

HUMAN RESOURCE MANAGEMENT

MODULE 2: Lecture 1

Human Resource Management and its Context

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Business Administration

Introductions



Self Assessment



Learning Outcomes

- What is human resource management (HRM).
- Theories and models of HRM.
- The context of HRM within organisations.
- Strategic and operational HRM.
- Impact of HRM on organisation performance.
- International HRM.
- Understand the broad areas of HRM and their relevance to organisations.



What is human resource management (HRM)



What do you think about the term “human resources?”



Definitions (1) of human resources

“All those activities associated with the management of employment relationships in the firm.....includes the knowledge, skills, networks and energies of people and, underpinning them, their physical and emotional health, intellectual capabilities, personalities and motivations ”

Boxall and Purcell



Definitions (2) of human resources

“HRM is the process of acquiring, training, appraising, and compensating employees, and of attending to their labour relations, health and safety, and fairness concerns”

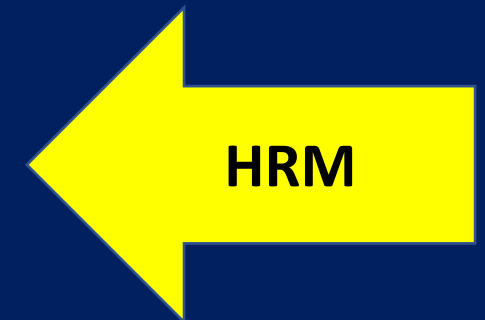
Gary Dessler



The functions of a Manager

A manager carries out the following broad tasks:

- **Planning** – goals, standards, plans, forecasts
- **Organising** – Assigning and coordinating
- **Staffing** – recruitment, performance, training, relations
- **Leading** – Getting others to get the job done, motivating people
- **Controlling** – checking that things are being done as planned



HRM

Balance between the business / organisational needs and the wellbeing of employees who make an organisation successful

Human
“resources”

People
management



HRM aimed only at solving problems?

According to Chamorro-Premuzic *“All organisations have problems, and they nearly always concern people. How to manage them; whom to hire, fire or promote; and how to motivate, develop and retain them”*



It's not only about problems – HRM can be regarded as to how people are managed at work to improve organisational effectiveness, within various ethical and moral considerations.

Development of HRM

- Personnel management originated during the 2 world wars as people needed to be recruited, managed, trained and motivated.
- HRM emerged in the 1980s
- Focus was on the impact which people had on an organisation and hence the related aspects such as proper recruitment, training & development, performance management, communication/motivation/relations and compensation & benefits



Objectives of HRM

- To support the organisation in achieving its objectives
- To contribute to the development of a high performance culture
- To ensure that the organisation has the right people who are competent, motivated and engaged
- To maintain a positive employment relationship
- To provide for a good employee experience & wellbeing
- To ensure that employees are treated fairly and ethically





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Theoretical base of HRM

A few concepts



AMO Theory – Boxall & Purcell

Performance = **A**bility + **M**otivation + **O**pportunity to perform



Human Capital Theory – Nyberg

- How people contribute their knowledge, skills and abilities to enhancing organisational capability.
- The unique nature of human capital resources which has the potential to generate sustainable competitive advantage.



Motivation Theory – various

- Factors that affect goal-directed behaviours.
- This theory influences the approaches used in HRM to enhance engagement, reward people and management of performance.

Maslow's hierarchy of needs



Resource-Based Theory – Barney

- **Competitive advantage is achieved if a firm's resources are valuable, rare and costly to imitate.**
- **HRM can play a major role in ensuring that its human resources meet these criteria.**



Social Exchange Theory

- Social beings feel obliged to return favours.
- Feeling of loyalty, commitment and discretionary effort are a form of how employees contribute back to a good employer.
- Employees “pay back” the organisation if they feel that it treated them well.
- Concept of “mutual gains” (Kochan and Osterman, 1994) - organisations can and should pursue employment policies that produce benefits for both employees and themselves.



