# 5

# MANAGING HUMAN RESOURCES
## DIVERSITY, SELECTION, RETENTION

## LEARNING OBJECTIVES

This chapter is designed to enable you to:

- describe the origins and meaning of human resource management
- understand the key concepts in human resource management and how they affect organizational practice and performance
- understand the main methods and approaches to recruitment, selection, retention and development used in the main functions of human resource management
- describe the 'hard' and 'soft' approaches to human resource practices and policies
- appreciate the role of government in influencing human resources policy.

## ' BEFORE YOU GET STARTED…

Some words from a Marx Brother:

> I don't care to belong to a club that accepts people like me as members.
> (Groucho Marx)

## INTRODUCTION

'Why do you want to work for us?' It is likely that almost all of us will be faced with this uninspiring question at least once in our working lives. Other typical questions include: 'What are your strengths and weaknesses?', 'Why did you leave your last job?', 'Can you work as part of a team?', and so on. These questions are not simply friendly banter: they are underpinned by specific intentions. Think for a moment: why would a possible future employer ask you these things? It is not because they want to date you (well, usually not!). It is because they want to determine if you are the right person for the job. Having the 'right' people is one of the most critical success factors for any organization. Given that staffing is one of the biggest costs in any organization, it is therefore not a surprise that so much money, time and effort are spent on attracting, selecting and retaining the right people in organizations. Once the domain of large corporations, an increasing number of small- and medium-sized organizations are finding it necessary to invest in human resources (HR) departments and professionals.

**Human resource management** (HRM) concerns a broad range of practices and processes that include:

**Human resource management (HRM)** is the process and practice of managing and advising management on the recruitment, selection, retention and development of staff in an increasingly complex legal and social environment, with the aim of achieving the organization's objectives as they are made sense of by its managers or consultants.

- attracting and selecting employees in line with the strategic direction and intent of the organization

- managing and facilitating the career development and advancement of employees

- dealing with and keeping abreast of current rules, laws and legislation in industrial relations and other policy areas such as occupational health and safety legislation, equity and diversity, and anti-discrimination laws

- ensuring that there are uniform procedures and company HR policy information available to staff and management on all aspects of employment.

Most large organizations will have a department dedicated to human resources. However, most people work in small- to medium-sized organizations, many without a HR department. The HR manager in small organizations is usually also the business owner, manager or supervisor, typically with a wider span of duties and responsibilities and a much smaller HR budget. Even so, many of the HR challenges that large businesses face are the same as those that face small businesses. For example, it is just as important that a small business is able to attract and retain talented staff. More importantly, in the case of workplace accidents, where employer negligence is involved, it can often be easier for government departments and legal entities to pursue the small-business owner than large-company executives. Moreover, there is little doubt that organizations that have strong, well-managed and well-run HR departments outperform those that do not.

WATCH THIS
TED TALK

In this chapter, we will explore the contextual aspects of HRM that shape the way people are recruited, selected, retained and treated once on board the organization. HRM is a complex and difficult part of organizational practice: HR managers and their teams must understand a plethora of government laws, rules and regulations in areas such as equity and diversity (anti-discrimination

and affirmative action), occupational health and safety, and industrial relations laws (both domestic and international). Not only must HR managers be knowledgeable about all these things, they must also have a strong awareness of what is happening in society – for example, generational differences are believed to have major influences on why and how people work. Knowing all these things, and transforming all this knowledge into understandable, easily accessible and practical information, is easier said than done.

If you were to ask any executive or business owner what they find most challenging in running their organization, it is likely that they would respond that finding and selecting the right staff is one of the biggest challenges. However, once you find people, you need to keep them. Herein lies one of our biggest challenges as managers – how do we actually keep people? A good HR manager will ensure practices, processes and policies exist that maintain the interest of employees and provide opportunities for staff development. So, we will focus on the areas of recruitment, selection, retention and development of staff; but, first, let us delve a little deeper into the history and main themes of HR.

## HR ORIGINS

HR practices have been studied implicitly by anthropologists for over two centuries as they investigated work practices in ancient times. For example, it has been found that many Anglo-Celtic people were named after what they did for a living – Smith, Cook, Miller and Taylor are not simply surnames but also job titles: people were, quite literally, what they did for a living.

In ancient times, people often did the same job for life: sometimes they were born into a trade and often people would follow in their father's footsteps. Some jobs required a lifetime of learning, practice and experience before they could be mastered and young people would enter apprenticeships where they would receive close mentoring. In many respects, apprenticeships have changed very little over the centuries and the model used to train people has remained strong. Young stonemasons, jewellers, glassmakers, chefs and other craftspeople were bound to their masters through apprenticeships, often having to live with their employers until they mastered their trade. Today, the apprenticeship system of staff training and development remains. Even in academia, if you intend one day to be an academic you will find the apprenticeship model is alive and well when you do a PhD.

### HRM GROWS UP

The *theory/study* of HRM is relatively new as a discipline in its own right. HRM was introduced as an area of study as part of the Harvard University MBA and later at the Michigan Business School in the 1980s. Often, you will hear people refer to 'hard' and 'soft' HR models; in reality, they are inadvertently referring to the Michigan and the Harvard schools of HRM respectively. The notion of 'hard' and 'soft' approaches to HRM is an integral component of all HRM practices, so it is important that we appreciate and understand what is meant by these two terms. To comprehend fully these two HRM schools of thought and to understand the meaning of the terms 'hard' and 'soft', let us

look at two seminal approaches – Frederick Taylor's scientific management and Elton Mayo's human relations approaches to management (both approaches are discussed in greater detail in Chapter 9). More so than most topics in this textbook, HRM is underpinned by variations of scientific management or human relations approaches – especially in regards to staff training and development, and performance measurement and reward. While we cover these topics in greater detail shortly, they are important underlying concepts in HRM theory and practice. Table 5.1 summarizes the key points of both approaches to HR practice.

These two underlying themes of soft and hard HR practices can be seen in the Harvard and Michigan models. The models can also be matched to Douglas McGregor's conception of Theory X and Theory Y orientations to managing people (see Chapter 4 for more details). Theory X refers to managers who take a hard orientation towards managing and motivating people at work, and Theory Y refers to leaders who take a soft orientation (Pitsis, 2008a, 2008b).

**TABLE 5.1** Hard and soft HRM practices and philosophies

| HRM practices | Hard | Soft |
|---|---|---|
| Assumption about managing people | Staff will work to rule if not managed correctly. Emphasis is on the individual and on management control. People are a specific kind of resource and should be managed as such. Emphasis is on the strategic match of people to the organization's objectives | Staff are looking for self-fulfilment and meaning in work that comes from social relations. Emphasis is on teamwork and participative collaboration. Management should focus on creating fulfilling and meaningful workplaces that encourage autonomy and self-management. People are assets. Emphasis is on the value of viewing the organization as comprised of multiple stakeholders, staff being one of these interested stakeholders |
| Selection orientation | Selection should focus on the best people for the task. The emphasis is on the fit between person and task | Selection should focus on people who can enhance the organization and bring in new knowledge and expertise. More important than the fit between people and task is the fit between person and organization |
| Retention orientation | The retention of staff is less important than maintaining productivity and efficiency. Low-level jobs are easier to fill, so staff retention is not an underlying concern | Retention is achieved through building social networks in the organization. Commitment to and identity with the organization are critical |
| Training and development orientation | People must receive the best training specifically for the task at hand, but all training and development must be specific to the task. The best training available should be used on the best people | Personal and organizational development is key. Using the knowledge and intellect of staff will benefit the organization. If people are not right for the task, design tasks or find them jobs that are right for them |

| HRM practices | Hard | Soft |
|---|---|---|
| Performance orientation | Management ultimately drives and sets performance outcomes. Almost always measured at the individual level and always on the meeting of specific job-related outcomes. Poor performance is due to poor management control of employees | Performance outcomes are usually decided as a team. Performance evaluation is measured not only on task performance but on the ability to work as a team player. Hence, tasks that are not directly related to the specific job might also be part of measured performance outcomes, e.g. social responsibility by volunteering time to charity events |
| Motivation orientation | Theory X orientation: mainly extrinsic rewards, such as monetary rewards in the form of bonuses paid for exceeding set targets. Time in lieu also used as a motivator (also see Chapter 4) | Theory Y orientation: mainly intrinsic rewards such as promotion, recognition and opportunities for self-development, self-actualization and self-management (also see Chapter 4) |
| HR model | Michigan model | Harvard model |
| Alignment to management philosophy | Scientific Management (i.e. Frederick W. Taylor) | Human Relations (i.e. Elton Mayo) |

*Source*: Adapted and extended from Price (2004). Reproduced by permission of Cengage Learning EMEA Ltd.

In the **soft model** of HRM, it is assumed that work is an integral part of life and should provide a fulfilling, empowering and positive experience for people. People will be attracted to jobs that provide opportunity for growth and advancement; they will stay in jobs that invest in them as valuable assets.

In the **hard model** of HRM, it is assumed that people do not want empowerment: they simply want to be told what is required of them, given the resources and training to achieve these requirements, and be remunerated if they go beyond those requirements. People will be attracted by good pay, clear objectives and unambiguous job duties.

Before considering the main functions of HRM, let us cover one very important concept underpinning HRM practice – 'humans' as 'resources'. The online encyclopaedia, Encarta, describes resources in a number of ways. Two of the most interesting and most commonly shared ideas of resources are:

- **backup supply** – a reserve supply of something, such as money, personnel or equipment

- **corporate assets** – any or all of the resources drawn on by a company for making profit, e.g. personnel, capital, machinery or stock.

On the face of it, these definitions look benign. However, we need to deconstruct their meaning and origins. When we take a closer look at the 'reserve supply of something', in our case the 'something' refers to personnel. As a corporate asset, personnel are used 'by a company for making profit'. Personnel are of course humans, or more precisely human resources, yet it can sound as though they are merely an item on a corporate shopping list, along with other items such as money,

The **soft model of HRM** takes a humanistic approach; typically soft HR managers have a Theory Y orientation, which emphasizes that people are intrinsically motivated.

In the **hard model of HRM** managers tend to have a Theory X orientation and believe that most people would rather not be at work; for this reason, management monitoring and control are integral, and typically extrinsic rewards such as pay raises and bonuses are used.

equipment, capital, machinery and stock. One could imagine a large warehouse somewhere, full of pencils, pens, envelopes and boxes of copy paper, and, just below that, perhaps some nicely packaged humans. Of course, we are only joking, well sort of – most organizations do store people in a warehouse (offices) for a large part of the day (a fate awaiting most of us). However, the concept of humans as resources has very important implications for the notion of HRM because there are some very basic assumptions underpinning the notion of humans as resources.

Historically and abhorrently, some humans were thought of as resources that could be bought and sold as slaves and for hundreds of years slavery was the most profitable trade in the world economy. Indeed, the British, French and Dutch prospered greatly from the slave trade. Sadly, slave labour still exists today across the world.

It was not only the slave trade that reinforced the treatment of humans as nothing more than resources. The wealthy industrialist classes in the UK, France, Germany, Spain, the Netherlands and other capitalist nations helped to create a large working class. Economies were structured in terms of a division between the owners of capital and those whose only resource was the ability to provide their labour power by renting some of their time and labour to a capitalist for a wage.

At this time, many nations saw an increase in the union movement, as unions were created to counter the increasing power of industrialists and owners of capital, and to ensure a fair wage for a fair day's work. Unionists believed that the main aim of union organization was to ensure that humans were not treated simply as resources but as human beings with lives, families, aspirations, and so on. For many in management, and some management theorists – including those within both the scientific management and the human relations schools – unions were seen as more of a source of disruption and conflict in organizational life.

One might be sceptical about the intentions of HRM and its role in people's – those human resources – working lives. You do not have to search far or wide to experience cases of people being treated as nothing other than a resource. Often, companies pursue programmes of mass redundancies in order to influence stock market prices and every day there are cases of unfair dismissal, discrimination and exploitation, even in some of the biggest and most successful companies.

