

Chapter

1

HRM: past, present and future

Learning Outcomes

In this chapter you will learn to:

- define *management*
- discuss the relationship between human resources management and management in general
- define the difference between formal and informal organisational structures
- discuss the interrelationship between organisational structures and the practice of human resources management
- understand the role that management theories played in the development of human resources management in the organisation
- discuss the key objectives of human resources management
- discuss the changing job descriptions of managers of human resources
- define *profession*, and discuss whether a manager of human resources is a professional
- distinguish, within an organisation, the role that human resources management plays in organisational harmony and long-term commercial success
- define *ethics* and discuss their role in business decision making
- define *social responsibility*.

CHAPTER INTRODUCTION

This book is about one aspect of management and people within formal organisations. It deals with human resources management. The reader should note at the outset that human resources management (HRM) is not the same as the management of people. HRM is primarily concerned with the formal and informal relationship between two or more persons within an organisation—traditionally being that between an employer and employee. The management of people is about the supervisory role and the relationship between supervisor and subordinate.

This chapter attempts to introduce the reader to some of the key aspects of the study of the management of human resources in the workplace. Many of these aspects will be further developed in later chapters.

In the initial stages of this book, discussion is based on the concept of a 'human resources manager' as a formal position in the organisation. However, this concept is quickly lost in later chapters, giving way to the more general view of a 'manager of human resources' within a given workplace.

HRM is a staff function. This means that it does not produce results that are ends in themselves; rather, it involves activities and processes that are means to ends.

The legal structure of an organisation affects aspects of the contractual relationship between employer and employees, and hence the work of the human resources manager. But it is not only the legalities that are important. The social hierarchy of an organisation is a significant determinant of how employees behave. This social hierarchy, which stems from the formal structure, inevitably incorporates a status system and symbols of rank.

Organisations do not work completely as designed. As well as a formal structure, there is an informal structure of relationships, communication and leadership operating in every organisation. This informal structure is an outcome of people working together.

In this chapter, social aspects of organisations are reviewed, in particular the extent to which social considerations influence the way in which organisations are structured.

Not only do human resources managers have to be more professional in their approach to their responsibilities, but they also have to adopt a more ethical approach to their decision making, and to data collection, storage and usage. They must understand the social, cultural, legal, moral and personal pressures that can be part of making a decision.



Welcome to the study of HRM in the workplace

human resources management
management of a
relationship involving people

Welcome to the study of **human resources management**, or HRM as it is commonly referred to. As you will see as you progress through the various chapters of this book, the management of human resources covers a broad spectrum and may be a very complex task within an organisation.

In many cases, people within an organisation who have been given the responsibilities of management of human resources are only in fact responsible for a small part (for example, payroll coordination, training development or recruitment) of the whole function commonly known as 'HRM'.

This will probably be the situation that you inherit when you gain a position as a pay clerk or training officer within an organisation. However, although this is only a

small part of the overall organisational management of human resources, it should not constrain your understanding of the many other functions of HRM.

HRM defined

Let us then try to establish a sound working definition of HRM before we progress further into the book.

Without going any further into this chapter or book, what do you believe is the purpose of HRM? What are its aims—organisationally or for the individual? Who does the managing? Does your definition include working towards organisational goals and objectives? Is HRM more concerned with leading than with managing human resources? What skills (or experiences) does a manager of human resources need to be able to undertake his or her duties and responsibilities fully? Do you have those skills and experiences to manage human resources? If so, what skills do you have? If not, where will you gain those skills?



A good operational definition of HRM could be that HRM is the management of the **employment relationship** within an organisation with the purpose of enhancing the achievement of that organisation's objectives and goals.

The important elements of this definition are:

- HRM is concerned with the management of a relationship, not with the management of people.
- HRM is goal oriented. As organisational objectives change, so will the manner in which the employment relationship is managed. The emphasis placed on aspects of the relationship will also change.
- The objectives of HRM should be those of the organisation. While the objectives of individual members of the organisation are also important, these are of secondary importance.

**employment
relationship**
relationship between
employer and employee

Employment relationship phases

In a typical business or a non-profit organisation the employment relationship has three phases.

1. *The acquisition phase.* This is when an employee or contractor is recruited, goes through a selection process and, having accepted an offer of employment, is inducted into the organisation.
2. *The maintenance phase.* This is when considerations relating to compensation, appraisal of performance, and training and development are paramount.
3. *The termination phase.* This is when the employment relationship is ended. It may involve dismissals, redundancies, resignations, and pre- and post-retirement counselling. The manner in which the termination occurs requires careful management, whether the termination of employment is voluntary or involuntary, individual or collective.

Some could say that there is a fourth phase:

4. *The research and development phase.* This phase looks at the past practices of the managers of the organisation in managing an employee or a group of employees

who have now left the organisation. It reviews how the organisation engaged that employee (recruit); what type of induction and training was offered and whether it was successful (cost–benefit analysis); and how the organisation managed the termination stage. Overall, it aims to analyse how the organisation can do better in the future when employing, training or managing an employee.

Later on in the book we will discuss another phased structure to management that includes the concepts of planning, organising, leading and control. Some say that the above four phases reflect, in a different way, these additional forms—in other words, that they are the same but with different names. As you go through this book, think about this belief. See if you agree or disagree.

Now that you have a basic understanding of what HRM is and what it involves, let us develop some other key organisational concepts to assist in your successful progression through this book and its various HRM concepts.



The organisation

organisation
body of two or more persons
with specific goals and
outcomes

objectives
targets set in order to
achieve goals

Throughout this book reference will be made to ‘the organisation’. What is an **organisation**? What is a business organisation? What services does it offer or provide, and to whom are these services provided? How does it function (operate)?

Briefly, an organisation is an artificially constructed, legally recognised body (group) that contains real people with real ideas, emotions and principles interrelating with each other. It incorporates technology and various forms of internal and external pressures, expectations and needs, some static and some constantly changing.

