

# PERSONNEL MANAGEMENT: FROM IR TO HRM

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## Introduction

My objective is to offer some thoughts on where personnel management in the United Kingdom is, and where it is going over the next few years. I want to do three things: first, to say something about the change in the context of industrial relations — the context which we face both as academics and practitioners; second, to say something about the impact that context is having on the nature of the personnel function — especially on how the function is tending to move from what we have traditionally described as 'industrial relations' to what is now being called 'human resource management'; and, finally, to draw one or two conclusions.

## The Changing Economic Context

Let me begin by looking at the economic context, which in the last decade or so has changed so dramatically both in Great Britain and Northern Ireland. The first thing to note is the internationalisation of markets and the intensification of competition. There are many reasons for this: the rise of the Pacific rim countries with their cheap labour; the development of wider markets through the lowering of trade barriers — 1992 being a further and impending case in point; new technology, particularly improved communications — one inevitably thinks of the 'Big Bang' in the City of London and all of the development that have arisen from that; and of course major economic shocks of one sort or another — such as soaring oil prices in the 1970s, and economic depression and fluctuating exchange rates in the 1980s.

The impact of these trends has been particularly marked in the UK. Firstly, the UK is a very open economy, very dependent on international trade. Secondly, a good deal of the UK's manufacturing (and this is true both of the Midlands where I work and of Northern Ireland) is rooted in mature industries — engineering, shipbuilding, steel, textiles, etc. — which are particularly price sensitive. And, thirdly, the UK economy has been historically characterised by low levels of productivity, associated to

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a large extent with low levels of investment in training and capital equipment.

### **The Changing Political Context**

The British political context has also changed dramatically in the last ten years, and we now have what the Government calls an enterprise culture. Indeed, almost every initiative coming from the Department of Trade and Industry these days is an 'enterprise' initiative of one sort or another. The main point to be made here is that individuals and organisations, rather than government, are now being held responsible for economic performance. Monetarism has replaced Keynesianism, with the result that reductions in the public sector borrowing requirement rather than increases in employment have become the main policy target — hence the massive cuts in public expenditure and the welfare state.

Markets rather than administrative processes are now seen as the most desirable and efficient way of allocating resources; and as a consequence the dialogue between the 'social partners' — labour, capital and government — has virtually ceased to exist. Large parts of the public sector in Britain have been privatised — something which is also on the agenda in Northern Ireland. The managerial practices of the private sector have increasingly been imported into the public sector, and the old public sector management doctrine of 'the good employer' has to a very large extent been replaced by the doctrine of 'the efficient employer'. The state's historic commitment to collective bargaining and employee welfare has also largely been abandoned. And we have had a range of legislation in Britain designed to curb the powers of the trade unions, and to deregulate labour markets through a watering down of employment protection legislation.

Another development deriving from the changed political context is the image of the 'manager as hero'. The great emphasis at the moment is on the key role of management, particularly entrepreneurial management, in corporate and economic performance. In some ways managers are coming to replace the gun-fighters of the old West and the policeman of the urban jungle as the new heroes of popular mythology. Important in contributing to this have been books like Peters and Waterman's *In Search of Excellence* and a whole raft of managerial autobiographies on both sides of the Atlantic — started off perhaps by Lee Iacocca's record at Chrysler. Even in Britain we have had a group of people (including Michael Edwardes, Ian McGregor and Harvey Jones) pushing out accounts of their corporate experiences — so much so that *The Economist* is now advertising that it 'tells it as it is' rather than as it appears in management autobiographies!

Managers have rarely, if ever, been given such a good press, enjoyed so

much status, and had better terms and conditions of employment. Their pay has continued to rise far above the average; and they have better prospects for influencing events, with managers once again being very welcome in the corridors of power.

### **The Changing Organisational Context**

We then come to the changes in the organisational context, and I want to touch on three of them. The first is 'shrinking organisations'. Organisations have generally tended to become smaller, because of large scale redundancies, the selling off of assets, and sub-contracting — in some cases, going back to home-working. There has also been a popularisation of the 'small is beautiful' philosophy, and an insistence that there must be increasing promotion and development of small and medium-sized enterprises.

Secondly, organisations have not only become smaller; they have also become much more decentralised. Companies are increasingly abandoning centralised functional structures; they are separating strategic from operational management, disaggregating enterprises into semi-autonomous units and profit and cost centres, and reducing the number of tiers of management — making organisations 'flatter', and hopefully more responsive.

The third aspect is 'the flexible organisation'. Great stress is now being laid on numerical flexibility, with peripheral forms of working — part-time, temporary, sub-contracting and so on; on functional flexibility — the interchangeability of jobs, team-working, and 'single status' for example; and on financial flexibility — with profit-sharing, employee share ownership, managerial buyouts, and performance-related pay.