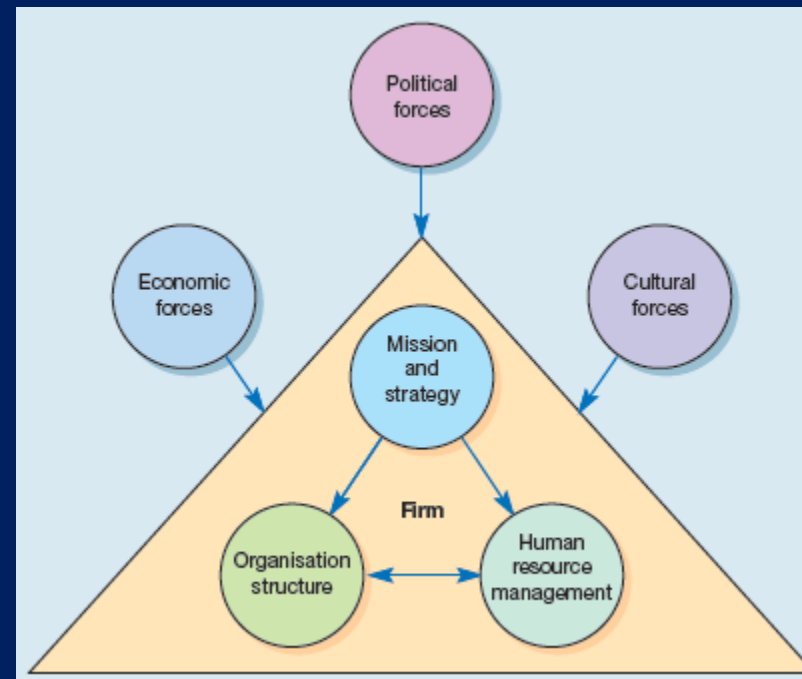
Models of HRM



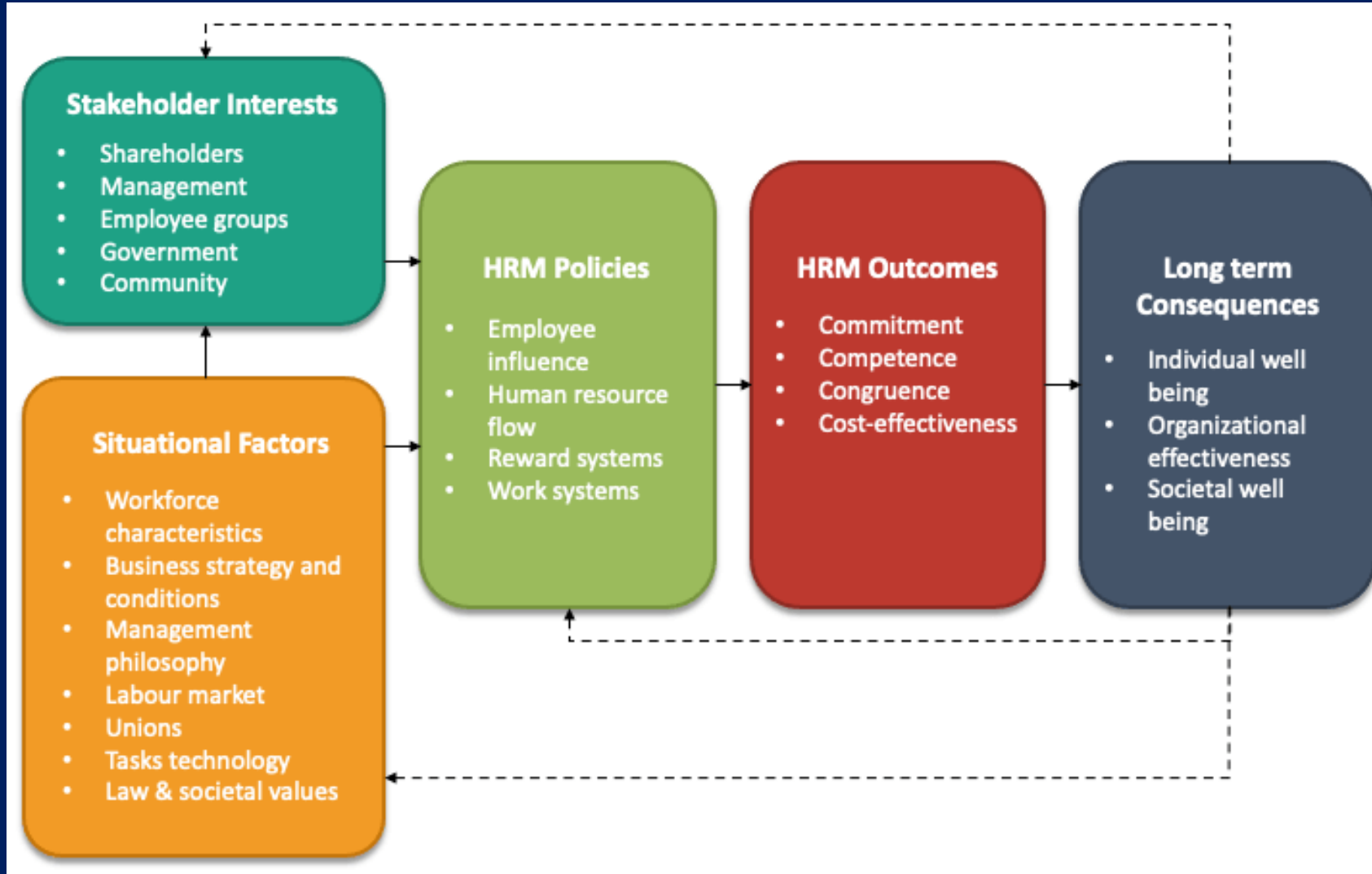
Matching Model

Fombrun, Tichy and Devanna

- HR should be aligned with the organisational strategy – hence the importance of HR to be more strategic in its approach.



