

THE BASIS OF HUMAN RESOURCE MANAGEMENT

DEFINITION

Human resource management (HRM) has been defined in various ways by different people. Here are some useful definitions of HRM:

- Human resources management is a specialty field that attempts to develop programs, policies, and activities to promote the satisfaction of both individual and organizational needs, goals and objectives. (Marc G Singer, *Human Resource Management*, PWS-KENT Publishing Co Boston, 1990, p3)
- Human Resources management relates to the total set of

knowledge, skills and attitudes that firms need to compete. It involves concern for and action in the management of people, including selection, training and development, employee relations and compensation. Such actions may be bound together by the creation of an HRM philosophy. (Pettigrew, A and Whipp, R *Managing Change for Competitive Success*, Blackwell, Oxford, 1991)

- Human resource management can broadly be defined as a strategic and coherent approach to the management of an organization's most valued assets — the people working there, who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage. (Michael Armstrong, *Human Resource Management: Strategy & Action*, Kogan Page Ltd, 1992)

The very idea of HRM is controversial due to a variety of reasons: ideological, empirical, theoretical and strategic.

HRM is an ideology. It is underpinned by a philosophy which starts from the belief that organizations exist to deliver value to their customers, and that is best achieved by adopting a longer-term perspective to the development of people for the achievement of quality and productivity.

HRM MAPPING OF VARIOUS MEANINGS

A distinction has been made by Storey (1987) between 'hard' and 'soft' versions of HRM.

The hard version puts the stress on the idea of 'resource'. This version of HRM emphasizes the quantitative, calculative and business-like treatment of managing the head count resource in as 'natural' a way as for any other economic factor. Thus, employees are treated as just another part of the input-output equation. Hard HRM strategies are concerned with improving

employee utilization (the cost effective approach) and getting them to accept that their interests coincide with those of the organization (the unitarist approach). Resourcing strategies and practices will aim to recruit and develop people who fit the organization's culture.

HRM can be defined as a strategic and organization-wide approach to managing and developing people which will vary according to the changing requirements of the organization.

A coherent approach to human resource management means linking and, as necessary, co-ordinating the various techniques available to ensure that added value is obtained from their combined impact. Over the last two decades, there have been a lot of techniques developed, such as management by objectives, job enrichment, organization development, systematic training, job evaluation, merit rating, performance related pay, performance management and competency analysis.

A holistic view of HRM adopts an internally coherent approach to personnel practices which is linked up with the strategic and organization-wide approach to the changing needs of the organization.

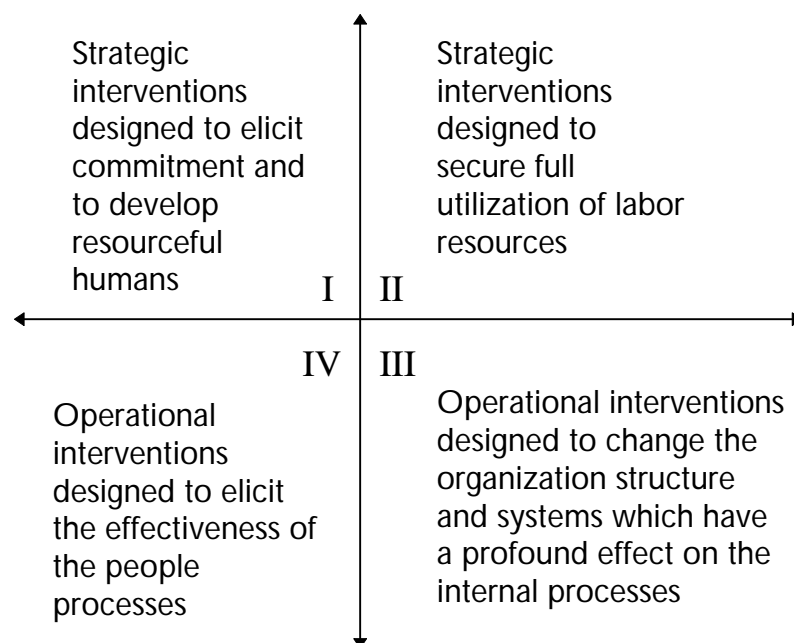
The soft version puts emphasis on the 'human', thus conjuring up echoes of the human relations movement. This version emphasizes communication, motivation, and leadership. There is more emphasis on strategies for gaining commitment by informing employees about the company's mission, values, plans and policies, involving them in how work should be organized, and grouping them in self-managing teams.

Another distinction can be made between 'external' and 'internal' versions of HRM.

The external version is concerned with those decisions which have a major and long-term effect on the employment and development of people in the organization. Of paramount concern is what is seen to constitute the nature of distinctiveness. The external version is more out-look oriented.

The internal version of HRM looks at the operational impact on human resource and personnel policies and procedures which requires an operational response from the function. These various positions may be located on a matrix as shown in **Figure 1.1**.

Figure 1.1 HRM Mapping of Various Meanings



Four key elements express the essence of HRM concept.

The first is the view that sustainable competitive advantage is achieved through people. They should therefore be regarded not as variable costs but as valued assets in which to invest, thus adding to their inherent value. It is the human capability and commitment which distinguishes successful organizations from the rest.

This leads to the second feature of HRM approach. It looks at the stocks and flows of Labor on future requirements and on the potential of existing

employees which can be used to enhance quality or reduce costs. This is often regarded as the '**Resourcing Strategy**'.

