

Defining human resource management

The term ‘human resource management’ (HRM) has been defined in a number of different ways. Until quite recently it was common for commentators to make a distinction between ‘an HRM approach’ to the management of people in organisations and a more traditional approach associated with terms such as ‘personnel administration’ which were less overtly strategic in nature. Nowadays ‘HRM’ is much more frequently and simply used descriptively to refer to the range of different activities that are involved in the management of the relationship an organisation has with its people. These may be employees, but are often skilled people who are hired using a variety of other contractual arrangements to help it meet its objectives. The role of the human resource function is thus best explained by identifying its key purposes. Six objectives form the foundation of HR activity in most contemporary organisations.

Staffing objectives

Human resource managers are first concerned with ensuring that the business is appropriately staffed and thus able to draw on the human resources it needs. This involves designing organisation structures, identifying under what type of contract different groups of employees (or subcontractors) will work, before recruiting, selecting and developing the people required to fill the roles: the right people, with the right skills to provide their services when needed. There is a need to compete effectively in the employment market by recruiting and retaining the best, affordable workforce that is available. This involves developing employment packages that are sufficiently attractive to maintain the required employee skills levels and, where necessary, disposing of those judged no longer to have a role to play in the organisation. The tighter a key employment market becomes, the harder it is to find and then to hold on to the people an organisation needs in order to compete effectively. In such circumstances increased attention has to be given to developing competitive pay packages, to the provision of valued training and development opportunities and to ensuring that the experience of working in the organisation is, as far as is possible, rewarding and fulfilling. Recent years have seen organisations take a more strategic approach, at least in their rhetoric, towards the meeting of staffing objectives. They are, for example, increasingly seeking to differentiate and position themselves in their labour markets vis-à-vis competitors by engaging in employer branding exercises and by seeking to be recognised as ‘employers of choice’.

Performance objectives

Once the required workforce is in place, human resource managers seek to ensure that people are well motivated and committed so as to maximise their performance in their different roles. Training and development have a role to play, as do reward systems to maximise effort and focus attention on performance targets. In many organisations, particularly where trade unions play a significant role, HR managers negotiate improved performance with the workforce. The achievement of performance objectives also requires HR specialists to assist in disciplining employees effectively and equitably where individual conduct and/or performance standards are unsatisfactory. Welfare functions can also assist performance by providing constructive assistance to people whose performance has fallen short of their potential because of illness or difficult personal circumstances.

Last but not least, there is the range of employee involvement initiatives to raise levels of commitment and to engage employees in developing new ideas. It is increasingly recognised that a key determinant of superior competitive performance is a propensity on the part of an organisation's employees to demonstrate discretionary effort. Essentially this means that they choose to go further in the service of their employer than is strictly required in their contracts of employment, working longer hours perhaps, working with greater enthusiasm or taking the initiative to improve systems and relationships. Willingness to engage in such behaviour cannot be forced by managers. But they can help to create an environment in which it is more likely to occur. A term that is currently very fashionable in HR circles is 'employee engagement', an idea which encapsulates what is required if organisations are successfully to enhance individual performance. Engaged employees know what is expected of them, have a sense of ownership of their work, are satisfied (hopefully very satisfied) with their jobs and, as a result, prepared to contribute positively both with their effort and their ideas.

Change-management objectives

A third set of core objectives in nearly every business relates to the role played by the HR function in effectively managing change. Frequently change does not come along in readily defined episodes precipitated by some external factor. Instead it is endemic and well-nigh continuous, generated as much by a continual need to innovate as from definable environmental pressures. Change comes in different forms. Sometimes it is merely structural, requiring reorganisation of activities or the introduction of new people into particular roles. At other times cultural change is sought in order to alter attitudes, philosophies or long-present organisational norms. In any of these scenarios the HR function can play a central role. Key activities include the recruitment and/or development of people with the necessary leadership skills to drive the change process, the employment of change agents to encourage acceptance of change and the construction of reward systems which underpin the change process. Timely and effective employee involvement is also crucial because 'people support what they help to create'. However, it must also be remembered that change, particularly when imposed without genuine employee involvement, is also a major potential source of conflict in organisations. This can be minimised if plenty of time is available, but a degree of conflict is inevitable where groups of staff lose out in some way as a result of change. The effective management of conflict and its avoidance through careful management of expectations and involvement in decision-making are thus also significant features of an effective HR managers' role.