Almost all relatively permanent organisations have a number of features in common: each has **objectives**,¹ and each has both a formal and informal structure.

An organisation is more than a crowd or a group. For an organisation to exist, there must be some central goal or goals. These goals are translated into operational objectives. An organisation requires people to be brought together to participate in a common effort to achieve these objectives.² The organisation’s objectives may include money, market opportunities, production systems operations or self-worth. An organisation brings together many factors (resources) and allows those factors to participate in and towards a common effort (teamwork) and a common goal.

In most private sector organisations, the central organisational goals are profit related and flow from enhanced productivity³ and greater employee loyalty,⁴ which in turn lead to long-term survival, especially in an ever-changing and competitive global market.

Select two organisations (small businesses) that have profit as their central goal, and two non-profit (clubs) organisations. Compare these organisations and their objectives, using the criteria described in the above paragraphs. Do all of them have similar purposes? Why or why not?



IN THE WORKPLACE 1.1

For more information on how this section relates to real-world HRM, follow the links to the student resources in the Online Learning Centre at www.mhhe.com/au/seward

Therefore it can be said that one of the purposes of HRM is to contribute to the **effectiveness** and **efficiency** of an organisation.⁵ Effectiveness means the accomplishment of the organisation's goals; efficiency means accomplishing those goals within cost and time constraints. This includes the personal costs to employees as well as the financial costs to the organisation. Therefore the purpose of HRM is related to two general goals that are not always in complete harmony with each other—that is, achievement of effectiveness may be at the expense of efficiency. For instance, if a company finds itself in financial difficulties, it may be necessary to lay off employees, despite the financial and emotional hardships involved.

effectiveness
doing the right thing

efficiency
doing things right

structure
set of interconnecting parts
of a process or outcome

systems
body of theories,
classifications

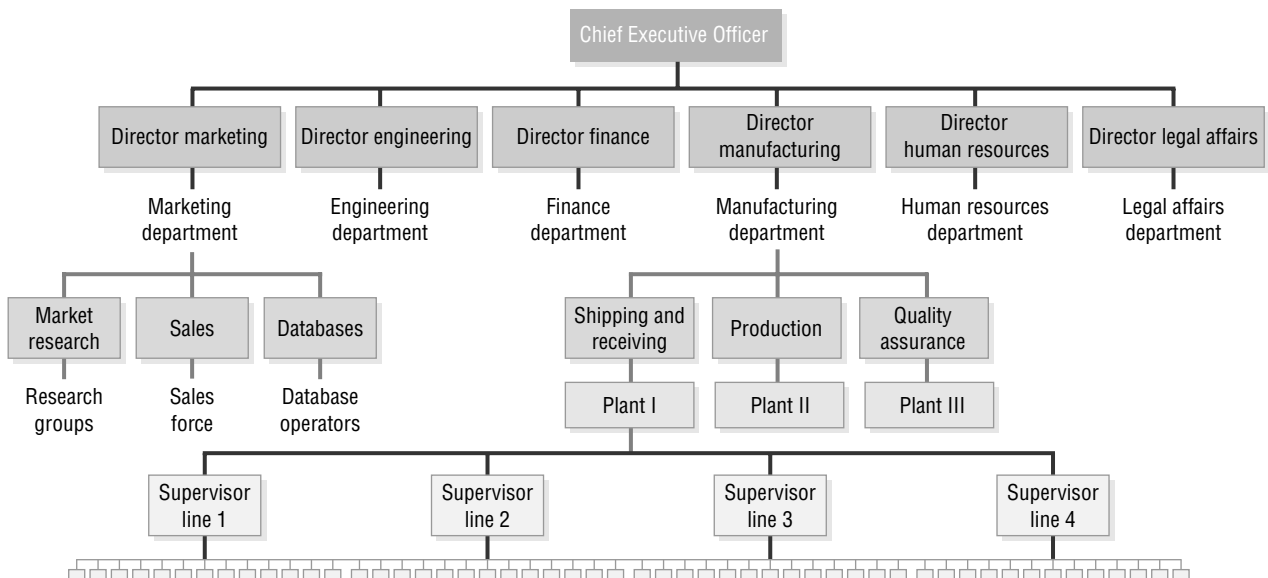
division of work
dividing and assigning tasks
to workers

formal structure
work group defined by the
organisational structure

Organisational structures

A feature of all organisations is their **structure**, and these structures often incorporate a number of systems. **Systems** of cooperation and concerted effort necessarily involve division of work and specialisation. Work needs to be divided among employees—some are involved in marketing, others in production, and others in finance and so on. Individuals tend to focus on particular aspects of work, building unique skills and becoming specialised in limited areas. With the **division of work** and specialisation comes the necessity for a **formal structure**. A formal structure can be thought of as the explicitly stated arrangement of people, equipment and other forms of resources within the organisation. The purpose of the formal structure is to enhance the efficient functioning of the organisation. The formal structure is partly delineated by the

Figure 1.1 The functional structure



Source: Adapted from John A. Wagner and John R. Hollenbeck, *Organizational Behavior: Securing Competitive Advantage*, Prentice-Hall, Englewood Cliffs, NJ, 1992. Reprinted with permission.

organisation chart, which shows the primary areas of authority and responsibility and the reporting relationships. Other documents, such as procedures and practices manuals, job descriptions and policy statements, are all efforts to describe the specific aspects of the formal structure.

If you review Figure 1.1 you can see the possible interrelationship between the function (purpose) of human resources management and the other functional areas of a typical commercial organisation. As you go through this book you will need to relate your readings back to this figure in order to see why, for example, certain documents need to be created or certain specialised managers need to be consulted before a decision is implemented.