The Harvard Framework – Beer et al



The 5P Model – Schuler

Strategic Human Resources Management Activities

Human Resources Philosophy

Expressed in statements defining business values and culture



Expresses how to treat and value people

Human Resources Policies

Expressed as shared values (guidelines)



Establishes guidelines for action on people-related business issues and HR programs

Human Resources Programs

Articulated as Human Resources strategies



Coordinates efforts to facilitate change to address major people-related business issues

Human Resources Practices

For leadership, managerial, and operational roles



Motivates needed role behaviors

Human Resources Processes

For the formulation and implementation of other activities



Defines how these activities are carried out

Dave Ulrich HR Model



The context of HRM within organisations



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Environmental factors

Concern and care for the environment e.g. through minimisation of pollution or environmental friendly practices e.g. use of recycled products or minimal use of paper.



INTERNAL

- Way employees are organised
- Interactions among staff
- How works is carried out
- Systems (manual / technology / automation)
- Public / Private / Voluntary
- Size of entity / complexity
- Type of people
- Trade unions

EXTERNAL

- National / international
- Globalisation
- Financial / labour markets
- Economic / social trends
- Technology
- Legislation

Nature of Work

Work
flexibility

Aging
workforce

Knowledge
work (e.g.
less in
factories)

More power
to
employers
leading to
poorer
workers

Attitude
towards
work
(Work/Life
balance)

More
educated
employees

Changing
external
environment

Ethnic &
cultural
diversity

GIG
economy
(e.g.
platform
work)



Nature of Work – other aspects

Emerging technologies – Artificial intelligence / Robotics – leading to “augmentation” of work (i.e. job creation in other areas, substitution of labour and role expansion (e.g. automated medicine dispensing in hospital allowancing nurses to spend more time with patients).

Work intensification – expecting a higher level of productivity from workers leading to loss of job satisfaction, increase in stress and undermining work-life balance.

Increased competitiveness – cut costs and change in balance of power between employer and employees.

Labour market – shortage of skills, employee expectations



Strategic & Operational HRM



Becoming a millionaire!



What steps would you take to get there?

What is strategy?

“The process of identifying the direction we should be moving in”

Julian Richer



3 Components in strategy

VISION

GOALS

ACTIONS



Strategic HRM

Formulating and executing HR policies and practices (or steps to take) that produce the employee **competences** and **behaviours** the company needs to achieve its strategic aims



LOOKING AT THE “BIG PICTURE”



The experience of Shanghai Ritz-Carlton Portman Hotel



n



Operational HRM



Impact of HRM on organisation performance



To do well organisations.....

.....depend largely on the quality, dedication, enthusiasm, expertise and skill of the people working for them.

.....need to invest in their people to enhance performance

.....are required to have appropriate policies and practices to impact on its overall performance



Measuring organisational performance

Financial:

- Shareholder value
- Profit
- Sales
- Return on investment
- Productivity
- Cost per unit produced / sold

Non-financial:

- Management expertise
- Quality of product / service
- Market share
- Reputation of organisation
- Level of customer service
- Ratio of output to employees



Impact of HRM – research shows that:

- People practices create value
- HR policy & practice affects employee attitudes & behaviours which in turn affects organisational performance (Woodrow and Guest)
- High performance work systems (HPWS*) reduce employee turnover & increase productivity hence on financial performance



Specific research on impact of HRM

Birdi et al (2008)

Impact of empowerment led to a gain of nearly 7% of value added per employee & 6% for extensive training

**Patterson et al
(1997)**

HR practices explained significant variations in profitability (19%) and productivity (18%). Significant were (1) acquisition and development of skills and (2) job design e.g. flexibility and variety

Thompson (2002)

HR practices appeared to be the key differentiating factor between more and less successful firms



Impact of HRM on organisational performance



International HRM



A definition

International HRM is the process by which multinational companies (MNCs) manage people across international boundaries. It involves the worldwide management of people, not just management of expatriates



Fundamental differences

- HRM is more complex as it involves operating across borders
- Necessary to manage a wider mix of people at head office & subsidiaries
- Choices have to be made regarding which policies to adopt
- Extent of HR decisions on e.g. appointments
- Different approaches to e.g. selection, training
- People need to have broader knowledge regarding other countries
- Organisations become more involved in personal lives of expatriates



Challenges in international HRM

- Workforce planning – through the involvement of subsidiaries
- Resourcing – policy decisions on how staffing requirements can be met
- Talent management – sourcing local vs international
- Performance management – usually this is common to all countries though an element of customisation would be appropriate
- Reward management – different pay rates based on the local labour market
- Multicultural working – more cross cultural experience though they may perform worse than teams with less national diversity



Areas of HRM and their relevance to organisations





Video – What is HRM?

By Erik van Vulpen (Founder AIHR)

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https://www.youtube.com/watch?v=aPEUKLxxh_k





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