Yet, while it is certainly true that the exploitation of people occurs on a day-to-day basis, it is also true that many organizations proclaim that their people are their greatest asset: mainly because it is true. Some of these companies have experienced phenomenal growth, even in times of great competition and challenge, and we will visit some of these throughout this chapter. The point to be made here is that the desire to treat humans as valuable 'assets', rather than as expendable 'resources', gives HRM a very important role within organizations – especially as unionism continues to decline, partly in the face of governments' aggressive neo-liberal economic policies on industrial relations which privilege individual over collective contracts. So, it is time now to visit the HRM core functions that are central to the success and growth of organizations.

## HRM IN PRACTICE: THE CORE FUNCTIONS

The core HRM functions have the potential to influence significantly the performance and outcomes of organizations (Becker and Gerhart, 1996). HRM is more than simplistic and cost-efficient bureaucratic ways of finding, hiring and

monitoring the performance of people; the HRM functions should be active and central to innovating and meeting the greatest challenges facing all organiza- tions' quest for talent (Björkman et al., 2014; Boudreau and Lawler, 2014). In this chapter, we provide you with an easy to read and understand introduction to the core HR functions. We do so because understanding these functions, as a manager, is very important as it provides you with knowledge that will comple- ment the people and organizational management skills and knowledge that you are acquiring as you study. So, now let us focus on the recruitment, selection, retention and development of people in organizations.

## RECRUITING PEOPLE

Demographic changes associated with globalization, migration and genera- tional changes have critical implications for the ability of employers to attract talented, qualified staff to their organizations, especially as the demand for talented and qualified staff is global. No longer are organizations compet- ing against only their local competitors for staff, they are competing against large international corporations and international governments offering the promise of higher standards of living, higher wages and career prospects. As jobs are going global, so too is recruitment and it has become a multi-million dollar business. In addition, sustained global economic growth has created staff shortages in several countries' sectors. This applies in the case of white- collar knowledge workers and blue-collar (trade) workers, which includes plumbers, electricians, chefs, firefighters and police officers. Furthermore, as with the selection stage, one should pay particular attention to the relevant equity and diversity acts, laws and legislation when recruiting. As such, one of the critical aspects of effective HRM is the ability to design appropriate **recruitment** methodologies.

The process of recruitment requires that the organization and the HR manager know what they are looking for in terms of skills, knowledge and capabilities and that these things match what is required for the job. Importantly, effective recruitment should be targeted appropriately.

The Uncle Sam poster is one of the most recognizable images, if not all over the globe, then definitely in the English-speaking world. Indeed, every nation has its version of Uncle Sam, such as the old COO-EE! posters used in Australia and 'The 'Empire Needs Men' posters from the UK for the First World War. These posters were integral to the recruitment of men into the army at a time when many young people were being killed in the war, and many more were needed to wage a 'total' war, thus recruitment was crucial.

Today, HR managers and departments have a variety of tried and trusted recruitment strategies at their disposal. These include job ads in local, city, sub- urban, national and even international newspapers, recruitment and employment agencies, government employment agencies, the Internet and e-recruitment web- sites, internal communications, specialized industry publications and associations, through to personal and social networks and networking (Twitter, Instagram, LinkedIn, etc.), word of mouth, and even via serendipity (that is, by good fortune). In the recruitment stage, the applicant is provided with a realistic job preview (RJP). This specifies critical, essential and desirable job criteria. The unique

**Recruitment** refers to the processes and practices used to attract suitable employees to the organization. It involves searching for and obtaining potential job candidates in sufficient numbers and quality so that the organization can select the most appropriate people to fill its job needs (Shen and Edwards, 2004: 816).

aspect of the RJP is that the employer lists both positive and negative aspects of the job. More recently, innovative multimedia approaches have been used, such as video or YouTube presentations, to provide a realistic sense of what working in the target job would be like. Incumbents present both the positives and negatives about the job and the applicant is provided with first-hand experience of the ins and outs of the working environment(s). The RJP provides the applicant with detailed glimpses into the job and so it is likely that being transparent about the virtues and less virtuous aspects of the job ensures that the successful applicant knows what to expect (Adler, 2011; Boyce et al., 2013). In other words, the RJP creates a strong psychological contract between the new employer and employee because it is based on reality rather than on false information (Adler, 2011; Guest, 2004; Robinson et al., 1994). Realistic job previews have been shown to correlate with low staff turnover and to increase productivity compared with other methods of recruitment (Hom et al., 2017; Phillips, 1998; Weiss and Rupp, 2011). The more realistic the previews are, the better the results – for example, the more accurate and detailed the rewards of the job are, the better the outcomes such as the quality of candidates applying and their perceptions of person–job fit (Verwaeren et al., 2017).



**IMAGE 5.1**    We want you as a new recruit!

## IN PRACTICE

**B**elow is an example of a job–duty statement with key selection criteria. Assuming you were going to apply for this position, how would you respond to the criteria? The more essential and desirable criteria you can account for in your application, the better the chance of being shortlisted. However, you would still need to perform well in interviews and other possible selection hurdles (for example, doing a teaching presentation to faculty). When responding to such criteria, a common error people make is to simply repeat the criteria, when it is advisable to give clear examples to substantiate your claims.

# Key selection criteria – academic staff

## UTS: human resources

Senior Lecturer in Organizational Behaviour

### Skills and attributes

- Ability to work in a team.
- Good oral and written communication skills.
- An enthusiasm for research and teaching.
- Good rapport with students, staff and members of the community.
- Flexibility as regards patterns and location of teaching (days, evenings, block release at either or both campuses or in off-campus settings).
- Capacity to develop industry links and obtain research funding.

### Knowledge

- Demonstrated knowledge of management and organizational behaviour theory and practice.
- Practical knowledge of management and the principles of organizational behaviour.
- An understanding of and ability to apply the principles and practices of effective teaching.
- An understanding of and ability to apply equal opportunity in the workplace.

### Qualifications

- Doctoral degree in management or a related discipline.

### Experience required

- Teaching experience with evidence of good teaching performance.
- Evidence (such as research papers) of a capacity to undertake high-quality research that will lead to journal publications in the field of management and organizational behaviour.
- Demonstrated capacity to contribute collaboratively to at least one of the research strengths of the School of Management.
- Experience in teaching in the area of leadership and/or management consulting is desirable.
- Well-established research and publication record in the field of management/ organizational behaviour, including evidence of publications in high-quality, refereed international journals.

## SELECTING PEOPLE

In reality, **selection** and recruitment are not entirely distinct functions. Both require high levels of synthesis between: (a) the nature of the job(s) being filled; (b) the skills, qualifications, capabilities and attributes required of the prospective employee(s) and (c), the skills, qualifications, capabilities and attributes of the people available in the job market. Where recruitment concentrates on attracting the right person for the job, selection concentrates on choosing the right person based on a range of selection techniques and methodologies.

In order to aid selection, the HR manager will ensure that a clear job–duty statement has been written. Job–duty statements must include a list of the essential criteria and desirable criteria required or expected of the applicant. The essential criteria are those aspects of the job – the knowledge, skills, expertise, abilities and capabilities – critical to the job's performance. The desirable criteria are those extra aspects that, while not critical, are looked upon favourably by potential employers.

With well-designed job–duty statements, applicants are able to ascertain whether they would be appropriate for the position. They then have to demonstrate that they are the ideal candidate by writing a job application in which they address each and every criterion specifically and with practical examples – in this example, not just by saying 'I do lots of research, and I enjoy it so I am a really good researcher'. Rather, the applicant would write something like:

> As demonstrated by my publications in journals such as *Organization Science*, *Organization Studies* and *Journal of Management*, my best research paper awards at the Academy of Management, as well as my papers under current or second review in journals such as *Academy of Management Review*, *Human Relations* and *Journal of Organizational Behavior*, I am able to publish research in reputable journals of significant impact. My first publication in *Organization Science* investigates … blah blah blah.

Applicants should address each and every essential and desirable criterion in detail in order to demonstrate that they clearly meet the criteria.

The essential and desirable criteria: (a) help the potential employer to develop a set of measures, or weights, in order to rate and rank a potential employee and (b), give potential employees an indication of how well they might fit the job. The better the applicant is able to articulate how they meet those criteria, the more 'ticks' they get. For jobs where several candidates apply with similar qualifications, experience and performance outcomes, the task of selection becomes more difficult. A number of selection tools and techniques are available that aid the process of selecting appropriate candidates. These tools include:

- *The job application*: Unless the job applicant is applying from within the organization, the job application is usually the very first contact a prospective employee will have with their potential employers. The good job application usually includes: (a) a letter covering the applicant's key strengths and highlighting achievements; and (b) a curriculum vitae addressing the essential and desirable criteria, as well as

including relevant biographical data such as educational and work history, membership of professional associations, as well as extracurricular activities such as volunteering, sports, and so on. Of course, there is the possibility that people will exaggerate their successes in résumés. As a result, security and information checks are now becoming big business, which adds to the cost of the selection process.

- *The job interview*: Successful applicants usually receive a telephone call, a letter or an email stating that they have been shortlisted for the position and are invited to attend an interview. Some organizations also let applicants know if they were unsuccessful, but many do not because of the volume of applications. The job interview is almost always formal, with prepared questions, and usually includes an interview panel. The questions will always centre on the core aspects of the job. For example, assume we own a marketing company and we are interviewing two people for the position of marketing manager. After reviewing our essential criteria, we developed a range of questions aiming to highlight the applicant's knowledge, experience and abilities in both marketing and managing projects. Let us say a critical criterion of success in marketing management is the ability to meet tight deadlines. We would ask these people for concrete examples of how they meet deadlines under pressure, as well as how they prioritize deadlines. Now let us say the first person answered, 'Well, I was at university and I always handed in my assignments pretty much on time', and the second person said, 'Well, last year I was handed two major accounts by my boss; both were scheduled for completion in the same week. So I met with both clients over lunch and we discussed their expected outcomes. I used reverse planning and carefully implemented a number of contingency plans along the way.' Who would you employ? (Hint – it is not the first person!)

- *Tests and measurement*: Increasingly, organizations are using more advanced and some would say invasive tests. Most of us will be expected to do one test or another at some stage in our professional careers. Tests include personality tests such as the Big Five Personality Factors (see Chapter 3), intelligence tests, tests of general aptitude and cognitive abilities, psychometric tests, even mental health tests. In some organizations, people undergo bio-feedback, lie-detection tests, even DNA and drug tests, and today a number of knowledge-intensive companies (i.e. consultancies) conduct a whole range of selection methods.

Research suggests that the use of such selection tools is a good predictor of performance of staff (Borman et al., 1997), especially so when multiple selection tools – what is now increasingly called multiple hurdles – are used appropriately (Mendoza et al., 2004). Moreover, both qualitative and quantitative techniques are useful in selecting staff, as long as the tools are well designed and appropriately used (Ehigie and Ehigie, 2005). Some organizations now use a range of innovative techniques such as 'role plays' and other simulation exercises to select staff. Some

READ ABOUT
SELECTION
METHODS

even use approaches similar to those used in the popular television show *The Apprentice*, where Donald Trump or Lord Alan Sugar places a number of young 'talented' people through a series of gruelling situations until they are left with the successful candidate. However, there are some real challenges facing organizations in the use of such tools because such tools tend to focus on standardizing people based on assumptions of homogeneity (sameness) in a world of diversity (Newell and Tansley, 2015), and even the nature of the environment such as its stability or volatility can impact the benefits of multiple recruitment techniques (see Kim and Ployhart, 2018).