The shrinking, decentralised, flexible organisation is increasingly a characteristic of our times. And the implication is that it must also be the professional, cooperative and committed organisation. Decentralisation and flexibility together with new technology increases the need for highly qualified experts and coordinators, and hence relationships within organisations are becoming much more mutually dependent than in the past. Employers require a good deal more than compliance from their employees; they also require their initiative, their cooperation and their commitment.

### **Human Resource Management vs Industrial Relations**

That then is the changing context as I see it. It is clearly having an impact on the personnel function, and has pushed it more and more away from the traditional personnel management/industrial relations (IR) role

towards what has come to be described as 'human resource management', or HRM.

Sometimes, of course, human resource management is simply a re-labelling of an existing product — a re-titling of the *status quo* to try to capture the new fashion. But also, and increasingly, it has come to signal a fundamental shift in philosophy and orientation. For despite the danger of contrasting the HRM with the IR approach — of setting up an unrealistic, idealised version of both — there are certain HRM stereotypes, as David Guest and John Storey have shown, which can be used to highlight the differences.

The first is the goal of 'integration'. This starts out from two assumptions: that a comprehensive corporate strategy is essential to continuing business success; and that the key to any corporate strategy is the company's human resources — because they are the most variable and least easy to control of all management resources, and because effective utilisation of them gives an organisation significant competitive advantage. Hence the conclusion is drawn that the human resource dimension must be fully integrated into the strategic planning process, and not simply flow from it. Also, of course, human resource policies — selection, rewards, employee relations, etc. — have to cohere not only with each other but also with the overall business strategy.

The second major HRM goal is that of 'employee commitment' — that it is essential to develop in employees a feeling of identity with and commitment to their organisation. The rationale is that committed employees will be more satisfied, more productive, and more adaptable. Thus we find that the HRM approach tends to emphasise very careful selection, job design, and the management of organisational 'culture'.

The third goal is 'flexibility/adaptability'. The ability to implement strategic plans requires a capacity to manage planned organisational change, and to be adaptive and responsive in the face of anticipated pressure at all levels in the organisation. The result is that if you are to be an adaptive organisation, you must avoid rigid hierarchical, bureaucratic structures, as well as inhibiting demarcations among workers. In short, an adaptive capacity requires organic structures and functional flexibility.

Lastly, there is the goal of 'quality', and this has a number of related elements. First, there is the quality of staff — great emphasis is placed on recruiting staff of high ability, skill and adaptability. Second, there is quality of performance — with an emphasis on the importance of setting and maintaining high standards. And third, the quality of management

has also become a central consideration because if commitment, trust and motivation are to be maintained, it is essential that management policy and practice is perceived to be of the highest quality by those lower down in the organisation.

### The Implications of HRM

Integration, commitment, flexibility and quality, then, are the dimensions along which one can contrast traditional IR and the development of HRM. What are the implications of all this? Let me try to draw these out with respect to some of the actors in the system: the unions, line managers and personnel managers.

HRM is essentially individualistic in focus, and it follows from this approach (at least in its pure form) that unions are unnecessary, or at least marginal. However, in companies where unions are already strong and well established, the situation has changed very little. Perhaps because unions are stronger in Britain, and stronger still in Northern Ireland, there has been very little of the derecognition that has taken place in the United States — where a good deal of the HRM philosophy comes from. The common approach here has been a kind of 'dualism': that is to say, we have both human resource management and industrial relations systems operating side by side. On the 'manual' or 'hourly-paid' side, where there may already be union involvement, a more traditional IR approach is followed; but on the white-collar side (or at least at managerial levels), where union organisation has been weak or non-existent, then an HRM approach is followed.

In some companies there has been a clear tendency towards avoiding the development of trade union organisation altogether. It is noticeable at the moment that there are some key organisations of an HRM-mind which are determinedly non-union — like IBM, Hewlett-Packard and many of the other firms involved in information technology — and 'union avoidance', to use the American term, is a noticeable trend. Furthermore, companies are finding that in order to avoid unions they have to do a number of things: they have to offer above average terms and conditions of employment; they must guarantee security of employment; they often have to move towards creating single employment status as between white-collar and manual workers; they must have a commitment to career development — with, for example, a clear preference for 'promotion' from within; and there must be extensive employee consultation, communication and grievance procedures within the organisation. Perhaps the most notable feature of all this is that HRM-minded companies must have in place most of the elements which unionisation would bring with it — the only difference is that there is no union (or 'external' union at any rate) to police and enforce the system.

The implications for the unions, then, are that at best they are having to compete with another kind of approach; at worst they are being marginalised, and in some cases being totally excluded. I would want to emphasise that so far, however, this latter trend has not been as dramatic nor as dominant in the UK as in the USA.

