THIRD EDITION

AN INTRODUCTION TO

HUMAN RESOURCE MANAGEMENT

JOHN STREDWICK

AN INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

An Introduction to Human Resource Management is an ideal text for those studying human resource management for the first time. This straightforward and accessible book takes the reader through both theoretical and practical aspects of the subject and is designed to be used concurrently with semester-based teaching. The range and nature of HR work is illustrated by a combination of real-life case studies and examples of current research that will heighten awareness of the key issues involved in HR today.

All fundamental issues within contemporary HRM are covered in this text including: employee relations, performance management, equal opportunities, learning and development, health and safety, with an entire chapter devoted to international HRM.

This updated third edition is an indispensable resource for students looking for a solid foundation in the principles of HRM. To help with revision, understanding and application, there are additional online resources including extra case studies and quizzes.

New to this edition:

- New activities throughout to reflect on chapter learning
- Contemporary case studies to help put theory into practice
- Extra online testing material to aid revision of HRM principles
- Online annotated further reading guide to help students read around the text and further their research.

John Stredwick is a writer and consultant in human resources, specialising in reward and flexible working practices. He spent 25 years as an HR practitioner, including experience in publishing, shipbuilding and building services with 11 years as Head of HR at Everest Double Glazing. From 1992 to 2010, he was Senior Lecturer and Head of CIPD studies at Bedfordshire University. He has taught in Singapore and Dubai, and was Visiting Professor at the London campus of Websters University.

‘This textbook provides a current and refreshing insight into key HR topics and examines current developments in policy and practice. As an HR professional I would recommend the book as it assists with understanding and interpretation of the CIPD professional standards.’

Kym Drady, Sunderland University

‘This book provides a comprehensive introduction to the changing world of human resource management. It nicely balances conceptual models of HRM with their practical application. This book will be particularly well received by undergraduates studying on specialist HR courses as well as HR streams within business studies courses.’

Dr Bob Mason, University of Ulster

‘A well written HRM text introducing key concepts through the use of numerous case studies. The clear structure followed makes the reader’s journey through the areas of employee resourcing, rewards, relations and learning an easy one to follow. This text also emphasises some key contemporary HRM issues, such as diversity and wellbeing at the workplace, often neglected from other introductory texts.’

Dr Rea Prouska, Middlesex University

AN INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

THIRD EDITION

John Stredwick

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PREFACE TO THE THIRD EDITION

The main purpose of this book is to give a balanced introduction to the complex world of human resource management (HRM). Essentially, it is intended for first degree students studying the subject as part of a modular degree course or for students on a foundation degree in Business Studies. It may also be used as a prime text for Masters courses in HRM or for MBA courses, especially where students have little or no experience in the subject area.

The book combines the main theoretical underpinning for the subject area with a large number of practical examples and cases to assist the learning process. It is divided into 12 chapters to provide one topic a week on a modular course, but many of the chapters have sufficient material to allow work to be extended into two semesters if this is required.

The third edition has been influenced by a number of recent developments. Firstly, by the financial crisis and the accompanying economic recession, which began in 2008 and, at the time of writing, shows little sign of ending, with forecasters predicting continuation in the UK until at least 2015. The recession has simplified the recruitment and retention process, and assisted the decline in UK union membership. However, the influence on most other HR areas, such as performance management, reward or equal opportunities, has been felt much less strongly. Although there may be fewer employees in place in many (although not all) organisations, they still need to be trained, motivated and rewarded successfully, and the increased competitive pressures that the recession has brought has made the HR contribution increasingly valuable.

A second influence has been the greater emphasis in recent years on talent management – the concept that embraces recruitment, selection, training, developing, motivating, rewarding and retaining the best talent available.

A further influence has been the growing importance of the concept of employee engagement – the belief that employees do not just need to be developed and retained but they also need to be genuinely concerned and involved with the aims and culture of the organisation and to present an enthusiastic and positive view of their organisation to the outside world.

This edition has updated a large number of areas of legislation, especially in the field of equal opportunities, employee rights (particularly in flexible working and discrimination) and employee relations generally. Many new cases and examples of research have been added. Chapter 1 has been revised to place a greater emphasis on the role of human resources in improving organisational and employee performance and introduces concepts that will be examined in detail in later chapters.

The chapters have been reordered since the last edition in response to helpful suggestions from colleagues and reviewers for which I am very grateful. The chapter on International HRM has been extensively altered to take advantage of the swiftly changing and rich sources of cases and research in the international field.

Chapter 1 introduces the reader to the main roles and responsibilities of staff working in the HRM field, starting with the economic and social context, summarising the developments of HR roles and looking in detail at a number of models and theories relating to the operation of human resources.

Chapters 2 and 3 examine *recruitment* and *selection*, where the key roles and activities are in defining vacancies, advertising, short-listing, interviewing, testing, selecting and appointing staff with the appropriate terms and conditions. Setting out the policy is also an important function to ensure the best and appropriate practices are in place, especially in terms of equal opportunities.

Chapter 4 is concerned with the changing environment of *employee relations*. The areas involved here include building relationships with employees on a collective and individual basis, dealing with the collective functions of bargaining and negotiating, reaching agreements on terms and conditions of employment and handling major initiatives, such as improved flexibility, site relocation and redundancy. A major aim in recent years has been to improve levels of *employee engagement*, which is dealt with at length. The person will also deal either directly, or through line management, with individual issues that relate to grievances, discipline and dismissal.

Chapters 5 and 6 deal with the closely related areas of *performance management* and *reward*. The principal concern here is the establishment of a system of measuring organisational and employee performance and subsequently relating this to a fair system of pay and rewards that meets the needs of both the organisation and the bulk of the employees. This will involve establishing a basic pay structure and individual rates, systems of rewarding performance and generating a selection of benefits across the organisation appropriate to the circumstances.

Chapter 7 is dedicated to the vital area of *employee flexibility* where the benefits and difficulties associated with the many types of flexibility are compared and analysed from the viewpoint of both the employee and the organisation.

Chapter 8 contains a detailed analysis of the many facets of *learning and development*. This involves the analysis of training needs to identify where training is required and what form it is to take, setting up internal and external training facilities with the necessary resources and evaluating how successful the training has been. Training areas include initial induction, specialist skills training, supervisory and management training and any other areas that help the organisation achieve success in the initiatives it plans. Investors in

People, learning organisations and the various UK government initiatives in L&D are examined.

Chapters 9 and 10 deal with two subject areas that cut across all other HR activity, namely *equal opportunities* and *health and safety*. Both deal with the legislative framework, the business case for using advanced approaches and techniques, and the role of human resources in devising strategy, policy, training and communicating with staff, carrying out investigations and dealing with high-profile cases.

Chapter 11 examines the context and operation of *human resources in an international setting*. The context of globalisation, the varieties of cultural differences and their effect on human resources and the human resource issues that apply to international organisations, such as the employment of expatriate staff, are considered, supported by a variety of individual cases and research reports.

Chapter 12 draws a number of strands together to look at the way organisations operate *human resource strategy and planning* systems in practice, including detailed sections on the influence of retention and absence management strategies and practice.

HOW TO GET THE BEST OUT OF THE BOOK

At the start of each chapter, there is a short list of objectives and you should keep these in mind as you read through the chapter so that, by the end, you are confident of reaching those objectives. The summary at the end of each chapter should also help to reinforce the main issues, theories and body of knowledge discussed within the chapter. Also at the end of each chapter is a set of activities for you to carry out that will help you to bolster your learning.

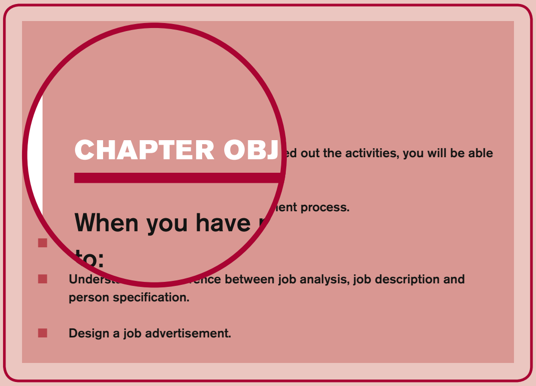
A further intention is to encourage you to read up on research, so each chapter has one or more summaries of important research articles or publications, called 'focus on research', and some of the activities are related to these articles. The case studies are of two kinds. The majority are real-life cases from published sources or from the author's experience. There is also a linked case study around a fictitious company called 'Meteor Telecoms', which is intended to demonstrate some of the experiences that occur within a human resources department. Again, some of the student activities are related to these episodes.

At the end of each chapter, you will find activities for students, chapter questions and additional reading sections. You will also be guided to the dedicated website throughout the book for further cases, and other areas to help tutors and students.

VISUAL TOUR OF *AN INTRODUCTION TO HUMAN RESOURCE MANAGEMENT*

PEDAGOGICAL FEATURES

An Introduction to Human Resource Management offers a number of features to engage students with current issues in human resource management, bridging the gap between theory and practice. In addition, at the end of each chapter you will find a website logo indicating that further resources are available on the companion website at www.routledge.com/cw/stredwick.



CHAPTER OBJ

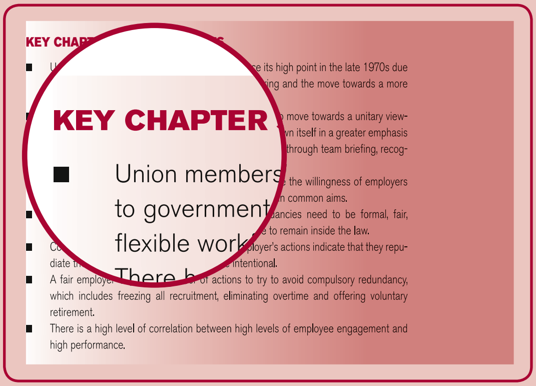
ed out the activities, you will be able

When you have r

to:

ent process.

- Underst ence between job analysis, job description and person specification.
- Design a job advertisement.



KEY CHAPTER

KEY CHAP

- Union members
to government
flexible work
There h

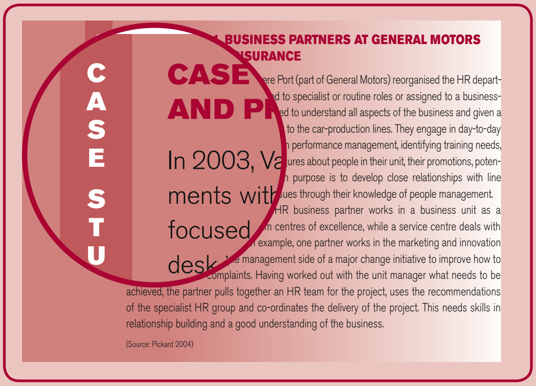
- U ce its high point in the late 1970s due ing and the move towards a more
- o move towards a unitary view- wn itself in a greater emphasis through team briefing, recog-
- e the willingness of employers n common aims.
- dancies need to be formal, fair, e to remain inside the law.
- Co ployer's actions indicate that they repu- diate th intentional.
- A fair employer of actions to try to avoid compulsory redundancy, which includes freezing all recruitment, eliminating overtime and offering voluntary retirement.
- There is a high level of correlation between high levels of employee engagement and high performance.