We therefore cannot leave this topic without raising some serious questions about selection tools. The first concerns equity and diversity. Organizations have been successfully sued because their selection techniques were judged to be discriminatory against certain people (Holly, 2003; Landy, 2005). For example, intelligence tests have been shown to have a cultural bias; additionally there are also issues of English-language skills, education levels, and so on. If a person can show they were discriminated against because of the selection tools used, this can be very expensive for the company (Gardiner and Armstrong-Wright, 2000; Landy, 2005). Second, measurement and testing explicitly involve the total subjugation of the individual to strangers – sensitive and powerful information is collected on people, before they are even members of the organization. In this sense, there are some serious ethical questions that need to be asked about how personal information is used, shared, stored and destroyed. While the topic is becoming of increasing interest, there is still a dearth of research and literature, which should be a general concern to all people using such approaches, especially in global contexts (Newell and Tansley, 2015; Ryan and Ployhart, 2014), and particularly as we try to find and attract people who are innovative and will offer something different that could be the difference between success and failure (Boudreau and Lawler, 2014).

## IN PRACTICE

### Online? Employers are watching you!

Do you use Instagram, Twitter, Facebook? What you post can one day come back to haunt you because employers are increasingly checking out your social media profile and your posts. Read this excellent opinion piece by Jonathan Margolis from July 2017 in the *Financial Times*: 'Be careful with social media – employers are watching' www.ft.com/content/5b8bb3b0-6aca-11e7-b9c7-15af748b60d0

After reading this piece, what do you think about employers looking at your social media to determine whether you should be recruited or not? Discuss this with your friends and classmates. What do they think? Clearly, what we do today, even as relatively free college or university students or as private citizens, can have implications for us in the future when we use social media as a form of communicating.

## RETAINING AND DEVELOPING PEOPLE

If the right people have been appointed by the HRM process, then it is crucial that they should be **retained** and allowed opportunities for **staff development**.

This final HRM function addresses the processes and practices of retaining and developing an organization's best assets – its people. In most industrialized countries, it is now generally well recognized that employers can no longer offer job security and so a range of retention and development methods will prove the key not only to retaining and developing talent but also to attracting talent to the organization (Lawler, 2005). Indeed, staff will actively seek out and participate in training and development when jobs are challenging and the organization values career progression (Tharenou, 1997) and in turn, investment in retaining and developing people through training and development, for example, can aid knowledge transfer and organizational learning that benefits the organization (Sprinkle and Urich, 2018).

There are two interrelated aspects to retention and development: retention consists of the methods and approaches used to keep talented people in the organization in some way – such as awards, promotions and remuneration; development concerns the methods and approaches used to enhance, transform and better utilize staff knowledge, skills and capabilities – such as training, mentoring and education.

In an organizational context, developing people most often means providing them with training and education that assists them in entering and finding their way around the organization and familiarizing them with the job (*orientation*); skills training that aids in learning and updating skills required for the technical aspects of a job; and management or leadership development programmes that help develop employees' managerial and leadership skills. Such forms of development can be via on-the-job training, which includes coaching, apprenticeship and mentoring programmes; off-the-job training, which includes formal courses and programmes, delivered in-house or by independent training and education institutions, as well as online and through other training and development methods such as role plays, scenarios, and so on.

**Retention** refers to the practices and processes used to retain staff, and often includes **staff development**, which refers to the procedures and policies designed and implemented to enhance and update the skills, knowledge and capabilities of staff in relation to their career and their job.

## WHAT WOULD YOU DO?

**C**onsider a scenario in which the company you work for pays less than the competitors; however, it has an excellent reputation for corporate social responsibility (CSR) or 'doing good'. You are offered a promotion and pay rise by a competitor with fewer CSR credentials and reputation. Would your current employer's approach to corporate social responsibility make you more likely to want to stay, or would the prospect of more money and a promotion make you leave? Think about it for a few minutes; maybe even discuss it with your classmates or study group if you have one.

According to research by Tim Devinney and his co-authors (2015), a company's CSR reputation was less important for potential job applicants than remuneration, time demands and salary: so it is more likely than not that you would go for the better paying job and promotion. Of course, we should point out that Devinney et al.'s study was on MBA students' preferences; those who might be working in an organization with excellent CSR credentials might answer in a very different way. What do you think?

**WHAT WOULD YOU DO?**

In a similar vein, distinguished Professor Edward E. Lawler III argues that organizations should forget about loyalty contracts and instead move towards 'value propositions' that are tailored to the types of employees being sought, and also promote continued development and improvement in order to sustain one's edge. Through the use of value propositions, Lawler believes organizations should strive towards virtuous spirals in their HRM practices and processes:

> Organizations need to offer skills and a performance-based substitute for the loyalty contract that motivates selective retention and high performance. It needs to stress that continued employment is based on performance and having the right skill set for the organization's business strategy. It also needs to stress that people are rewarded for performance and skill development. When this is translated into the right combination of reward system practices, people will be motivated to excel and those who excel will be motivated to stay because they will be highly rewarded. This is the foundation of the virtuous spiral, in which both sides win and create success for each other. (2005: 14–15)

Lawler identifies some organizations that have promoted the virtuous spiral. These include Microsoft and Procter & Gamble in which large stock options are provided to employees, as well as generous professional and self-development programmes. Southwest Airlines has long been a preferred employer. Southwest was one of the only airline companies in the USA to thrive in the face of a downturn in air travel and chaos post-9/11, a time that saw major airlines file for bankruptcy – including United Airlines and American Airlines.

Many organizations realize the importance of play at work and space in which to relax. Google is renowned for attracting some of the brightest minds from all over the world from a range of professions such as computer programmers, designers, marketers and even philosophers. It retains the best staff by offering them work that is challenging, fun and also in line with the values of sustainability. Imagine working somewhere where you can take your pets, eat for free, play during work times and even have a nap when you want, as Google's corporate website demonstrates.

Of course, one has to be extremely careful regarding the type of value propositions that companies such as Google try to create and reinforce through 'virtuous' spirals. By way of experiment, look at images of Google on their website: what kinds of people do you think it would attract? What sorts of people do you think it is looking for? Back in 2004 Google had an age discrimination suit filed against it, and the suit focused on the 'youthful' corporate culture branded by the organization and reinforced through its HR practices. A former Google executive claimed wrongful termination because he did not fit in with Google's youthful culture (Shah and Kleiner, 2005). Google won the case in 2006, but the man appealed and the alleged claims about age discrimination at Google will not die down easily (see the article 'Google to hundreds claiming age discrimination: you can't fight us together' by Ethan Baron in *The Mercury News*, 3 May 2018). The lesson is that those very things that are designed to attract and retain certain types of talent can sometimes result in litigation (Hurley-Hanson and Giannantonio, 2006). According to Lawler:

> organizations that link skill development with continued employment – and rewards with performance – handle change more effectively than others. In a sense, you might say that they create 'mobile' human capital; people

who realize that they must continue to learn, develop, and perform in order to maintain their positions and careers. Today, organizations need mobile capital. Getting stuck with obsolete human capital is just as big a negative as getting stuck with outdated equipment and materials. (2005: 15)

Such claims are all well and good but one should be extremely careful in referring to humans as obsolete capital – perhaps the former Google executive felt he was deemed obsolete capital because of his age? Fortunately, Google, in many ways and with very few exceptions, is an exemplary organization with excellent working conditions, training and development programmes, employee benefits and remuneration (Effron et al., 2003; Menefee et al., 2006).

Much of Lawler's early arguments concerning HR were underpinned by the economics of Milton Friedman, in particular that an organization must ensure that making money is its first and most critical objective; employees should only be retained if they fit such a value proposition. More recently, however, Lawler and his colleagues have moved entirely away from the arguments that organizations should be driven by performance at the expense of sustainability and corporate social responsibility, going as far as to argue that there needs to be a complete 'reset' in management thinking in relation to what constitutes performance (Lawler et al., 2011: Ch. 1). Of course, many of us in the Critical Management Studies and Positive Organizational Studies fields have been arguing this for years (so we commend Professor Lawler for his 'reset').

Inherent in arguments about training and retaining staff is the principle that the organization should only seek to retain staff that are deemed talented and worth the effort (no obsolete human capital allowed here!) and develop staff that will be willing to increase effort and performance. Of course, this begs the question of the measurement of performance. Performance measurement/evaluation is one of the most difficult things to do because there is no consensus on defining performance. Moreover, as many jobs move away from manufacturing or producing goods, in favour of knowledge work and service provision, it becomes increasingly difficult to conceptualize and operationalize performance and much work still has to go into considerations of the validity and especially the ethicality of performance appraisal. To be sure, we are not saying that performance measurement and appraisal will not work: indeed, there is evidence to suggest it can (Schleicher et al., 2017; Smither et al., 2005). Rather, we are saying that how it works may not be a reliable measure and basis upon which to reward and retain staff (Atkin and Conlon, 1978). Table 5.2 outlines some of the more common appraisal systems used and some of their more common shortcomings.

## EXTEND YOUR KNOWLEDGE

Those of you interested in a relatively up-to-date review of the current state of play in performance management and appraisal will gain a lot of value out of this article by Deidre Schleicher and her collegues: Schleicher, D. J., Baumann, H. M., Sullivan, D. W., Levy, P. E., Hargrove, D. C. and Barros-Rivera, B. A. (2017) 'Putting the system into performance management systems: a review and agenda for performance management research', *Journal of Management*, 44 (6): 2209–45. You can find this at the companion website https://study.sagepub.com/managingandorganizations5e

**READ THE ARTICLE**

**TABLE 5.2**    Common performance appraisals, their use and their limitations

| | | |
|---|---|---|
| Performance appraisal interview | Very common. This is used as a formal session where the employee meets with their supervisor or manager to discuss the employee's work plans for the next reporting period and their performance over the previous reporting period. In this session, they will agree on certain performance outcomes on given tasks and duties, the employee's weaknesses and strengths, and desires and intentions for development and training, and will often include a question on perceptions about management and supervisors. An appraisal will be given in terms of whether the employee is progressing well or has certain limitations and weaknesses, as well as recommendations for development and growth | • Evaluations can be open to halo effects where evaluations are tainted by an emphasis on one or two talented individuals rather than on the specific performance of the individual being appraised<br><br>• Errors and bias can occur if the person evaluated is attractive or a member of the in-group (friends) or out-group (foes)<br><br>• Can be used as a political tool for pushing problem or difficult people out of the organization rather than as a true appraisal of performance<br><br>• Supervisor may not have sufficient knowledge and training to conduct interviews, nor possess sufficient knowledge about the employee's job and tasks |
| 360° and 180° feedback | The least common approach. It involves a survey completed by the employee and a range of people, including peers, direct reports (180°) and subordinates (360°) and can also include customers and other stakeholders. The survey provides multiple ratings and multiple evaluations on the target person's performance at work. Often, these measure the ability to manage and deal with people, job knowledge, competence, strengths and weaknesses, and so on | • Can be biased towards overtly positive ratings or overtly negative ratings<br><br>• Can sometimes cause conflict and resentment as, while 360° feedback is anonymous, the target often guesses or thinks they can guess who provided the ratings. Can sometimes even lead to a 'witch hunt' to identify the negative raters<br><br>• Often, 360° feedback surveys are generic, off the shelf and not tailored specifically to the organization's needs<br><br>• Raters might be inexperienced in rating people and using such surveys<br><br>• Can be expensive and require data input, low-level statistics, and analysis |
| Behaviourally Anchored Rating Scale (BARS) | The BARS, like the GRS below, is a behavioural appraisal. The BARS involves a range of critical incidents centred on specific aspects of a job. The incidents are presented as behavioural statements concerning performance on each task. A person is rated in accordance with the behavioural statement that most closely describes that person's performance on each job-related task on a scale that provides options at opposite extremes. (E.g. 1 = a details person, who checks over the minutiae; 9 = a big-picture person, with very little or no eye for detail) | • Underplays or ignores cognitive aspects, especially of the rater, and there is no significant evidence that BARS is better or worse than any other rating system |

| Graphic Rating Scales (GRS) | The employee will be rated on a number of behavioural variables: these can include attendance, job knowledge and customer service, quality of work, corporate citizenship behaviours, presentation and personal appearance, and so on. The person will be rated or ranked and measured against a baseline score. Bonuses, promotions and other benefits are usually tied to performance appraisal scores | • Evaluation criteria may become obsolete or redundant between the time performance targets were set and when they are evaluated<br><br>• Similar issues to BARS and performance appraisal interview |
|---|---|---|

*Sources*: Nathan and Alexander (1985); Tziner et al. (2000)

Overall, we may say that while there are many limitations to performance management, measurement and appraisal, they do have a role in assisting HRM decisions. Indeed, we would be the first ones to say that there is nothing worse than staff effort and hard work going unrecognized and unappreciated by employers. However, many performance measurement systems are poorly designed and inappropriately used and applied. Error and bias in ratings have commonly been reported as under-recognized (Newell and Tansley, 2015; Ryan and Ployhart, 2014). There can be legal ramifications when performance measurement systems fail to accommodate diversity (Arvey and Murphy, 1998; Atkin and Conlon, 1978; Olson and Hulin, 1992; Spector, 1994; Watkins and Johnston, 2000), and the systems are often used more as a tool of managerial control and subjugation than as a system that benefits the employee in any real way.

