Armstrong’s Handbook of Strategic Human Resource Management
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Armstrong’s Handbook of Strategic Human Resource Management

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Strategic human resource management (SHRM) is an approach to the development and implementation of HR strategies that are integrated with business strategies and enable the organization to achieve its goals. In essence, strategic HRM is conceptual; it is a general notion of how integration or ‘fit’ between HR and business strategies is achieved, the benefits of taking a longer-term view of where HR should be going and how to get there, and how coherent and mutually supporting HR strategies should be developed and implemented. Importantly, it is also about how members of HR function should adopt a strategic approach on a day-to-day basis. This means that they operate as part of the management team, ensure that HR activities support the achievement of business strategies on a continuous basis, and are consciously concerned with seeing that their activities add value.

To understand strategic HRM it is first necessary to appreciate the concepts of human resource management and strategy as covered in Chapters 1 and 2 in Part 1 (The conceptual framework of strategic HRM) respectively. The concept of strategic human resource management (strategic HRM) is then examined in detail in Chapter 3.

Part 2 of the book is concerned with the impact of strategic HRM on performance, the roles of management and HR in strategic HRM, and the processes of developing and implementing HR strategies. Part 3 covers each of the main areas of HR in which strategies are developed. The book concludes with a toolkit providing guidance on developing HR strategy through a strategic review.
PART ONE
The conceptual framework of strategic HRM
The concept of HRM

KEY CONCEPTS AND TERMS

Agency theory          Human capital theory
AMO theory             Human resource management (HRM)
Centre of expertise    Institutional theory
Commitment             Motivation
Contingency theory     Organizational behaviour theory
Engagement             Organizational capability
Hard HRM               Resource-based theory
HR architecture        Resource dependence theory
HR delivery model      Shared service centre
HR philosophy          Soft HRM
HR policies            Strategic business partner
HR practices           Strategic human resource management (SHRM)
HR processes           Strategic integration
HR programmes          Strategy
HR strategies           Transaction costs theory
HR system

LEARNING OUTCOMES

On completing this chapter you should be able to define the above key concepts. You should also understand:

- the nature and goals of human resource management (HRM);
- that HRM in practice is highly diverse;
- how HRM functions as a system;
- the ethical dimension of HRM;
- the critical evaluation points that can be made about HRM.
Introduction

The concepts of human resource management (HRM) and strategy (strategic management) provide the basis for strategic human resource management (SHRM). Wright and McMahan (1992: 295) explained that the field of human resource management has ‘sought to become integrated with the strategic management process through the development of a new discipline referred to as strategic human resource management’. SHRM has been described by Boxall (1996) as the interface between HRM and strategic management.

Before considering SHRM it is therefore necessary to examine the processes of HRM and strategy and these will be covered in this chapter and Chapter 2 respectively. In the first part of this chapter HRM is defined and its meaning is examined in terms of its philosophy and underpinning theories. In the second part, the concept of HRM is further explored by reference to its goals, characteristics, diversity and ethical dimension. The criticisms the concept has generated – mainly from academics in the 1980s and 1990s – are summarized in the third part. The final part describes how HRM is delivered and the contexts within which delivery takes place.

The next chapter will deal with strategy – defining its nature as a means of developing a course of action for achieving an organization’s purpose and discussing the major concepts associated with strategy that play an important part in SHRM, especially those relating to strategic management, strategic fit and the resource-based view. Against this background, the concept of SHRM will be explored in Chapter 3.

HRM defined

Human resource management (HRM) was defined by Boxall and Purcell (2003: 1) as ‘all those activities associated with the management of employment relationships in the firm’ and by Boxall et al (2007: 7) as: ‘The management of work and people in organizations’. Boxall and Purcell (2010: 29) described HRM as ‘an inevitable process that accompanies the growth of organizations’. HRM covers activities such as human capital management, knowledge management, organization design and development, resourcing (workforce planning, recruitment and selection, and talent management), performance management, learning and development, reward management, employee relations and employee well-being.