Organisational relationships

Informal relationships spontaneously develop within organisations as people interact with one another. Employees communicate through informal as well as formal channels: informal advice is offered and informal counsel sought. As well as those with designated authority, other leaders emerge naturally and become reference points, influencing the behaviour of employees. Good managers recognise and understand this informal structure. Instead of attempting to dismantle it, they become adept at using it and so expand their own sphere of influence.

Anyone observing the behaviour of an employee or a member of a non-profit organisation soon recognises that many structures or hierarchies are social in nature.⁶ These hierarchies straddle the organisation, from the chief executive to the factory worker. It is important when studying HRM to realise that, to a large degree, the behaviour and attitudes of employees are determined by their positions in the hierarchy, as are their points of view about events and relationships with other employees.

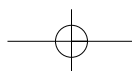
social hierarchy

the interconnection of human relationships in society

The **social hierarchy** is accompanied by a status system, which is not difficult for an observer to work out. In organisations there are symbols of the ranks of individuals, as well as indications of their duties, rights, privileges and obligations. For instance, the title associated with each job directly indicates rank. The size and location of the office, the number of people supervised, the position of the desk or workbench, the number of telephones on the desk, the clothes worn and so on, all indicate status, rank and duties.

Why have a status system? The short answer is that it is inevitable. Inherent in creating a supervisory hierarchy is the notion of status, and indications of status and rank reinforce the supervisory hierarchy. However, the status system has another purpose: it serves the needs of individual employees. Everyone wants to be recognised and respected. Status is inherent in differential wages and salaries. The symbols of status also serve as important components of the system of rewards that is used to motivate employees within an organisation. Generally, status and rank are natural to human order (although some traditional societies are still egalitarian in their structure).

Referring to the four organisations that you selected earlier, describe their formal and informal structures. Use a flow chart if this helps to illustrate these structures.



Organisational culture

'Culture' may refer to many factors: your place of birth; the type of schooling that you undertook; the people with whom you regularly associate; the economic and financial environment to which your parents belong (sometimes referred to as 'rich or poor'); and the experiences that you gained throughout life. It seems to have many loose definitions and meanings.

In terms of organisations, culture may include the way that employers treat their employees (for example, in times of family crisis); breaches of internal operating practices; or the general education and experiences of managers, and how these affect their views of leadership and career planning.

What do you think *culture* is? Is it something to do with one's birthplace, place of upbringing, level of education and lifelong desires? What do you think someone means when they say, 'you lack culture' or 'because you were born or grew up overseas, you cannot understand our ways'? List some potential employment areas or issues where culture could affect the way one is employed or treated in the workplace.



For more information on how this section relates to real-world HRM, follow the links to the student resources in the Online Learning Centre at www.mhhe.com/au/seward



Once you have read Case Study 1.1 and In the Workplace 1.2, you should be in a better position to understand the role that culture can play in organisational harmony and long-term success.



What is management?

Within each organisational structure there are people who are commonly called **managers** or who are deemed to be part of the management structure.

What is **management**? What do managers do? How do they perform in ways that differ from non-management employees?

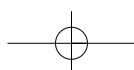
One of the distinctions that can be made between the different types of management is that between line and staff management. Because business is so complex, one person cannot hope to command the knowledge and skill required to carry out every management role effectively. Hence, it is necessary for each manager to draw on the skills, abilities and knowledge of others. Organisations therefore appoint specialists, called staff managers, who have competence in the application of special techniques and methods in their area of expertise. **Staff managers** advise, counsel and assist line managers. **Line managers** are responsible for the achievement of the identified goals of the organisation: they are responsible for results. Another useful distinction between staff and line managers is that staff managers advise on the most

managers
people who achieve outcomes through other people

management
the art of getting things done through people

staff managers
managers who provide advice within an organisation

line managers
managers who direct work within an organisation



effective and efficient means of doing the work and achieving organisational goals, while line managers decide what will be done and supervise those who actually do the work.

Review Figure 1.1 again. The top two layers (the CEO and all the directors) would be staff managers; the next layer down (market research, sales, production and so on) would be line managers; and the bottom layer (supervisor and the very small boxes) consists of the general employees or workers. It should be noted that no two organisations are the same, and therefore the pyramid shape in Figure 1.1 may be actually flatter at the bottom or very narrow, depending on the organisational structure.



Again using the previously selected organisations, what is the management structure of each organisation? Place the titles and/or names onto your flow chart. Also try to find out what some of the duties are of each level of management.

Functions of management

managerial functions

the art of getting things done within an organisation

In all organisations the same essential **managerial functions** are carried out. These are:

- planning
- organising
- leading
- controlling.⁷

All managers perform these functions, and human resources managers are no exception. However, because of the specialised nature of their work, these functions involve human resources managers in the application of specialised techniques.

Planning

Planning involves the general management activities of research and analysis of the world outside the organisation and of the organisation itself. It includes forecasting, setting objectives, budgeting, scheduling, and establishing procedures and allocation of resources. However, planning takes on a special aspect in HRM, as it involves activities such as human resources planning, succession planning, replacement planning, planning for training⁸ and career planning, especially in the light of the apparent demise of the stable career.⁹

Organising

Organising involves grouping activities into a logical design and assigning activities to specific positions and people. It requires human resources managers to design organisational positions (jobs) using such techniques as job analysis and the writing of job descriptions.

Leading

Although this is more the province of line managers, the human resources manager is directly involved by establishing policies, principles, procedures to recruit, induct and train the employee on an ongoing basis.

Controlling

Control by human resources managers takes place at two levels. The establishment of performance standards, and measurement against those standards, are normal management activities. However, the appraisal of individual performance and the establishment of appraisal systems also affect control. Correcting deviations in performance from the standards expected might be brought about through training (although this is not the sole answer to every situation). Both appraisal and training, although carried out by line managers, require specialised management expertise. The implementation of appraisal and training systems and their administration are usually the responsibility of the human resources manager.

