action became less effective as organisations could replace workers relatively easily. This was a result not only of the recession and high unemployment, but also of new legislation introduced in the UK at this time. The power of the trade unions was reduced with the ending of closed shops and changes in the rules relating to industrial action, including balloting and picketing.

The relative weakness in the power of the trade unions signalled the need for less elaborate processes in collective bargaining and conflict management. It also culminated in swifter negotiated wage settlements. In addition, organisations were better placed to make changes in work practices that resulted in increased productivity and a reduction in the numbers employed. There were also changes in personnel practices due to the large pool of available labour; for example, the emphasis switched from recruitment (attracting candidates) to selection.

The reduced volume of negotiations based on collective bargaining between unions and personnel specialists, together with the reduction in time devoted to recruitment, provided personnel management with opportunities to manage redundancy programmes and enter negotiations to bring about lower wage settlements in a relatively calm industrial relations climate. Now the first signs of fundamental change to the nature of personnel management appeared on the horizon. Hunt (1984) speculated about the personnel function shifting in its emphasis. It was during the 1980s that the rise in HRM began to attract the attention of personnel practitioners. There was a move away from the traditionally adversarial industrial relations of the 1970s and towards an approach that sought to achieve excellence in the organisation through a committed workforce. The reasons for this will be discussed later.

The post-entrepreneurial phase for personnel management in the 1990s still saw HRM as the standard bearer, although some would argue that HRM would subsume personnel

management. In fact, the early 1990s witnessed a change in emphasis. The reaction to the individualism and unjustifiable greed of the 1980s made way for the spirit of consent and the value of teamwork. Concern grew for core workers who are essential to the operation of an organisation, as high commitment is required from these workers – they are expected to be flexible about the hours they put in and to work above and beyond their job descriptions. Wages tended to reflect the market rate rather than the rate determined by agreements with trade unions. The number of part-time and fixed-term contract workers as a proportion of the total workforce began to increase.

In the 2000s there was a continuing preoccupation with the value of a strategic approach to HRM in the context of organisational success. In Europe there was increased mobility of labour, and trade unions increasingly became involved in democratic styles of decision-making in some companies. In the US there continued to be a focus on performance and this was related to reward management. HRM also increased in popularity in Asia and in this context there was an emphasis on centralisation and a ‘family orientation’ (Huang, 2001). In general, it was recognised that research in the 1990s and 2000s had indicated that the better-performing companies tended to have a strategic approach to HRM, productive cultures, planned forms of engagement and integrated systems of development and reward, and hence these activities have come to be prevalent in the second decade of the twenty-first century (Becker and Huselid, 2006).

Of course, the challenges of the single European market had to be faced, and the significance of the Maastricht Treaty’s Social Chapter in the practice of HRM was considered, particularly by companies with European operations. (Amongst the issues covered by the Social Chapter are improved working conditions, equitable remuneration, equal opportunities, labour mobility, union representation, access to information and workers’ involvement, and health and safety provisions.) In this context, it should be recognised that Europe provides a different socio-technical and economic environment from that of the United States, where HRM took root, and this could influence the type of HRM that is pursued (see Table 1.1).

**Table 1.1** Factors influencing HRM in Europe

<p>The following features of the European scene should be recognised:</p> <ul style="list-style-type: none"><li>● Pluralism instead of unitarism (explained later, and reflected in the attitudes of trade unions and the nature of their role);</li><li>● Collectivism and social orientation instead of individualism (the emphasis is on national welfare schemes and group-based systems of work);</li><li>● Legal framework (e.g. the impact of the Social Chapter, constraints on hiring and firing decisions, changes to laws on employment and remuneration);</li><li>● Social partnership (e.g. industrial democracy, reasonable employment security, protection of workers’ rights [e.g. health and safety, recognition of the role of the workers’ representatives (unions), and the importance of the workforce as a stakeholder]);</li><li>● Social responsibility (concern for the environment and social obligations [e.g. training]);</li><li>● Importance of community (interaction between industry and the community, the issue of subsidiarity reflected in degrees of local autonomy, community pressure on companies with respect to employment/environment);</li><li>● Toleration of diversity – cultural diversity (heterogeneity) as opposed to homogeneity (USA) – is prevalent and finds expression in many forms: organisational systems, vocational education, training and skills development, and the internal/external labour market;</li><li>● Recognition of complexity and ambiguity (e.g. influenced by a long European history and cultural diversity, there is less inclination to go for simple solutions, and there is a recognition of the complexity of the relationship between the various stakeholders in the organisation and the operationalisation of the concept of subsidiarity).</li></ul>
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Source: based on Guest (1994).