# HRM IN CONTEXT

## HRM AND STRATEGY

A key function of HRM is to assist the business to meet its strategic objectives. Earlier in this chapter, we outlined the soft and hard approaches to HRM. While the Harvard and Michigan models are presented as the main HR models, in reality four general schools of thought evolved about HRM at around the same time. In addition to the Harvard and Michigan schools, Price (2004) lists two other important HRM schools of thought that have influenced the way in which HRM is understood, practised and taught: these are the Warwick and the Schuler schools. Importantly, the Schuler school is named after Professor Randall S. Schuler who emphasized the critical role that HRM plays in strategic management. His work since the 1980s has sought to emphasize that, although the practice of HRM and the practice of strategic management are interrelated, most strategic management scholars under-emphasize the role that HRM plays in business strategy (Jackson et al., 2014; Schuler and Jackson, 2000; Schuler and MacMillan, 1984; Tarique and Schuler, 2010). From Schuler's work emerged the important but debated concept of strategic HRM, an area of research and practice which will continue to grow and change in very important ways over the next few decades as business leaders realize that successful people and successful strategy are interrelated and interconnected in ways historically under-recognized and understood (Beach, 2015; Becker and Huselid, 2006).

In the formulation stage, **strategic HRM** can contribute to the organization's objectives by ensuring that all key HRM functions such as the recruitment, retention and development of staff are consistent with the business strategy. In the implementation stage, HRM can contribute by ensuring that people understand the key strategic intentions and objectives, and ensuring that people are abiding by those strategic intentions through a measurement of performance consistent with those objectives.

Strategic management is a broad managerial function, usually formulated, implemented and evaluated by the senior leaders within an organization. Strategy is more than just planning and executing, it is about change and leading from the front (Hamel, 2002; Hamel and Prahalad, 1996). According to Porter (1987, 1996), strategic management is what gives businesses competitive advantage because it differentiates them and what they are doing from other businesses. Traditional approaches to strategic management, such as those proffered by Porter and others, involve a vision of the future of an organization, then formulating, setting and selling a clear plan, a set of objectives and measurement systems for the organization's future. The strategic plan is sold to staff, customers and other stakeholders in order to help the business realize its vision.

According to Schuler and Jackson (2000), strategic management is comprised of five core practices that can be divided into strategy *formulation* and strategy *implementation*. They argue that these core activities can be directly transposed onto the key HRM functions of the business as strategic HRM. The strategic activities relating to formulation include: (a) deciding what business the company will be in, formulating a strategic vision and generating a set of values and a general strategy; (b) identifying strategic business issues and setting strategic objectives; and (c) crafting a set of strategic plans of action for meeting the objectives. The activities relating to implementation include: (a) developing and implementing the strategic plans of action for functional units; and (b) evaluating, revising and refocusing for the future. For Schuler and Jackson, **strategic HRM** is closely tied to strategic functions of strategy formulation and implementation.

## EXTEND YOUR KNOWLEDGE

**READ THE ARTICLE**

Read the article 'Strategic management and the person' by Thomas C. Powell (2014) *in Strategic Organization*, 12 (3): 200–7, which you can find at the companion website https://study.sagepub.com/managingandorganizations5e. In the article, Powell takes issue with strategic management's movement away from a focus on humans, and calls for a return to a human-centred focus (which is really what strategic HRM is meant to be about).

There is common sense in ensuring that HR and corporate strategy are well aligned. However, the notion that one can plan for and measure strategy, let alone design the entire HRM function around that strategy, is grandiose. The notion assumes: (a) that the rational model of strategy is what actually gets implemented and (b), that external events are knowable, controllable and manageable. In practice, however, the likelihood is that what is implemented are the various, contested, understandings of this model that people in different parts and levels of the organization possess. Specifically, there is debate around the idea that one can plan for and measure the performance of things that have not yet happened. That is, the contexts within which organizations operate are exemplified by uncertainty (unknowable events) and ambiguity (differences in understanding and perception about events and objects). Strategic management is therefore a

process that 'happens' as it unfolds in real time and space (Brunson, 2006; Carter et al., 2008; Clegg et al., 2017).

Those of you who go on to specialize in HRM will invariably study strategic HRM and it is likely that you will then come across debates about measurement of performance in line with strategic imperatives. Perhaps in some courses you will even debate whether HRM actually is strategic. In our experience, most HR departments simply implement what they are told to by company executives, and so it is the executives who are being strategic, something evident in the fact that relatively few boards include the HR director, nor do HR managers often present to the board and say, 'This is the strategy we believe the company must take, here is our ten-point plan to implement it, now let us go do it!' In most cases, HR does not have a strategic role in an organization, which is not to say that it should not and cannot, especially in public organizations (Beach, 2015). The debate on the role and effectiveness of strategic HRM in affecting organizational performance is young and inconclusive but it promises to be a growing and interesting area of research and study (Brewster, 1995; Guest, 2011; Jackson et al., 2014; Lawler, 2005; Schuler and Jackson, 2000), especially as alternative strategic management perspectives that challenge the dominant rational scientific approach to strategic management enter the fray (see Clegg et al., 2017).

## HRM AND ENVIRONMENTAL COMPLEXITY

A complex and challenging aspect of the HR function is the need to remain up to date with the constantly changing legal, political, technological and social environment. In this section, we will discuss a number of areas where HRM can provide critical knowledge and information regarding all aspects of managing people at work, specifically in areas that concern their employment.

Environmental complexity has a considerable impact on the core functions of HRM, such as recruitment, selection and retention. However, what is often underplayed is the way in which organizations can alter and create the very environment they seek to adapt to. Here we will consider issues such as the changing nature of the workforce, issues of diversity and gender, equal employment and affirmative action or positive discrimination, and occupational safety and health.

All these things, either alone or in tandem, can significantly affect the ability of an organization, large or small, to function effectively. For this reason, the HR manager and their team – if fortunate enough to have one – have a key role to play in the organization. Whether those responsible for HR have their own department in a large organization, or whether they are a small-business owner with a handful of staff, understanding and accounting for the environmental complexity and uncertainty caused by social, economic, ecological and political factors are crucial. The HR manager not only provides advice to other managers and staff on these issues but also implements organization HR policies and procedures that reflect and help account for these complex issues.

## DEMOGRAPHIC CHANGES: 'TALKING 'BOUT MY GENERATION'

HRM requires management of the critical areas of employee recruitment, selection, and training and development in a way that is consistent with an organization's

objectives. However, the organization does not exist in isolation from its context or the environment within which it operates. Because HR is fundamentally about people – irrespective of whether it is hard or soft oriented, or whether HR strategy can be planned, or whether it evolves in response to events as they occur – everything to do with people has an impact on HR practices and processes. One of the most important concerns for organizations is the changing nature of the workforce. Here we will discuss selected key areas. The discussion will be by no means exhaustive; rather, we cover these to ensure that we can all appreciate the complexity, challenges and opportunities available in managing HR. The areas we will focus on are:

- assumed generational differences between people that affect their attitudes, perceptions and expectations about work

- the knowledge, skills and education levels of people currently in the workforce and the job market

- types and levels of immigration and migration central to government immigration policy.

Let us begin with generational differences. One often hears people talk about Generation 'X', Generation 'Y', 'Baby boomers', 'Millennials', and so on. Some organizational theorists have asserted that generational differences will have profound effects on organizations (Conger, 2000), but others argue that the idea that generational differences have had a profound effect on organizational behaviour is still yet to be sufficiently proven (Parry and Urwin, 2011). Even so, many researchers have shown that generational differences not only exist but also have important implications for HR practice (Benson and Brown, 2011; Burke, 1994; Lyons et al., 2005; Smola and Sutton, 2002). Benson and Brown (2011) show that one uniform HR policy cannot adequately account for the differences in work- and life-related values identified with each different generation. Hence, HR policy has to be sensitive to and reflective of the values of the varied generations. So what does it mean to differentiate generations, to think of them as characterized by different types of behaviour, and why do they differ? Essentially, every generation has claimed to have difficulty under-standing the next.

Different age groups experience events that shape their lives in different ways; these can be local or world events that occur as events in a specific period of people's lives. The Great Depression, the Second World War, the 1960s period of social experimentation and protest, the 1980s and the advent of economic rationalization, of corporate greed, downsizing and high unemployment, periods of rapid economic growth, the Internet and, of course, 9/11 and the associated War on Terror – all these things leave an imprint on people's psyche. But smaller events also shape people – the proliferation of new technologies, changes in expectations about leisure time and work/life balance, improvements in education and health care, and so on. All these things transform people in implicit ways, and therefore also have an impact on their attitudes and expectations around work. Table 5.3 lists some of the generations and some of their implications for HRM practice and policies.

TABLE 5.3    Managing the different generations from an HRM perspective

| Generation | Description | Implications for HR practice |
| --- | --- | --- |
| Baby boomers | Born between 1946 and 1964. Almost all baby boomers will retire from full-time employment in the next 15 years. Typically, they grew up in times of post-war economic prosperity, and (except in the USA) most enjoyed free access to almost all services such as education, health, and so on. They are hard-working and committed and some have high incomes and savings – especially those whose children have left home. Many have families and mortgages and work hard to pay for these. They usually have strong relationship skills and drive. They can be resistant to change and to differences of opinion between people. They also tend not to handle negative feedback very well, and they tend to avoid conflict | The implication for HR is the need for policies on retirement and redundancy. As they retire, a knowledge/skills gap will be left that HR will need to address. Much work has to be done to ensure organizations are ready for the boomer retirement. Mentoring programmes and knowledge transfer can be used in positive ways to ensure boomers are involved in workforce transitions. Perks and benefits that will attract and retain boomers include help in financial planning for retirement and semi-retirement programmes where boomers' knowledge and skills continue to be utilized |
| Generation X (Baby busters) | Born between 1965 and 1980. There are fewer Generation X-ers than baby boomers. Typically, Gen-X grew up in times of economic downturn, high unemployment and corporate collapse and greed. They tend to have low savings and prefer having a social life. Work/life balance is very important. They are usually quite self-sufficient and technologically savvy, quite adaptable to change, creative and resist control and authority. They also tend to lack experience, have poor people skills and can be overly cynical. Gen-X will fill the leadership and management gap left by baby boomers and will experience tensions in overtaking boomers and handling Gen-Ys | A shortage of younger people poses serious problems in attracting and maintaining a competent, qualified workforce. Gen-X will be the leaders and managers of the future. They will place emphasis on family and so flexible scheduling will be an expectation; they are not 9–5 people and do not react well to monitoring and control because they believe in working smarter not longer. They thirst for development support, such as time off and financial support to study, not just in areas deemed relevant by the business. Both X and Y will prefer to work as part of projects rather than in specific positions in an organization. Thus, project-based work will be used increasingly. Gen-X require technologies in their jobs, will use the Internet to help in decision-making and problem-solving, though are more sceptical about information than are Gen-Y |
| Generation Y (or Millennials) | Born after 1981, Gen-Y will soon overtake both X and boomers. This generation is considered to have a much less serious attitude to work, preferring working to live, rather than living to work. They are believed to have little concern about jobs for life and like Gen-X will move jobs several times in their careers but at a much higher rate than Gen-X. They have grown up with technology and so using it is second nature to them. They rely | Because of Gen-Y's ambition and reluctance to 'do time' in order to be promoted, they can be very difficult to manage and motivate if their career is perceived to be developing slowly. They are less independent than Gen-X and require closer supervision and attention. As the largest workforce of the future, they will need to be recognized as an important asset and so HR practices and policies that reflect Gen-Y values and expectations need to be formulated. This includes flexible working times, policies of work/life balance, group- and |

