HUMAN RESOURCE MANAGEMENT - MGF5985

EXAM NOTES

Topic 1: The Evolution of HRM

- Human resource management as a management concept originated in the 1950's.

- HRM is defined as the managing of people within employer-employee relations, it is the management of various activities designed to enhance the effectiveness of an organisations workforce in achieving organisational goals.

- The purpose of HRM is to ensure that organisations are able to achieve success through people.

- HRM is constantly being reshaped by new economic, institutional, sociocultural and political realities.

- HRM drives what attracts people/employees and that's why its important.

Contextual Influences on HRM

Culture→ The way of life, especially the general customs, social behaviour and beliefs, of a particular people or society.

Human Capital → the skills, knowledge, and experience possessed by an individual or population, viewed in terms of their value or cost to an organization or country.

- Hofstede (1980) identified five dimensions of culture, and culture serves as an umbrella for all other contexts: legal, political, economic and technological contexts are all influenced by the role culture plays in a society.

- Noe et al. (2008) states that culture shapes peoples respect and obedience for laws and regulations, hence affecting a countries legal and political system. And the way in which human capital and technology are valued by a particular society influences the economy of that country.

Macro-Environment → The major external and uncontrollable factors that influence an organisations decision-making, performance, choices and strategies.

Key factors of the macro-environment:
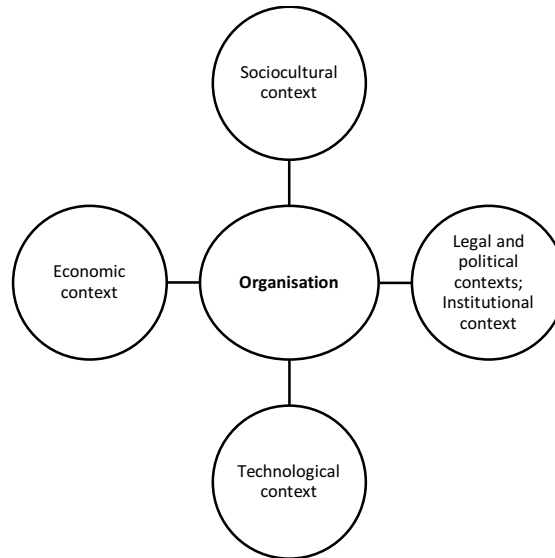
Sociocultural context: HRM is a 'soft' aspect of an organisation. Hence it is more influenced by culture than are financial and technical matters, which are considered to be the 'hard' aspects of an organisation. Culture has a significant role in attracting, motivating and retaining individuals in organisations. As Geert Hofstede (2001) refers to culture as the "software of the mind". He has six dimensions of culture that can influence management practices and the culture of organisations.

1. Individualism → The degree to which individuals are integrated into groups.

   - This dimension describes the strength of the relationship between individuals in a society that is the degree to which people act as individuals rather than as members of a group, or the extent to which the individuals are integrated into groups.

2. Power Distance → The extent to which the less powerful members of organisations and institutions accept and expect that power is distributed unequally.

   - This cultural dimension concerns hierarchical power relationships and refers to the unequal distribution of power. It describes the degree of inequality among people that is considered to be normal in different countries.

3. Uncertainty Avoidance → A society's tolerance for uncertainty and ambiguity.

   - This dimension deals with the fact that the future is not perfectly predictable.

4. Masculinity → The distribution of emotional roles between the genders.

    - A 'masculine' culture is one in which dominance and assertiveness (confident and forceful behaviour) are valued.

    - A 'feminine' culture promotes values that have been traditionally regarded as feminine, leaning more towards quality of life and relationships in society.

5. Long-Term Orientation → Long-term orientated societies foster pragmatic virtues oriented towards future rewards, in particular saving, persistence and adapting to changing circumstances.

➢ Short term orientated societies foster virtues related to the past and present, such as national pride, respect for tradition, preservation of 'face', and fulfilment of social obligations.

6. Indulgence → Indulgence is a characteristic of a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun.

Legal and Political Context: The legal and political context is represented by national laws and socio-political policies and norms. Given that culture is a codification of right and wrong that exists in a country's laws, political systems and laws often reflect what constitute the legitimate behaviour and norm of a particular country. These contexts have the power to shape the nature of the employment relationship and the way in which HRM practices and policies are enacted.

    - Legal influences affecting HRM practices can take the form of how local regulations affect the labour market.

