MODELS OF HUMAN RESOURCE MANAGEMENT (HRM)

UNIT 10 SHRM, SESSION 2
PREPARED BY: MS SHABNAM
LEARNING OBJECTIVES

By the end of this session students will be able to:

- Understand the HRM system
- Explore various models of HRM
- To gain an understanding in relation to the application of the various HRM models within organisations
HRM SYSTEM

HRM system operates through HR systems that bring together in a coherent way:

- HR philosophies describing the overarching values and guiding principles adopted in managing people
- HR strategies defining the direction in which HRM intends to go
- HR policies which are the guidelines defining how these values, principles and the strategies should be applied and implemented in specific areas
- HR processes consisting of the formal procedures and methods used to put HR strategic plans and policies into effect
- HR practices comprising the informal approaches used in managing people
- HR programmes which enable HR strategies, policies and practices to be implemented according to the plan
VARIOUS MODELS OF HRM

- The Harvard Framework
- Guest’s Model of HRM
- Best Practice Model
- Storey’s Hard and Soft HRM
- Patterson’s Model of HRM
- Best Fit/Contingency Model
Theoretical Perspectives on HRM

The HRM models:

- Provide an analytical framework for studying HRM
- Legitimate certain HRM practices
- Establish variables and relationships to be researched
- Explain the nature and significance of key HR
MODELS OF HRM

The Harvard Framework

The Harvard school suggested that HRM had two characteristic features

- Line managers accept more responsibility for ensuring the alignment of competitive strategy and personal policies
- Personnel has the mission of setting policies that govern how personnel activities are developed and implemented in ways that make them
THE HARVARD FRAMEWORK FOR HRM

Stakeholder Interests:
- Shareholders
- Management
- Employees
- Government
- Unions

Situational Factors:
- Workforce Characteristics
- Business Strategy & Conditions
- Management Philosophy
- Labour Market Unions
- Task Technology
- Laws and Social Values

HRM Policy choices:
- Employee Influence
- Human Resource Flow
- Reward Systems
- Work Systems

HR outcomes
- Commitment
- Congruence
- Competence
- Cost Effectiveness

Long-term Consequences
- Individual Well-Being
- Organisational Effectiveness
- Societal Well-being

Source: Beer et al. (1984)
Employees are significant stakeholders in an organisation. They have their own needs and concerns along with other groups such as shareholders and customers.

The Harvard Framework outlines four HR policy areas:

- **Employee influence** - delegated levels of authority, responsibility, power
- **Human resource flows** - recruitment, selection, promotion, appraisal, termination, etc
- **Reward systems** - pay systems, motivation, etc
- **Work systems** - design of work and alignment of people

Which in turn lead to the 'four C's' or HR policies that have to be achieved:

- Commitment
- Congruence
- Competence
- Cost effectiveness

Beer *et al* (1984) proposed that long-term consequences both benefits and costs of human resource policies should be evaluated at three levels: individual, organisational and societal. These in turn should be analysed using the four Cs.
# GUEST’S MODEL OF HRM

## Table 1.1 Points of difference between personnel management (PM) and human resource management (HRM)

<table>
<thead>
<tr>
<th></th>
<th>PM compliance</th>
<th>HRM commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological contract</td>
<td>Fair day's work for a fair day's pay</td>
<td>Reciprocal commitment</td>
</tr>
<tr>
<td>Locus of control</td>
<td>External</td>
<td>Internal</td>
</tr>
<tr>
<td>Employee relations</td>
<td>Pluralist</td>
<td>Unitarist</td>
</tr>
<tr>
<td></td>
<td>Collective</td>
<td>Individual</td>
</tr>
<tr>
<td></td>
<td>Low trust</td>
<td>High trust</td>
</tr>
<tr>
<td>Organizing principles</td>
<td>Mechanistic</td>
<td>Organic</td>
</tr>
<tr>
<td></td>
<td>Formal/defined roles</td>
<td>Flexible roles</td>
</tr>
<tr>
<td></td>
<td>Top-down</td>
<td>Bottom-up</td>
</tr>
<tr>
<td></td>
<td>Centralized</td>
<td>Decentralized</td>
</tr>
<tr>
<td>Policy goals</td>
<td>Administrative efficiency</td>
<td>Adaptive work-force</td>
</tr>
<tr>
<td></td>
<td>Standard performance</td>
<td>Improving performance</td>
</tr>
<tr>
<td></td>
<td>Cost minimization</td>
<td>Maximum utilization</td>
</tr>
</tbody>
</table>

*Source: Guest (1987)*
David Guest's (1989, 1997) model of HRM has 6 dimensions of analysis:

- HRM strategy
- HRM practices
- HRM outcomes
- Behaviour outcomes
- Performance outcomes
- Financial outcomes

The model is prescriptive in the sense that it is based on the assumption that HRM is distinctively different from traditional personnel management and rooted in strategic management.

It is idealistic, implicitly embodying the belief that fundamental elements of the HRM approach (essentially those of the Harvard map) such as commitment have a direct relationship with valued business consequences.