*(Continued)*

**TABLE 2.3** (Continued)

| Generation | Description | Implications for HR practice |
|---|---|---|
| | on family more so than Gen-X and tend to be optimistic, positive and prefer to work in groups or in collaboration with others. They lack experience and patience in learning, and can be naive in relating to others | team-based work, and both extrinsic and intrinsic motivation such as free food and drinks. Policies will need to concentrate on attracting and retaining staff through a number of soft HR policies and practices. Both Gen-X and Gen-Y will expect cutting-edge communication technologies, but will also need assistance in developing their people-management and communication skills. Gen-Y are especially open to technologies, particularly the Internet, to locate information for problem-solving and decision-making – this can pose challenges to organizations given the high level of misinformation on the Internet |

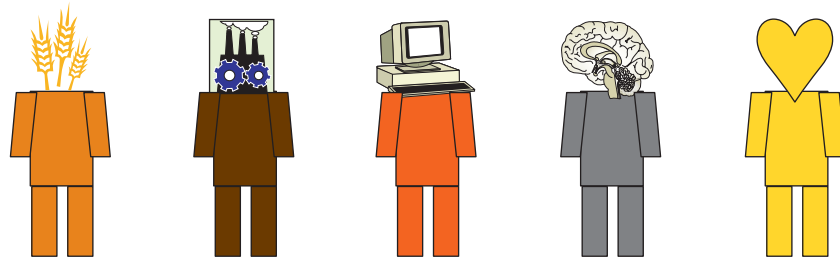Sources: Nowecki and Summers (2007); Proffet-Reese et al. (2007); Wikipedia



**FIGURE 5.1**    Stuffing the head full of different knowledge

## THE CHANGING FACE OF KNOWLEDGE

Let us now look at issues around the **knowledge**, skills and education levels of the workforce. It is not just generational differences that pose challenges to HRM practice and policy. The changing nature of the workforce in terms of education and skill is also a critical factor. A better educated workforce means people can be better informed about many issues relating to work and the quality of working life. We have already seen (in Table 5.3) how Gen-X and Gen-Y are especially techno-logically savvy, though of course the use of technology is only a small part of what people do at work. The nature of knowledge and concomitant skills expected of people has transformed over time. Figure 5.1 represents the changing knowledge and skills of people in society over time. In Western civilizations, most societies were structured around agriculture and artisan crafts such as tool-making, weap-on-making, pottery, art, and so on. The demand for people with knowledge, skills and abilities was concentrated around farming and artisan craftwork. However, as the Industrial Revolution gained impetus there was a change in the expectations of knowledge, skills and abilities as there was a giant leap in economic growth. Industries based on mass production, heavy mining, heavy transport (such as trains and ships), with many other technological and scientific innovations, taking

**Knowledge**
comprises that which is part of the stock of ideas, meanings and more or less explicit understandings and explanations of how phenomena of interest actually work, or are structured or designed and relate to other phenomena: facts, information and skills acquired by a person through experience or education.

the place of agricultural and artisan work. As we will discuss in Chapter 14, mass production brought with it standardized, routinized and formalized work. Thus, workers were no longer expected to be skilled artisans; rather, they were trained to do specialized, repetitive tasks.

By the 1990s, information technology (IT) professionals were being paid exorbitant amounts of money as the IT bubble kept expanding. University courses and degrees and specialized IT colleges appeared from everywhere to meet the demand for people seeking IT qualifications. In many ways, the IT rush was similar to the Gold Rush era of the USA, Australia and South Africa. Around the turn of the century, the Western world was said to have entered the stage of knowledge work and the growth of knowledge-intensive firms. It is likely, given that you are studying a management and organizational behaviour textbook, that you are or will be a knowledge worker yourself one day, as we are, as the authors of this book, and that you will work in a **knowledge-intensive firm**.

> **Knowledge-intensive firms** create value by solving their clients' problems through the direct application of knowledge. Whereas knowledge plays a role in all firms, its role is distinctive in knowledge-intensive firms. Rather than being embodied in the process or product, knowledge resides in experts and its application is customized in real time based on clients' needs (Sheehan, 2005: 54).

## EXTEND YOUR KNOWLEDGE

Read the article 'Human capital is dead: long live human capital resources!' by Robert Ployhart and his colleagues (2014) in a special issue on Strategic Human Capital in the *Journal of Management*, 40: 371–98, which you can find at the companion website https://study.sagepub.com/managingandorganizations5e. It provides a novel approach to making sense of human capital compared to the dominant economic views of human capital as strategically linked to market efficiencies.

**READ THE ARTICLE**

Once, knowledge-intensive firms included only consulting companies, legal firms and other organizations where the outcomes were professional advice for organizational problems. Increasingly, however, even traditionally non-knowledge-intensive firms have moved to trading and promoting their knowledge. Most organizations in a variety of industries now involve at least some level of knowledge-based work, be it in banking and finance, tourism and travel, education, pharmaceuticals, food, and so on.

Mats Alvesson (2004: 139–41) argues that knowledge-intensive organizations, more than most, must acknowledge that people are critical to their growth and success. He offers two interesting concepts that he believes are critical ideas in HRM and in how people are employed and treated at work:

1. Human capital advantage (HCA) – HCA refers to the employment of talent and the advantage that the organization derives from that talent. For this reason, high levels of effort and expenditure should go into the recruitment, selection and retention of exceptional and talented staff. The knowledge, skills and qualities of these talented people lead to desirable organizational outcomes.

2. Human process advantage (HPA) – HPA refers to highly evolved processes that are difficult to imitate, such as systems of cross-departmental

cooperation, executive development, and so on. The aim of HPA is to set up the preconditions for organizational functioning and synergy between people and processes. This can include job design, policies, and so on. The emphasis is on process delivering outcomes rather than the specific knowledge of employees delivering outcomes.

According to Alvesson, effective HRM requires both HCA and HPA, but many companies prioritize these differently – not least because HCA is costly. Most try to design and implement work systems and processes that transform effort into specific, preordained outcomes.

Alvesson (2004: 137–9) argues that knowledge work and the growth of knowledge-intensive firms pose significant challenges to HRM practice and policy. He believes that most current HR practices are inappropriate for attracting and retaining knowledge workers and that the primary aim of HRM should be to enhance the appeal of the organization to talented staff. That is, the key to organizational excellence is to attract excellent employees, to retain them and to develop and draw on their talent. Indeed, research supports Alvesson's idea, showing that an emphasis on human capital advantage allows organizations to be more innovative (Camelo-Ordaz et al., 2011).

**WATCH THIS TED TALK**

**WATCH THE INTERVIEW**

## EXTEND YOUR KNOWLEDGE

Another transition in knowledge and skills can be seen in Figure 5.1, where it is represented by the symbol of the heart. The heart represents the growing emphasis on the ability of people to practise empathy and compassion at work, to exhibit high levels of emotional intelligence, communicate effectively and work closely with other people (Cooney, 2011). In many ways, knowledge workers will also require an ability to relate from the heart. One of the leaders in this area was the late Professor Peter Frost. We have an excellent interview with Professor Frost at the companion website https://study.sagepub.com/managingandorganizations5e, in which he discusses how matters of the heart are the essential skills and attributes required of leaders and employees of the future.

Often, you will hear arguments that women will be better suited to such new 'emotional roles' at work because caring, empathy and relationship-building are all feminine-type roles. How often have you heard people say that women are better listeners and communicators than men? Often, research supports such findings; for example, there has long been a strong correlation between gender and helping behaviours and altruism (Mesch et al., 2006; Piliavin and Unger, 1985), arguing for women's superior communication skills over men:

> there is some evidence that many women are exceptional global people for the following reasons. One, they tend to approach relationships and nego-tiations from a win-win strategy that results in success for both sides … Two, women tend to be more formal, show more respect, and take care in

establishing relationships than men. Three, women tend to be better listeners and more sympathetic than men. (Abbott and Moran, 2002: 78)

Such claims should be viewed with some scepticism because often there is a role expectation that women and men will behave in certain ways. Moreover, much of the research conducted on gender difference involves people rating men and women on different variables. The ratings attract a halo effect in that women are often rated as being more helpful and altruistic than men simply because they fulfil a specific gender role such as mother, wife or girlfriend (see Hendrickson-Eagley, 1987). We are not saying that these attributes are not important in the workplace, or that being emotionally sensitive, an excellent communicator and listener, and so on, are not critical skills and knowledge to possess. They are, and employers will increasingly demand such knowledge, skills and abilities as businesses emphasize relationships and collaboration more and more. Our point is that too much emphasis is placed on the idea that men and women are fundamentally different and naturally inclined towards one form of employment than another – rather, people fill specific roles in life, and act and are perceived to act in accordance with these roles (Fletcher and Sydnor Clarke, 2003; Rees and Sprecher, 2009). It is not that there are really differences in sex but rather socialized differences – and so it is no less important that men should be expected to develop and possess emotional skills and knowledge (see also the discussion of gender roles in Chapter 2).

## INSTITUTIONAL SHAPING OF HRM

The picture we have painted so far is that HRM is a difficult and challenging endeavour, in which generational changes and the transition towards knowledge work have increasingly complicated its role. However, in many ways these changes are what give life to the growth and interest in HRM as a domain of research and practice. One more area that we will now discuss has far-reaching and significant implications for the practices and policies enacted by HR managers. Through public policy, government shapes society and therefore the workforce in a wide range of areas. Here we consider only three: diversity and equal opportunity, occupational safety and health, and industrial relations law. We begin with diversity and equal opportunity. The demographic transformations that we described earlier in this chapter directly and indirectly implicate organization policy on issues of workplace safety, and gender, equity and diversity. Let us take a look at gender, equity and diversity first.

### EQUITY AND DIVERSITY

One of the most important and politically charged aspects of HRM practice is dealing with issues of gender, equity and diversity. Let us start with **diversity**.

The most common form of diversity is cultural diversity, and given that organizations are more or less comprised of members of society, one would expect that they would reflect the diversity in that society – or so the theory goes. Most industrialized countries in the world have relied heavily upon immigration in order to grow prosperous. Some new countries, established on the traditional lands of an indigenous population, such as the USA, Canada and Australia, are almost entirely comprised of migrants.

In an organizational context, **diversity** can most simply be defined as variety in geography, culture, gender, spirituality, language, disability, sexuality and age.

The sources of the migrant population have transformed with time, which has provided such countries with a culturally diverse society.