    - Different countries will impose regulations on minimum wages and working hours as well as the involvement of trade unions, as has been seen in most western developed economies.

Institutional Context: Institutions represent the structures and activities that give shape and stability to a society, such as education, economic, religious, social, political, and family systems. Organisations in turn are shaped by institutions because of their embedded nature in the fabric of society. HRM is influenced by institutions in terms of three mechanisms:

1. Coercive Mechanisms→ are more powerful than the organisation and force their norms, rules and expectations on it.

2. Mimetic Mechanism → represent an organisations desire to respond to uncertainty and its tendency to imitate another organisations structure because of the belief that the structure of the latter organisation is beneficial.

3. Normative Mechanism → result from adopting standards or expectations associated with an industry or profession.

Economic Context: Although the economic context of a country is hardly predictable and stable, it is more likely to have long-term consequences for HRM. The attitudes and values that are embedded in every individual are formed by culture; hence the claim of human capital theory that a culture that encourages continuous learning is most likely to contribute to the success of the economy.

- Jackson and Schuler (1995) argue that skills, experience and knowledge are of significant value for the economy, and enhancing them can make individuals more productive and more adaptable to changing economic conditions.

- The need to improve human capabilities relates back to whether the economic system supplies sufficient incentives for developing human capital.

- There are various ways in which HRM can increase organisations human capital, for instance offering attractive compensation and benefits packages to individuals is 'buying' human capital, which is apparent in recruitment and selection processes.

- Creating equal opportunities in training and development can also help to 'make' human capital in an organisation.

Technological Context: The influence of technology is also apparent in HRM, especially with the transformation of traditional HRM to IT-based HRM or 'e-HRM', as a result of the growing sophistication of IT.

- E-HRM deals with the implementation of HRM strategies, policies, and practices through the full use of web-based technologies.

- It also eliminates the 'human resources middleman' who is initially responsible for dealing with human resource matters.

- IT also enables organisational learning to help employees improve their capability, adaption, knowledge and understanding because the use of teams is practiced, which helps the transfer of learning from the individual to the organisation.
- Criticism→ there is less chance for employees to develop intellectual skills when their role has already been weakened by IT.

Topic 2: Strategic Issues in HRM

Definitions:

Configurational approach to SHRM→ The configurational perspective posits a simultaneous internal and external fit between a firm's external environment, business strategy and HR strategy, implying that business strategies and HRM policies interact, according to organisational context in determining business performance.

Contingency approach to SHRM → The contingency perspective emphasises the fit between business strategy and HRM policies and strategies, implying that business strategies are followed by HRM policies in determining business performance.

Global Talent Management (GTM)→ Global talent management involves the systematic identification of key positions which differentially contribute to the organisations sustainable competitive advantage on a global scale, the development of a talent pool of high potential and high performing incumbents to fill these roles which reflects the global scope of the MNE, and the development of a differentiated human resource architecture to facilitate filling these positions with the best available incumbent and to ensure their continued commitment to the organisation.

The HR 'Black Box'→ HR needs to be supported by the actions of line managers and the support of members of the top management team. In practise, this may not be the case (policy vs practice).

- The black box relates to the process of system whose inputs and outputs are known, but whose internal structure or working is (1) not well, or at all understood, (2) not necessary to be understood for the job or purpose at hand, or (3) not supported to be known because of its confidential nature.

Intangible Assets → is an asset that is not physical in nature. Corporate intellectual property, including items such as patents, trademarks, copyrights and business methodologies, are intangible assets as are goodwill and brand recognition.

Organisational Capabilities → is a company's ability to manage resources such as employees, effectively to gain an advantage over competitors.

Resource Based View → states that organisational resources and capabilities that are rare, valuable, non-substitutable and imperfectly imitable form the basis for a firms sustained competitive advantage.

Universalist Approach to SHRM → or 'best practice' approach to HRM relates to the viewpoint that there is a set of best HRM practices and that their adoption is going to generate positive results regardless of the circumstances associated with organisations.

Strategic Management → A process or approach to addressing the competitive challenges faced by an organisation… the 'pattern or plan that integrates an organisations major goals, policies and action sequences into a cohesive whole' Quinn (1980). There's two components:

- Strategic formulation: the process of deciding on strategic direction by defining a company's mission and goals, its external opportunities and threats and its internal strengths.

- Strategic implementation: the process of devising structures and allocating resources to enact the strategy a company has chosen.