Administration objectives

The fourth type of objective is less directly related to achieving competitive advantage, but is focused on underpinning the achievement of the other forms of objective. In part it is simply carried out in order to facilitate an organisation's smooth running. Hence there is a need to maintain accurate and comprehensive data on individual employees, a record of their achievement in terms of performance, their attendance and training records, their terms and conditions of employment and their personal details. However, there is also a legal aspect to much administrative activity, meaning that it is done because the business is required by law to comply. Of particular significance is the requirement that payment is administered professionally and lawfully, with itemised monthly pay statements being

provided for all employees. There is the need to make arrangements for the deduction of taxation and national insurance, for the payment of pension fund contributions and to be on top of the complexities associated with Statutory Sick Pay and Statutory Maternity Pay, as well as maternity and paternity leave. Additional legal requirements relate to the monitoring of health and safety systems and the issuing of contracts to new employees. Accurate record keeping is also central to ensuring compliance with a variety of other legal obligations such as the National Living Wage and the Working Time Regulations. HR professionals often downgrade the significance of effective administration, seeking instead to gain for themselves a more glamorous (and usually more highly paid) role formulating policy and strategy. This is a short-sighted attitude. Achieving excellence (i.e. professionalism and cost effectiveness) in the delivery of the basic administrative tasks is important as an aim in itself because it can provide a source of competitive advantage vis-à-vis other organisations who struggle administratively. Moreover, as Stevens (2005:137) demonstrates, sound administration in HR matters is important to achieve if ‘potential legislative risks’ are to be minimised. It also helps the HR function in an organisation to gain and maintain the credibility and respect that are required in order to influence other managers in the organisation. In this respect it can be persuasively argued that efficient administration is a pre-requisite if the HR function is to make a really significant contribution in the three other areas outlined above.

Reputational objectives

In many organisations, particularly larger companies whose names are synonymous with valuable brands, the need to build and maintain a positive reputation has become a central corporate objective. This need has grown steadily in recent years as the media environment has become increasingly competitive and particularly since the advent of social media which by its nature is very difficult to influence, let alone control. The notion that the HR function should properly be concerned with helping to maintain an organisations wider corporate reputation links up with the ideas both of those who conceive of the HR role as being primarily about effective risk management (see Stevens 2005) and those who take a particular interest in the ethics of HR practices (see Pinnington *et al.* 2007, Klikauer 2014).

In organisations with a high public profile which are obliged to compete hard in order to survive, HR managers can find themselves thinking in risk management terms. Their main role, put simply, is to ensure that the organisation:

- avoids damaging, negative media coverage on account of its employment practices,
- is not required to defend itself in the employment tribunal,
- does not develop an image as a poor employer in its key labour markets,
- retains a good relationship with regulatory authorities,
- avoids disruptive strikes and other forms of industrial action,
- maintains positive relationships with customers and suppliers.

There is a particular need nowadays for managers in private sector organisations to reassure those whose job is to assess the long-term financial viability of the organisation that it is competently managed and is well placed to meet the challenges that lie ahead in both the short and the longer term. This includes fund managers who decide where to invest their clients’ money as well as the financial journalists and advisors who influence them.

The ability to attract and retain a strong management team is central to achieving this aspect of organisational effectiveness as is the ability of the organisation to plan for the future by having in place effective succession planning arrangements and robust systems for the development of the skills and knowledge that will be key in the future. Above all, financial markets need to be assured that the organisation is stable and is thus a safe repository for investors' funds.

The HR function also plays a central role in building an organisation's reputation as an ethically or socially responsible organisation. This happens in two distinct ways. The first involves fostering an understanding of and commitment to ethical conduct on the part of managers and staff. It is achieved by paying attention to these objectives in recruitment campaigns, in the criteria adopted for the selection of new employees and the promotion of staff, in the methods used to develop people and in performance management processes. The second relates to the manner in which people are managed. A poor ethical reputation can be gained simply because an organisation becomes known for treating its staff poorly. In recent years, well-known retailing and fast-food brands in the UK have suffered because of their use of zero-hours contracts and poor levels of pay, while several large multinationals have had their reputations stained by stories in the media about the conditions under which their employees in developing countries are required to work.