The notion of HRM as developed primarily by academics has a strong conceptual basis drawn from the behavioural sciences and from human capital and industrial relations theories. This chapter focuses on the concepts that underpin the HRM model, as these contribute significantly to the concept of SHRM.
The Concept of HRM

The philosophy of human resource management

As conceived by the pioneers in the 1980s, the notion of human resource management is based on a philosophy that is fundamentally different from the personnel management practices of the time. Beer et al (1984: 1) started with the proposition that: ‘Human resource management (HRM) involves all management decisions and actions that affect the nature of the relationship between the organization and employees – its human resources’. They believed that: ‘Today... many pressures are demanding a broader, more comprehensive and more strategic perspective with regard to the organization’s human resources’ (ibid: 4). They also stressed that it was necessary to adopt ‘a longer-term perspective in managing people and consideration of people as a potential asset rather than merely a variable cost’ (ibid: 6). Beer and his colleagues (the ‘Harvard school’) were the first to underline the HRM tenet that it belongs to line managers. They suggested that HRM had two characteristic features: (1) line managers accept more responsibility for ensuring the alignment of competitive strategy and HR policies; (2) HR has the mission of setting policies that govern how HR activities are developed and implemented in ways that make them more mutually reinforcing.

The other major early contributors to the development of the philosophy of HRM – Fombrun et al (1984) – developed what has been termed their ‘matching model’, which indicated that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy. This point was made in their classic statement that: ‘The critical management task is to align the formal structure and human resource systems so that they drive the strategic objectives of the organization’ (ibid: 37). They therefore took the first steps towards the concept of SHRM.

Following these US pioneers, as Legge (2005: 101) noted, the old term ‘personnel management’ increasingly gave way to human resource management (HRM). She commented that ‘the term [HRM] was taken up by both UK managers (for example, Armstrong, 1987; Fowler, 1987) and UK academics’. Hendry and Pettigrew (1990: 20) observed that: ‘What HRM did at this point was to provide a label to wrap around some of the observable changes, while providing a focus for challenging deficiencies – in attitudes, scope, coherence, and direction – of existing personnel management’.

The following full explanation of HRM philosophy was made by Legge (1989: 25), whose analysis of a number of HRM models identified the following common themes:

That human resource policies should be integrated with strategic business planning and used to reinforce an appropriate (or change an inappropriate) organizational culture, that human resources are valuable and a source of competitive advantage, that they may be tapped most effectively by mutually
consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interests of the ‘adaptive organization’s’ pursuit of excellence.

Storey (2001: 7) noted that the beliefs of HRM included the assumptions that it is the human resource that gives competitive edge, that the aim should be to enhance employee commitment, that HR decisions are of strategic importance and that therefore HR policies should be integrated into the business strategy.

The philosophy underpinning this notion of HRM provided a new vision that was strongly criticized by many commentators during the 1990s (see the critical evaluation of HRM later in this chapter). It was supposed to be substantially different from old-fashioned personnel management, a term that has virtually disappeared since then, although in some quarters the term ‘people management’ has been adopted, possibly by those who dislike the connotations of ‘human resources’ with its apparent emphasis on exploitation and treating people as factors of production. However, whether it is called human resource management, people management or employment management, the essential nature of the ways in which organizations manage and relate to their employees has not always changed significantly from that of personnel management. New techniques and approaches (some of them ‘flavours of the month’) may have been introduced. But they have been treated as aspects of people management, not offspring of the human resource management philosophy.

Underpinning theories of HRM

However, the original concept of HRM had a strong theoretical base that still has relevance to the practice of people management. As David Guest (1987: 505) commented at the time: ‘Human resource management appears to lean heavily on theories of commitment and motivation and other ideas derived from the field of organizational behaviour’. These theories are summarized below.

Commitment

The significance in HRM theory of organizational commitment (the strength of an individual’s identification with, and involvement in, a particular organization) was highlighted in a seminal *Harvard Business Review* article by Richard Walton (Walton, 1985).
Workers respond best – and most creatively – not when they are tightly controlled by management, placed in narrowly defined jobs and treated as an unwelcome necessity, but, instead, when they are given broader responsibilities, encouraged to contribute and helped to take satisfaction in their work. It should come as no surprise that eliciting commitment – and providing the environment in which it can flourish – pays tangible dividends for the individual and for the company.

The traditional concept of organizational commitment is very similar to the more recent notion of organizational engagement (see Chapter 14).

**Organizational behaviour theory**

Organizational behaviour theory describes how people within their organizations act individually or in groups and how organizations function in terms of their structure, processes and culture. It therefore influences HRM approaches to organization design and development and enhancing organizational capability (the capacity of an organization to function effectively in order to achieve desired results). The following are the characteristics of organizational behaviour theory.