CHAPTER OBJECTIVES AND KEY CHAPTER SUMMARY POINTS

At the beginning of each chapter, a number of learning objectives are set out so that the student understands clearly what is to be covered in the forthcoming chapter. Closing each chapter is a box of key summary points which underline and revise the main issues that have been covered.

CASE STUDY BOXES

These case studies provide ‘real-life’ examples to illustrate practical applications of the theoretical points under discussion.



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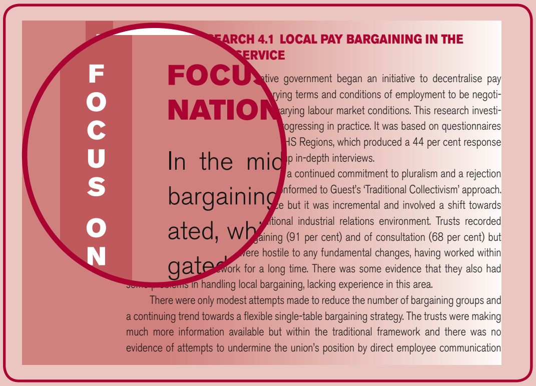
1 BUSINESS PARTNERS AT GENERAL MOTORS
NSURANCE

ere Port (part of General Motors) reorganised the HR depart-
ed to specialist or routine roles or assigned to a business-
ed to understand all aspects of the business and given a
to the car-production lines. They engage in day-to-day
n performance management, identifying training needs,
ures about people in their unit, their promotions, poten-
n purpose is to develop close relationships with line
sues through their knowledge of people management.
HR business partner works in a business unit as a
m centres of excellence, while a service centre deals with
n example, one partner works in the marketing and innovation
e management side of a major change initiative to improve how to
complaints. Having worked out with the unit manager what needs to be
achieved, the partner pulls together an HR team for the project, uses the recommendations of the specialist HR group and co-ordinates the delivery of the project. This needs skills in relationship building and a good understanding of the business.

(Source: Pickard 2004)

‘FOCUS ON RESEARCH’ BOXES

These boxes examine research done in the HR field to heighten awareness of the current issues and hot topics within human resources. These boxes also give an insight into the kind of research that can be embarked upon in HR and the practical ways that such research can be used in the work environment.



FOCUS ON

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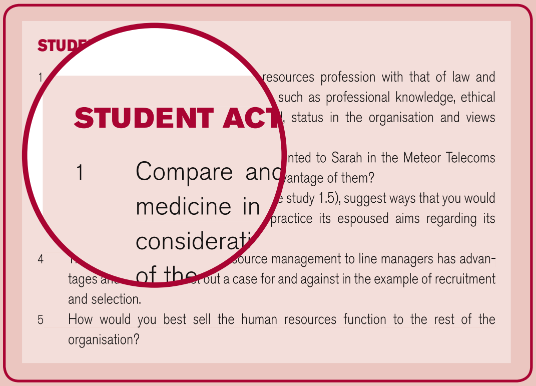
EARCH 4.1 LOCAL PAY BARGAINING IN THE
SERVICE

ative government began an initiative to decentralise pay
rying terms and conditions of employment to be negoti-
arying labour market conditions. This research investi-
ogressing in practice. It was based on questionnaires
HS Regions, which produced a 44 per cent response
p in-depth interviews.
a continued commitment to pluralism and a rejection
nformed to Guest’s ‘Traditional Collectivism’ approach.
e but it was incremental and involved a shift towards
itional industrial relations environment. Trusts recorded
aining (91 per cent) and of consultation (68 per cent) but
were hostile to any fundamental changes, having worked within
work for a long time. There was some evidence that they also had
some problems in handling local bargaining, lacking experience in this area.

There were only modest attempts made to reduce the number of bargaining groups and a continuing trend towards a flexible single-table bargaining strategy. The trusts were making much more information available but within the traditional framework and there was no evidence of attempts to undermine the union’s position by direct employee communication

STUDENT ACTIVITY SECTIONS

Each chapter concludes with a list of activities that students can undertake individually or in groups; inside or outside the classroom. These include discussion or potential essay questions to help the revision of the previous chapter and engage with topics.



STUDENT ACT

1 Compare and
medicine in
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STUD

1 resources profession with that of law and
such as professional knowledge, ethical
, status in the organisation and views
nted to Sarah in the Meteor Telecoms
antage of them?
e study 1.5), suggest ways that you would
practice its espoused aims regarding its
4 source management to line managers has advan-
tages an out a case for and against in the example of recruitment and selection.
5 How would you best sell the human resources function to the rest of the organisation?

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1

INTRODUCTION

CHAPTER OBJECTIVES

By the end of this chapter, you will be able to:

- Understand some of the influences on the business environment that have changed the approaches to employing people.
- Explain the origins of human resources (HR) and their development over the last 100 years.
- Evaluate a selection of HR models and appreciate their inherent contradictions.
- Identify the roles and purpose of human resources in today's environment.
- Comprehend the links between human resource management (HRM) practices and high performance.
- Understand the importance of current HR issues, including the drive for talent management, the development of engagement strategies and the uses and difficulties involved in shared services.

Sarah was waiting anxiously in the reception area of the head office of Meteor Telecoms. It was her first day with the organisation as a trainee HR officer and she was not sure what to expect. Her 2:1 degree in Business Studies had pleased her with an especially good mark for her final-year dissertation on the 'learning organisation'.

She had enjoyed the selection process three months earlier, which had involved an assessment centre spread over a very long day, and had been overjoyed when she was offered the position. This had sounded exciting with considerable opportunities for personal development and promotion in a quickly growing organisation, although the actual job description seemed a little vague. She had been told that her workload would have considerable variety, and she would be joining a number of project groups as well as getting involved in head office recruitment and training. She was to work for David Martin, Personnel Director, who had joined the company six months earlier and had a department of six staff.

After a wait of 20 minutes or so, David's secretary came down to meet her, apologised for the delay and took her into David's office. David explained that he had to make a presentation to the board on future strategy and this meeting had been brought forward so he had been making last-minute preparations. He went on to say that he had obtained agreement from the chief executive that Sarah could sit in on this presentation, which would give her a good introduction to the organisation.

Sarah had been doing her homework on Meteor Telecoms since her offer of employment. She knew that this company, set up 15 years ago, initially manufactured and installed telecommunication equipment but it had moved on to other associated businesses, such as helping companies set up call centres. It had around 2,000 employees, spread over a number of sites around the UK. It went public five years ago with the two founding directors retaining a minority stake. City reports indicated that it was well respected and had kept to its growth forecasts, although the profits were taking longer to realise than had been expected initially.

An hour later, she was sitting in the board room and David had started his presentation. He began by going over the background to the company, its rapid growth, some of the difficulties this had produced and the current issues involved in recruiting, retaining, motivating and managing employees. He explained that the company had now reached a turning point in the way that people resources were managed. In its first 15 years, the growth rate had been such that there was a heavy concentration of recruitment and selection at all levels to get enough skilled employees on board. More recently, training and pay systems had had a higher profile but the activities were disjointed and reactive to the immediate circumstances. Given the tightening of the labour market, the highly competitive market for specific skills and a turnover rate higher than expected, it was time to put together an overall strategy in the people-management area.

The proposal he put forward dealt with the change from a tactical and reactive approach to one that puts people management at the heart of all business initiatives. He gave a number of examples of how this would lead to higher performance of employees and help the company achieve its corporate objectives. The introduction of a competence framework would encourage all employees to focus on the key skills and competencies that lead to business success. The framework would be at the heart of the talent-management initiative to ensure the best people would be recruited, trained and developed in the organisation.

Linking these skills and competencies with a performance-management programme would lead to the identification of training and development needs and the rewarding of high-performing employees. Although trade unions had made little inroads into the business, David warned against complacency and advised a programme of greater employee involvement in planning, decision-making and innovation. There would be a substantial drive to increase the engagement level of all staff, which should reduce the worrying increase in the turnover rate. He continued with further examples and some detailed proposals on each of the major proposals, emphasising that these were HR 'best practices' and would have a strong impact on improving performance in the organisation.

The structure of the HR department needed to be re-examined. Although big changes had been made eight years earlier with the introduction of the three-legged Ulrich model, he knew that there were some doubts over the operation of the model, especially the distinction between the three groups of HR staff and the effectiveness of the 'business partnering' in some parts of the organisation. He wanted a small focus group to investigate the realities of the situation and bring forward ideas on how it should be changed. He especially wanted well-researched ideas on outsourcing of the function and whether introducing any shared-service operations could be feasible.

After the presentation, discussion ranged between David and some directors who remained unconvinced, outlining the major uncertainties inherent in the business and the inability to plan too far ahead, certainly in terms of employment. David pointed out that, no matter which way the business turned, there would still need to be a sizeable core of skilled, flexible and committed employees and, without them, the business would flounder. At the end of the meeting, the chief executive asked David to head up a small team to put up a fully detailed proposal for two months' time, together with an action plan. Sarah left the meeting excited by the opportunities evident in influencing the course of the business.

INTRODUCTION

The opening scenario has taken place in board rooms up and down the country ever since the term 'human resource management' was popularised in the mid-1980s. In this chapter, we will first examine the economic and business context that has stimulated so much discussion on the role of employees in the organisation; this will be followed by a brief history of the personnel profession and then an analysis of the various models that have been put forward regarding the role and nature of human resource management. The chapter will end with some examples of human resource strategy in theory and practice, including an analysis of recent developments, including talent management, engagement, outsourcing and shared services, and the technology that can support these initiatives.

THE ECONOMIC AND BUSINESS CONTEXT

For the 15 years up until 2008, there was an unprecedented boom in most of the world's economies with consistent expansions in growth rates, benign inflation and low levels of unemployment. This came to a crashing halt with the world banking and financial crisis leading to a succession of sovereign debt crises in the Western world. Whereas human resource practitioners had spent much of the boom years dealing with a shortage of labour, especially skilled labour (referred to as a 'talent crisis'), this process was rapidly reversed with the onset of recession, growing unemployment and the need to downsize in most sectors. What appeared to be an unending period of growth, rising living standards and certainty changed abruptly into a period of retrenchment, reducing confidence and considerable uncertainty.