The most significant wave of new migrants occurred immediately after the desolation of Europe in the Second World War. Many of the Jewish people who survived the horrors of Hitler's Nazi regime fled Europe for the USA, Australia, or to join the new state of Israel, on land previously controlled by the British as protectors of the Palestine Mandate and settled by several different peoples, predominantly Palestinian. Post-war Europe saw Italians, Greeks and Yugoslavians (as they were called then) also flee Europe for the relative wealth, safety and opportunities available to them in relatively free and democratic countries such as the USA, Canada, Australia and New Zealand. Later, war and despotic regimes in Vietnam and Cambodia respectively saw a large intake of South-East Asian refugees, while the war in Lebanon also saw a flow of Middle Eastern migration. Interspersed between them came migration from Third World nations and nations experiencing civil unrest, such as China, India, Pakistan, the West Indies, Sudan, as well as South Africa and Zimbabwe (for excellent accounts of international migration, see Castles and Miller, 2003; Jupp, 2002; Kupiszewski and Kupiszewska, 2011).

Diversity is not restricted to cultural diversity. Take a moment to study Table 5.4. Clearly, diversity poses great challenges for HRM. On the one hand, it is a complex, emotionally charged and legally and socially explosive area of organizational behaviour. On the other hand, it can be a source of growth, competitive advantage and creativity. Indeed, if there is one thing that organizations cannot afford to get wrong it is their approach to HR processes and practices concerning diversity.

**TABLE 5.4**   The key diversity categories: their descriptors and HR implications

| Category | Descriptors | HRM practice implications |
|---|---|---|
| Geography | Affinity to or identification with a particular geographic location, which may include, but is not limited to, the following: country, region, state, county, vicinity, rural, urban, suburban | Some organizations offer travel allowances and other reimbursements<br><br>Some organizations, either voluntarily or by law, must employ people from specific geographic locations – sometimes this is done via negotiation in order to operate on private or public land. (For example, diamond mining giant Argyle Diamonds actively employed and trained indigenous residents from Western Australia) |
| Culture | Cultural diversity refers to an individual's affinity, or identification with, a particular cultural dimension – ethnicity, nationality, colour, and so on | Organizations must have policies on cultural diversity such as anti-discrimination policies, conflict resolution and complaints handling, equal employment opportunities. Some organizations are required by law to enact positive discrimination and affirmative action |
| Gender | Gender diversity is usually limited to male or female. However, today we have a more complex understanding of gender | In theory, there must be equal employment opportunities for both males and females Organizations are not allowed to discriminate on gender grounds |

| Category | Descriptors | HRM practice implications |
|---|---|---|
| | | Some organizations include maternity leave, and the expectation is that the organization will not discriminate against the employment and promotion of women based on the fact that they have children – remember, we did say, in theory<br><br>Many organizations also have sexual harassment training and clear policies on sexual harassment |
| Spirituality | This refers to religious and/or spiritual affiliations which include Christian, Muslim, Jewish, agnostic, atheist, denominational and non-denominational | Most larger organizations must not discriminate, nor allow their staff to discriminate or exclude people based on spiritual beliefs |
| Language | This refers to an individual's linguistic identity, which can be monolingual (speaks only one language), bilingual or multilingual (speaks two or more languages) | Some organizations with a high number of immigrant staff have a policy of translating HR material, signs, and so on into the dominant non-English language<br><br>In fact, some organizations actively seek out bilingual and multilingual people due to increasing globalization and the cultural diversity in society |
| Disability | Disability identity refers to an individual's identification with some type of visible and/or invisible impairment, which can include physical, mental, visual and hearing | An organization, except where certain abilities are absolutely necessary to perform the task, such as eyesight for an airline pilot, should not discriminate against people with a disability<br><br>Where a person acquires a disability while in employment, some organizations actively seek out alternative roles and tasks for the individual (e.g. as the police do when they place an officer on 'light' or 'desk' duties after the officer has been injured) |
| Sexuality | This refers to sexual orientation which includes heterosexual, homosexual, lesbian, bisexual, transsexual (sex change) and transvestism | As with gender, it is often unlawful to discriminate against people based on their sexuality; however, this protection is limited, as policies and laws vary from state to state and country to country |
| Age | This refers to a person's identification with a particular age category, generation, and so on, such as twenty-something, thirty-something, baby boomers, Generation X, Y, etc. | In many countries, in theory, employers cannot discriminate based on age |

*Source*: Adapted and extended from Hopkins (1997: 5)

Gender inequity is a highly emotive issue typified by a variety of arguments and perspectives. Consider pay inequity between the genders across different business sizes. Table 5.5 lists the percentage difference between males and females in the same or similar jobs across various industry sizes over the last seven years. While there are slight improvements here and there, the gender inequity gap in pay seems to still not have been addressed. Ironically, in the UK, it is more

**WATCH THIS TED TALK**

because the real wages of men have declined, than women being paid more. Notwithstanding this, the gender pay story is the same for most other countries, especially for Australia and the USA, where women are paid less than 85 per cent of what males earn for the same job, qualifications and experience (*The Guardian*, 17 October 2017; NBC News, 10 April 2018). Even in Germany and Sweden, women face an array of stereotypes that reinforce pay inequity (Lilja and Luddeckens, 2006). However, things are changing and in 2018, for example, Iceland made it illegal for businesses to pay men more than women (see Osbourne, 2018).

TABLE 5.5    The gender pay gap for all employees by business size and year, UK, ASHE, 2011–17

| | | | | | | | Percentages (%) |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Size/Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| 1 to 9 employees | 16.5 | 15.8 | 15.4 | 14.8 | 14.1 | 14.2 | 12.6 |
| 10 to 49 employees | 20.2 | 20.5 | 20.5 | 19.6 | 21.5 | 20.0 | 20.4 |
| 50 to 249 employees | 21.3 | 19.3 | 20.5 | 20.1 | 20.6 | 21.0 | 19.3 |
| 250+ employees | 21.5 | 20.7 | 20.6 | 19.7 | 19.7 | 19.2 | 19.3 |

*Source*: Office of National Statistics, 2018 (Gender pay gap statistics: www.ons.gov.uk)

**WATCH THIS TED TALK**

While inequity continues today and several initiatives are being implemented to counter inequity, it is clear that change is happening extremely slowly. Often, people may rationalize pay inequity as being the result of women's choices, such as choosing not to advance their careers or to work full time because of family commitments, or that, because women bear children, their employment is a financial risk which should be accounted for in wage levels (Lilja and Luddeckens, 2006). A related defence of the gender pay gap is that people in positions of power tend to be men and so bonuses and pay are based on the individual's effect on organizational performance: if women are not in positions where they are measured on performance, they will not receive bonuses and hence will have a lower income (Roth, 2006). While publicly many people and organizations deplore such inequity, the reality is that this inequity continues to exist. Of course, migrant women are doubly disadvantaged when it comes to pay because migrant workers who do not speak the language of the country they have migrated to are paid significantly less than other workers – irrespective of gender (Boyd and Pikkov, 2005; Kung and Wang, 2006).

When considering the diversity categories, descriptions and HR implications we presented earlier, we need to attend to one very important fact. The nature of HR policy on diversity cannot be separated from government policy and ideology. For example, if a government favours 'cultural integration' and assimilation, it expects that migrants will forego their cultural past and integrate fully within the dominant culture. If a government values multicultural diversity, then it will ensure diversity is preserved. Some countries, such as Canada (see the case study at the end of this chapter), take the 'perfect neutrality' approach, in which the aim is to ensure that all forms of diversity are fully protected and all discrimination is

eradicated. Most governments, however, will ebb and flow between cultural diversity and cultural assimilation – depending on the mood of the constituents, the country, the prospect of an election (if one is allowed) and, ironically, the spiritual disposition of those in charge (such as Christian fundamentalists, Islamists or Zionists) with their specific views on homosexuality, gender roles and disability.

Fortunately, many developed-nation governments in the OECD appear to value almost all the categories of diversity we covered earlier. However, there are many more governments around the world that have scant regard for human rights of all kinds. Many governments, especially those in the industrialized world, have a range of laws, acts and regulations upholding and reinforcing the principles of equity and diversity and equal employment opportunities. Moreover, global organizations such as Amnesty International, the United Nations Human Rights Council, and GlobalVision also oversee the policies and practices of governments and organizations in terms of issues of equity and diversity. In the additional resources section at the end of this chapter, you will find some outstanding government web links to equity and diversity in the USA, the UK, Sweden, Australia and other countries.

## WHAT WOULD YOU DO?

### WALMART UP AGAINST THE WALL – TAKING DIVERSITY SERIOUSLY?

**Court approves class-action suit against Wal-Mart, by Steven Greenhouse, published in the *New York Times* online (7 February 2007)**

**A**lmost every few days in early 2007, a new magazine article or news story emerged concerning the HRM practices of the massive US-based company Walmart. See, for example, 'Court approves class-action suit against Wal-Mart' by Steven Greenhouse (2007), which you can find online at www.nytimes.com/2007/02/07/business/07bias.html. Or, alternatively, click on the icon in the interactive ebook to go straight to the web page.

- Knowing what you now know about HR and equity, what HRM policies and procedures might have avoided such outcomes for Walmart?
- What advice would you give Walmart in relation to HRM practices for the future?

**READ THE FULL ARTICLE**

In the workplace context, equity means that people will be treated fairly. As a general rule, governments that value equity and diversity all have certain elements in common; these include protection against discrimination based on gender, sexuality, culture, language, religion, disability and age in the workplace. These include, but are not limited to, protecting people from:

- being denied an interview or employment based on any one or more of the above

**Affirmative action** attempts to address long-standing and institutionalized discrimination against people of diverse backgrounds – on the basis of gender, race, and so on – by discriminating in favour of people perceived as belonging to categories that are disadvantaged.

- being denied promotion or advancement due to one or all of the above

- experiencing persecution, ridicule and/or harassment based on one or all of the above.

One of the most controversial HR policies enacted by governments is **affirmative action**.

Affirmative action (or positive discrimination) originated in the USA, specifically in the Thirteenth, Fourteenth and Fifteenth Amendments and in the 1966 Civil Rights Act. The main aim was to address the damage done as a result of slavery and racism against African-Americans and by gender stereotypes to women. Today, affirmative action applies to all categories of diversity in order to reinforce the American ideals of fairness (Crosby et al., 2003). In Australia, affirmative action was applied especially to reverse the bias against indigenous people as well as women and is enacted in a number of laws and acts. Many of these are administered by the Affirmative Action Agency and include the Affirmative Action (Equal Employment Opportunity for Women) Act 1986. While Australia and New Zealand were the first countries to allow women to vote, indigenous people in Australia, similarly to African-Americans, had very few rights until the 1960s.

Many people, for no other reason than gender, colour, ethnicity and so on, were and continue to be excluded from many jobs in favour of white males (in the West that is; there is similar discrimination against white people in some Asian and African nations). The main application of affirmative action is aimed at influencing organizations to review employment policies for discriminatory practices. The next most commonly reported policies relate to companies' efforts to assist employees to balance the competing roles of work and family. Very few affirmative action policies seek to challenge traditional patterns of employment, and policies that seek to 'fix' people into certain positions are even less commonly reported by organizations (Sheridan, 1998).

According to the National Organization for Women, affirmative action is often opposed because it is seen to promote reverse discrimination, in that if a white person and a black person or a woman apply for a job, the black person or woman must get it. Such an understanding, which is quite prevalent, is somewhat of a myth because both the black person and the woman must possess the relevant skills and qualifications. Despite negative perceptions in some parts of society, research has found that affirmative action produces positive benefits and is predominantly based on merit (Crosby et al., 2003; Hideg and Lance, 2017). Moreover, when explained in a way that connects with people's values of fairness, equality and opportunity, positive discrimination policies tend to be supported by the broader public (Does et al., 2011; Hideg and Lance, 2017).

Overall, equity and diversity are important, we maintain, and the principles espoused by proponents of equity and diversity are the cornerstone of a free, open, progressive and democratic society, the practical test of which is how any society treats not only its own citizens but also those who seek citizenship. Whether you become an executive officer, a supervisor or an HR manager, these things should feature in any and all aspects of your organization's HRM decisions, practices and processes.