## HRM activities

Human resource management is now part of almost all managers' jobs. Communicating, motivating, rewarding, coordinating peoples' activities and projects and managing change are part of most managers' everyday activities. Strategic managers are concerned with the quality of their people, their abilities and potential and the possible directions the company can take as a result. The human resource (HR) specialist normally operates as a business partner for general managers, providing specialist knowledge and guidance on technical aspects of managing people, in addition to providing input at the strategic level. The HR function comprises a number of activities which are outlined briefly in the following.

### HR strategy and planning

Human resource strategy is concerned with the potential that can be released to enable alternative futures for the company, such as expansion into new markets, the development of new products or services, bidding for new contracts, and contraction and reaction to competitive pressures (Boxall and Purcell, 2011). A balance needs to be struck in which organisations have the ability to react quickly by expanding or contracting the workforce, for example, or by investing in succession planning and management development for long-term strategy. Therefore, HR planning incorporates an awareness of the business context and organisational strategy, planning for the ongoing purposes of the organisation by managing the internal supply of labour and having a presence in the external labour markets. In addition, many companies operate in networks with other organisations which can be subcontracted or operate in partnerships to meet new demands for labour.

Human resource planning is concerned with matching the organisational demand for quantity and quality of employees with the available supply (Pilbeam and Corbridge, 2010). The demand is derived from current and forecast levels of company operations. The supply side consists of human resources, available both internally and externally. The planning exercise outlines the HR needs of the organisation and provides useful information for a number of activities, listed below (e.g. selection, training and rewards). This activity is now commonly referred to as 'talent management', a phrase deriving from the creative industries. Talented people are those who are regarded as having the capacity to make a significant contribution to the value of the company because they have particular specialised knowledge, strong relationships with key clients or the ability to lead change.

### Recruitment

Prior to recruitment, job analysis is undertaken. This is a process whereby the work to be undertaken by an employee is closely examined and then a job description is prepared. After this, a specification is produced of the attributes a suitable candidate will need in order to perform the job. The most appropriate means of recruitment (e.g. the internet, recruitment agency or newspaper advertisement) is specified with the intention of attracting suitable applications. Nowadays, many companies are concerned with fostering an image that makes them attractive to potential candidates. For example, Google and Virgin have produced brands that are not only about selling products and services to customers but also send a distinct message about who they are to candidates, employees and competitors.

## Selection

A variety of techniques, e.g. the application form, interviews, tests and assessment centres, are available to select the best candidate from a pool of applicants. It is likely that a short-list of applicants will be produced as a first step in the selection process. Some measure (i.e. criteria relating to the ideal candidate) is used to assist the making of a selection decision. Work-based tests, experience on the job and internships have become increasingly popular methods of selection, because they give the company an accurate perception of how a candidate will perform. They also give candidates the chance to assess whether or not the company is right for them.

## Performance appraisal

This is a technique of assessing the performance of employees against agreed targets. It is most likely that HRM practitioners would be involved in designing the procedures, leaving the line managers to administer the process. This commonly takes the form of an interview following the completion of forms that facilitate assessment of achievement in the period since the last interview (often one year). Performance can be measured against criteria such as key performance indicators (KPIs). The outcome could signal the need for training or reward.

## Training

The initial process is concerned with establishing what type of training is required and who should receive it. Training ranges from simple on-the-job instruction to educational courses offered by providers outside the organisation. Training, coupled with development, is apparent when organisations plan the progression of key employees through the company, in which case an attempt is made to reconcile organisational needs with individual career development. Many companies are now concerned with continuous development, through which a drive for quality and productivity is realised. This often requires development of the skills of employees, as do strategic changes that rely on employees thinking or acting in new ways.