That is not to say that the UK business environment has not changed over the last two decades. Although actual unemployment has been low, employment itself has shown a high degree of variability. Levels of redundancy have been high throughout the period, brought about through structural changes, mainly through the growth of manufacturing and services in the developing world, especially China and India. The number of employees in manufacturing in the UK has reduced by almost a half since 1980. Although the numbers of jobs in the service industries have increased substantially to more than make up the shortfall in manufacturing, many of these jobs are poorly paid, part-time and temporary.

Over a considerable period, the finance sector was one of the great creators of jobs, as London retained its position as one of the top major world financial centres. It provided the base for major hedge fund and private equity activity and still remains a major player in all forms of investment banking, including mergers and takeovers. However, the extended banking and financial crisis, which commenced in 2007, has dented this reputation and numbers employed have contracted sharply.

At the same time, advances in technology have replaced face-to-face contact with automated, Internet and telephone services, which have occurred throughout organisations. Programmes of de-layering (reducing the levels of management and supervision), business process engineering (making processes more efficient and usually reducing administrative and other associated staff) and decentralisation have all created waves of doubt, fear and mistrust among the mass of employees involved. Add to this the constant flux through takeovers, mergers, buy-ins, buy-outs and float-offs, and it is not surprising that being employed is regarded as an insecure occupation.

Even in the public sector, uncertainty has been created with the massive privatisation programmes in the 1980s and 1990s covering the coal, gas, electricity, water, rail, airports and telecommunication industries, together with British Airways, British Aerospace and BP. Furthermore, direct government employment in the Civil Service, local authorities, education and health has been fundamentally altered by outsourcing, the creation of semi-autonomous ‘agencies’, and the complex workings of compulsory competitive tendering and ‘best value’ programmes. The government austerity programmes arising from the need to reduce the public indebtedness have also contributed to the reduction in numbers, estimated at around 400,000, and created a considerable sense of unease among public sector employees unused to insecurity of employment.

Change, therefore, has been the only constant. A number of commentators have analysed the changes in the economic, business and cultural context that are common to almost every organisation and which will have a major influence on employment policies in the foreseeable future:

Rapidly changing technologies

This has probably had the biggest impact. In a few short years, the computer has fundamentally changed jobs. The spreadsheet alone has eliminated huge numbers of jobs. The work that had previously been carried out by roomfuls of mid-level analysts in finance, sales and marketing can now be handled by one clerical person on a personal computer. Information Technology (IT) goes further than just making offices more productive. Organisational charts and rules are ignored by the cable that links employees, and information now flows more freely than ever before. Employees are linked in buildings, around countrywide units and around the world. Networking has moved beyond a technical definition to a way of employees working together, often in different locations and many from a home base.

Technology also leads to shorter and shorter cycle times, and the reduction in costs has been substantial. Cars that used to take seven years from design to mass production now take only three to four years. The release date on computer games is crucial to a week or less, so lead times are often brought forward to steal a march on competitors. The demands created by just-in-time logistics operations have meant that gaps or delays cannot be tolerated, so urgency, time-directed performance and unmoveable deadlines are part and parcel of employees’ normal working environment. The need for employees to work flexibly is crucial in this respect. They need to be able to move quickly from one task to another, to be able to service their own areas and to change their working hours and practices. Technology has been changed in a generation from large mainframe computers, via PCs and laptops, to eventually finish up with inexpensive hand-held and pocket-sized devices, primarily smartphones.

Before 2020, it is estimated that more than 5 billion people will become connected on the world stage (Gratton 2011). This will take place in the megacities of the world and will extend to rural areas. The extent of this connectivity will create the possibility of a ‘global consciousness’ that has not been seen before (except possibly in Greek and Roman times). As Gratton explains:

> The extent of this global consciousness will be shaped by 'the cloud' becoming ubiquitous, creating a global infrastructure upon which services will become available – applications and resources. It will allow anyone with a computer or hand-held device to rent services on a minute-to-minute basis, and this has enormous potential to bring sophisticated technology to every corner of the world.
>
> (2011: 32)

Changing role of the customer

Technology makes it happen but it is the *ever-demanding customer* that drives the process. Today's customers are better educated, more informed and have less time to want to wait about either for the service that isn't good enough or the new products that they can afford now and want today. This is partly because women, who have always taken more purchasing decisions, spend more time working now. A faster response, higher quality and a heightened, more personalised sensitivity to their needs are other customer demands, along with retaining accessibility, functionality and reliability. They want it their own way, not the way it has been presented to them in the past without a choice. To be successful, businesses and their employees have to make sure that they meet these demands in full or they will lose their client base. No excuses ('someone in head office will deal with that for you', 'they don't deliver after 3.30', 'we are short of staff today') are acceptable.

This puts additional pressure on frontline employees who need to be able to solve or, better still, prevent customer problems by working closely together with employees who provide an internal service to them. Organisations need to learn how to use technology effectively to assist the consumer (call centres, voice-recognition, etc.) without putting off customers through the impersonality and glitches that such systems produce.

Globalisation

A poor product or service will not survive today because of the nature of *globalisation*. Markets have been liberalised throughout the world. The European communist bloc has imploded, providing vast new potential markets. Trading agreements through the World Trade Association have allowed goods to be marketed in most countries with tariffs and barriers eliminated or vastly reduced. The Asia-Pacific region has grown at an extraordinary pace, especially China, providing a vast range of competitive or alternative goods for the world market at lower prices. China and India have a domestic market of over 2 billion consumers and the capacity to be the factory and back office of the world. Moreover, through their educational advancement, they are creating a new and very valuable 'talent pool' not just for cheap labour but also for highly skilled engineers, scientists and technology staff. Brazil is the fourth of the BRIC (Brazil, Russia, India and China) countries that are having such a substantial effect upon world markets.

The competition provided by the globalisation of production and services has led to organisations taking far more care of their labour costs by either increasing productivity, eliminating wasteful bureaucracies and jobs, which add no value, or outsourcing to cheaper suppliers. All of these actions affect the way people are employed. Charles Handy (1994) created a new equation for success: success = ½ workforce, paid twice as much, producing three times as much.

With increased competition, organisations are finding that a good product or service alone does not ensure success. Instead, as Flannery *et al.* as long ago as 1996 put it:

> [T]hey must distinguish themselves by focusing on fundamental competencies and capabilities that will set them aside from the pack. To achieve this, organisations must maximise . . . competencies – those underlying attributes or characteristics that can predict superior performance. These range from tangible attributes, such as skills and knowledge – technical know-how, for example, or the ability to operate a sophisticated computer – to intangible attitudes and values . . . such as teamwork and flexibility. These competencies will become a part of the organisation's foundation and will be the focus of everything from hiring and training to marketing.
>
> (1996: 11)

The changing employee role

The sixth major change has been alluded to already and is a consequence of the other five, *namely what is required from employees.* Organisations no longer want robots, performing their job mechanically, working fixed hours. What is wanted is an intellectualised workforce, with employees making their own informed decisions, using good judgement and assuming more responsibility for the organisation's performance. Such a dramatic change requires that people accept new values, behave differently, learn new skills and competencies, and be prepared to take risks. This was made clear in another influential publication by Hamel and Prahalad: 'Delegation and empowerment are not just buzzwords, they are desperately needed antidotes to the elitism that robs so many companies of so much brainpower' (1994: 131).

Two major categories of employees that are likely to grow in Western economies have been identified by Reich (2004):

- Knowledge workers who identify and solve new problems, analysing, manipulating and communicating, often working in small teams or alone; and
- Personal service workers doing jobs that computers cannot yet do (not even robots) because they require human beings with their value coming from human touch, care and attentiveness.

Coyle has explained this as:

> The economy is becoming increasingly weightless: what is valuable is not the material stuff that goes into making goods . . . we pay for the characteristics of the people providing the services. The burgeoning professional and managerial classes are spending their time acquiring information and presenting it in a performance for co-workers or customers. The more the economy is made up of services, the more of us will be performing.
>
> (1997: 13)

The need to initiate changes in employee practices represents a major challenge for the human resources department. For employees in the service industry, the specific competencies and behaviours they exhibit are vital to the success of the business. For human resources departments, the way they recruit, select, train and develop employees is the way they make their major contribution to the organisation. We will look again at these changes in respect of the models of human resource management that have been put forward in recent years in various chapters in the book that relate to selection, motivation, training, performance management and reward.

ORIGINS OF HUMAN RESOURCE MANAGEMENT

Modern-day requirements of the human resources department are a far cry from the origins of the profession, which began in the mid-nineteenth century through the early interventions of high-profile social reformers such as Lord Shaftesbury and Robert Owen. They became concerned at the exploitation of the factory workers, where the emphasis had been strongly on discipline and cost control, at the expense of the employees' health, welfare and personal living standards. Concentrating at first on the appalling working conditions, especially for women and young children, enlightened employers started to believe that, if employees were treated humanely and rewarded fairly, they may work better and become more productive.

Their influence, plus the interests of public health and order, helped to bring in a number of statutes relating to hours and conditions of work, which were policed by factory inspectors. Alongside such regulation, a small number of paternalist employers, motivated by Christian beliefs (especially Quakers), appointed welfare officers to provide individual and group support for employees' health, accommodation, financial and personal situations. In 1913, the Welfare Workers' Association (WWA) was formed with thirty-four members, supported by six companies and sponsored by Seebohm Rowntree of the chocolate factory fame. It is a matter of interest that the Scottish Society of Welfare Supervisors, which was set up shortly afterwards, refused to join with the WWA because 'they did not wish to join with the ladies, whose problems are very different from the men's'. How times and attitudes have changed!

Five name changes followed over the next 90 years before it became the Chartered Institute of Personnel and Development (CIPD) in 2000. By 2011, the Institute had over

Table 1.1 Roles of HR practitioners

Humane bureaucrat	Setting up formal systems of recruitment, selection, appraisal, discipline and grievance
Consensus negotiator	Bargaining with unions, creating systems of involvement and participation
Manpower analyst	Providing a longer-term plan for employment numbers, together with programmes for skills, competence and career development
Organisation man	Working strategically with top management to create organisation structures and management development systems

Source: Adapted from Torrington *et al.* (2004) *Human Resource Management.* Financial Times/Prentice Hall.

135,000 members and had become the largest institute concerning the management of people in the world.

The roles of practitioners have varied over this period as identified by Torrington *et al.* (2004) in Table 1.1.

