

Underpinning Theories of HRM

The original notion of HRM had a strong theoretical base. Guest (1987: 505) commented that: 'Human resource management appears to lean heavily on theories of commitment and motivation and other ideas derived from the field of organizational behaviour.' These theories are summarized below.

Commitment

The significance in HRM theory of organizational commitment (the strength of an individual's identification with, and involvement in, a particular organization) was highlighted in a seminal Harvard Business Review article by Richard Walton. The traditional concept of organizational commitment resembles the more recent notion of organizational engagement

Organizational behaviour theory

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

Motivation theory

Motivation theory explains the factors that affect goal-directed behaviour and therefore influences the approaches used in HRM to enhance engagement (the situation in which people are committed to their work and the organization and are motivated to achieve high levels of performance).

AMO theory

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

From control to commitment – Walton (1985: 77)

Workers respond best – and most creatively – not when they are tightly controlled by management, placed in narrowly defined jobs and treated as an unwelcome necessity, but, instead, when they are given broader responsibilities, encouraged to contribute and helped to take satisfaction in their work. It should come as no surprise that eliciting commitment – and providing the environment in which it can flourish – pays tangible dividends for the individual and for the company.

The Concept of Human capital theory

Human capital theory is concerned with how people in an organization contribute their knowledge, skills and abilities to enhancing organizational capability and the significance of that contribution.

Resource dependence theory

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

Resource-based theory

Resource-based theory states that competitive advantage is achieved if a firm's resources are valuable, rare and costly to imitate. HRM can play a major part in ensuring that the firm's human resources meet those criteria.

Institutional theory

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

Transaction costs theory

Transaction costs economics assumes that businesses develop organizational structures and systems that economize the costs of the transactions (interrelated exchange activities) that take place during the course of their operations.

Agency theory

Agency theory states that the role of the managers of a business is to act on behalf of the owners of the business as their agents. But there is a separation between the owners (the principals) and the agents (the managers) and the principals may not have complete control over their agents. The latter may therefore act in ways that are against the interests of those principals. Agency theory indicates that it is desirable to operate a system of incentives for agents, ie directors or managers, to motivate and reward acceptable behaviour.

Contingency theory

Contingency theory states that HRM practices are dependent on the organization's environment and circumstances. This means that, as Paauwe (2004: 36) explained: The relationship between the relevant independent variables (eg HRM policies and practices) and the dependent variable (performance) will vary according to the influences such as company size, age and technology, capital intensity, degree of unionization, industry/sector ownership and location. Contingency theory is associated with the notion of fit – the need to achieve congruence between an organization's HR strategies, policies and practices and its business strategies within the context of its external and internal environment. This is a key concept in strategic HRM.

Reservations about the original concept of HRM

On the face of it, the original concept of HRM had much to offer, at least to management. But for some time HRM has been a controversial topic in academic circles. The main reservations have been that HRM promises more than it delivers and that its morality is suspect:

- Guest (1991: 149) referred to the 'optimistic but ambiguous label of human resource management'.
- 'The HRM rhetoric presents it as an all or nothing process which is ideal for any organization, despite the evidence that different business environments require different approaches' (Armstrong, 2000: 577).

- HRM is simplistic – as Fowler (1987: 3) wrote: ‘The HRM message to top management tends to be beguilingly simple. Don’t bother too much about the content or techniques of personnel management, it says. Just manage the context. Get out from behind your desk, bypass the hierarchy, and go and talk to people. That way you will unlock an enormous potential for improved performance.’
- The unitarist approach to employee relations implicit in HRM (the belief that management and employees share the same concerns and it is therefore in both their interests to work together) prompted Fowler (1987: 3) to write: ‘At the heart of the concept is the complete identification of employees with the aims and values of the business – employee involvement but on the company’s terms. Power in the HRM system remains very firmly in the hands of the employer. Is it really possible to claim full mutuality when at the end of the day the employer can decide unilaterally to close the company or sell it to someone else?’
- HRM is ‘macho-management dressed up as benevolent paternalism’ (Legge, 1998: 42).
- HRM is manipulative: Wilmott (1993: 534) asserted that, ‘any (corporate) practice/value is as good as any other so long as it secures the compliance of employees’.
- HRM is managerialist: ‘The analysis of employment management has become increasingly myopic and progressively more irrelevant to the daily experience of being employed. While the reasons for this development are immensely complex it is primarily a consequence of the adoption of the managerialist conception of the
- discourse of HRM’ (Delbridge and Keenoy, 2010: 813).

HRM today

These are valid concerns but the more important messages of HRM, such as the need for strategic integration, the desirability of gaining commitment, the virtues of partnership and participation and the key role of line managers are now generally accepted. However, the increasing emphasis on the business partnership role of HR at the expense of its function as an employee champion has been rightly criticized (Keegan and Francis, 2010). But the underpinning theories are as relevant today as they ever were.