Third, HRM is related to the impact of organizational restructuring as a result of rationalization, decentralization, delaying, mergers, product or market development or the introduction of new technology.

The final feature concerns the culture of the organization in such areas as ability to deliver, performance standards, quality, customer service, team working and flexibility. This feature indicates the need for people with different attitudes, beliefs, and personal characteristics.

HRM AND THE FOUNDATION OF THE EMERGING PARADIGM

Global competition has intensified in the last ten years and is likely to escalate at an increasing rate in the future. The emergence of Japan as a global power, the economic takeoff of Pacific Basin countries, the emergence of a united Europe, the revolutionary shake-up of the Communist economic systems, the threat of environment-destroying pollution, the explosive problem of the world debt, the continuing growth and proliferation of new technology — all of these factors will lead to a continued escalation of environmental turbulence.

Due to the new challenges of environmental turbulence, firms need to make significant changes in their strategic plans which can configure resources and capabilities to permit quick and efficient repositioning to new products and new markets whenever the need arises. They need to perform as a 'capable organization'.

The new challenges facing most businesses are:

- Increasing international competition
- Increasing complexity and size of organizations

- The technological revolution which makes novel patterns of organization viable and perhaps mandatory
- Higher expectations of customers for quality
- Higher expectations for quality of life
- Work increasingly needs knowledge rather than physical effort

These changes require managers to shift to a new paradigm for managing organizations. The differences between the new and old paradigm are organized around the following areas:

- In the old paradigm, managers regard HRM as a staff responsibility. HR specialists process paperwork to hire and fire, and handle personnel complaints.
- In the new paradigm, line managers regard HRM as integrated business management and people management strategy. Human resources are treated as critical resources, as input to the system.
- In the old paradigm, managers use job descriptions to prescribe and set limits to personal responsibility.
- In the new paradigm, managers convey a vision to lead and inspire quality improvement. It posits the management of the organizational culture as a central activity for most senior management.
- In the old paradigm, HRM seeks to influence line management.
- In the new paradigm, HRM is more concerned with senior management.

In the interest of conceptual clarity, we will contrast the new paradigm with the old paradigm in the following topics:

❑ **QUALITY**

In the old paradigm, quality is the responsibility of the Quality Control Department. In the new paradigm, quality is everybody's responsibility.

❑ **KEY STAKEHOLDER**

In the old paradigm, the key external stakeholder is the shareholder, and the key internal stakeholder is the boss. In the new paradigm, the key external stakeholder is the customer, and the key internal stakeholder is the employees.

❑ **AUTHORITY**

In the old paradigm, managers impose authority from the top down via rules and policies.

In the new paradigm, top managers are responsible for developing a vision to empower all employees to break through the barriers of sectionalism.

❑ **ROLE DEFINITION**

In the old paradigm, management's role is transactional; management looks for compliance to job descriptions.

In the new paradigm, management's role is transformational; management motivates others to strive for higher-order goals rather than merely compliance.

❑ **MEASUREMENT**

In the old paradigm, measurement systems are focused on internal measures of efficiency, productivity, costs and

profitability. This is the tradition of management by objectives (MBO).

In the new paradigm, measurement systems are focused on external measures of customer requirements, which will be deployed into internal measures of quality, cost efficiency, responsiveness and flexibility.

❑ **CONTROL**

In the old paradigm, managers control the organization through scoring individual performance, reviewing regular reports and managing by fear.

In the new paradigm, managers study the common causes of the systems to improve quality performance, which requires employee involvement and empowerment.

❑ **EMPLOYEE RELATIONS**

In the old paradigm, employee relations are pluralist; it sees employees and employers as two separate forces with interests that are often essentially in conflict.

In the new paradigm, employee relations are unitarist which sees employees and employers as a partnership for competitiveness.

❑ **JOB DESIGN**

In the old paradigm, job design tends to think of individual roles in terms of outputs or objectives.

In the new paradigm, job design is usually based on projects, and teamwork.

❑ **COMMUNICATION**

In the old paradigm, communication flow is restricted and indirect which creates doubt and confusion, de-motivates people and leads to cynicism.

In the new paradigm, communication flows are open and direct. Managers communicate values in such a way as to promote quality, flexibility creativity, and the ability to change.

❑ **SYSTEM**

In the old paradigm, people work according to the rules and procedures set by the system.

In the new paradigm, people look for process improvement to enhance system performance.

❑ **ORGANIZATION**

In the old paradigm, organizations are tall hierarchies with many layers of management.

In the new paradigm, organizations are built on networking with fewer layers of management.

Figure 1.2 shows a summary of a profound cultural change.

Figure 1.2 Required Paradigm Shifts

From	To
Assigning responsibility for quality to others.	Quality is everybody's responsibility.
Doing things over to make it right.	Doing the right things the first time.
One-time fix.	Continuous process improvement.
Assumes you know your customer's requirements.	Listens to customers to determine their requirement.
Internal organisation driven.	Customer-driven.
Management by control.	Common vision leadership.
Many layers of management.	Flat organization.
Competitive relation.	Cooperative relations.
Directive decision making.	Consensus decision making.
Low risk-taking.	Innovation.
Power over staff.	Empowered staff.
Reacting to change.	Pro-active change.
Rules-bound and slow.	Flexible and fast.
Rewards reflect time in job and whom you know.	Rewards reflect real contributions.