WINDOW ON PRACTICE



In 2015 undercover reporters working for the *Guardian* newspaper got themselves jobs in a warehouse operated by the retailer Sports Direct, a company whose approach to HRM had attracted negative publicity in the past. The reporters found that a range of seemingly unethical and potentially unlawful employment practices were in use by managers in the warehouse. They recorded instances of employees being 'fined' fifteen minutes' pay when they were just one minute late for work, of unpaid overtime, mandatory searches of staff leaving the warehouse which took some time and were unpaid. This meant that in practice staff at the warehouse were not being paid the National Minimum Wage. They reported that there was a list of 800 sports brands that employees were not permitted to wear, that workers were harangued by tannoy for not working fast enough, and that 80% of them were employed on zero-hours contracts. The company also operated a 'black mark' system, sacking people who notched up six such marks in any six-month period. 'Offences that could lead to the receipt of a black mark included "periods of reported sickness", "errors", "time wasting, in the form of excessive toilet breaks or chatting", "horseplay" and "using a mobile phone in the warehouse"'. Union officials told them that there was a climate of fear in operation in the warehouse that resulted in staff being too frightened to ask for time off even when their children were too sick to attend school. The story was placed on the front page of the *Guardian* alongside a picture of Sports Direct's owner, Mike Ashley.

The impact of this story was very substantial. Within days, Sports Direct's share price fell by 15%, wiping £600 million off the company's value and it was labelled 'a scar on British business' by the Institute of Directors. MPs raised the issue of the company's





conduct in the House of Commons, announcing that Mr Ashley would soon be summoned to answer questions before a Select Committee.

Sports Direct responded quickly to the allegations, giving its warehouse staff a pay rise and promising to investigate the allegations fully. Mike Ashley released a statement saying that it was now his intention to turn his organisation into the best employer on the high street. Time will tell whether or not this is actually achieved. In the meantime the experience of Sports Direct serves as a cautionary tale for other employers, showing what can happen to a corporation's reputation if it fails to treat its staff properly.

Source: Guardian, December 2015.

Well-being objectives

In the first half of the twentieth century looking after employee welfare was often the major concern of what would now be called HR management, particularly in larger organisations with a paternalistic leadership style. More recently as the function has been keener to stress its strategic credentials, the notion that one of its main functions is to look after employee interests fell out of fashion. HR managers sought to identify much more closely with management objectives and tried to lose their reputation as being part of a function that mediated between management and employees, for example by promoting the interests of an organisation's staff in the boardroom. There now appears to be something of a reversion to a situation in which organisations are keener again to boast of their well-being policies and practices. Macho-management still undoubtedly exists, but its significance tends to be downplayed and whenever possible denied. At the same time the need to be seen to be an employer which is serious about achieving far greater levels of equality and diversity has become standard.

This shift in direction is occurring in response to profound social change and the altered expectations that people have of business organisations and their proper social role. Professionalism and social responsibility have moved from being 'nice to have', fringe activities to ones which are necessary if an organisation is to ensure that it retains public respect. Some of the change has been led by government, for example in requiring all larger organisations to publish information about the gap between the amount they pay their male and female staff. It has also arisen as result of shifts in public attitudes towards, for example, a much greater concern for mental health and the 'me too' movement of 2017 and 2018 heralding the establishment a de facto zero-tolerance towards sexist behaviour on the part of men who hold positions of power and influence in society. It was striking, for example, in 2018 to observe MPs in the UK calling for the establishment of a proper HR function in the Palace of Westminster, not to help achieve any organisational objectives at all, but in order that staff would have somewhere to go to raise concerns about their treatment at work. In the UK we also see evidence of change in the stress the Chartered Institute of Personnel and Development (CIPD) now places on 'improving working lives' in its objectives for the HRM profession.