- It is focused on the present and future direction of the organisation and includes assessing the organisations internal competencies & capabilities, assessing environmental threats and opportunities, deciding the scope of the organisations activities and managing the process of change.

Strategy→ Strategies define the direction in which an organisation intends to move and establishes a framework for action to achieve particular strategy.

- Capitalising on strengths and opportunities

- Minimising weaknesses and threats

Strategic HRM → "The pattern of planned HR deployments and activities intended to enable the firm to achieve its goals". It deals with the macro-concerns of the organisation regarding structure, quality, culture, values, commitment, matching resources to future needs and other longer-term people issues.

- Strategic HRM constitutes a new orthodoxy and is mainly differentiated by its macro or strategic orientation, as well as its focus on outcomes and performance.

- SHRM also emphasises that the people or staff are core assets rather than a cost to the organisation.

- Effective SHRM involves an understanding of both internal and external operational requirements of a business and integrate social and behavioural requirements to develop human capital in the long-run.

- SHRM postulates the idea that the way in which people are managed is one of the most crucial factors in the array of competitiveness-inducing variables, with a view that labour is an asset that should be leveraged in the pursuit of competitive advantage.

- SHRM needs to take into account job design aspects relating to variety and challenge, continuous learning, decision-making, autonomy and social relationships.

- SHRM is concerned with two forms of resources
  - ➢ The first resource is an organisation's human capital-the knowledge, skills, and abilities of its employees. The challenge for HR strategies decision makers is to transform human capital into a firm capability that is valuable, rare, and difficult to imitate.
  - ➢ The second resource is an organisation systems-specifically HR policies and practices that serve to support the development of human capital. The challenge with this resource is to select the appropriate cost-efficient bundle that will help employees perform best.

- There are three different models of theorising in the field of SHRM:
  - ➢ **Universalist approach (Best Practise)** → posits that some HR practices are always better than others and all organisations should adopt them.

- **Contingency Approach (Best Fit)** → HR strategy will be more effective when it is appropriately integrated with its specific organisational and broader environmental context.
- **The configurational approach** → Bridges the gap between the universal and the contingency approaches and suggests that a firm will perform better through an appropriate internal fit between its HRM practices (the configuration fit) and an appropriate external fit between the firms business strategy and its HRM practices.

Contemporary perspectives in HRM

The Hard and Soft Approach→

Hard HRM:

- Treats employees simply as a resource of the business (like machinery & buildings).
- There is a strong link with corporate business planning- what resources do we need, how do we get them and how much will they cost.
- Focus of HRM: Identify workforce needs of the business and recruit & manage accordingly (hiring, moving, firing). It also focuses on cost reduction, monitoring, outsourcing and downsizing which places little emphasis on long-term strategic development (HR is a cost that must be reduced).

Key Features:

- Short-term changes in employee numbers (recruitment, redundancy)
- Minimal communication (from the top down)
- Pay- enough to recruit and retain enough staff (minimum wage)
- Little empowerment or delegation
- Appraisal systems focused on making judgements (good and bad) about staff
- Taller organisational structures
- Suits autocratic leadership style

Soft HRM:

- Treats employees as the most important resource in the business and a source of competitive advantage

- ➢ Employees are treated as individuals and their needs are planned accordingly

- ➢ Focus of HRM: concentrate on the needs of employees-their roles, rewards, and motivation etc.

Key Features:

- ➢ Strategic focus on longer-term workforce planning

- ➢ Strong and regular two-way communication

- ➢ Competitive pay structure with suitable performance-related rewards (e.g. profit share, share options).

- ➢ Employees are empowered and encouraged to seek delegation and take responsibility

- ➢ Appraisal systems focused on identifying and addressing training and other employee development needs

- ➢ Flatter organisational structures

- ➢ Suits democratic leadership style

Which is best? Soft or Hard HRM?

- • The "hard" approach to HR might be expected to result in a more cost-effective workforce where decision-making is quicker and focused on senior managers. However, such an approach pays relatively little attention to the needs of employees and a business adopting a genuinely "hard" approach might expect to suffer from higher absenteeism and staff turnover and less successful recruitment.

- • The "soft" approach will certainly appeal to the "touchy-feely" amongst us who like to see people being treated nicely! And you can also make a good business case for an approach that rewards employee performance and motivates staff more effectively. However, the danger of taking too "soft" an approach is that when all the employee benefits are added up, the cost of the workforce leaves a business at a competitive disadvantage.