The management of human resources

In addition to fulfilling some of the above responsibilities, human resources managers may also be involved in a number of management activities, which fall into five general categories and the following potential activities:

1. *Advice*: staff selection, staff development and management of legal regulations.
2. *Service*: recruitment and training.
3. *Execution*: negotiation, advocacy and employee counselling.
4. *Coordination*: succession planning, remuneration and compensation payments.
5. *Auditing*: employee appraisal, position evaluations and salary administration.



The development of management theories

Before examining the development of human resources management in Australian organisations, it is useful to raise the question: from where did the concept of management, and the need to manage people, come? In the Workplace 1.3 outlines the history of management practices and the development of management theories.

There have been various overlapping stages in the development of management theory and principles from the late 1890s to the present day. The main developmental stages are shown in Table 1.1.

For more information on how this section relates to real-world HRM, follow the links to the student resources in the Online Learning Centre at www.mhhe.com/au/seward



What is a *manager*? What is a *leader*? Write down at least five attributes (qualities, skills or abilities) that you believe make a person a good manager of human resources. Now list five attributes of a good leader. Which attributes are the same and which are different? Why could this be the case?



Table 1.1 Developmental stages of management principles

Scientific management	use of scientific methods to define the 'one best way' for a job to be done
Administrative	theories on which tasks managers should perform and how they should perform them in order to be 'good' managers
Behavioural	people (workers) and their behaviour were viewed as factors that could affect the way managers managed and structured the organisation
Quantitative	application of quantitative methods to the study of decision making
Systems approach	theories on how the interrelationship and interdependence of various parts of the organisation contribute to its overall success
Contingency	situational variables of 'if-then' outcomes
Other theories	theories that do not yet stand on their own, generally because they are new and so far untested



www.uia.org/extlinks/pub.php

1. Go to this site.
2. Using 'International Organisations by', and then select 'Name', go to the next level.
3. Randomly select five to seven organisations by letter or name.
4. Review and compare their objectives, structures and outcomes. Are there any real differences between them? If so, what are some of these differences? Are their objectives and structure affected by whether the organisation is public or private, for profit or not-for-profit (charity)?

Development of HRM in Australia

The formal management of human resources in Australian organisations has a history of not much more than one hundred years (see In the Workplace 1.4). In that period it has undergone significant change. Although the tasks that human resources managers now undertake were always a necessary part of the work done in organisations, it is only in recent times that their performance has been left to specialists. Thirty years ago, HRM as a separate and distinct organisational function was largely unknown. Today, almost every organisation of significant size has a separate, identifiable human resources department as an important part of its organisation structure.



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The three phases of the employment relationship (discussed earlier in the chapter) take place against a background of human resources policies and practices. These vary not only from organisation to organisation but also over time, reflecting changing organisational circumstances. Organisational circumstances are affected by economic and social conditions, and influence organisational goals, objectives and plans.

Formal HRM developmental constraints in Australia

Today in Australia various federal and state laws regulate a large part of the employment relationship.¹⁰ The relationship between an employer and an employee is a contractual one, and so the law of contract applies. Governments intervene (intrude) by passing legislation restricting and regulating what employers and employees may or must do as part of that relationship, and how the relationship is managed. Some see this as a process of putting constant pressure on the employer/employee, one that is unnatural or disruptive to good and sound employer–employee relationships or team building.

The role and expectations of the human resources manager in Australia has undergone significant change in a relatively short time. Human resources management in Australia really started during the Second World War when the defence effort required a rapid increase in factory output, resulting in a large urbanised industrial workforce. The Commonwealth Department of Labour and National Service decided that the welfare of employees in these factories needed special attention, and so industrial welfare officers were appointed. Social workers, psychologists and specialists in industrial medicine and hygiene were used to advise on the selection of these officers. The department assumed responsibility for training the appointees, whose role, in the British tradition, emphasised social work, community welfare and workers' amenities.

Such appointments proved to be far from successful, and it is not difficult to see why. The philosophy, training and purpose of industrial welfare officers left them in limbo, somewhere between management and workers. Factory managers did not accept them, because they were not seen as part of the management. The workers did not accept them, because they were seen as representatives of the employer. Their motives were questioned, as their role required them to present management to workers and workers to management without being able properly to represent either.

After the war many welfare officers entered private industry. One of the many problems faced by industry was a chronic shortage of labour compounded by high labour turnover. Emphasis in practice moved from welfare to the problems of acquiring and keeping staff. During the 1950s the emphasis shifted again. Efficiency became a paramount consideration. Incentive schemes and systematic job training dominated human resources practices. Although the provision of employee amenities was encouraged by taxation incentives and continued to claim attention, the influence of the wartime-trained welfare officers began to wane. More and more, the HR function was perceived as being representative of management.

The 1960s saw a broader interpretation of HRM by industry and commerce. During this period, the education of managers by tertiary educational bodies increased. Full employment and high levels of industrial disputation and labour turnover caused employers to think more about their employees. New ideas were also coming from

abroad. HRM therefore emerged in this period as the practice of managerial behaviour, rather than relating to personnel practices.

In the current decade, the emphasis has seemed to shift again. The movement has been away from concepts of human relations and more towards human resources. Employees are regarded as a component of corporate costs. Management is concerned with their economic and effective use. Thus, employees are likely to be hired and terminated more often than they once were. Jobs have become less secure. One response of governments has been to increase the regulation of the employment relationship and to take some steps towards maintaining elements of job security. More often, however, the move has been to increase the compensation payable by employers for job loss, thus emphasising financial considerations.

HRM in Australia today

Today, a more hardheaded approach to HRM is apparent in many Australian organisations. Its success tends to be seen in terms of its ability to ensure the supply of a trained workforce,¹¹ to secure the workforce within the cost constraints operating on the company, and to ensure that the regulatory framework operating on the employment relationship is not breached.

