

PART

1

## INTRODUCTION AND CONTEXT OF HUMAN RESOURCE MANAGEMENT

- 1 Foundations of Human Resource Management for the Twenty-first Century 2
- 2 Strategic Management and Strategic HRM 32
- 3 Employment Relations, HRM and the Law 64
- 4 Health, Safety and Employee Wellbeing 98
- 5 Diversity and Employment Equity 130



# FOUNDATIONS OF HUMAN RESOURCE MANAGEMENT FOR THE TWENTY-FIRST CENTURY

MIKE FAZEY AND PIETER NEL

## LEARNING OUTCOMES

At the end of this chapter, you should be able to:

- Describe the fundamental purposes of human resource management (HRM)
- Explain the multidisciplinary nature of HRM
- Outline the major functions and roles of HRM
- Discuss the economic, political, legal, social, technological and organisational contexts in which HRM takes place
- Outline the history and evolution of HRM in Australia
- Discuss the different approaches to HRM and their impacts on the employment relationship.
- Identify the twenty-first century challenges for the HRM profession.

## CHAPTER OUTLINE

- Introduction
- Defining human resource management
- The context of HRM
- HRM and organisational performance
- A brief history of HRM
- The human relations era
- Approaches to HRM
- The HRM profession in Australia
- Jobs and careers in HRM
- HRM challenges
- Conclusion

## ILLUSTRATIVE CASE

### HUMAN RESOURCE MANAGEMENT IN A GROWING BUSINESS

Roger's Shrubbery is a plant nursery involved in propagation and retail sales of plants and garden accessories. It has been established for seven years and has grown steadily from a small family business to a medium-sized business with more than 100 employees. The business has a simple structure: two managers report directly to the owner, Roger. One manages the propagation side of the business; the other manages the retail side.

Until now, Roger has looked after all workforce-related issues, but recently he has started to think that these issues are becoming too big and too complex for him to handle by himself, especially as he has had no formal management training. In the earlier days of the business, staffing was a fairly straightforward matter, but as the business has grown and the workforce has grown with it, Roger has begun to realise that managing the workforce effectively is not just about administering the payroll.

The following is a summary of some of the relevant business issues that Roger is facing:

- The workforce is quite diverse. Employees are aged between 17 and 54, but the majority are in the 35+ age bracket. Seventy per cent are female and 30 per cent male.
- Most employees are full-time workers with rostered five-day shifts covering seven days per week.
- The business plan includes expansion into garden design services.
- Sales are growing, albeit more modestly than in the business's first few years of operation.
- Sales levels tend to mirror activity in the building industry, as about 66 per cent of the revenue comes from professional landscapers who do new homes



and commercial developments. The remainder of the revenue comes from the general public (that is, weekend gardeners).

- Workers' compensation premiums have increased markedly this year because of several claims in the previous year. All were for back injuries caused by heavy lifting.
  - Employees are paid in accordance with the relevant award, which is pretty basic. The approach to remuneration is pretty much 'one size fits all'.
- In addition, there are several workforce-related issues that Roger knows he needs to deal with:
- An ageing workforce
  - An increased need for people with horticultural skills/qualifications
  - An increased absences by workers in the past year
  - An increased staff turnover in the past year.

Roger's situation is typical of many businesses. There is a point at which the volume and complexity of

workforce-related issues become too much for proprietors or general managers. The things that Roger is hoping to achieve in his business rely on him having an effective workforce. Clearly he has a few emerging employee issues that he needs to deal with. The danger is that the continued growth of Roger's business will be stifled by these issues. Roger clearly needs some human resource management expertise. It would, therefore, be smart for him to engage a human resource management professional for his business.

Source: Fazezy 2015: 121–2



Extend Your Learning: Visit Oxford Ascend for an additional illustrative case.

## INTRODUCTION

### human resource management (HRM)

HRM is a formal process whereby people in an organisation with the appropriate attributes (skills, knowledge and attitudes) are managed to bring about optimal organisational achievement, while the needs of the people involved are also satisfied.

For as long as there have been organisations, there has been a need to effectively manage the people who work in those organisations. Indeed, the effectiveness of the workforce is fundamental to an organisation's ability to fulfil its role and achieve its objectives. In the twenty-first century, the role of **human resource management (HRM)** has become even more important as organisations grapple with complex economic conditions, rapid technological advancement and a changing social landscape.

Effective HRM balances the needs of the organisation with an understanding of human behaviour. This requires the ability to explain the connection between people management practices and organisational performance and productivity. Our understanding of this connection has increased significantly as HRM has evolved and workforce-related research has become more sophisticated.

In modern-day Australia, the human resource profession is growing in status as organisations recognise the importance of the human side of management. This has led to changes in the way the HR function is organised and how the work is carried out. As a result, the profession now offers a diverse and challenging variety of career options for practitioners.