THE ROLE OF HUMAN RESOURCES TODAY

Introduction

There has been much dispute in recent years as to what human resource management departments should actually do. For example, the earliest role, welfare, took a back seat in the 1960s and 1970s as management decided this was too ‘soft’ an activity and away from the mainstream corporate objectives. Personnel professionals saw their role as tough, masculine negotiators, dealing with hard-nosed unions. This has now been generally recognised as a bad mistake. The unions stepped into the breach and raised their profile and their membership by taking time to look after their members’ personal, financial and occupational concerns. In return, through this period of confrontation, employees chose to follow the union leadership and oppose much of the management’s agenda, which led, inevitably, to poor productivity and lack of competitiveness. Although regarded as distant history now, the period of the late 1970s was as close as Britain ever came to a form of revolutionary shift of power.

Welfare, albeit perhaps in a different guise, returned in the 1990s through concern for such areas as family-friendly and flexible benefits – with some evidence from *The 1998 Workplace Employee Relations Survey* (Cully *et al.* 1999) and elsewhere – that this concern from employers provides an increase in commitment and job satisfaction among employees.

By the end of the 1980s, it became important to differentiate between the established ‘personnel’ thinking and that of the *new concept of ‘human resource management’*. This was set out persuasively by Guest (1989) who outlined four main areas where HRM can be identified and analysed, which makes it a different beast:

- *The policy goals of HRM.* These consist of a package of four main areas. Firstly, to encourage the commitment of employees to high performance and loyalty to the organisation as a whole. Secondly, an emphasis on quality of staff which, in turn, will produce quality goods and services. Thirdly, a concern to ensure that flexibility plays an important part in the way staff are organised, so that they are adaptive and receptive to all forms of changes – in their jobs, in the hours they work and their methods of working. Finally, and most importantly, that these goals are integrated into strategic planning so that HRM policies 'cohere both across policy areas and across hierarchies' (Guest 1989: 49). They also need to be accepted and used by line managers as part of their everyday work.
- *The HRM policies*. While using conventional personnel practices, such as selection and training, it is important that these practices are of high quality and that they go towards meeting the organisational goals. Employees need to be trained, for example, to be flexible and to respect high-quality work. Communication should be goal-directed, i.e. achieving results, rather than simply concerned with getting out a monthly magazine on time.
- *The cement.* To make these policies work, there needs to be support from key leadership from the top, a strong culture that can drive through the policies consistently and fairly with no sudden change of direction, and there must also be a willingness throughout the organisation to value the success that can come through the effective utilisation of human resources.
- *The organisational outcomes*. These include a low level of staff turnover, absence and grievances (individual or collective), together with a high-level change, problem-solving and innovation.

The operation of HRM in practice

Since HRM systems and practices replaced Personnel in the 1990s, there have been a number of examples of models illustrating the varying roles and styles for the operation of HR departments and practitioners.

An early model was produced by Storey (1992), who designed a grid that contrasts, on one axis, how far the work undertaken is strategic or merely tactical and, on the other axis, the degree to which the human resources manager intervenes in the management process. This is shown in Figure 1.1.

Working clockwise, human resource specialists who fall into the *adviser* category are those who focus on strategic issues but are not themselves responsible for carrying out the actions they recommend. *Handmaidens* are those who also have little part in implementing policy but they only operate at a tactical level, dealing with administration and the provision of welfare, training and basic recruitment. *Regulators* are, again, involved only in tactical issues but they are more interventionary, trying to ensure that the human resources policy is carried out properly in co-operation with line managers. The *changemakers*, on the other hand, are both strategic and interventionary, concerned less with administration and more with the broader view of people management in their organisations. A changemaker is expected to assess the organisation's needs, reach appropriate conclusions and then drive the required changes to completion. This is regarded, Storey indicates, as the proper role for an effective and senior human resource specialist.

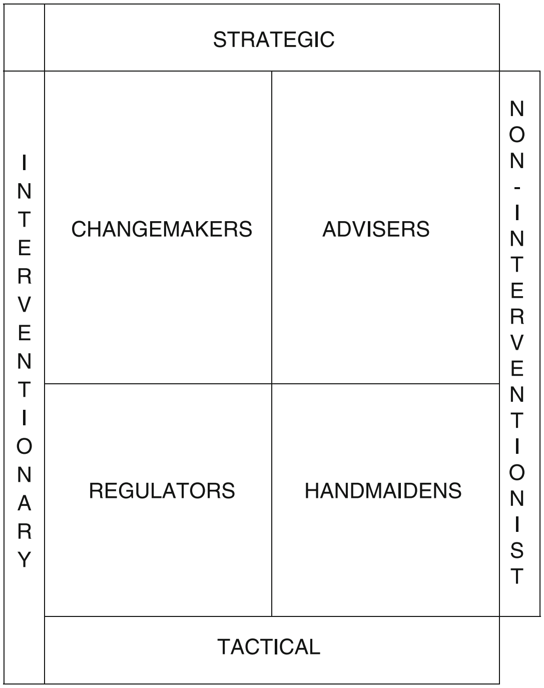

Figure 1.1 Human resource interventions

Source: Adapted from Storey, J. (1992) *Developments in the Management of Human Resources.* Blackwell.

Purcell and Ahlstrand (1994) concentrated on setting out the core activities that HRM departments should engage in to become fully influential in an organisation. They assumed that the HR department would be centralised and that the following activities would be applicable to most, but not all, medium to large organisations:

Corporate culture and communications. Organisations are bound together internally not just by common ownership or by everything being included on the balance sheet. Culture – 'the ways we do things around here' – is difficult to define but easy to identify, especially when it is articulated well and often. It is normally up to the chief executive to set out or redefine the principal aspects, the philosophy, the set of values and the essential style of management, but it is human resources that must be responsible for championing and disseminating these cultural aspects around the organisation in an effective fashion.

Human resource planning in strategic management. Developing a human resource plan that emerges from the strategic plan is the second core activity. This is clearly a core activity but one where the link is not always made as tightly as it should be.

Essential policy formulation and monitoring. Established policies and procedures remain an essential feature of an effective organisation and policies regarding the way people should act and be treated are no exception. Standards need to be set and monitored for compliance. The recognised difficulty here is striking the happy medium between a rigid bureaucratic set of procedures that deal with every eventuality but restrict innovation and empowerment and a set of vague guidelines that have many interpretations and are largely ignored.

‘*Cabinet office’ services*. This is a more unusual observation and based on the need for the chief executive to have advice from a trusted senior subordinate, one that is not linked to a major department, such as finance or sales, which would be liable to defend their own territory and not be regarded as independent. The advice would be principally concerning the implications for staff in general, and succession planning for senior executives, but would also include the cultural development issues and some specific investigations set in place through issues raised by non-executive directors. This is a considerable source of power and influence for human resources and emerged from their personal relationship, not from their specific position.

Senior management development and career planning. This is another undisputed, important role, even when longer-term planning is more difficult to undertake. It is linked with the succession planning process and with the need to develop managers with wide experience so there is flexibility in place for strategic moves into new or existing marketplaces.

External advocacy – internal advice. As human resources develop a close relationship with the chief executive, their ‘cabinet’ responsibilities may stretch to representing the organisation in the corridors of power. This is not just on local matters such as trade association committees, but also involves some political lobbying on crucial issues such as government legislation or interpretation of European directives. The internal advice is feeding matters such as this back to the executives in the organisation.

Information co-ordination. This involves helping large organisations to co-ordinate necessary information across the group on pay, bargaining and general personnel statistics, such as headcount, turnover and absenteeism.

Internal consultancy and mediation services. Included in this role are aspects of organisational design and learning. The introduction of competencies would be an example here.

Human resources for small units. An extension of the internal consultancy to part of the larger group that have little or no human resource presence.

Purcell and Ahlstrand recognise that this list does not indicate a comprehensive attention to all human resource matters. Training, health and safety, recruitment and pay issues do not come to the fore on their own. In fact:

> Our research shows that the role and authority of corporate personnel departments is becoming more ambiguous and uncertain. . . . Much of the activity identified . . . places

> a premium on political and interpersonal skills and 'corridor power'. In this situation, the authority of corporate human resources staff comes more from their own expertise and style than from a clearly defined role and function. It has often been noted that human resources managers need to be adept at handling ambiguity.
>
> (Purcell and Ahlstrand 1994: 113)

Strategic partnering – Ulrich's concepts of HR roles and structure

The most influential ideas in recent years have come from David Ulrich and his colleagues (Pritchard 2010). They combined models that both defined HR roles and integrated them into a new non-centralised structure. These models have been adapted since their original formation in 1998. We will examine the revised roles first, then see how the new structures can operate.

Human resource roles

Following a similar tack to Storey, Ulrich and Brockbank (2005) developed the model substantially so that the *x*-axis measures the degree to which the HR practitioner manages the process and, on the other hand, manages the people involved, as shown in Figure 1.2.

The four quadrants are as follows:

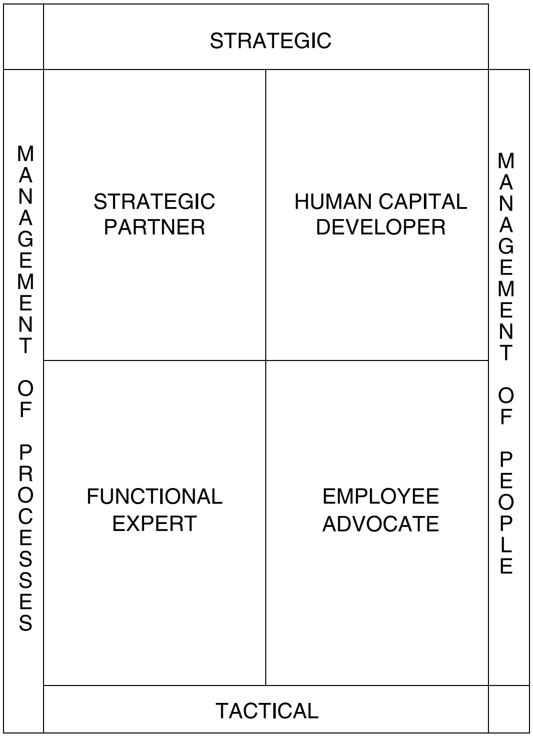

Figure 1.2 Role of human resources

Source: Ulrich, D. and Brockbank, W. (2005) The HR Value Proposition. *People Management*, 15 June, Personnel Publications.

Functional expert. Previously called the *administrative expert*, this role manages the processes on a day-to-day basis, ensuring that policies on grievances, discipline, equal opportunities and incentive arrangements work effectively. This is not a role to be derided because it is generally vital to the organisation's smooth running. Recognition, however, does not come easily or this role as it is only really noticed when things go wrong.