## OCCUPATIONAL SAFETY AND HEALTH

Death and injury have a variety of causes, including chemicals, gases, equipment failure, risks associated with the nature of the work (mining, emergency services, military, etc.), employee or employer negligence, incompetence or mental illness, violence (by colleagues or customers) and ergonomic design flaws (Collins and Schneid, 2001; Tehrani and Haworth, 2004). These are issues of **occupational health and safety (OHS)**. As with equity and diversity, OHS is also legislated. Its simplest expression is found in the many safety notices that abound in the workplace.

Violation of OHS legislation has two extremely negative impacts: first, it results in death or injury; second, it can result in criminal proceedings, fines and even imprisonment for management, including the HR manager. In the event of a death or an injury, management can be personally liable if it can be shown not to have implemented and understood the relevant health and safety legislation in the workplace – irrespective of whether the business is large, medium or small. The HR manager, along with management in general, must design and implement OHS management systems, processes and training in accordance with OHS legislation.

All OHS acts and legislations are framed around the following:

- preventing death and injury at work

- dealing with events that can or have caused death or injury

- dealing with compensation paid to the family or next of kin of the deceased, or paid to the injured person(s)

- dealing with the occupational rehabilitation of the injured person(s).

Any management system must adequately account for each of the areas listed.

OHS laws, acts and legislation are complex and can be confusing. Fortunately, governments provide excellent resources and training that HR managers can use to help design, implement and enforce their OHS management systems (see, for example, in Australia: The Australian Safety and Compensation Council, www.ascc.gov.au/ascc; in the UK: The Health and Safety Commission, www.hse.gov.uk/aboutus/index.htm; in the USA: Department of Labour: OHS Administration, www.osha.gov).

## THE INDUSTRIAL RELATIONS CLIMATE

The issues most commonly dealt with under the banner of **industrial relations (IR)** include: claims for improved working conditions (occupational safety and health, working hours, and so on); claims for better pay and reward systems; the nature of the notification of redundancies and discrimination or unfair dismissals and disagreement on the promotion of employees. However, the definition we have provided in the margin may be a little too broad since not everything associated with the employer–employee relationship comes within the scope of IR. Most countries have an IR commission or government department that deals with a number of issues pertaining to employer–employee relationships and the IR climate.

**Occupational health and safety (OHS)** refers to legislation, policies, acts, practices and processes that are aimed at protecting all workers from injury and death in the workplace.

**Industrial relations (IR)** refer to the relationship between employers and employees.

Table 5.6 provides links to the relevant government departments and commissions that deal with IR issues. This list is not comprehensive, as individual jurisdictions – states, local councils, counties and boroughs – might also have IR powers and responsibilities. We list the main federal and commonwealth bodies that include resources and material on IR laws, acts and other relevant issues. We are certain that you will find these links will enable you to access some very interesting reading. (If you are not from one of the countries listed, we welcome an email from you telling us where you are from, with a link to the equivalent government body that deals with IR in your country.)

Our aim is not to deal with specific acts and pieces of legislation because IR legislation varies between countries. Rather, in this section we will deal with two broad but interrelated themes integral to the IR climate: unions and employment relations. Though these may vary across different national boundaries, there are certain issues that are shared irrespective of the nation where you reside.

**TABLE 5.6**    Government organizations that deal with IR

| Country | Organization | Web link |
| --- | --- | --- |
| Australia | Department of Employment | www.employment.gov.au/workplace-relations |
| India | Ministry of Labour and Employment | http://labour.nic.in/content/innerpage/acts.php |
| New Zealand | Department of Labour | www.dol.govt.nz |
| Norway | Ministry of Labour and Social Affairs | www.regjeringen.no/en/dep/asd/id165 |
| Sweden | Ministry of Employment | www.sweden.gov.se/sb/d/8281 |
| UK | Department of Business Innovation and Skills | www.gov.uk/government/organisations/department-for-business-innovation-skills |
| US | Department of Labor | www.dol.gov |

*Notes*: Most of these countries also have independent IR commissions to handle IR matters and disputes between employees/unions and employers/employer associations; all sites last accessed March 2015.

## UNIONS

**Unions** can be defined as an association of wage-earning employees mobilized and organized in order to represent their constituents' interests. These interests can often be counter to the interests of employers, but not always necessarily so.

**Unions** are closely associated with IR and employer–employee relations. They tend to be politically charged organizations and are often perceived, sometimes correctly, as being in direct opposition to the interests of employers and employer associations. However, many organizations achieve excellent performance results when they work with unions (Appelbaum and Hunter, 2005; Kochan et al., 2009; Reardon, 2006). Unions have had to transform their activities and the way they relate to organizations, governments and non-unionized labour. The old hard-line adversarial approach that once typified unions has mellowed. This has occurred mainly because of a decline in union membership around the industrialized world (Bronfenbrenner, 1998) but also because of aggressive government policies implemented by political parties such as the Republicans in the USA, the Conservatives in the UK and the Liberal Party in Australia. (It should be noted,

however, that the relationship between social democratic parties and trade unions has also changed in recent years, with policies of economic labour market deregulation also pursued by nominally social democratic parties.) In the USA, union membership has declined from a peak of 35 per cent in 1954 to 12.9 per cent today (Reardon, 2006: 171). The decline is similar in Australia (Burchielli, 2006) and throughout the UK and much of Europe (European Industrial Relations Observatory Online, 2004).

The issues on which unions represent their members include wage negotiations, conditions of employment, penalty rates and working hours, as well as OHS pension and superannuation. Unions also assist members in a range of other employment-related areas such as unfair dismissal and advice on corporate HR practices and policies. Today, many smaller unions have amalgamated or been consumed by large unions and are represented by mega trade union organizations such as the AFL-CIO in the USA, ACTU in Australia and the TUC in the UK. Because unions were traditionally associated with programmes such as that outlined in Marx and Engels' *Communist Manifesto* (1998 [1848]), organized labour has always been treated with suspicion, if not contempt, by many businesspeople and conservative governments (but not all). In view of the decline in union numbers around the world, it may be that the general population also finds unions irrelevant and overconfrontational in orientation. However, the unions' decline has coincided with a remarkably long boom in these economies. Unfortunately, most people do not realize what the unions have achieved in their long and often acrimonious opposition to business owners. Wins have included overtime pay and reduced working hours (Trejo, 1993), paid holiday leave (Green, 1997), paid maternity and paternity leave (Baird, 2004). In the USA, unions have influenced policies that have transformed societies – for example, the Public Accommodation Act of 1964, the Voting Rights Act of 1965, equal employment opportunity legislation, anti-poverty legislation and the Occupational Safety and Health Act of 1971 (Freedom and Medoff, 1984).

Despite the decline in union membership, some organizations have found that cooperating with unions can actually improve the performance and commitment of employees to the organization's cause. This may apply even when open-book management is used (see, for example, Clegg et al., 2002). 'Open-book management' means that the finances of the organization are transparent to all stakeholders, including the union. This is not a new approach: Brazilian millionaire businessman Ricardo Semler, between 1980 and 1990, turned his organization around with soft HR approaches (he was a Harvard MBA graduate); at Semler's business, the unions were actively involved in the running of the business and open-book management was also used (Semler, 1993). Evidently, finding ways to work with unions can actually benefit the organization.

Semler's idea to involve unions in a proactive way in his business has gained considerable attention over the last few years, but the idea is quite old. It dates from the Scanlon Plan of the 1940s (also known as Gainsharing). Joseph Scanlon was a former steelworker and union leader, and later Massachusetts Institute of Technology graduate, who believed union–employer cooperation was the key to growth and prosperity for society. A large body of work has supported the Scanlon Plan and its overall beneficial environment of cooperation between key stakeholders (Collins, 1998; Hatcher and Ross, 1991; Schuster, 1983, 1984). Scanlon

WATCH THIS
TED TALK

became increasingly interested in how unions, employees and employers could participate for win–win outcomes. He advocated that the best way to do this was to involve unions and employees in key decision-making. It should not be forgotten that at the time that Scanlon was doing this, the dominant management model was the Theory X orientation to employee–employer relations.

More recently, the literature and research on participatory approaches to OB have downplayed the role of unions. However, those true to the original Scanlon Plan ensure that unions are incorporated. Indeed, such approaches might provide an excellent way for unions to regain some lost ground. However, many critical management scholars who subscribe to the neo-Marxist models of management–employee relations in terms of labour process analysis would argue that even participatory management should be viewed with great scepticism. They argue that words such as 'empowerment', 'gainsharing' and 'participatory management' are nothing more than new managerial words of control and subjugation (Hancock and Tyler, 2001; Howcroft and Wilson, 2003; Voronov and Coleman, 2003). It seems that in some ways people can sometimes feel that they are damned if they do, damned if they don't, when they attempt to address the quality of working life.

## EMPLOYMENT RELATIONS

In this final section on the IR climate, we will look briefly at a specific HRM issue that we believe is critical in the current economic climate: the nature of employment contracts. As we said earlier, we will not go into specific IR labour laws here. Rather, we provide a general theme that underpins all labour contracts between employees and employers – collective or individual contracts. Table 5.7 indicates the main features, strengths and weaknesses of each type of negotiated contract.

As Table 5.7 indicates, there are both positives and negatives in individual and collective agreements. In reality, presenting a table like this underplays the serious implications and ideologies underlying these two approaches. The argument for and against **individual agreements** versus **collective agreements** is a war of political and economic ideologies about the nature of work and employment. We will leave it up to you to decide whether you agree with one or the other, or neither of these.

The movement towards individual contracts, while being advocated as positive and in the interests of talented employees, raises some serious issues that need to be addressed. First, the individual contract is, as Lawler (2005) believed contracts should be, one based on the objective of getting rid of 'obsolete capital'. Over time, the USA and Australia have watered down the ability of unions to seek collective agreements on members' behalf. Part of the reason for this is obviously to ensure employers are not committed to maintaining employment levels when they experience downturns. Downsizing, outsourcing, permanent and temporary lay-offs typify the US, Australian and to a lesser extent UK markets. In Sweden, as with many other North European and more social democratic countries, 90 per cent of employees are protected by collective agreements, many of which include job security (*Landsorganisationen I Sveirge*, 2006). Indeed, recent research shows that countries that actively avoid policies of downsizing and lay-offs, but are typified by companies that value and actively seek to create job security, are actually outperforming countries that do not (Eichengreen, 2007; *New York Times*, 25 February 2007).

**Individual agreements**, as the term suggests, refer to the process of individuals negotiating the terms and conditions of their work, including pay, rewards and remuneration, and so on.

**Collective agreement** refers to a written agreement, made between the employer and the employees, which sets out the terms and conditions of employment. Usually it is made between a union, as a body representing employees, and an employer. Collective agreements are typical of social democratic approaches to industrial relations.

**TABLE 5.7**   Types of negotiated contract; their strengths and weaknesses

|  | **Individual agreement** | **Collective agreement** |
|---|---|---|
| Details | Contract of employment, wages and conditions that are negotiated between the employee directly with the employer | Contract of employment, wages and conditions that are negotiated collectively, usually between union and industry or company representatives |
| Strengths | 1. The individual agreement is believed to provide employees with greater power to negotiate for higher wages and other conditions Employees are given flexibility in sacrificing unused benefits in favour of more desirable ones (e.g. sacrifice holiday or sick pay for pay rises). An employee can choose to use a bargaining agent to represent them; the agent can be a family member, a union representative, and so on<br><br>2. Employers are less bound to cumbersome legalities around termination based on poor performance and other work-related discipline matters. Employer's risk is reduced because they are able to deal with employees on a case-by-case basis, allowing the employer to downsize or lay off staff (temporarily or permanently), during economic downturns or for other financial matters | 1. The individual can rely on the knowledge, skills and expertise of union delegates to negotiate wage levels and conditions. The employee knows the conditions and wages are fair because they are usually applied across the industry<br><br>2. Employer is able to deal with issues at a broader collective level; because agreements are collective, wages and conditions will be standard across the board |
| Weaknesses | 1. Individual agreements override any collective agreement and once an individual agreement is set, collective bargaining gains no longer apply to the employee who signed an individual agreement. Can be highly inequitable because those with the knowledge, education, experience and disposition to negotiate effectively do well in the employer/employee negotiation. Those who lack such attributes, skills, knowledge and experience can be taken advantage of<br><br>2. Union power and influence become eroded, and employee legal protection is significantly reduced with the onus of proof placed on the individual employee | 1. Collective agreements can be legal and managerial nightmares for employers, especially when they employ both unionized and non-unionized labour<br><br>2. The individual has little negotiating power outside accepting the award, wages and conditions for their job and their industry |

*Source*: The information in this table is derived from the various government websites listed in Table 5.6.