## DEFINING HUMAN RESOURCE MANAGEMENT



Describe the fundamental purposes of human resource management (HRM)

So, what exactly is HRM? In broad terms, HRM is concerned with the acquisition, optimisation and development of the workforce. In other words, it's about recruiting the right people, making the most of those people, and developing their future potential. However, there is

more to it than that, as will become evident as you read the various chapters of this book. The fact is, HRM is a complex field with many different aspects and perspectives. After all, its main focus is people—the most complex things on the planet! HRM takes place within an organisational environment, so it is ultimately about contributing to the success of the organisation.

The increase in diversity in Australia started in the 1950s with an influx of migrants from southern and eastern European countries. Subsequent changes in immigration policy saw increased numbers of non-European migrants arriving from the 1970s onwards. Today, Australia receives migrants from Asia, Africa, South America and the Middle East, as well as from the United Kingdom, Ireland, continental Europe and New Zealand. As our society has become more diverse, so have our workplaces.

### CASE IN POINT

#### Australia's changing workforce

## Multidisciplinary nature of HRM

HRM is an applied discipline that is informed by a range of fields of study. The complexity of HRM is illustrated by this multidisciplinary nature, as shown in Figure 1.1. It draws on fields of knowledge both within the sphere of business and outside it.



Explain the multidisciplinary nature of HRM

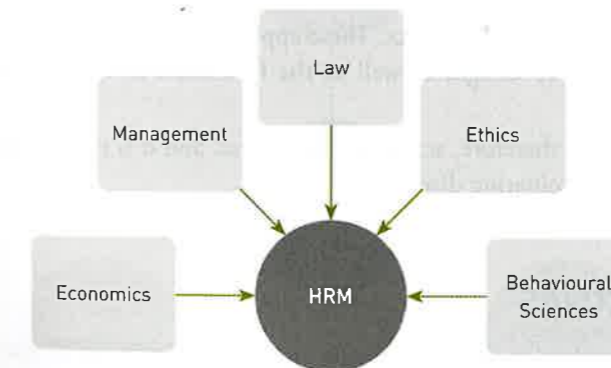


FIGURE 1.1 DISCIPLINES IMPACTING ON HRM

Economics covers government policies, studies of wage relativities, the bargaining power of trade unions and the forces of labour market supply and demand, which includes theories of wage determination. Unemployment, labour mobility, labour flexibility and labour productivity also come under the ambit of economics.

Management encompasses those activities that are concerned with the efficient and effective running of organisations. It incorporates fields such as organisational behaviour, which Nelson and Quick (2011: 4) describe as the study of individual behaviour and group dynamics in organisations and organisational development (the systematic improvement of organisational structures and processes), as well as the implementation and management of organisational change. Management also encompasses areas such as planning and goal setting, leadership, business strategy and communication, and the processes of measuring and monitoring organisational performance.

As we will see in Chapter 3, the employment relationship is regulated by a complex legal framework that impacts on how organisations manage their people. Employment laws are primarily concerned with ensuring fairness, equity, health and safety in the workplace. We will be exploring these issues in Chapters 4 and 5. The legal framework also mediates employment relations, dealing with things such as employment conditions and entitlements, wage setting, industrial action and termination of employment.

Any endeavour that involves people has an ethical aspect, so ethics is an important part of HRM. In HRM, ethical considerations come to the fore often, especially when dealing with disciplinary issues, dispute resolution and a range of employment decisions. Human resource (HR) practitioners are often cast in the role of ethical stewards, responsible for ensuring the ethical treatment of employees and the ethical culture of the organisation. We will explore this aspect of HRM in Chapter 13.

The behavioural sciences (for example, psychology, sociology and social psychology) are also important to HRM. They deal with issues such as personality, motivation, perception, power, conflict and organisational politics. These apply to the structuring of the organisation, teamwork, learning and job design, as well as the formation of organisational culture and change management.

The study of HRM is, therefore, academically diverse, and it is this diversity that makes it such a challenging and fascinating discipline.

## HRM perspectives

Everybody in an organisation has an interest in the management of the workforce, and different groups have different perspectives. Senior management's perspective is 'big picture'. It is interested in the effective management of the workforce as a whole. It is interested in the productivity of the workforce and the benefits that the workforce can produce for the

organisation. In a commercial environment, this might be competitive advantage. In non-commercial environments it might be more to do with the fulfilment of the organisation's fundamental purpose or mission. Senior management also looks to the future, so it is concerned with future workforce requirements and how to fulfil them.

Line management, on the other hand, has more of an operational perspective. Line managers are responsible for the day-to-day running of the business and are directly responsible for the employees under their supervision. Hence, their perspective is more focused on individual employees and teams and ensuring that those individuals and teams are functioning efficiently and effectively, meeting deadlines and targets, or delivering quality customer service.

Individual employees have their own perspectives. Individuals are concerned with the quality of their experiences at work, balancing work with family or other aspects of their lives, job security, income, and workplace relationships and interactions. Individuals may also be concerned with career advancement, and with achieving a sense of professional and personal fulfilment from their work.

These are all valid perspectives. One way of looking at HR's role is to see it as a bridge between these three perspectives as shown in Figure 1.2. This can be quite challenging, as the three may not always be in sync with one another. Indeed, getting the right balance between perspectives is one of HRM's important roles. It is also one of the things that makes HRM such an interesting field.