What about the management of human resources in the future? Will there be any major new theories? Any significant shift from human operated technologies to pure robotics, resulting in an even greater reduction in worker numbers?

Australian society, industry and management today face new challenges. Competition is greater. Emerging nations are being perceived as low-cost manufacturing centres. Businesses are becoming more international. It has been suggested that we face a transformation as profound as that of the Industrial Revolution,¹² in what has been named 'the Technology Revolution'. One symbol of this transformation is the common usage and expansion of the Internet. Massive profits have been made on the stock exchange in communication technology industries and the Internet is gaining popularity as a means of doing business, communicating, and simply having fun.

This transformation directly impacts on the role of the human resources manager:

- The HR function is becoming increasingly complex and less insulated from the external environment.
- The HR function is increasingly influenced by worldwide factors, some of which are beyond the control of individual countries.
- The pace of change within the HR function is quickening.
- Because of its rapid rate of change, the change occurring tends to be more reactionary than evolutionary.¹³

An outcome of rapid change is the requirement for training. One of the institutional initiatives reflecting this requirement was the federal government's 'training guarantee' (now abolished), which placed a requirement on companies to invest a specified percentage of their wages and salaries bill on training.¹⁴ The processes of initial training, retraining and reskilling at all levels in organisations will be of paramount interest in many countries, including Australia.

The reaction of many organisations to increased competition has been to implement programs aimed at improving productivity, quality and customer service. The workplace

reform process has been a launching platform for increased efficiency and improved work systems.¹⁵ **Total quality management (TQM)**¹⁶ and **quality assurance (QA)**¹⁷ have provided a quality focus. These controllers have highlighted the fact that satisfied customers indicate success, in a corporate sense, and this has led to companies assuming a greater marketing focus.

All of these changes have affected the human resources function, both directly and indirectly. Although there is evidence that companies are tending to consider human resources as a commodity like other resources, with the same rules of resource allocation applying, there also appears to be recognition that investments in people can generate profits. Hence there is a contradiction in the behaviour of many companies between the 'commodity' approach and one that could be called the 'human assets' approach.

In practical terms, change has meant that HRM has to be more results-oriented than in the past, with financial measures used to ascertain the value of many activities previously assumed to be intrinsically worthwhile.

In periods of rapid change, people generally look for a sense of security. This is reflected in government attempts at regulation. With the workplace and work practices at the forefront of change, there is every likelihood that there will be increased government intervention in the human resources area. In fact, we are seeing greater government intervention even now. Equal employment opportunity in the 1980s, and more recently the regulation of retrenchments, are two recent examples of such intervention.

Human resources managers need to understand such regulations, to be able to interpret them for other managers, and to keep abreast of changes as they occur.



The professionalism of HRM

In the future, human resources managers will need to show more **professionalism**, and to be more managerial and more scientific. No doubt this will result in greater satisfaction for such managers, but the work will be more demanding, and the level of sophistication required will be greater.

With these potential (and in some cases rapidly occurring) changes in HRM and its practising principles looming in the future, how can the HR manager or leader stay up to date with new trends, organisational needs and objectives?

With all business employee groupings there are usually industry, trade or professional associations that represent the interests of members to other associations, or to government bodies. In Australia the organisation that represents people who have either undertaken a course of study in an HR-related area or have had a number of years' experience in HR positions is called the Australian Human Resources Institute (AHRI).

The AHRI is a national body that, among other activities, provides its members with:

- a professional network which allows people in the HR area to communicate with each other to seek answers to concerns or information on the latest changes, and to engage in social-mentoring activities
- a monthly copy of both the *Asia Pacific Journal of Human Resources* and the magazine *HR Monthly* (via the Internet if required), a newsletter called *Inside AHRI*, and an annual directory, *Who's Who in HR*.

total quality management (TQM)

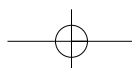
top priority given by management to obtaining the highest quality possible from the organisation's services or products

quality assurance (QA)

systematic approach to ensure consistency and higher quality of organisational performance

professionalism

the qualities, competencies and skills of a profession



Web link  **1.2**

www.ahri.com.au

1. Go to the AHRI website.
2. Review the benefits of AHRI membership.
3. Check whether you are eligible for membership.
4. Search the Internet for similar organisations in other countries.

Another way to stay up to date is to undertake further formal studies, as you are doing now, at private and public colleges, universities or industry-sponsored institutions—for example at the Australian Council of Trade Unions (ACTU).



What is a *professional*? What skills and abilities does a professional have that a non-professional does not? Where can non-professionals gain these skills and abilities so that they can become 'professional' in their performance?

Despite all good intentions of managing human resources fairly and effectively, everyone also has to consider his or her own ethical beliefs and the ways in which he or she uses those beliefs when making decisions which involve a problem or issue. Within organisations, the HR manager needs to be able to consider (and understand) why certain people act in the way that they do, and the reasoning behind those actions. Without this understanding, the ability of the HR manager to make fair and just decisions about, for example, whether to terminate the service of an employee or to deliver a reprimand would be limited. Although HR managers have their own ethical beliefs and 'codes of practice', ideally these should not prejudice their judgments.



Ethics and their role in business success

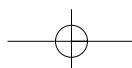
ethics
the science of human
moral behaviour

The study of **ethics** can be defined as 'the theoretical study of human values and conduct'.¹⁸ The two main branches of study are normative ethics and metaethics. *Normative ethics* is the study of how humans wish to live their lives, and what things have value to them. *Metaethics* seeks to establish whether the pronouncements and meanings of normative ethics are objective rather than subjective, and to investigate what types of justification normative judgments might have.¹⁹

The study of ethics is not the same as the study of cultures and societies (anthropology and sociology). It is the study of the rights and wrongs that control a society (but may be independent of what that society believes is right and wrong). It is the study of why one member of the society believes a thing to be right or wrong, while another may hold a different view. In some cases it is also the study of why some people believe that there is no resolution to questions of right or wrong.²⁰



What are *ethics*? How do they become a part of the organisation's business practice, and how do you measure their effectiveness?