**Source Review**  

- It is a way of thinking about individuals, groups and organizations.
- It is multidisciplinary – it uses principles, models, theories and methods from other disciplines.
- There is a distinctly humanistic orientation – people and their attitudes, perceptions, learning capacities, feelings and goals are of major importance.
- It is performance-orientated – it deals with the factors affecting performance and how it can be improved.
- The use of scientific method is important in studying variables and relationships.
- It is applications-orientated in the sense of being concerned with providing useful answers to questions that arise when managing organizations.
**Motivation**

Motivation theory explains the factors that affect goal-directed behaviour and therefore influences the approaches used in human resource management to enhance engagement (the situation in which people are committed to their work and the organization and motivated to achieve high levels of performance). The two most influential motivation theories are those relating to intrinsic motivation and expectancy theory.

Intrinsic motivation refers to the self-generated factors affecting people’s behaviour, which may arise from the work itself. Deci and Ryan (1985) suggested that intrinsic motivation is based on the needs to be competent and self-determining (that is, to have a choice). Intrinsic motivation can be enhanced by job or role design. In their job characteristics model, Hackman and Oldham (1974) emphasized the importance of the core job dimensions as motivators, namely: skill variety, task identity, task significance, autonomy and feedback. This links with the proposal by Walton (1985: 79) that: ‘In this new commitment-based approach to the work force, jobs are designed to be broader than before, to combine planning and implementation, and to include efforts to upgrade operations, not just maintain them’.

Expectancy theory explains that motivation will be high when people know what they have to do to get a reward (which may be financial or non-financial), expect that they will be able to get the reward, and expect that the reward will be worthwhile. The theory recognizes that people have different types of needs, wants and goals and that this must be taken into account in devising HR policies and practices, especially those concerned with motivation and reward.

Expectancy theory was pioneered by Vroom (1964) and developed by Porter and Lawler (1968), who proposed that high individual performance depends on high motivation plus possession of the necessary skills and abilities, and an appropriate role and understanding of that role. From this, as Guest (1997: 268) declared: ‘It is a short step to specify the HR practices that encourage high skills and abilities, for example careful selection and high investment in training; high motivation, for example employee involvement and possibly performance-related pay; and an appropriate role structure and role perception, for example job design and extensive communication and feedback’.

**AMO theory**

The ‘AMO’ formula as set out by Boxall and Purcell (2003) states that performance is a function of Ability + Motivation + Opportunity to participate. HRM practices therefore impact on individual performance if they encourage discretionary effort, develop skills and provide people with the opportunity to perform. The formula provides the basis for developing HR systems that attend to employees’ interests, namely their skill requirements, motivations and the quality of their job.
Human capital theory

Human capital theory is concerned with how people in an organization contribute their knowledge, skills and abilities to enhancing organizational capability and the significance of that contribution. As Jackson and Schuler (2007: 25) stated: ‘Organizations can use HRM in a variety of ways to increase their human capital... For example, they can “buy” human capital in the market (eg by offering desirable compensation packages) or “make” it internally (eg by offering extensive training and development opportunities’.

Resource dependence theory

Resource dependence theory groups and organizations gain power over each other by controlling valued resources. HRM activities are assumed to reflect the distribution of power in the system.

Resource-based theory

Resource-based theory, often referred to as the resource-based view, blends concepts from organizational economics (Penrose, 1959) and strategic management (Barney, 1991). The theory states that competitive advantage is achieved if a firm’s resources are valuable, rare and costly to imitate. HRM can play a major part in ensuring that the firm’s human resources meet those criteria.

Institutional theory

Organizations conform to internal and external environmental pressures in order to gain legitimacy and acceptance.

Transaction costs theory

Transaction costs economics assumes that businesses develop organizational structures and systems that economize the costs of the transactions (interrelated exchange activities) that take place during the course of their operations. The approach used will take account of the phenomenon of bounded rationality (the extent to which people behave rationally is limited by their capacity to understand the complexities of the situation they are in and their emotional reactions to it) and the tendency toward opportunism (satisfying self-interest). To take advantage of bounded rationality and minimize opportunism, implicit and explicit contracts are made and HRM practices are set up to manage these contracts.