As a profession, HR possesses a body of knowledge. With the body of knowledge, HR functional experts improve decisions and deliver results. This role can be divided into two categories: foundational and emerging HR practices. Foundational HR practices are those practices for which most HR departments have direct responsibility.

They include recruitment, promotions, transfers, outplacement, measurement, rewards, training and development. Emerging HR practices have substantial influence on the human side of the business but are usually not under the direct influence of most HR professionals. They include work process design, internal communications, organisational structures, design of physical setting, dissemination of external information throughout the firm and executive leadership development.

By mastering the concepts and research for these foundational and emerging HR practices and ensuring their alignment with key business priorities, HR professionals will optimise their impact on business performance.

Functional expertise also operates at multiple levels. Tier one involves creating solutions to routine HR problems. This includes placing HR solutions online through a company intranet or secure Internet site. In Tier-two work, HR specialists create menus of choices, drawing on theory, research and best practices in other companies. Tier three involves HR specialists consulting with businesses and adapting their programmes to unique business needs. Tier four sets overall policy and direction for HR practices within a speciality. This calls for understanding of strategy and the ability to adapt to a strategic context. While requirements for functional experts may vary across these tiers of work, some general principles apply to all functional specialists.

Employee advocate. Previously the *employee champion*, this role acts as a voice for employees on a day-to-day basis, working for an improvement in their position, their contribution and their engagement with the organisation.

Caring for, listening to and responding to employees remains a centrepiece of HR work. This role emphasises that HR professionals need to see the world through employees' eyes – to listen to them, understand their concerns and empathise with them – while at the same time looking through customers', shareholders' and managers' eyes and communicating to employees what is required for them to be successful in creating value.

An example that Ulrich and Brockbank give is:

> [W]hen the management team discusses the strategy for closing a plant, expanding a product line or exploring a new geographic market, your job is to represent employees. What will this strategy do to them? What abilities will help or hinder the execution of this strategy? How will employees respond to this strategy? Are mechanisms in place through which they have a forum to express their needs, concerns and suggestions?
> (2005: 24)

A corporate reputation for fairness and equity requires policies that treat employees fairly. The HR advocacy role includes proposing fair policies for equal opportunities, health and safety, terms and conditions of work, reward and discipline, as well as implementing these policies corporate-wide. It also includes the difficulties of announcing the realities of a competitive world including bad news – site closures and redundancies.

Human capital developer. This could also be titled as '*talent developer*'. Increasingly, people are recognised as critical assets and HR professionals as managing human capital: developing the workforce, emphasising individual employees more than organisation processes. As human capital developers, HR professionals focus on the future, often one employee at a time, developing plans that offer each employee opportunities to develop future abilities, matching desires with opportunities. The role also includes helping employees, as individual and as teams, forget old skills and master new ones through coaching and working to competencies and behaviours.

Strategic partner. This was originally called *business partner* and many practitioners still use that title. HR professionals bring know-how about business, change, consulting and learning to their relationships with line managers. They partner with line managers to help them reach their goals through strategy formulation and execution.

As strategy formulators, HR professionals play at least three distinct roles. Firstly, they act as reactive devil's advocates, asking tough questions about the accuracy of the strategy and about the company's ability to make it happen. Secondly, they play an active role in crafting strategies based on knowledge of current and future customers and exploring how corporate resources may be aligned to those demands. Third, they play a developmental role in helping to raise the standards of strategic thinking for the management team.

As strategy implementers and change agents, they align HR systems to help accomplish the organisation's vision and mission. They diagnose organisation problems, separate symptoms from causes, help to set an agenda for the future, and create plans for making things happen. They help to make change happen fast by being not only thought leaders, but also masters of practice who turn what they know into what they do. They serve as coaches, shaping points of view and offering feedback on progress.

As facilitators, they work with knowledge and skill to help both individual managers and management teams get things done. As integrators, they disseminate learning across the organisation – generating and generalising ideas with impact.

Ulrich – human resource structure

Linked very closely to Ulrich's roles is his analysis of the structure of the HR department, his so-called 'three-legged stool'. Here, the HR department moves from a monolithic, centralised (and often isolated) whole to one that is separated, yet integrated with the business organisation. There are many versions of the three legs but the most common takes the following form:

CENTRES OF EXPERTISE

This is a central service where small teams of professionals with expertise in strategy and specific functional areas provide advice to the rest of the organisation in the following ways:

- Devising strategy and policies in areas such as reward, relations, talent management and career development.
- Researching these areas, including theory and current practice, consulting with line management and reaching agreements on implementation.
- They are likely to be owners of mandated areas, such as legislative requirements in equal opportunities and employment law.
- Understanding and educating the business, with special responsibilities for communication, pushing and coaching line managers in strategic aims.
- They are likely to own developments to increase employee involvement and engagement.
- Setting up innovative practices and monitoring experiments.

SHARED SERVICES

This is the 'transactional' area where routine work takes place and policies are applied consistently. The burden of routine is taken away from line management and the shared-service team provides services not just to the company concerned but may provide a number of services for a set of subsidiaries under the same holding company.

Areas covered include:

- Recruitment advertising, dealing with applicant response, routine testing
- Advice on details of reward policies, especially benefits, including pensions
- Advice on employment law and its application to specific routine situations
- Updating of all employee records – absence, salaries, performance management, training
- Advice on health and safety issues.

The shared services usually operate as a call centre with more serious issues referred to the centre of expertise. The service can be provided in-house or, in a minority of cases, entirely outsourced to an external provider (4 per cent of organisations, according to Reilly 2006).

Royal Mail set up a shared-service operation in 2003, which was accompanied by a 70 per cent reduction in the regional HR teams. In recent years, the staff have adopted a more proactive approach, offering specific help over problems triggered by data coming into the centre, such as absence or increased grievances. This replaced a passive approach, when the centre simply responded to a call and provided information and advice.

Whether to create some form of shared services, whether outsourced or not, would appear to be more of a financial question rather than a strategic one. However, because the creation of such a unit affects the structure of the department and the provision of all HR services, the decision has to be essentially a strategic one. As with much of outsourcing, the saving in costs through grouping together similar routine functions can be substantial. Processing job applications, handling advertisements, recording absence and performance management outcomes, and keeping training records are all examples of jobs that can be carried out much more efficiently in a central location rather than in each HR outpost. Hopefully, they can provide a quicker service to the internal customer.

Being in charge of such a centre can be a substantial responsibility. BHP Billiton advertised in 2010 for a 'Shared Services Leader' to provide HR and payroll services to employees in Malaysia and Chile at a salary of $650,000 plus ex-pat benefits.

However, the system is not without its critics. Pickard (2009) reported the following difficulties:

- Shared services often have gaps in their provision and problems in communicating and defining the boundary with other parts of HR.
- Customers are not always happy at the generality of the advice. For example, dismissal questions have a very strong contextual element, which needs careful consideration. Simply quoting the law or ACAS procedural advice is not always sufficient, especially where the unit being advised is small.
- Customers can get confused by the multiple contact points and staff may simply not have the organisational or HR experience to give the level of advice needed.
- HR staff can get bored and their careers are often limited in this setting.

In addition, the cost savings are not always achieved. Liverpool Victoria saved £3 million by bringing the HR function back in-house in 2008. David Smith, HR Director, saw the HR department as a key driver to support business growth and not a function to be run by someone else (*People Management* 2009).

STRATEGIC (OR BUSINESS) PARTNERS

HR generalists are allocated to, and report to, business units and act as internal consultants, giving advice and support to line management. They are generally responsible for the day-to-day human resource activities (although some have a more strategic role – see later discussion) and make use of both centres of excellence and shared services as appropriate. They have immediate responsibility to recruit and manage talent in their unit, to organise learning and development, and for career planning up to junior management level, together with other local issues, such as reward and relations. Ulrich and Beatty have summed up their role as a 'player' whose aim is to add value through acting as a 'coach, architect, builder, facilitator, leader and conscience' (2001: 294).

EXAMPLES OF BUSINESS PARTNERING

The concept of the business partner has found many supporters in recent years. It is interpreted in different ways but there is a central precept of the close relationships with business units, helping to solve practical problems and delivering real value to the organisation. Two examples are shown in case study 1.1.

CASE STUDY

CASE STUDY 1.1 BUSINESS PARTNERS AT GENERAL MOTORS AND PRUDENTIAL INSURANCE

In 2003, Vauxhall Motors at Ellesmere Port (part of General Motors) reorganised the HR departments with HR staff either outsourced to specialist or routine roles or assigned to a business-focused role. The latter staff were trained to understand all aspects of the business and given a desk in the unit's open-plan offices next to the car-production lines. They engage in day-to-day operations, such as assisting managers in performance management, identifying training needs, coaching and discussing the facts and figures about people in their unit, their promotions, potential, disabilities and concerns. The main purpose is to develop close relationships with line managers, helping to solve business issues through their knowledge of people management.

At Prudential Insurance, the HR business partner works in a business unit as a consultant, drawing down help from centres of excellence, while a service centre deals with HR administration issues. As an example, one partner works in the marketing and innovation function, running the people management side of a major change initiative to improve how to deal with customer complaints. Having worked out with the unit manager what needs to be achieved, the partner pulls together an HR team for the project, uses the recommendations of the specialist HR group and co-ordinates the delivery of the project. This needs skills in relationship building and a good understanding of the business.

(Source: Pickard 2004)

Critique of the 'three-legged stool' structure

Ulrich's suggested structure can be seen to have a number of advantages:

- It places the 'ownership' of much day-to-day HR operations in the hands of line managers, where it should belong – areas such as selecting staff, training and developing them, managing their performance and rewarding them. They need help and advice to do these jobs well and the business partner is there to provide this.
- Removing the transactional side to service centres should be much more efficient, gathering together all the data and necessary expertise. By providing these services to a wider clientele, more efficiencies are achieved.
- Having centres of expertise means that HR knowledge and skills are concentrated, rather than spread thinly round the organisation. Research and innovation can be planned, executed, communicated and monitored far more efficiently.
- It provides a clear career opportunity for HR staff, moving around the structure, usually from transactional to business partner, then to centre of excellence, then back to strategic partnering.