However, Guest has acknowledged that the concept of commitment is 'messy' and that the relationship between commitment and high performance is difficult to establish. It also employs a 'flow' approach, seeing strategy underpinning practice, leading to a variety of desired outcomes.
### GUEST’S MODEL OF HRM

**Table 1.2** The Guest model of human resource management (HRM)

<table>
<thead>
<tr>
<th>HRM strategy</th>
<th>HRM practices</th>
<th>HRM outcomes</th>
<th>Behaviour outcomes</th>
<th>Performance outcomes</th>
<th>Financial outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation (innovation)</td>
<td>Selection</td>
<td>Commitment</td>
<td>Effort/motivation</td>
<td>High: Productivity</td>
<td>Profits</td>
</tr>
<tr>
<td>Focus (quality)</td>
<td>Training</td>
<td></td>
<td></td>
<td>Quality</td>
<td></td>
</tr>
<tr>
<td>Cost (cost-reduction)</td>
<td>Appraisal</td>
<td></td>
<td>Cooperation</td>
<td>Innovation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rewards</td>
<td>Quality</td>
<td></td>
<td>Low: Absence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Job design</td>
<td></td>
<td>Involvement</td>
<td>Labour turnover</td>
<td>Return on</td>
</tr>
<tr>
<td></td>
<td>Involvement</td>
<td></td>
<td></td>
<td>Conflict</td>
<td>investment</td>
</tr>
<tr>
<td></td>
<td>Status and</td>
<td>Flexibility</td>
<td></td>
<td>Customer complaints</td>
<td></td>
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<tr>
<td></td>
<td>security</td>
<td></td>
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</tbody>
</table>

*Source: Guest (1997)*
Storey (1989) has distinguished between ‘hard’ and ‘soft’ forms of HRM

- **'Hard' HRM** focuses on the costs incurred by the human resources of a firm

- **'Soft' HRM** on the other hand, stresses the 'human' aspects of HRM
## Characteristics of High-Commitment/‘Soft’ HRM and Low-Commitment ‘Hard’ HRM

<table>
<thead>
<tr>
<th>CHARACTERISTICS</th>
<th>HIGH-COMMITMENT /SOFT HRM</th>
<th>LOW-COMMITMENT/ HARD HRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPLOYER ATTITUDE</td>
<td>People –focused Consider HR as biggest assets</td>
<td>Task-focused Employees employed to do jobs as directed</td>
</tr>
<tr>
<td>RECRUITMENT</td>
<td>Based on attitude and integration with the team</td>
<td>Based on the ability to do the job or to be trained to do the job in short span of time</td>
</tr>
<tr>
<td>JOB DESCRIPTION</td>
<td>High degree of multi-skilling allowing staff to work in variety of areas</td>
<td>Highly defined, with narrow scope</td>
</tr>
<tr>
<td>WORK DESIGN</td>
<td>Continually review work design to be efficient and enjoyable for staff</td>
<td>Doing the job the same way it has always been done</td>
</tr>
<tr>
<td>VISIBILITY OF CORPORATE GOALS</td>
<td>Team members understand the bigger picture</td>
<td>Employees on told what they need to know for the role</td>
</tr>
<tr>
<td>WORKPLACE CULTURE</td>
<td>Shared culture common to all</td>
<td>Usually hierarchical</td>
</tr>
<tr>
<td>CAREER PROGRESSION</td>
<td>Assists employees to plan career and provides opportunity for employees to develop within business</td>
<td>No progression offered</td>
</tr>
</tbody>
</table>
Johnson (2000) details, “the best practice or the high performance work practices are described as HR methods and systems that have universal, additive, and positive effects on organisational performance”.

This definition relates to the fact that the best practices that the organisation employs, each will add to the previous, thus compounding the resulting performance of the organisation.
The ‘best practice’ school of HRM is based on universalism. The assumption here is that a set of practices aimed at high commitment or high performance will benefit all organisations regardless of context.
The elements of best practices identified by Pfeffer (1998) are now widely recognised, if not universally accepted:

- Employment Security/Job Security
- Sophisticated Selection/Selective Hiring
- Team-working and Decentralisation
- High wages linked to organisational performance
- Extensive Training
- Narrow Status Differentials
- Communication and Employee Involvement
Patterson’s Model of HRM

HRM practices can improve company performance by

- Increasing employee skills and abilities
- Promoting positive attitudes and increasing motivation
- Providing employees with expanded responsibilities so that they can make full use of their skills and abilities

The above factors provide a basis for determining ‘good’ or ‘high performance’ HRM practices.
Argument: HR strategy becomes more efficient when it is linked/tailored to its surrounding context or environment of the business.

There are 2 elements:

1. **External Fit**: The fit is linked to the operations strategy/marketing strategy etc. That is, the *competitive strategy* of the overall business. Schuler and Jackson (1987) developed the connection between *competitive advantage, employee behaviours and HR practices*.

2. **Internal Fit**: HR policies and practices must be coherent. Policies which work in opposite direction should be avoided. For example, encouraging teamwork but rewarding individual performance.
Evidences suggest that HR practices are inevitably driven by context

- Societal - the environmental context
- Organisational - size

However, there are many generic processes for example, (selection/appraisal) which make it sensible to follow best practice
OVERVIEW OF STEPS TO ADOPT BETTER HRM

- Align the HR strategy with the Business strategy
  (use appropriate HR approach/integration and find the key linkage)

- Align the interests of the workers and the interests of the firm (resolve conflict/communication)

In other words HRM needs to be “Strategic” so firms need to adopt SHRM in order to enhance organisational performance and attain organisational objectives.