Agency theory

Agency theory, also known as principal-agent theory, explains that in most firms there is a separation between the owners (the principals) and the agents
(the managers). The principals may not have complete control over their agents. The latter can therefore act in ways that are not fully revealed to their principals and that may not be in accordance with the wishes of those principals. Agency theory indicates that it is desirable to operate a system of incentives for agents, i.e., directors or managers, to motivate and reward acceptable behaviour.

**Contingency theory**

Contingency theory states that HRM practices are dependent on the organization’s environment and circumstances. This means that, as Paauwe (2004: 36) explained: ‘the relationship between the relevant independent variables (e.g., HRM policies and practices) and the dependent variable (performance) will vary according to the influences such as company size, age and technology, capital intensity, degree of unionization, industry/sector ownership and location’.

Contingency theory is associated with the concept of fit – the need to achieve congruence between an organization’s HR strategies, policies and practices and its business strategies within the context of its external and internal environment.

Karen Legge (1978: 97) exercised a major influence on the acceptance of the relevance of contingency theory. She observed that: ‘Contingency theory in its positive sense just makes the theoretical point that it is “contingencies” in an organization’s environment that, acting as both constraints and opportunities, influence the organization’s structure and processes’. She also produced the following suggestions on applying contingency theory.

**SOURCE REVIEW** Contingent approach to managerial problem solving – Legge (1978: 99)

- An objective-setting exercise, based on a diagnosis of what specific objectives are appropriate to the organizational context involved.
- An analytical classification of the alternatives (whether payment systems or management styles or different approaches to reorganizing work) that are the subject of the design exercise.
- An analysis, preferably involving the construction of a dynamic processual model, of the context in which such an alternative is to apply.
- The selection of one of the alternatives on the basis that it ‘fits’ the context in which it is to operate in such a way as to facilitate the achievement of the specified objectives.
- A recognition of the need to evaluate systematically not only the basis for selecting a specific alternative in the first instance, but its degree of success following implementation.
The goals of HRM

The overall purpose of human resource management (or people management) is to ensure that the organization is able to achieve success through people. Ulrich and Lake (1990: 96) remarked that: ‘HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities’. The following policy goals for HRM were suggested by David Guest (1991: 154–59):

- Commitment: behavioural commitment to pursue agreed goals and attitudinal commitment reflected in a strong identification with the enterprise.
- Flexibility: functional flexibility and the existence of an adaptable organization structure with the capacity to manage innovation.
- Quality: this refers to all aspects of managerial behaviour that bear directly on the quality of goods and services provided, including the management of employees and investment in high-quality employees.
- Strategic integration: the ability of the organization to integrate HRM issues into its strategic plans, ensure that the various aspects of HRM cohere, and provide for line managers to incorporate a HRM perspective into their decision making.

Commitment, as defined by Guest, is similar to the more recent concept of engagement (see Chapter 14).

The policy goals for HRM identified by Caldwell (2001) included managing people as assets that are fundamental to the competitive advantage of the organization, aligning HRM policies with business policies and corporate strategy, and developing a close fit of HR policies, procedures and systems with one another. Boxall and Purcell (2003, p 11) stated that the economic goals of HRM are ‘cost effectiveness, organizational flexibility, short-run responsiveness and long-run agility’.

Characteristics of HRM

Conceptually, the characteristics of HRM are that it is:

- strategic with an emphasis on integration;
- commitment-orientated;
- based on the belief that people should be treated as assets (human capital);
- unitarist rather than pluralist, i.e. based on the belief that management and employees share the same concerns and it is therefore in both their interests to work together, rather than the belief that the interests of employees will not necessarily coincide with their employers;
individualistic rather than collective in its approach to employee relations;

• a management-driven activity – the delivery of HRM is a line management responsibility;

• focused on business values, although this emphasis is being modified in some quarters and more recognition is being given to the importance of moral and social values.

But HRM also has an ethical dimension, which means that it expresses its concern for the rights and needs of people in organizations through the exercise of social responsibility.

The diversity of HRM

Although HRM can be described generally in terms of the characteristics listed above, many HRM models exist, and practices within different organizations are diverse, often only corresponding to the conceptual version of HRM in a few respects. Dyer and Holder (1998) have pointed out that HRM goals vary according to competitive choices, technologies, characteristics of employees (e.g., could be different for managers) and the state of the labour market. Boxall (2007: 48) remarked that: ‘Human resource management covers a vast array of activities and shows a huge range of variations across occupations, organizational levels, business units, firms, industries and societies’.