However, a number of drawbacks have been found in practice. Holbeche (2007) detailed the following problem areas identified in a CIPD survey:

- The lack of clarity as to what a 'strategic partner' is actually supposed to do. How strategic should they be? Isn't strategy handled by the centres of expertise, rather than in the operating areas?
- Business partners had difficulty in identifying how they 'added value' and too much time was taken up by trying to 'measure' this value.
- Partners were supposed to be able to diagnose problems, prescribe solutions, ensure effective implementation and move out of the 'hamster wheel' of activity to create strategic approaches to organisational challenges. Often, however, they reverted to what they knew best and simply became a generalist working for their line management team.
- Insufficient training has been given to business partners in consultancy, relationship management and third-party management skills.
- Similarly, line managers have not received enough training to develop expertise in day-to-day HR activities (so business partners carried on doing this part of their job).
- The cost of service centres has been greater than anticipated.
- The loss of 'generalist' activity has been regretted by HR staff who had regarded this area as their heartland.

Reilly has also identified the confusion over roles:

> One consequence of the division [of HR into three legs] is that lines of responsibility are not always clearly defined. Take, for example, responsibility for delivery against internal service-level agreements. The shared-service centre may contribute the most to the success of these agreements, but the main customer interface is between business partners and line managers. Yet business partners may not have been involved in making the agreements and have little or no control over their outcomes. Are they accountable for HR's performance in this regard? It's not always clear.
>
> (2006: 37)

Reilly also points out that the shared services can appear very remote and not much value in helping with immediate problems, such as absenteeism.

In practice, organisations have adopted their own versions of Ulrich's three-legged stool. The Ministry of Defence, for example, has three types of business partner – single job holders covering a whole business area and giving support to its leadership team; people providing support at a similar level but in specialisms such as learning and development; and those that supply transactional support but cannot be swept into a shared-service unit. The Ministry has found that, as it is such a large, diverse organisation, a single model does not appear to work well. Reuters' HR structure has added a fourth, separate HR component structured along geographic lines, although the line between this component and their global business partners can be blurred (Arkin 2007).

HR practitioners have mixed views on the success of the model. In a Roffey Park (2009) survey of 171 organisations, 55 per cent reported that the structure was 'quite successful', 32 per cent were unsure and 10 per cent said it was not successful. Only 3 per cent reported it to be 'very successful'. Line managers were even less sanguine, with 27 per cent reporting it as unsuccessful, although 26 per cent agreed it was 'very successful'.

The CIPD report (2007) concludes that 'best practice' in the setting of business partnering does not seem to exist – it is best fit that applies. In Cisco, for example, business partners are very involved in a cultural stewardship role – being the conscience of the person you are business partner to – although they have found that there is a fine line between cultural stewardship and reducing autonomy by imposing centralised diktats (Smedley 2011).

Some of these difficulties were found in focus on research 1.1 at a London investment bank.

FOCUS ON RESEARCH

FOCUS ON RESEARCH 1.1 NEW HR STRUCTURE AT A LONDON INVESTMENT BANK

During 2004, the 200-strong HR department was reorganised around key roles and processes reflecting the three-legged stool model. This change was presented as necessary to integrate HR operations after recent mergers and further justified as a means of improving efficiency, effectiveness and client service. Partners (who were previously generalists) were allocated to one of eight business-facing teams, with a strategic partner leading each team. The research project investigated closely the role of strategic partner and the job holder's perception of the challenges and success of the new structure.

The strategic partners all welcomed the changing role, enjoying the emphasis on strategy and the 'strategic dialogue' with line managers. They were enthusiastic about losing the 'day-to-day grind' and concentration on work that 'adds value'.

However, a number did acknowledge that they could not be certain that they actually added value in practice. The nature of their clients (egotistical, opinionated, prima donna-ish) often led to difficulties in accepting their advice or making real progress in developing a strategic approach. They found it difficult to step back from the 'transactional' side and leave this to the functional teams because their clients often wanted functional information and advice from them. Sometimes they simply found it easier to do the functional work themselves, especially as a way to build trust with their clients.

The clash between the partners and the functional teams led to a number of meetings with senior HR managers. Complaints were made that strategic partners were bypassing new procedures, and they, in turn, complained that the transactional work was not being carried out effectively. Another clash occurred when the service centre staff claimed that they had a feel for the mood of the organisation and were a valuable source of strategic knowledge as this was firmly rejected by the strategic partners.

(Source: Pritchard 2010)

HR – adding value to the organisation?

So what does adding value to the organisation really mean? Rucci (1997) has set out six key requirements for HR departments to add value to the organisation and ensure its own survival:

Create change – HR should move away from the control, standardisation and compliance model, and encourage the development of an organisational capability of flexibility, speed and risk-taking. This will mean eliminating unnecessary rules and giving greater emphasis to individual judgement and accountability for line managers.

Develop principled leaders – top executives who ground themselves in a base of moral or ethical principles are few and far between, but they are the people that lead organisations to sustained long-term success. HR needs to set in motion systems to develop such talent, especially leaders who have the courage of their conviction and an unwillingness to compromise on ethical issues. Written ten years before the banking crisis, this could be an important point for the HR directors and non-executives of banks and other financial services to consider carefully.

Promote economic literacy – too much specialisation has led to many managers not having the breadth of outlook to understand the 'big picture' within the organisation. HR should give more emphasis to ensuring managers learn all the skills and knowledge so they can contribute advice on big policy decisions.

Centre on the customer – HR should help to create boundary-less organisations where the customers' viewpoint seriously influences policy decisions and ensure that customer-directed activity is central in performance reviews, promotion criteria and reward decisions.

Maximise services/minimise staff – HR needs to focus on its internal customers, identifying where it adds value and driving down its costs.

Steward the values – HR's role should not just be the organisation's conscience or the 'values police'. It should ensure that the values are understood and that the progress is monitored and measured by embedding them in all HR activities – selection, training, performance management and reward.

These prescriptions reflect the nature of HR programmes entered into by progressive and successful companies. An example in practice is set out in case study 1.2.

CASE STUDY

CASE STUDY 1.2 HUMAN RESOURCE STRATEGIES AND ACTIONS AT AEHN

In the late 1990s, AEHN, an American acute care hospital, was faced by what it regarded as a tumultuous and unpredictable period in its history and the new CEO undertook to transform it from an organisation that was largely stable and complacent to one that was 'nimble, agile and change-hardy' or it may not have survived. Alongside a number of strategic changes in direction, five key HR initiatives were set in motion:

Achieving contextual clarity. AEHN went to great lengths to be quite sure that employees at all levels understood the CEO's new vision for the organisation, the progress towards achieving that vision and the links between their individual and collective actions to raise organisational performance. Although using conventional methods, the messages were delivered in a fairly intense way with bulletin boards refurbished with a constant flow of relevant stories and reports; banners saying 'Are you ready for change? Are your skills ahead of the game?'; and a steady flow of short courses and meetings to illuminate the organisation's progress for all to understand. Workshops included subjects such as 'survival tactics in times of change'.

Embedding core values. Central to the culture change process, embedding and sustaining the set of core values became the fundamental driving force for the HR initiatives. Taken up by the top team after a year's debate, they were cascaded through the organisation with references weaved into all forms of communication and into HR practices. For example, the selection process was revised to add an assessment of applicants' core values by means of situational interviewing and the performance management scheme was heavily revamped to focus on behavioural manifestations of the values.

Enriching work. A number of work redesign experiments were started to encourage much greater flexibility and empowerment. A position called patient care associate was created to administer tests, take blood and do other duties that previously had been carried out by specialists; staff moved much more around units to fill gaps and to broaden perspectives and encourage social networks; self-managed teams were created to provide 'seamless, patient-focused care'.

Promoting personal growth. Employees were encouraged to take responsibility for their personal growth to help them perform better and be prepared for promotions. This was helped by the introduction of 360-degree feedback which generated more convincing reasons for personal development and change. Alongside this, there was an agreed policy of zero tolerance of employees who failed to pursue and eventually succeed in needed development.

Providing commensurate returns. Not a great deal could be done on substantially improving salaries so the programme concentrated on non-financial benefits. The work enrichment was one important step and the 'Recognise, Appreciate, Celebrate' initiative was another. Staff received 'pat on the back notices' and a 'celebration of a risk taken award' (given for a good effort irrespective of result).

These initiatives were business-based and fitted together well so employees were both able to understand why the changes were necessary and also to see them as a coherent set, which would benefit the patients, the staff and the organisation.

(Source: Shafer *et al.* 2001)

The role of human resources in raising performance

Although there may be considerable doubt concerning the actual role HR should perform and how it should be done, human resources had established a place at the senior management table by the early 1990s through their ability to identify and solve practical problems in fields such as recruitment, employee relations and training. HR professionals and researchers then turned their attention to interpreting and reinforcing the maxim that '*people make the difference*'. This has been approached in three different ways:

- Firstly, researchers have attempted to identify whether adopting HR practices can make an observable difference in practice to organisational performance in measurable terms. This has often been referred to as '*opening the Black box*'.
- Secondly, a number of projects have been set up to examine what makes up a truly exceptional collection of HR practices, often called '*bundles*', that raises performance in the organisation.
- Thirdly, there has been a considerable debate – one that is still very much alive – as to whether such a collection of practices (called '*best practices*') will work in every situation, or whether the context and nature of the organisation puts different demands upon the practices to be operated (called '*best fit*').

Opening the 'Black box'

In attempting to examine the impact of HR practices on organisational performance, a number of researchers have discovered some impressive and direct impacts and influences. This is referred to by Ramsey *et al.* as 'the "high road" approach to management, in which organisations choose to compete primarily on quality and rely especially on human resource development and employee contributions to succeed in this' (2000: 502).

Much of this research has been carried out in America, with the best known being Mark Huselid (1995). He carried out in-depth surveys in top companies, measuring the nature of the HR practices against performance measures, such as growth, productivity and profits. Using market value as the key indicator, he found that organisations with significantly above-average scores on using HR practices provided an extra market value per employee of between £10,000 and £40,000. He also found that the introduction of such practices led to an immediate impact (Guest 1998).

In the UK, a CIPD-financed project by the University of Sheffield's Institute of Work Psychology (West and Patterson 1998) concluded that HR practices are not only critical to business performance but also have a greater importance than an emphasis on quality, technology and research and development (R&D) in terms of influence on bottom-line profits. For example, effective HR practices were found to account for 19 per cent of the variation in profitability and 18 per cent in productivity while R&D accounted for only 8 per cent. This led them to conclude that, if managers wish to influence performance of their companies, the most important area they should emphasise is the management of people.

Patterson and his colleagues studied a group of small and medium-sized companies, and an example of the type of practices implemented in the most successful company of the group (Zotefoams) is shown in case study 1.3.