The study of ethics tries to bring order into the way humans think about their lives, other people's lives, and the interdependence of their lives and those of others. Ethical theories attempt to bring order into thinking by telling people which of their conflicting ideas should be applied to what they do, and which should not.

For more information on how this section relates to real-world HRM, follow the links to the student resources in the Online Learning Centre at www.mhhe.com/au/seward

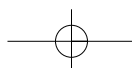


One of the concerns today expressed by many in the community is whether organisations should have (adopt) a culture of 'social responsibility'. That is, when making business decisions, should the organisation take into consideration factors such as profit, ethics, environmental effects, community needs and expectations, and the social needs of employees such as longevity of employment, education of dependants and safe recreational resources? However, for many organisations this concept of social responsibility is in reality very hard to fully implement within its decision-making processes, due to historical and financial constraints.

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The problem is that many decisions that are made in a business organisation (and all other types of organisations) have competing consequences, and are thus not easy to resolve in a fair or truthful manner (for example a decision about whether or not to terminate an employee's services). One of the issues that will confront the decision-maker is whether to consider the needs of the organisation above those of the individual (such as in the introduction of new technology and increased productivity that does away with the need for manual operators); or the needs of the individual over those of the organisation (such as the employee's need for a job in order to support a large family). These decisions are common in organisations today and the decision-maker needs to understand how to make them and the consequences of those decisions.



Chapter S U M M A R Y

- **Human resources management is about the management of a relationship.**
- **Contractual relationships exist between the employer and the employee, and they need to be managed effectively.**
- **The employment relationship has three phases: acquisition, maintenance and termination.**
- **All organisations are artificially constructed, and have both formal and informal structures.**
- **Even though they can compete with each other, informal organisational structures can be as effective as formal structures for communication.**
- **Some organisational structures are built on hierarchy, status and official titles, while others are fairly flat and non-departmentalised.**
- **Organisations may have profit or non-profit objectives.**
- **Management can be classified as either staff or line management.**
- **All forms of management have four essential elements: planning, organising, leading and controlling.**
- **HR managers may give advice, provide a service, execute instructions, coordinate human resources needs, and audit the financial and non-financial outcomes of human resources.**
- **The development of management theory has included the scientific management stage, the behavioural stage and the contingency stage.**
- **The Australian Human Resources Institute (AHRI) represents professional human resources managers in Australia.**
- **Ethics and corporate social responsibility are the concern of both the employer and the employee.**

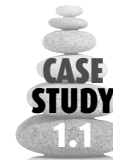
Key T E R M S

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CASE Studies

People Power

by David Parmenter



Increasingly today the human resources function is being cut back and marginalised, whereas HR functions can actually add value to the bottom line in a number of ways, including:

Selecting the right people for the business. Most of us can think back to a recruitment that we approved that did not work out. In most cases, the sign-on was based on interviews and references. However, HR practitioners have found that there are far more effective ways to recruit, starting by taking an in-depth focus on the job requirements followed by competence-based interviews, simulated exercises and assessment centres. All of this takes experienced in-house resources to manage and deliver, but it is worthwhile as the cost of appointing the wrong person can be very much greater than just their salary.

Developing managers and staff capacity. Building organisational capacity is often left to on-the-job training. However, some enlightened organisations are investing in building in-house development centres. Such centres require experienced HR people, supplemented by some external experts.

Changing the culture. A new corporate culture can improve the bottom line in many ways: less absenteeism, lower staff turnover, more initiative, higher productivity and possibly greater business opportunities created by staff.

Any culture change requires a high level of management involvement and experienced HR people to support change processes. One private sector organisation successfully developed its own in-house 'culture change' course by setting up internal teams to identify a third-party company with outstanding customer service. In this case, an airline was identified and, through liaison with it, consultants then assisted the internal teams to develop a customised course to guide the organisation's staff through the culture change.

Containing workers' compensation costs. Organisations with 'back to work' programs report great success in reducing their workers' compensation costs. One organisation recently achieved an annual saving of \$400 000, partially through setting the goal of 'no accidents in a million hours'. Its workforce now believes that accidents are preventable rather than simply being an industry norm.

The plain fact is that managers don't have the time or the expertise to be a surrogate HR resource. Thinking back to your most recent performance reviews, how much time did you allow for feedback from your staff? If I were a betting man I would say that you found the annual assessments difficult to fit in.

Yet some organisations are now seeking feedback three to four times a year to ensure the organisation's performance is on track. Which then leads to the question: if managers are spending time managing the performance of their staff, how can they simultaneously develop and maintain expertise in recruitment techniques, accident prevention or management development?

The possible consequences of removing an internal HR function can extend to:

- an over-reliance on external advisers, which may cost more in the long run and defeat the objective of cost saving
- a trend to buy in rather than grow trained staff, thus becoming over-reliant on the training provided by past employers
- remuneration across the organisation becoming out of kilter with the marketplace, especially at senior levels
- the organisation's culture continually being discussed while nothing is actually done about it

- new recruits not performing as anticipated
- a rise in staff turnover and absenteeism
- young talented staff failing to learn good management skills.

All of these factors can in turn cause the organisation's financial results to nosedive, with worried shareholders asking pointed questions. Some of the warning signs that your HR area is being marginalised are:

- the CEO has no direct input into HR (HR does not report directly to the CEO)
- the board papers do not contain a human resources report
- the CEO believes the departing HR manager does not need to be replaced
- no monitoring of funds spent on staff training
- training expenditure is down over the last five years
- there is no clear documentation of the organisation's core competencies
- there is no succession planning for management roles
- the HR position is not headed by a trained professional
- senior management are recruited by the CEO (and are often previous work associates!)
- there is a lack of trend data for absenteeism, health and safety, headcount, demographics, and so on
- the performance management system is not working.