Hard and soft HRM

As an illustration of this diversity, a distinction was made by Storey (1989: 8) between the ‘hard’ and ‘soft’ versions of HRM. He wrote that: ‘The hard one emphasizes the quantitative, calculative and business-strategic aspects of managing human resources in as “rational” a way as for any other economic factor. By contrast, the soft version traces its roots to the human-relations school; it emphasizes communication, motivation and leadership.’ The human relations school referred to by John Storey was founded by Elton Mayo (1933) but its leading exponent was Douglas McGregor (1960). His ‘theory Y’ stressed the importance of recognizing the needs of both the organization and the individual and creating conditions that would reconcile these needs so that members of the organization could work together for its success and share in its rewards.

However, it was pointed out by Keenoy (1997: 838) that ‘hard and soft HRM are complementary rather than mutually exclusive practices’, and research in eight UK organizations by Truss et al (1997) indicated that the distinction between hard and soft HRM was not as precise as some commentators have implied. Their conclusions are set out below.
**SOURCE REVIEW** Conclusions on hard and soft models of HRM – Truss et al (1997: 70)

Even if the rhetoric of HRM is ‘soft’, the reality is almost always ‘hard’, with the interests of the organization prevailing over those of the individual. In all the organizations, we found a mixture of both hard and soft approaches. The precise ingredients of this mixture were unique to each organization, which implies that factors such as the external and internal environment of the organization, its strategy, culture and structure all have a vital role to play in the way in which HRM operates.

**The ethical dimension**

HRM has an ethical dimension; that of exercising concern for the interests (well-being) of employees, bearing in mind Schneider’s (1987: 450) view that ‘organizations are the people in them: ... people make the place’. Beer et al (1984: 13) emphasized that: ‘It is not enough to ask how well the management of human resources serves the interests of the enterprise. One should ask how well the enterprise’s HRM policies serve the well-being of the individual employee’ (original emphasis). Ulrich (1997: 5) argued that HR professionals should ‘represent both employee needs and implement management agendas’. Boxall et al (2007: 5) pointed out that: ‘While HRM does need to support commercial outcomes (often called “the business case”), it also exists to serve organizational needs for social legitimacy’.

Ideally an ethical approach would involve:

- treating people equally in terms of the opportunities for employment, learning and development provided for them;
- treating people according to the principles of procedural justice (Adams, 1965 and Leventhal, 1980), i.e. the ways in which people are managed are fair, consistent and transparent;
- treating people according to the principles of distributive justice (Adams, 1965 and Leventhal, 1980), i.e. rewards are distributed to them according to their contribution and they receive what was promised to them;
- treating people according to the principles of natural justice, i.e. individuals should know the standards they are expected to achieve and the rules to which they are expected to conform, they should be given a clear indication of where they are failing or what rules have been broken and, except in cases of gross misconduct, they should be given a chance to improve before disciplinary action is taken;
The Conceptual Framework of Strategic HRM

- taking account of the views of employees on matters that affect them;
- being concerned with the well-being of employees as well as the pursuit of commercial gain;
- offering as much security of employment as possible;
- providing a working environment that protects the health and safety of employees and minimizes stress;
- acting in the interests of providing a reasonable balance for employees between their life and their work;
- protecting employees against harmful practices at work, e.g., bullying, harassment and discrimination.

But ethical behaviour on the part of employers may not be regarded as important and certainly does not necessarily happen. It was asserted by Winstanley and Woodall (2000: 6) that ‘the ethical dimension of HR policy and practice has been almost ignored in recent texts on HRM, where the focus has shifted to “strategic fit” and “best practice” approaches’. Grant and Shields (2002) stated that the emphasis typically placed on the business case for HRM suggests a one-sided focus on organizational outcomes at the expense of employees. It is interesting to note that overall ethical considerations are not mentioned in the 2009 version of the Chartered Institute of Personnel and Development’s Profession Map – does this mean that the professional institute for HR practitioners in the UK attaches no importance to ethics?