Some of these findings have arisen from broad surveys across sectors and others from selected industries. Thompson (2000), for example, investigated 400 UK aerospace companies and concluded that high-performing organisations, as measured by value added per employee, tend to use a wider range of innovative HR practices covering a higher proportion of employees. The greatest differentials between higher- and lower-performing organisations (as measured by value added per employee) was in the use of two-way communication systems, broader job gradings and employees being responsible for their own quality.

CASE STUDY

CASE STUDY 1.3 ZOTEFOAMS' HR PRACTICES

Zotefoams achieved the highest profits and productivity of all the companies taking part in the University of Sheffield research, resulting from a heavy investment in unlocking the employee potential, especially on the shop floor. Their HR practices included empowering the employees to determine work priorities, deal with quality issues and solve day-to-day problems. To support these changes, 75 per cent of employees have received problem-solving training; flexibility is achieved through the extensive use of NVQs; and developing skills are rewarded through skills-based pay. Team ethos has been promoted through a benefits harmonisation programme together with employee share options and profit-sharing schemes.

(Source: West and Patterson 1998)

'Bundles' of HR practices

At the same time that researchers were attempting to prove conclusively that successful and effective HR practices improved the bottom-line performance, it became clear that a differentiation needed to be made between such practices: in effect, that some worked better than others, and, more critically, that, although individual practices may be relatively unsuccessful, when brought together in a 'bundle', their combined outcome was much greater than their individual contribution. A number of writers have formulated these bundles into what they call a system of 'high performance' or 'high commitment', indicating that using the full set will inevitably lead to improved organisational improvement. All the researchers emphasised that these bundles have to be coherent and integrated to have their full effect, with Wood explaining that 'it is through the combined effects of such practices that management can most hope to elicit high levels of commitment' (1995: 52).

The *level of commitment* shown by employees is seen as key to high performance. Without such a commitment, employees will not be prepared to develop their skills and competencies, take on board the enhanced responsibilities for quality, work organisation and problem-solving, and 'go the extra mile' to come up with improvements and innovations or improve the customer's experience. That is why a number of researchers use the level of commitment as a key reflection of organisational success from a people management viewpoint.

For Purcell *et al.* (2003), a committed employee will use discretionary behaviour in that the employee can give co-operation, effort and initiative because they want to, arising out of the fact that they like their job and feel motivated by the systems in place, especially the HR ones.

By the middle of the 2000s, the similar concept of 'employee engagement' had mostly replaced 'commitment' as a measure of the positive view of the employee towards the organisation. (See later in the chapter for a further analysis of engagement.)

Researchers have found that a high level of commitment/engagement comes about from the implementation of the following HR practices:

EMPLOYEE INVOLVEMENT

The importance of involvement is explained more fully in Chapter 4, but the basic thinking is that it is impossible to gain the employees' trust if they do not have the essential business information available to management and unless they have at least the opportunity to be consulted on important issues that may affect their jobs and the way they are carried out. This passes the message that employees are treated as mature, intelligent beings, not just 'hands' or 'labour' who leave their brains in their lockers. There is a willingness, in fact, a concerted effort, to involve employees in resolving work-based problems. The process of involvement can include briefing groups, staff surveys, focus groups or more sophisticated systems such as quality circles or recognition schemes. It can also extend to financial involvement through employee share-ownership. Marchington (2001) points out from his research that these practices are very popular with employees (80–85 per cent of employees involved in such practices want them to continue), although he adds the disillusioning caveat that some employees enjoy working with them because it is ‘better than working’ or ‘gives me a half-hour off work’!

EMPLOYEE VOICE

Millward *et al.* (2000), using the data from *The 1998 Workplace Employee Relations Survey*, have shown the close association between positive responses in attitude surveys and direct voice arrangement. A ‘voice’ for the employees does not have to be through a formal trade union and it is certainly not just ensuring there is a formal grievance procedure. It can be through a works council or a staff representative committee working in a non-union environment. The importance of this practice is that the employer recognises the importance of employee group viewpoints and suggestions and that the employee does not feel isolated, so important issues can be raised in a formal (or informal) setting without the employees themselves having to, in effect, raise their heads above the parapet.

HARMONISATION OF TERMS AND CONDITIONS

‘Everybody works for the same team’ is a common form of encouragement from senior management but falls on deaf ears if there is a clear manifestation of differing benefits at varying levels in the organisation. When Japanese companies began setting up satellite operations in the UK in the late 1970s and early 1980s, one of the surprises to commentators was the degree of egalitarian symbols on display. In Nissan in Sunderland, for example, there was one canteen serving everybody and it was frequented by all staff including senior management; everybody was on the same level of holiday entitlement and wore the same overalls. Of the expected managerial hierarchy, there were few overt signs, although they were inevitable within the background culture. Employees, however, respected the equality and it fed the belief in the ‘one company’ ethos, leading, in turn, to effective team-working at all levels (Wickens 1987).

EMPLOYMENT SECURITY

The ‘jobs for life’ culture evident some 30 to 40 years ago no longer exists. Rather, it never really existed in the first place, except in pockets of the public services, such as prisons and the Post Office. Even in the large banks and multinational corporations, employees may have had a clear, well-trodden career pathway set out, but the precise directions, both geographically and occupationally, may have worked out very differently to expectations and preferences. In the last 20 years, the global and business environmental changes have caused such changes in employment that the pathway has become one made up of crazy paving and employees have to lay it themselves!

So how can any business promise employment security? The theorists indicate that the security is of a different dimension. There may be short-term guarantees of employment, such as 12 months or for the life of a large-scale contract, or, more usually, it is the cultural imperative of the organisation that redundancies will only take place as a very last resort. Internal transfers, skills retraining and short-time working are all alternatives to try to extend the employee's contract as long as possible to get over difficult times. It is, in effect, the opposite of the tough employer's 'high and fire' short-term employment policy. It keeps to the HRM thinking that the employee is a critical asset, not a cost to be reduced.

Alongside these practices to encourage commitment, there are a group of practices that integrate with the *organisation's business strategy*:

SOPHISTICATED RECRUITMENT AND SELECTION

The essence of what 'sophisticated' means in this context will be explained in Chapters 2, 3 and 12. It is essentially the combination of recognising the importance of bringing into the organisation the right people with the right skills and personality (having a strategic approach to human resource planning) and carrying out careful and detailed recruitment and selection procedures. These procedures especially refer to using psychological tests and structured interviews that match people effectively to the organisational culture, the job and the team requirements. It is also associated with using the latest technology such as online recruitment.

EXTENSIVE TRAINING AND DEVELOPMENT (TALENT MANAGEMENT)

It is clearly not enough to select the right people, as will be set out in Chapter 8. In the swiftly changing world, employees need to constantly learn new jobs, which involves developing their skills and knowledge. They must also be prepared for enlargement of their jobs and to be ready for promotion opportunities. The emphasis switches in a subtle way from the organisation organising training courses to the organisation encouraging employees (individually or in groups) to undertake learning experiences, which can take many forms. As employees take greater control over their own learning, their level of commitment is likely to rise. The 'ideal' form of this item in the bundle is of employees undertaking self-directed lifelong learning with the framework of a 'learning organisation' as explained in Chapter 8.

SELF-MANAGED TEAMS

The practice of allowing teams to have greater control over their work is a relatively recent one, although theorists, such as Mayo and his colleagues at the Hawthorne production plant in America in the 1930s, have been advocating it throughout the twentieth century. It is linked closely to involvement and, in a fully fledged system, team members are involved in decisions concerning work rotas, breaks, changes in production processes, leave and sickness arrangements. Moreover, they are encouraged to think about and promote local improvements on an individual and team basis. It is quite an adventurous concept because it involves reducing the power and day-to-day authority of local management, but, at the same time, retains their accountability. It requires very careful training and monitoring for all parties concerned but the research has shown that, when it works well, it is closely associated with high productivity and overall performance. Geary and Dobbins's study of a pharmaceutical company found that: 'For some employees who had enjoyed little autonomy (previously), the extension in their discretion made a substantial positive impression in their sense of achievement and job satisfaction' (2001: 17).

EXTENSIVE SYSTEMS OF FLEXIBILITY

If constant and rapid change is the norm, then successful organisations need a workforce that is flexible enough to respond quickly to the required changes. They need to be multi-skilled, willing to work hours that suit the customer (such as over a 24-hour cycle in supermarket retailing) and willing to switch jobs and locations when necessary. The organisation also needs to have in place facilities to increase and reduce the employee numbers when required through systems of annualised hours or use of temporary and short-term contracts or by outsourcing work. More details are given of these systems in Chapter 7, which shows examples of how such practices can lead to improved performance.

PERFORMANCE PAY

The emphasis on high-performance outcomes inevitably has meant that pay systems are geared to reflect the level of performance. Employees' pay at all levels is contingent; in other words, it has an element that varies depending on the success of the outcomes. Examples of these systems can include bonus schemes for production employees and call-centre staff, performance-related pay for managers and administrative staff, incentive systems for sales and service staff, and executive bonuses for directors. Commitment should be encouraged by aligning the pay of employees with organisational performance, through share options, profit-sharing and gainsharing. Details of all these systems, and the associated performance management processes that must support them, are set out in Chapters 5 and 6.

Table 1.2 summarises the identification of high-performance HR practices as reported by a number of researchers.

Each of the research studies indicate additional practices that they regard as 'high performance'. For example, in the EEF/CIPD study (2003), the list includes comprehensive induction, coherent performance management systems with wide coverage, job variety and responsibility, use of quality improvement teams, market competitive pay and policies to achieve an appropriate work–life balance. The 1998 US Department of Labor study adds a focus on

Table 1.2 HR practices associated with high-performance organisations

	Pfeffer 1998	US Dept of Labor 1998	West and Patterson 1998	EEF/CIPD 2003	Wood and Albanese 1995
Employee involvement	x		x		x
Employee voice	x				
Harmonisation	x		x	x	x
Security of employment	x				x
Sophisticated selection	x		x	x	x
Extensive training/ development	x	x	x	x	x
Self-managed teams	x	x	x	x	x
Extensive flexibility			x	x	x
Performance pay	x			x	x

the customer and developing measures of success, while West and Patterson (1998) stress the need for 'favourable' reward systems and job systems that promote problem-solving.

Given that a bundle of HR practices leads to improved performance, it follows that using this bundle is the best thing to do. In theory, it becomes a set of 'best practices' which can be universally applied.

BEST PRACTICE OR BEST FIT?

When reading the previous section and looking at Table 1.2 it may have occurred to you that there does not appear to be much consensus as to what HR practices make up the full set. Each item of research comes up with a different set of best practices, some of which overlap with other research, but each has a special leaning. In America, Boselie and Dietz (2003) have reviewed ten years of research in this area and have found little that recommends a common approach, with the practices reported more extensively being training and development, participation and empowerment, performance pay and information sharing through involvement.