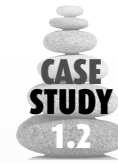
The good news is that there are steps you can take right now to address these problems. They include:

- relocate the HR function so that it is close to the CEO's office
- ensure that the HR function is led by a broadly educated and skilled HR professional
- change the recruitment policy as from tomorrow—insist on a more comprehensive regime
- ask for an informative two-page HR report to be included regularly in the monthly board papers
- ensure that your HR resources are involved in the planning process. They have much to offer.

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QUESTIONS

1. The case study indicates that, in the author's eyes, the HR function is gradually being diluted and dispersed to other sections of the organisation. After reading the article, do you agree with the author? Why or why not?
2. The case study discusses a 'new corporate culture'. What do you think this really means, especially in the light of the discussion in the chapter on the structure of an organisation?



HR managers: What is your leadership role for 2000 and beyond?

Your HR planning for the new millennium entails more than outwitting the Y2K bug, filling vacancies, and training staff to be 'thinkers' not just 'doers'. Your leadership role as HR manager will be twofold—to support your organisation's management team and to enhance your department's role as HR 'ace'.

To give you an insider's 'from-the-trenches' glimpse of what HR's role will be, and how to position your department accordingly, here's how Randy Evans, VP HR of Intuit Software (Palo Alto, California), sees the future:

1. *Leaders as servants.* Doing right by customers has emerged as a CEO's central function. In some organisations, it's the only thing that matters, Evans told HR professionals attending the Conference Board's Employee Benefits Conference in San Diego earlier this year.

What does this mean for HR? Every HR professional must be customer-focused, Evans stated. 'We're expected to treat employees, our business partners and our shareholders with the same dignity and respect that we treat our customers.'

Compounding that, employee perceptions of pay, benefits, overall work climate, as well as HR service levels, will be an important part of HR performance criteria. 'Our employees expect first-call resolution of their issues. In a high-performance environment, contacting the HR department for any reason is regarded as down time.'

2. *People management.* Profiles of successful corporate leaders today underscore their ability to help people be more effective in performing their work by creating an environment of support, respect and trust, Evans pointed out.

What does this mean for HR? When people management becomes a manager's primary responsibility, the demands on HR are different. 'The old role of HR was to take care of the people stuff and do damage control. Now our leaders are beginning to ask the right questions. How can we attract, retain and develop good people? How can we find the right people in the organisation to get critical work done? How can we communicate cultural shifts and new business models?'

Evans promotes what he calls employee 'ennoblement', a process that allows them to deepen their sense of personal meaning and purpose in the workplace. 'Tacking on superficial programs like take-your-pet-to-work is not going to do it. People need more.'

Intuit's annual employee survey produced a 78 per cent overall satisfaction rating. Good, but not good enough. A factor analysis found three factors that would drive employee satisfaction from the 78 per cent to 95 per cent level:

- being treated with dignity and respect by co-workers
- having a clear idea of how one's work contributed to the overall organisation's work
- knowing their standing in the organisation in terms of how they're performing and whether they have a future with the company.

'The best way to develop people is to change how they're regarded. I think what we're going to have to do is create a mindset in organisations that people want to contribute; that they're capable of honour, courage, trust and generosity. This kind of uplifting work environment is an important role of HR people in the future.'

3. *Seeking the best.* Today's leaders are not only seeking the best people but the best ideas to adopt, Evans believes. What does this mean for HR? 'Our recommendations are going to be required to meet all the standards tests of any other business decisions in a high-performance organisation. This means that recommendations not only have to be fact-based but anchored in the operating values of the company,' said Evans.

This also means that HR will more often be asked to develop best-in-world solutions. 'Your response to any organisational need is so unique to that need that it becomes proprietary to the company. These HR solutions that provide competitive advantage can only come from HR people who are intimately engaged in the businesses they support.'

4. *Improving processes.* The old adage, 'If it isn't broke, don't fix it', no longer applies, Evans stressed. Leaders are turning their organisations sideways and looking at horizontal processes for improvement opportunities. What does this mean for HR? You will be accountable for improvement in cycle time, elimination of waste, and higher customer satisfaction. 'HR people need to be quality gurus and quality gurus need to be HR experts. This interdependence can increase the effectiveness of both functions.'

Get your black belt in HR quality improvements, he recommends. 'At Intuit, I want someone to get fanatical about fixing processes that hurt people. We have to be very aggressive in mapping our processes, figuring out the difference between the "should" map and the "is" map.'

5. *Teams.* 'In the new millennium, leaders know that teams win. Diverse, well-trained teams outperform individual and group effort every time,' Evans contends. Leaders are challenged in a team environment to constantly communicate a clear vision so people have a sense of shared values and goals.

What does this mean for HR? For one thing, traditional job descriptions in a team organisation are obsolete, he believes. Instead, individuals will be regarded as bundles of capabilities that will move freely throughout the organisation based on the work that needs to be done.

'Intuit has a cadre of people that are just like linebackers that move to wherever the issues are that need to be addressed. This is going to affect our recruitment processes, our performance appraisal systems, our pay and benefit programs,' Evans explained.

6. *Think fast; move fast.* Speed now is an organisation's key competitive weapon. Thoughtful planning and prudent risk-taking will still be part of the new leadership style but it's going to happen faster than ever before, he remarked.

What does this mean for HR? 'Strategically, HR will need to assist the CEO and the rest of the leadership team to build change management into the very structure and processes of the organisation. Any roadblocks on this change highway need to be removed, whether it's narrow charters, unnecessary procedures, or turf guardians.'

HR must help manage cultural shifts as well. These shifts may be from products to services, from local to global, from individual contributors to self-directed work teams. To perform this role successfully, says Evans, HR managers will need to develop internal consulting skills, hone their business analysis skills, and become intimately engaged in understanding the businesses they support.