Critical evaluation of the concept of HRM

On the face of it, the original concept of HRM had much to offer, at least to management. But the following reservations have been expressed about it:

- Even if HRM does exist as a distinct process, which many doubt, it is full of contradictions (Blyton and Turnbull, 1992).
- HRM is simplistic – as Fowler (1987: 3) wrote: ‘The HRM message to top management tends to be beguilingly simple. Don’t bother too much about the content or techniques of personnel management, it says. Just manage the context. Get out from behind your desk, bypass the hierarchy, and go and talk to people. That way you will unlock an enormous potential for improved performance.’
- The HRM rhetoric presents it as an all or nothing process that is ideal for any organization, despite the evidence that different business environments require different approaches.
- The unitarist/managerialist approach to industrial relations implicit in HRM prompted Fowler (1987: 3) to write: ‘At the heart of the concept is the complete identification of employees with the aims and values of the business – employee involvement but on the company’s
terms. Power in the HRM system remains very firmly in the hands of the employer. Is it really possible to claim full mutuality when at the end of the day the employer can decide unilaterally to close the company or sell it to someone else?’

- HRM appears torn between preaching the virtues of individualism (concentration on the individual) and collectivism in the shape of teamwork (Legge, 1989).

- There is a potential tension between the development of a strong corporate culture and employees’ ability to respond flexibly and adaptively (Legge, 1989).

- HRM is ‘macho-management dressed up as benevolent paternalism’ (Legge, 2005: 48).

- HRM is manipulative. The forces of internal persuasion and propaganda may be deployed to get people to accept values with which they may not be in accord and that in any case may be against their interests. Willmott (1993: 534) asserted that: ‘any (corporate) practice/value is as good as any other so long as it secures the compliance of employees’.

- ‘The more we study HRMism, the more we find out about it and the more we elaborate it, the more elusive and obscure it becomes.’ (Keenoy, 1997: 825).


There may be something in these criticisms but the fact remains that as a description of people management activities in organizations, HRM is here to stay, even if it is applied diversely or only used as a label to describe traditional personnel management practices. There is much talk now about such things as HR strategy, human capital management, engagement, talent management and partnership, as well as plenty of developments in people management practices such as competency-based HRM, e-HRM, high performance work systems, performance management and reward management. But with the possible exception of HR strategy, these have not been introduced under the banner of the HRM concept as originally defined.

In the words of John Storey (2001: 5), HRM has to a degree become ‘a generic term simply denoting any approach to employment management’. The ways in which it is delivered as described below take place irrespective of the degree to which what is done corresponds with the conceptual HRM model.

**How HRM is delivered**

HRM is delivered through the HR architecture of an organization, which includes the HR system and the HR delivery model adopted by the HR function.
HR architecture

Purcell (1999: 38) suggested that the focus should be on ‘appropriate HR architecture and the processes that contribute to organizational performance’. HR architecture is much more than just the structure of the HR function; it also includes the HR systems and processes and employee behaviours. As explained by Becker et al (2001: 12): ‘We use the term HR architecture to broadly describe the continuum from the HR professionals within the HR function, to the system of HR related policies and practices, through the competencies, motivation and associated behaviours of the firm’s employees’. Becker and Huselid (2006: 899) stated that: ‘It is the fit between the HR architecture and the strategic capabilities and business processes that implement strategy that is the basis of HR’s contribution to competitive advantage’. It was noted by Hird et al (2010: 25) that: ‘... this architecture is seen as a unique combination of the HR function’s structure and delivery model, the HR practices and system, and the strategic employee behaviours that these create’.

The HR system

The HR system consists of the interrelated and jointly supportive HR practices that together enable HRM goals to be achieved. The HR structure and method of delivery are important but as Becker and Huselid (2006) argue, it is the HR system that is the key HR asset. Boselie et al (2005: 73) pointed out that in its traditional form HRM can be viewed as ‘a collection of multiple discrete practices with no explicit or discernible link between them. The more strategically minded system approach views HRM as an integrated and coherent bundle of mutually reinforcing practices.’ Kepes and Delery (2007: 385) comment that ‘One of the defining characteristics of SHRM has been the proposition that HRM systems and not individual HRM practices are the source of competitive advantage: specifically, it is proposed that coherent and internally aligned systems form “powerful connections” that create positive synergistic effects on organizational outcomes’.