In a democratic and free society, certain core human rights issues are taken seriously: they include equity, diversity and justice. Such values should not be forgotten when performing the core HR functions we covered in this chapter because to do so would be not only unethical but also often unlawful. Of course, in practice they are often forgotten: sometimes organizations

get away with it, and sometimes they do not and end up in tribunals or the courts. However, in a world that is undergoing such rapid transitions, where the Internet provides endless sources of information (some of which, at least, is valid!), people are more knowledgeable and inquisitive about how they should be treated at work. If people are going to expend effort, apply their talents, capabilities, knowledge and skill for an employer, money is no longer the main motivator. Organizations must be thoughtful and reflexive in how they attract and retain talent and we would expect that those organizations that do so would prosper.

## SUMMARY

In this chapter, we have considered how organizations manage their human relations:

- HRM is a complex task: it deals with how people are recruited to the organization, how they are selected, retained and developed.

- While at face value recruitment, selection, retention and development seem like straightforward tasks, they are in fact extremely complex and sometimes controversial processes. We have considered some of the main issues in their practice.

- HR and HRM do not occur in a vacuum; the HR manager cannot simply assume that anything goes, because HR occurs in specific contexts undergoing constant change

- Government policy, industrial relations, unionization, social attitudes, globalization, demographic changes, immigration, technological changes, amongst others, all affect the ability to perform and implement the major HR functions.

## EXERCISES

1. Having read this chapter, you should be able to say in your own words what each of the following key terms means. Test yourself or ask a colleague to test you.

- Human resource management (HRM)

- Hard and soft HR

- Recruitment

- Performance review and assessment

- Equity and diversity

- Realistic job preview

- Benefits and remuneration

- Human process advantage

- Human capital advantage

- Affirmative action (positive discrimination)
- Selection
- Training and development
- Humans as resources
- Workplace regulations and legislation
- Strategic HRM
- Knowledge workers
- Occupational health and safety
- Unions
- Industrial and employment relations
- Collective bargaining
- Enterprise bargaining.

2. What are some of the main contextual issues that HR managers must account for in their everyday practices?

3. What are the core HRM functions and how might they have an impact on different aspects of organizational performance?

4. This exercise assists in writing realistic job previews. Draw a table with two columns and in one column write 'good' and in the other write 'not so good'. Now, if you work, think about your job; if you don't work, think about the task of being a student. Assume you want to leave work or university and you have been told you can leave as long as you find a replacement. List all the positives and negatives of the job by using the appropriate 'good' and 'not so good' columns. Once you have listed all these, write a job ad using the realistic job preview. Compare your realistic job preview with others in your class. What differences and similarities do you find?

5. With your peers, discuss critically the following statements:

- 'Maternity leave makes it too easy for women to opt for getting pregnant at the expense of the organization.'
- 'Should women and men have equal pay?

  Why and under what conditions would inequity in pay be justified?'
- 'Do affirmative action and positive discrimination work? Why or why not?'

6. In groups, discuss the performance appraisals used at work or university. How well do these systems work? Are they fair? How would you design a performance appraisal system for students studying this subject at university or college?

7. Divide into two teams; team 1 will follow the scientific management model of HRM and team 2 will follow the human relations model. Assume you are the co-owner of a medium-sized company that deals in the production and export of electrical components for plasma HD TV sets. You have a staff of 25, and you are seeking to hire

*(Continued)*

(Continued)

another five people. Read through your team's allocated column – i.e. scientific management (hard) or human relations (soft) – in Table 5.1, and then, as a team, design your HR policies in terms of each area of the HRM practice orientations. Once you have completed this, both teams should present their models and compare and contrast the differences in approach.

8.  Debate: Unions are a waste of time and money!

9.  Choose two teams of three, plus one moderator and one timekeeper, with the rest of the class to act as the audience and judges. Organize a debate between two groups with one group for the affirmative ('unions are a waste of time') and one group for the negative ('unions are not a waste of time'). It is best to have a week to prepare, do some research on unions and bring along facts and figures. Perhaps your teacher may even purchase a reward of some sort for the winning team!

**REVISE KEY TERMS**

**TEST YOURSELF**

## TEST YOURSELF

**Review what you have learned by visiting:**
 **https://study.sagepub.com/managingandorganizations5e or your eBook**

○  **Test yourself with multiple-choice questions.**

○  **Revise key terms with the interactive flashcards.**

## CASE STUDY

### Midwestern Health System (MHS) and Cisco as exemplars of compassionate human resource practices and policies

Suffering is fundamental to human experience. Often, it is triggered by such events as illness, accidents, death or the breakdown of relationships. As organizations are places of human engagement, they are invariably places that harbour feelings of joy and pain and reactions of callousness or compassion in response to another's suffering (Dutton et al., 2002). The emotional and social cost of human suffering in organizations includes loss of work confidence, self-esteem and health; as well as toxic relations involving reduced employee cooperation (Frost, 1999, 2003). The financial and social cost is astronomical, even in the wealthiest nations on earth (Margolis and Walsh, 2003).

Awareness of the power of compassion to lessen and alleviate human pain (Kanov et al., 2004; Lilius et al., 2008) has led to growing interest in compassion in organizations under the banner of Positive Organizational Scholarship (POS). Compassion is defined by POS

scholars as a three-fold process of noticing another person's suffering, feeling empathy and responding in some way to alleviate the pain (Dutton et al., 2006; Frost et al., 2006).

Human resource departments in organizations that strive to be compassionate actively promote compassion both by encouraging compassionate co-worker relations, establishing systems and policies to ensure that employees' pain is recognized, acknowledged and responded to with compassion, and by developing compassionate leadership.

## Compassionate co-worker relations

Human resource departments can promote compassionate co-worker relations by encouraging co-workers to recognize, feel and respond to each other's pain through kind words, providing comfort with flowers and cards, hospital visits, open listening, help with home and office work, and financial support (Frost et al., 2006). Examples of such supportive employee relations are found among the employees at MHS.

Several years ago at MHS, an employee with seven children required bypass surgery but didn't have enough money to take leave from work for the period of operation and recovery. Neither did he have insurance coverage to provide this support. In a show of support, a co-worker set up a tax trust fund and other co-workers from among the 75 who worked in the lab submitted donations (Frost et al., 2006). In less than a week, $5,800 was collected, more than enough to cover the employee's time off work. Afterwards, co-workers expressed feelings of pride to be working among people who care. This example demonstrates the provision of tangible support in compassionate co-worker relations. Yet, support does not have to be tangible. Just knowing that someone cares is often all that matters. When another MHS employee struggled to work while attending to her critically ill mother, her co-workers daily asked after her welfare and enquired if they could do anything to help (Dutton et al., 2007). She later explained that most of the time there was nothing they could do but knowing they cared and were eager to help boosted her spirit. She further stated that it enhanced her relationships with her co-workers, which she described as irreplaceable.

Compassion can be expressed towards others at all levels of social relations – colleagues of equal hierarchical status, junior employees, as well as senior supervisors. When the dog of a senior supervisor at MHS was diagnosed with cancer, her staff showed great compassion by enquiring after her pet's welfare and listening each day as she revealed greater detail of the illness as well as 'happy' stories from her healthy days (Dutton et al., 2007). When the supervisor called in one day to say she would be late as her dog had just passed away, the staff made a collection and sent flowers. Sharing such a moving experience brought them all closer together as friends beyond their professional roles.

## Compassionate policies and systems

Human resource departments can further promote compassion within the organization by establishing policies and systems that legitimate, reflect and ensure the enactment of a culture that underscores and supports values of dignity, commitment to others, respect, equality, the importance of members, and so on (Frost, 1999). It further supports beliefs that people are more than their professional identity, that humanity should be displayed and that members are like family (Dutton et al., 2006). Finally, it is reinforced by outcomes of the practices of compassion such as trust, quality connections and positive emotions, creating social resources based on a conceptualization of the organization as one that cares (Dutton et al., 2007).

*(Continued)*

(Continued)

The fulfilment of compassionate organizational values and policies is executed through the development of compassionate support systems. When a Cisco employee visiting Japan had a medical emergency and couldn't find any English-speaking health-care support, Cisco designed a network system to provide medical assistance to Cisco employees travelling abroad (Dutton et al., 2002). The objective was to ensure that no Cisco employee would again feel so forsaken and alone in a frightening situation. This system has proven invaluable on many occasions. During a period of civil unrest in Jakarta, Indonesia in 1998, employees found themselves in the middle of the conflict zone. Cisco used its networks to organize an ambulance that could travel unimpaired through the city streets, to collect employees and drive them hidden under blankets to a waiting airplane at a deserted army airstrip and fly them to safety.

Systems can also be established to build the organization's capability for compassion by recognizing and rewarding compassionate acts (Dutton et al., 2007; Frost et al., 2006). The MHS had in place such a system by way of a monthly newsletter entitled 'Caring Times', which was distributed to the entire hospital staff (Dutton et al., 2007). The newsletter contained stories of MHS staff performing compassionate, caring behaviours.

## Questions

1.   Describe the HR approach used by MHS and Cisco.

2.   How was compassion embedded within MHS and Cisco?

3.   What might be the result, in terms of positive psychological capital, of the HR approaches used in this case?

Case prepared by Ace Simpson, UTS School of Business, University of Technology, Sydney.

## ADDITIONAL RESOURCES

- There are some great movies on issues about work and employment: Kevin Smith's (1994) *Clerks*, Colin Higgins' (1980) *Nine to Five*, and Mike Judge's (1999) *Office Space*, plus the classic *On the Waterfront* (1954) and *Waiting for Superman* (2010).

- A classic IR film is John Ford's *How Green Was My Valley* (1941), which traces 50 years in the lives of a close-knit clan of Welsh coal miners. As the years pass, the Morgans try to survive unionization, a lengthy strike and a mining accident; meanwhile, their hometown and its venerable traditions slowly disintegrate.

- There are also some fantastic situation comedies on TV, such as *The Office*, and some all-time classic episodes concerning work in *The Simpsons* and *Futurama*.

- www.hrmguide.net is an excellent resource for students and practitioners of HRM. The site is full of the latest information and ideas in

HRM, and provides some excellent links to a number of valuable and interesting web sites.

- For our American readers, the US government's Equal Employment Opportunity Commission is an excellent resource: go to www.eeoc.gov.

- For our Australian and New Zealand readers, there is an excellent equity and diversity toolkit with lots of great links and resources: www.dss.gov.au/our-responsibilities/settlement-and-multicultural-affairs/programs-policy/access-and-equity/multicultural-access-and-equity-policy-toolkit.

- For our UK readers, there are some excellent resources on government websites: www.gov.uk/discrimination-your-rights/types-of-discrimination, www.opsi.gov.uk and www.direct.gov.uk/en/Employment/index.htm.

- For all our 'wherever you are' readers, the International Labour Organization has some fantastic resources and information: go to www.ilo.org/skills/lang--en/index.htm.

- This YouTube video of President Obama talking about CEO pay inequity shows how important the problem is: www.youtube.com/watch?v=TXFBW4ObxWE