## Rewards

This topic covers a wide area incorporating rates of pay and other factors such as the use of job evaluation in the determination of rates of pay, methods for calculating pay (e.g. flat rate, piece-rate or performance-related pay) and additional benefits. The concept of the 'total reward' incorporates pay, bonuses, benefits (such as holidays and healthcare) and some forms of training. Total rewards are implemented in such a way as to maximise employees' attachment to the organisation and their engagement with its aims.

## Employee relations

Employee relations includes the likes of collective bargaining, participation and 'employee voice', grievance procedures and employment legislation. In collective bargaining, the HRM/employee relations specialist normally prepares and presents the employer's case in negotiations with the employees' representative (trade union official). It is the HRM manager's responsibility to monitor the outcome of collective agreements.

With respect to grievance procedures, the HRM manager could be involved in preparing and implementing these and be actively involved in trying to settle disputes that fall outside the collective bargaining process. Disputes within the gambit of collective bargaining could

be considered to be group-based rather than individual-based matters. The HRM/employee relations specialist is normally involved in discipline cases and has the function of gathering evidence and preparing the case, and also ensuring that the employee is treated fairly.

The HRM specialist is likely to be called on to give advice on matters connected with employment legislation and is expected to be conversant with the practical issues relating to the applicability of relevant legal provisions.

### Employee communications and engagement

This function involves taking on board activities in connection with communicating relevant information to employees and arranging for ways in which employees can participate in the processes of the company (e.g. suggestion schemes). In certain circumstances, counselling might become part of the service under this heading. Engagement also incorporates practices such as quality enhancement and teamwork, in which operators take over certain aspects of decision-making, such as quality control. In this way, employees are involved in the processes that affect their work.

### Personnel records

A record of the employee is likely to be kept centrally by the personnel/HRM department. This is likely to contain information provided in the original application alongside subsequent additions to reflect qualifications and experience gained, achievements and potential. The employee record often provides a useful input to HR decisions.

## Roles of the HRM specialist

The HRM activities described in the previous sections, which are expanded on in subsequent chapters, can be executed in diverse ways and the HRM specialist or senior manager with responsibility for HRM/personnel matters:

- can be involved at the strategic level at which policies are formulated;
- provides an advisory service for line managers – e.g. he or she could set up a performance appraisal system and advise managers on its use;
- could join forces with a line manager in order to perform a specific function – e.g. the line manager and personnel specialist could sit on the same interview panel when interviewing candidates for a job vacancy;
- may engage in a specified number of activities, leaving line managers with a high degree of autonomy for personnel matters close to their area of responsibility (e.g. selecting their own staff).

In practice, particularly in large organisations, HRM activities will often consist of several of these roles. For example, if a production manager has a vacancy for a charge hand or team leader, there will be a planning exercise to consider the need for the job, the internal supply of labour and the cost of filling the vacancy. If there is a decision to appoint someone, the HRM specialist may support the production manager by providing particular expertise, for instance by drawing up the job specification, preparing the advertisement and advising on the interview process. The HRM specialist is usually the person who issues the employment contract. This example indicates a high level of involvement on the part of the HRM function. In some organisations, and often for jobs that are lower down in the organisational

hierarchy, the HRM specialist's role in this respect is less involved, and may be confined merely to preparing the advertisement and employment contract. Nowadays external consultants are often used, particularly in the area of recruitment, selection and training, and the involvement of the HRM specialist in this field is merely to obtain the services of the consultant and managing the process.

Human resource management makes a determined effort to be an integrative mechanism in bringing people issues into line with business issues, with a pronounced problem-solving orientation and a determination to build collaborative organisational systems in which employee development features prominently. The role of top management in setting the agenda for change and development is very much in evidence in HRM. The typical concern here is offering good leadership and vision, with a commitment to creating and sustaining the ethos of the organisation.