As illustrated in Figure 1.1, a HRM system brings together HR philosophies that describe the overarching values and guiding principles adopted in managing people. Taking account of the internal and external contexts in which the organization operates, a HRM system also develops:

- HR strategies that define the direction in which HRM intends to go;
- HR policies that provide guidelines defining how these values, principles and strategies should be applied and implemented in specific areas of HRM;
- HR processes that comprise the formal procedures and methods used to put HR strategic plans and policies into effect;
- linked HR practices that consist of the approaches used in managing people;
- HR programmes that enable HR strategies, policies and practices to be implemented according to plan.
The Conceptual Framework of Strategic HRM

The HR delivery model

The HR delivery model is the approach used by HR to make a strategic contribution to the achievement of organizational goals, provide specialist expertise, and carry out the transaction elements of HR’s work such as recruitment, training and administration. This may or may not be translated into the so-called ‘three-legged stool’ of HR structure consisting of strategic business partners, a centre of expertise and shared services. This is based broadly on Ulrich’s (1997) ideas, although, as reported by Hird et al (2010), Ulrich has recently stated that this is not actually ‘his idea’ at all, but an interpretation of his writing.

The context of HRM

The design of a HR system takes place within the context of the internal and external environments of the organization. In line with contingency theory, these exert considerable influence on the HR architecture.

The external environment

The external environment consists of social, political, legal and economic developments and competitive pressures. Global competition in mature production and service sectors is increasing. This is assisted by easily transferable technology and reductions in international trade barriers. Customers are demanding more as new standards are reached through international competition. Organizations are reacting to this competition by becoming ‘customer focused’, speeding up response times, emphasizing quality and continuous improvement, accelerating the introduction of new technology, operating more flexibly and ‘losing cost’. The pressure has been for businesses to become ‘lean and mean’, downsizing and cutting out layers of management and supervision. They reduce permanent staff to a core of essential workers, increase the use of peripheral workers (sub-contractors, temporary staff) and ‘outsource’ work to external service providers. These pressures can be considerable in an economic downturn such as the one that began in 2008.

The internal environment

The following aspects of the internal environment will affect HR policy and practice:

- the type of business or organization – private, public or voluntary sector; manufacturing or service;
- the size of the organization;
- the age or maturity of the organization;
• the technology or key activities of the business (this will determine how work is organized, managed and carried out);
• the type of people employed, e.g. professional staff, knowledge workers, technicians, administrators, production workers, sales and customer service staff;
• the financial circumstances of the organization, especially in economic downturns;
• the organization’s culture – the established pattern of values, norms, beliefs, attitudes and assumptions that shapes the ways in which people behave and things get done;
• the political and social climate within the organization.

**KEY LEARNING POINTS**

**HRM defined**

Human resource management (HRM) is concerned with how people are employed and managed in organizations.

**Philosophy of HRM**

The beliefs of HRM include the assumptions that it is the human resource that gives competitive edge, that the aim should be to enhance employee commitment, that HR decisions are of strategic importance, and that therefore HR policies should be integrated into the business strategy.

**Underpinning theories**

‘Human resource management appears to lean heavily on theories of commitment and motivation and other ideas derived from the field of organizational behaviour’ (Guest, 1987: 505).

**Goal of HRM**

The goal of HRM is to ensure that the organization is able to achieve success through people.

**Characteristics of HRM**

The characteristics of HRM are that it is:
• strategic with an emphasis on integration;
• commitment-orientated;
• based on the belief that people should be treated as assets (human capital);
• unitarist rather than pluralist, ie based on the belief that management and employees share the same concerns and it is therefore in both their interests to work together, rather than the belief that the interests of employees will not necessarily coincide with those of their employers;
• individualistic rather than collective in its approach to employee relations;
• a management-driven activity – the delivery of HRM is a line management responsibility;
• focused on business values, although this emphasis is being modified in some quarters and more recognition is being given to the importance of moral and social values.

The diversity of HRM
Although HRM can be described generally in terms of the characteristics listed above, many HRM models exist and practices within different organizations are diverse, often only corresponding to the conceptual version of HRM in a few respects.

The ethical dimension of HRM
HRM has an ethical dimension; that of exercising social responsibility, ie being concerned for the interests (well-being) of employees and acting ethically with regard to the needs of people in the organization.

Reservations about HRM
On the face of it, the concept of HRM has much to offer, at least to management. But reservations have been expressed about it. There may be something in these criticisms but the fact remains that as a description of people management activities in organizations, HRM is here to stay, even if it is applied diversely or only used as a label to describe traditional personnel management practices.

Delivery of HRM
HRM is delivered through the HR architecture of an organization, which includes the HR system and the HR delivery model adopted by the HR function.

The context of HRM
The design of a HR system takes place within the context of the internal and external environments of the organization. In line with contingency theory, these exert considerable influence on the HR architecture.
References