There's work to do

Based on in-depth interviews with senior HR executives in leading companies, a recent study by the California Strategic HR Partnership reported that the capacity to facilitate and implement change was one of the top three HR competencies required of HR generalists. The same executives said that only 10 per cent to 35 per cent of HR people have the competencies to do that.

A couple of the other high-level competencies that these HR executives identified were very much related to the role of the change artist, Evans notes. One had to do with understanding the business and overall business savvy and the other was influencing skills.

Source: Institute of Management and Administration, Human Resource Department Management Report, New York, 1999.

QUESTIONS

1. Define *leadership*.
2. Discuss the interrelationship between leadership styles and skills for the twenty-first century and those required of managers of organisations in the nineteenth and twentieth centuries.
3. Using the case study, summarise in 50 words or less the skills and abilities needed in an HR manager for the twenty-first century.

'The business organisation must always come first in any decision that I make as a manager of organisational human resources, as it is the organisation that allows me to live and enjoy life.'

After reading this chapter, do you agree or disagree with this statement? Why or why not? Use examples of possible everyday business decisions to illustrate your answer.

1. What are the differences between human resources management and the management of personnel?
2. Define *human resources management*. What are the important elements in your definition?
3. What is the significance of each of the following to the development and practice of HRM:
 - (a) scientific management
 - (b) industrial psychology
 - (c) human relations movement
 - (d) behavioural sciences?
4. Describe the functions of managers in organisations. How do these general functions apply to specific HRM activities?
5. What is meant by the *social hierarchy* of an organisation? How does this reinforce the formal organisation structure?
6. What is meant by *informal structure*? How does this relate to the formal structure?
7. Human resources managers sometimes complain of a lack of organisational power. Why may organisations be reluctant to allocate power to human resources departments?
8. When you make a decision, how conscious are you of the ethical and moral beliefs that you use as the basis for that decision?
9. You are required by your employer to inform an employee that his or her services are no longer required by the organisation (that is, that he or she is being dismissed or made redundant).
 - (a) What are some of the ethical and moral issues that would be going through your mind before, during and after informing the employee of his or her dismissal?



- (b) Why and upon what bases are you having this inner debate or discussion?
Where do these beliefs come from?
10. List some of the personal ethical or moral beliefs—for example, ‘do only to another that which you would want to be done to you’, or ‘do not lie’—that you hold or use when making decisions about:
- making friends with a person from another country
 - engaging in a relationship with a person of the opposite sex
 - hiring a person as an employee
 - undertaking a yearly review of an employee.

Endnotes

- Objectives* are targets that an organisation must meet if it is to achieve its goals. Goals include the organisation’s purpose and objectives. Goals provide the basic direction for organisational activities. Objectives are therefore more specific and of a shorter duration than goals.
- R McBain, ‘The Role of HRM and the Psychological Contract’, *Manager Update*, vol. 8, no. 4, Summer 1997.
- P Herriot and C Pemberton, ‘Facilitating New Deals’, *Human Resource Management Journal*, vol. 7, no. 1, 1997.
- R McBain, *op. cit.*
- Peter Drucker has argued that a manager’s performance can be measured in terms of these two concepts: he defines *efficiency* as ‘doing things right’ and *effectiveness* as ‘doing the right things’. See PF Drucker, *The Effective Executive*, Harper & Row, New York, 1964.
- There are lots of ideas about the social structure of organisations and the way that they influence, and are influenced by, other organisational variables. For elaboration, see W Hunt, *The Restless Organization*, McGraw-Hill, Sydney, 1972.
- These ideas about the functions of managers were first developed by Henri Fayol. However, Fayol identified five functions: planning, organising, commanding, coordinating and controlling. Later writers have modified these slightly, though Fayol’s original ideas have been left largely intact. See H Fayol, *Industrial and General Administration*, International Management Institute, Geneva, 1930.
- R Kabst, H Larsen & P Bramming, ‘How Do Lean Management Organizations Behave Regarding Training and Development?’, *The International Journal of Human Resource Management*, vol. 7, no. 3, September 1996.
- R McBain, *op. cit.*
- See, for instance, R Boland and N Anderson, *Handbook on Employment Law and Practice*, Allen & Unwin, Metal Trades Industry Association, Sydney, 1987.
- The Australian*, 16 September 1998, p. 48.
- See, for instance, B Jones, *Sleepers Wake! Technology and the Future of Work*, Oxford University Press, Melbourne, 1982.
- PV Morgan & PJ Bottrell, ‘Trends in International Human Resources Management’, *Human Resource Management Australia*, vol. 26, no. 1, February 1988, p. 47.
- See JS Dawkins, *Industry Training in Australia: The Need for Change*, Ministry for Employment, Education and Training, Canberra, 1988; B Delahaye & B Smith, ‘Warning—Now You Have To Prove You Have Trained Them’, *Human Resource Management Australia*, vol. 25, no. 1, February 1985, p. 5; and O Moon, ‘Future Roles of Human Resource Specialists and Managers: The Task Ahead’, *Asia Pacific Human Resource Management*, vol. 29, no. 1, Autumn 1991, p. 121.
- Metal Trades Industry Association, *Award Restructuring, Consultation, Training and Award Flexibility*, June 1990.
- J Sprouster, *Total Quality Control: The Australian Experience*, 2nd edn, Horwitz Grahame, Sydney, 1987.
- Quality accreditation is a systematic approach to ensuring consistency and quality of company performance, involving reviews and documentation of work procedures. It is a process run by the Standards Association of Australia. In order to achieve accreditation, a company must achieve high standards of documentation and performance, tested by audit.
- D Crystal (ed.), *The Cambridge Encyclopedia*, Cambridge University Press, UK, 1995.
- ibid.*
- ibid.*