There is a general view that HRM must play a critical part in the success of the organisation in order to ensure its own viability (Ulrich, 1998; Ulrich and Brockbank, 2005); that HRM professionals must be able to handle information technology proficiently and use computer-based HRM systems (Carrington, 2007), as well as acting as agents of change by developing competence in managing and implementing change (Whittington *et al.*, 2005); and that they need to become business partners of line managers so that the latter can acquire the competencies needed to perform the HRM tasks that are part of their jobs (Redman and Wilkinson, 2009). In addition, HRM professionals increasingly need to utilise 'outsourcers' to reduce costs in connection with running the HRM system and it has become necessary to tap expertise not readily available in the organisation (Dessler, 2005). With reference to the 'knowledge age' and the needs of knowledge-intensive organisations, there is a requirement for HRM professionals to develop high levels of competence in designing HRM systems that support knowledge-sharing (Hislop, 2006).

## Distinctive features of HRM

Before looking at the distinctive features of HRM, it seems appropriate to identify some of the factors that have led to its creation and popularity. Forces in the environment have influenced organisations to be responsive. This is reflected in increased competitiveness, an emphasis on quality in staff and products/services, flexible modes of operation and a willingness to adapt to change. In such circumstances, it would not be surprising to find organisation and management structures and systems responding to the new business conditions in the changed environment.

Key considerations from an HR perspective are as follows (Beer and Spector, 1985):

- People ought to be considered as social capital capable of development.
- Participation in decision-making is of value, and people's choice of options or alternatives ought to be based on informed judgement.
- Power should be distributed throughout the organisation, rather than centralised, in order to foster trust and collaboration between people who are credited with a realistic sense of purpose.
- The interests of all parties with a stake in the organisation (e.g. employees, shareholders, suppliers and customers) should be harmonised.

Examples of management and organisational responses are increased decentralisation to facilitate a better reaction to market conditions, and greater autonomy and accountability for the efficient use of resources. Also, there could be a striving to inject flexibility into the roles employees play in teams (e.g. autonomous groups) and in getting people to adopt a wider range of skills ('multi-skilling'). A key point here is that these developments allow an increased speed of reaction, which is vital if the organisation is to adapt to the changing environmental and market conditions that characterise the current situation (Beer and Spector, 1985). An example of this is the reaction of Hewlett-Packard to the current business environment (see Case example 1.1).

## CASE EXAMPLE 1.1

### Hewlett-Packard - reviving a distinctive approach

Hewlett Packard (HP) is the world's leader in sales of personal computers, printers and computer servers, with revenue of \$127 billion and \$7 billion in earnings reported in 2011. However, HP has been under siege, losing market share and facing declining margins (Waters, 2012). HP's CEO, Meg Whitman, has sought to revive the firm by reinstating the distinctive management approach that helped transform it from a small company in Silicon Valley to a technology giant defining the business culture of start-ups.

HP's founders, David Packard and William Hewlett, built the company based on an informal, non-hierarchical culture. Packard elucidated the 'HP way' (Packard, 2007):

Early in the history of the company, while thinking about how a company like this should be managed, I kept getting back to one concept: If we could simply get everybody to agree on what our objectives were and to understand what we were trying to do, then we could turn everybody loose, and they would move along in a common direction.

The approach to management incorporated a participative management style, with managers being accessible to employees, jobs arranged in teams, and decentralisation of decision-making where possible. There was a focus on training to develop 'cross-functional individuals' who could apply their skills to new products and tasks as changes in the business environment demanded. The core elements of the HP way were as follows (Kotelnikov, 2007):

- defining and agreeing the values;
- setting and agreeing on the objectives;
- empowering employees.

This approach was very successful for HP, and it grew to be one of the dominant players in its market. The approach was very people-centred and efforts were made to provide employees with job security. As HP evolved from a domestic firm to a global giant, the unique culture changed through the battle to survive in a challenging business environment and stay ahead in the technology industry. Starting in 2002, HP began laying off 30 per cent of its employees (Wong, 2006) while it re-hired the same number. This signified a re-focusing of the workforce. As the CEO at the time, Mark Hurd, said: 'We are trying to get our cost structure right... the places that the cost is coming out of are not the places where we're adding cost' (Wong, 2006). The re-focusing is removing 'back-office staff' and replacing them with