What of the impact of the changing nature of the personnel function on line managers? Since HRM is perceived as a total approach to the strategic management of a key resource, the responsibility for it is usually assumed by a senior line manager rather than a traditional personnel or IR specialist. There is also a trend towards the assumption of board-level responsibility for personnel by individuals who are not specialist personnel managers. They may well be people who have been moved over as a result of the conscious adoption of the philosophy that personnel management should be an essential line function, and should also perhaps have a harder cutting edge. Below board level line managers are being thrust increasingly into a more 'up-front' labour-handling role as well. They are being expected to handle negotiations with unions and to deal with grievances which had previously been the prerogative of the specialist IR function; and — more essentially — they are expected to do the direct communicating and consulting with employees. Line managers are also being seen less as 'production' managers than as 'general managers' running mini-businesses. The moves towards cellular manufacture, to profit centres and to area management are all, I think, structural expressions of this trend. Line managers are thus seen as 'people managers' and 'general managers', and are expected to take an holistic and strategic approach to managing their particular area of the business.

What about the personnel specialists; what is happening to them under HRM? Shaun Tyson at Cranfield has done some interesting work on this, and he has suggested that there are three models of the personnel manager. The first model is that of 'the clerk of works', in which personnel management is perceived largely as an administrative support activity, with no involvement in business planning; its principal activities are recruitment, record keeping and welfare — very much, as the name suggests, like a clerk of works on a construction site. The second model is that of 'the contracts manager' — in which personnel managers are seen primarily as experts in negotiation and in the administration of agreements. The third is what Tyson calls 'the architect' model, in which personnel managers seek to create and build the organisation as a whole — to contribute positively and directly to the success of the business through explicit policies which seek to give effect to the corporate plan.

The tendency at the moment, as I see it in Britain at any rate, is to shift

away from the widespread contracts manager tradition (where expertise in negotiation and grievance administration is what is expected of the personnel manager) towards either the marginalised clerk of works model, or to the influential architect model — in which, rather than being marginalised, the personnel function becomes much more central, and human resource management is virtually the key function of the organisation.

Where there has been a tendency to move from the contracts model to the architect model, the change has often come as a consequence of serious organisational crisis — especially when this has resulted in a change in top management. A new chief executive has frequently brought a conviction that human resource management, and an associated change in 'company culture', are necessary and positive contributors to the success, and perhaps even the survival of the organisation. This change also produces a need for new skills on the part of the personnel specialist. For if the architect model is to be followed the required competencies draw heavily on those needed for consultancy — the particular skills involved in being agents and managers of change.

### Conclusions

Is human resource management going to be any more successful than what used to be called (and still is in some quarters) industrial relations management? The first point to make is that there has as yet been no systematic exploration of HRM. John Storey, David Guest and others are beginning to undertake research in this area, but most of the evidence which we have so far is anecdotal. It comes from the case studies of the 'excellent' companies identified in the literature which I referred to earlier. And while this suggests that these companies do tend to practice HRM, the trouble with excellent companies is that they very often become 'unexcellent' companies. Thus, for example, the sixty or so companies reported on in *In Search of Excellence* were surveyed again three years later and, measured by the criteria established by Peters and Waterman, a large proportion had ceased to be excellent. It is important and necessary, therefore, to avoid the conclusion that HRM is always better than the old IR. Variations in context are also important. For example, in large, public-sector bureaucracies, or in organisations with a strong tradition of adversarial industrial relations (which includes many of the key manufacturing industries in the UK), 'conventional' industrial relations management may still be the most appropriate route to follow.

My other conclusion concerns education, training and development. Organisations that invest heavily in training have a considerable incentive to develop the many complementary and valuable aspects of HRM, if

only to maximise the return on their investment — one thinks here particularly of the approach of Japanese corporations. The 'excellence' literature suggests that such organisations have less difficulty in convincing employees of the seriousness of their commitment to the workforce, and hence less difficulty in winning employee loyalty. Indeed, the structuring of attitudes that training and development makes possible is as important as the acquisition of specific skills. There is, I might add, a message here for the business schools also. Companies are training people not only with a view to providing them with new skills and to assist in their personal development, but also in order to integrate them into the organisational culture. And one of the reasons for the growing trend towards 'modular' MBSs and 'consortium' MBAs in Britain is that this makes it much easier to link the more formal education programme directly with companies' own management development programmes.

My last point, therefore, is that in so far as HRM is thrusting line managers into new roles, there is a need for much greater attention to their selection, their training and their development — in keeping, we might note, with the broad thrust of the Handy Report, the Constable-McCormick Report and, indeed, with the Management Charter Initiative which is being promoted by the British Institute of Management, the Foundation for Management and the Confederation of British Industry to increase the quantity and quality of management education in the United Kingdom.

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