Because the extensive research reveals such a varied set of bundles, considerable doubt has been shed on whether the application of the set of bundles or best practices will lead inevitably to improved performance. Many writers, therefore, have taken an alternative view that there is no 'holy grail' of practices that will magically improve organisational performance. What works well in one organisation may fail dismally in another where the context may be totally different. In a private sector organisation (a manufacturing company, for example), you may well expect performance pay to be widespread and to form the bulwark of performance management and motivation systems; however, in the voluntary sector (a hospice charity, for example), it is highly unlikely that any of the staff would work under a performance pay scheme. The context, the vision, the values can all be very different.

Huselid himself comes down firmly on the side of a range of possible bundles, based on the reasoning that sustained competitive advantage depends partly on being able to develop arrangements that are hard to imitate. If the 'holy grail' was quite distinctive, then every organisation would immediately adopt it and the competitive advantage would be lost. He terms the practices that would work for the organisation in question a set of 'idiosyncratic contingencies', those that happen to fit well into the specific strategy and culture of the organisation (Guest 1998).

Thompson, similarly, is reticent in recommending wholesale adoption of the innovative HR practices associated with high-performing aerospace companies: 'That is probably too simplistic a message. . . . There is certainly a risk in encouraging businesses to adopt particular sets of working practices if they are not ready for them or if they do not fit with existing strategies' (2000: 19).

Purcell is even more dismissive, claiming that:

> The search for bundles of high commitment work practices is important, but so too is the search for understanding of the circumstances of where and when it is applied, why some organisations do and others do not adopt HRM, and how some firms seem to have more appropriate HR systems for their current and future needs than others. . . . Our concern should be less about the precise policy mix in the bundle and more on how and when organisations manage the HR side of change.
>
> (1999: 36–37)

Marchington and Grugulis adopt the same viewpoint:

> Best practice, it seems, is problematic. When unpacked, the practices are much less 'best' than they might be hoped, there are times when they appear to be contradictory messages, they are not universally applicable and they tend to ignore any active input from employees.
>
> (2000: 1121)

How do you know which HR practices an organisation should adopt? Only by a combination of knowing and understanding the true nature and strengths of the organisation, so you can eliminate those practices that have little chance of success, and then by experiment.

For Claridge's, the luxury hotel, the bundle of HR practices that supported their turnaround strategy was quite specific to their unique context, as shown in case study 1.4.

CASE STUDY 1.4 INITIATIVES SUPPORTING CLARIDGE'S' TURNAROUND

In 1998, Claridge's, the luxury hotel group, was battling to maintain its place in the market with occupancy down, complaints up and 73 per cent staff turnover rate. The staff satisfaction survey was returned by only 47 per cent of staff, indicating widespread distrust of management, and only 67 per cent said they felt proud to work for the hotel. The response by senior management was to create a transformation strategy, putting employees' attitudes and performance with customers at the top of the list. This was encapsulated in the new core values:

Passion, team spirit, service perfection, responsibility for actions, communication, interpersonal relations and maximising resources.

The aim was to embed these new values, through lively, participative and sometimes amusing training, involving acting out sketches indicating the working of the new core values which became memorable 'events'.

The main elements of the HR initiatives included a new *reward and recognition scheme*, where staff who demonstrated excellence in implementing the new values would have the chance to win prizes ranging from a limo home to an overnight stay in the penthouse (worth up to £4,000). The new *performance management (PM) scheme* was based on measuring the employees' contribution to the new values with individual and general training based on the gaps that the PM scheme identifies. Sideways experience is encouraged, with staff receiving *training in a collection of different skills. Internal promotion* is now much more common with a natural progression from kitchen porter up to waiter and beyond. The *quarterly newsletter* and staff surveys attempt to enhance the communication quality and draw the teams together.

Within three years, the staff turnover had dropped to 27 per cent and pride in working for the organisation increased to 99 per cent, as shown by the 100 per cent staff return on the survey, a sure indication that trust in management had returned.

(Source: Edwards 2004)

In knowledge-intensive firms, the best fit of practices has been found to be the kind that develops intellectual and social capital needed in order to acquire business and manager customer relationships. Here, the crucial aspect is the development of knowledge-sharing processes, not just the knowledge and skills of the workforce (Swart *et al.* 2003).

Purcell's (1999) distinct preference for 'best fit' has led him to urge a much greater emphasis on sharing employee knowledge throughout the organisation. If organisations have unique circumstances that require unique sets of HRM practices, then it is vital that the knowledge and understanding of both circumstances and practices are held in common by all employees:

> The key point about those firms which adopt high commitment management successfully and adapt it to their unique circumstances is that this codified knowledge, this ability in the passing game, has to be shared among core members of the organisation. If the organisation is to . . . keep on managing the transition from the current to the future state and avoid sharp punctuated change, then roles become diffuse and 'belonging' becomes important.
>
> (Purcell 1999: 37)

Although there appears to be extensive evidence of HR practices adding to organisational improvement, there are a number of critics who doubt the close association. The greatest is Legge (2001) whose scepticism has been consistent and vociferous for many years. She points out the vagueness of the definition of the 'best practice', such as performance pay, and the appropriateness of the measures used for organisational success. She also doubts whether the use of the practices actually influences the performance (the lack of causality).

There have also been studies that demonstrate that HRM practices can lead to a deterioration in working life. Danford *et al.* (2004) researched the high-performance HR practices introduced in an aerospace company and found some major negative impacts on the employees, such as substantial downsizing, a superficial implementation of empowerment and a lack of trust between the parties.

A final word on this debate goes to Storey (2007), who attempts to square the circle by suggesting that the two approaches are reconcilable. He suggests that best practice (he calls it 'good practice') can be used as the foundation of a set of universal human resource practices and then each organisation needs to explore what special factors necessitate specific adjustments that need to be made to human resource practice so that alignment with organisational strategy can be achieved. Such practices may be a specific set of exceptionally customer-focused competencies for certain service-facing companies (hospitality, caring) or highly trained and developed team-working made up of disparate skills for fast-moving IT technological companies.

Resource-based view of the organisation

Alongside these investigations, theories have been developed regarding the nature of human resources, whereby they can be regarded as uniquely valuable to the organisation because they are a collection of assets (skills, competencies, experience) that are much more difficult to imitate or replicate, unlike other conventional assets such as land or capital. This is associated with the 'resource-based view' (RBV) of the organisation where competitive advantage is associated with four key attributes – value, rarity, a lack of substitutes and difficulty to imitate.

- Human resources are seen to be *valuable*; looking at employees of football teams, for example, the very skilled ones are certainly seen to be extremely valuable and some senior executives transfer to new organisations with an upfront payment. The cost of replacing employees who leave organisations is often high, especially if they are experienced and are seen by customers as important. As explained by Boxall and Purcell:

> [organisations] can never entirely capture what individual [employees] know. Some of what we know – including many of our best skills – cannot be reduced to writing or to formulas. When we leave the firm, we take this knowledge with us. When whole teams leave . . . the effects can be devastating.
>
> (2003: 83)

- *Rarity* is associated with the value as there will always be a labour group that is in short supply: IT staff in the 1980s and 1990s, nurses and teachers in the early 2000s, plumbers most of the time. Organisations that have a steady supply of skills in short supply will have a competitive advantage.
- It is possible to *substitute for labour*, through automated call centres and production lines, but those organisations that possess skilled employees where such substitution is impossible (most service organisations, consultancies, etc.) should be able to gain an advantage. It has been argued that the UK's competitive advantage has been maintained because of the country's very large service sector, whereas Germany's large manufacturing sector has been constantly chipped away by international competition and automation.
- Similarly, it is *difficult to imitate* the skilled work of employees. Cheaper versions of services can be available (self-service in restaurants) but the market for high-quality service by skilled employees is normally in a state of constant growth.

Having recognised the importance of people as a resource, it provides encouragement to employers to identify and then improve the quality of their 'human capital'. In terms of identification, the CIPD (Brown 2003) put forward a proposal in the form of a framework so that organisations could report on the way they:

- Acquire and retain staff, explaining how the firm sources its supply, the composition of the workforce in terms of diversity and employment relationships, and its retention policies
- Develop staff, including details of skills levels and development strategies
- Motivate, involve and communicate with employees
- Account for the value created by employees, including how they manage the bank of employee knowledge and the methods of determining team and individual performance.

An example of treating employees as a valuable resource is shown in case study 1.5, which deals with Google's people policy.

CASE STUDY

CASE STUDY 1.5 GOOGLE'S APPROACH TO THE VALUE OF EMPLOYEES

The growth of Google is staggering. From 5,700 employees in 2005, it has grown to 20,000 in 2008*, over half employed outside America. Despite the rush to bring talent into the company, it still approaches it in a slow and measured way. To get a job, you need to attend four or five interviews, down from around eight a few years back, and you will be interviewed by at least two would-be colleagues and, for management positions, some of your existing staff. If any of the interviewers have any doubts about a candidate, they are not taken on.

Many of the senior managers take around 25 per cent of their time in recruitment and selection activities. This is justified by Liane Hornsey, Director of People: 'Of course, it's a huge investment of time but we do not measure it or put a cost on it. If we concentrate our efforts on getting the right people ... then we won't have trouble downstream.'

Their HR policies are unusual. They have no specific 'talent' programmes and don't measure absence, preferring to treat everyone as an individual where possible. The company has a very flat management structure so promotion opportunities are rare and managers generally have large numbers of staff who report to them.

The most innovative concept is the 70–20–10 policy for engineers, which insists that each programmer should spend only 70 per cent of their time doing their core job, and 20 per cent should be spent on related activity or a project that will help them do their core job better. The remaining 10 per cent can be spent on 'blue-sky thinking' perhaps on new products or services.

Google employees' benefits in Mountain View California include free food all day, on-site gym, doctor and masseur. Moreover, the company does all it can to fit in with individual requests for flexible working – 'we hire great people and we really want to keep them, so let's work out what is right for them in their work–life balance,' says Hornsey.

(Source: Brockett 2008)
*Note: In September 2011, Google employed over 30,000 staff worldwide.
(See Chapter 2 for another Google case.)

Barriers to high performance

Finally in this section, a quick look at research that identifies how HR practices are not easily implemented. Kim and Mauborgne (2003) from the Boston Consulting Group, in a study of 125 US companies, have identified four main hurdles that consistently prevent HR professionals from effecting high performance, as shown in Table 1.3. Although the prescription applies to any change process, the perceived lack of natural influence of HR practitioners makes the prognosis more compelling in terms of HR processes improving overall performance.