FIGURE 1.2 HRM PERSPECTIVES



Outline the major functions and roles of HRM

## Major HRM functions

One way of looking at HRM is as a range of functions that combine to facilitate the effective management of the workforce in pursuit of organisational goals. The second part of this book focuses on these major functions. Before exploring them, however, it is useful to look at an overview of them (see Table 1.1).

TABLE 1.1 MAJOR FUNCTIONAL AREAS OF HRM

FUNCTION	DESCRIPTION
Job analysis and design	Determining job requirements; designing job descriptions
Human resource planning	Determining future staffing needs; developing strategies to meet those needs
Recruitment and selection	Acquiring new employees; making internal appointments and promotions
Training and development	Providing employees with job-related skills and knowledge; developing future potential
Performance management	Designing and managing systems for the assessment of employee performance
Remuneration management	Designing and managing pay and rewards systems, both monetary and non-monetary
Health, safety and employee wellbeing	Developing and managing processes and systems to maintain a safe, healthy work environment

These functional responsibilities have been made more effective and efficient in recent times through the development of human resource information systems. Part 2 of this book (Chapters 6 to 12) focuses on these functional areas of HRM.

It is important to note that these functions do not exist in isolation from one another—they are interconnected. For example, HR planning processes might inform recruitment and selection activities as well as training and development. Performance management outcomes might drive remuneration systems. Job design might link with employee health, safety and wellbeing. These are just a few examples of this complex web of interconnections.

## Goals and roles of HRM

Boxall and Purcell (2011) have suggested that HRM has both economic and socio-political goals. Its economic goals focus on cost-effective labour, workforce flexibility and attaining competitive advantage through the workforce. These are all about helping the organisation to

be successful and sustainable. Its socio-political goals are concerned with social legitimacy and managerial power. Social legitimacy relates to the way the organisation's people are managed. Managing the workforce without due regard for ethical and social standards will ultimately affect the organisation negatively. We will explore some of these social legitimacy issues in Chapter 13. The other aspect of HRM's socio-political goals—managerial power—is largely about the politics of the organisation and the desire of management to exercise control. There can be tensions between these different goals. For example, efforts to achieve cost-effectiveness may be seen to be socially illegitimate if they bring hardship to individuals or the broader society of which the organisation is part. An important role for HRM, therefore, is to achieve an appropriate balance between economic goals and socio-political goals.

These goals underpin HRM's various roles. Broadly speaking, these roles can be divided into three categories: transactional, strategic and advisory. The **transactional role** is largely administrative in nature, and involves coordinating the various processes associated with the HRM functions we discussed earlier. This might include administering the payroll, processing leave applications, maintaining employee records, advertising job openings and processing job applications. These are day-to-day activities and are highly visible, so it is important to get them right.

The **strategic role** is a higher level role that is directly concerned with contributing to organisational success. This could involve collecting and analysing workforce data, identifying longer term staffing issues and needs, and developing policies and strategies that address these needs. The strategic role connects HRM with the senior management of the organisation. We will explore strategic HRM in more detail in Chapter 2.

While the strategic role is about HRM's relationship with senior management, the **advisory role** is more about HRM's relationships with line management and employees. As the name suggests, this role is about providing advice. For example, a line manager might seek advice from HR about how best to handle a disciplinary issue or about managing an employee with performance problems. An employee might seek advice about advancing their career or about dealing with a grievance. This is also a highly visible role that requires HR practitioners to develop and maintain positive relationships.

### REFLECTIVE NOTE

HR's goals and roles are diverse and require HR practitioners to see the world from the different perspectives of employees, line managers and senior managers. Sometimes there are tensions between those perspectives. Is it possible for HR to be all things to all people? When it comes to the crunch, whose perspective should take precedence?

Another way of looking at HRM is as a range of roles focused on different aspects of workforce management. Table 1.2 shows these roles and the kinds of activities involved in undertaking them.

### transactional role

This involves the administration and coordination of HRM functions such as payroll management, processing of leave applications, maintaining employee records, advertising job openings and processing job applications.

### strategic role

This role includes research and analysis leading to the development of policies and strategies that contribute to the achievement of organisational goals and objectives.

### advisory role

This involves providing advice to managers and employees about how best to handle issues such as discipline, grievances, performance management, training and career development.

TABLE 1.2 MAJOR HRM ROLES AND ACTIVITIES

STRATEGIC MANAGEMENT	STAFFING	PERFORMANCE DEVELOPMENT	MANAGING THE EMPLOYMENT RELATIONSHIP	SUPPORTING EMPLOYEE INTERESTS
Workforce measurement	HR planning	Induction and orientation	Managing pay, benefits and conditions	Safety
Change management	Recruitment and selection	Performance management systems	Managing disciplinary issues	Health and wellbeing
Cultural stewardship	Deployment and placement	Training	Grievance and dispute resolution	Counselling and support
Attraction and retention	Developing and managing employment contracts	Employee development	Equity and diversity management	Ethics
	Managing dismissals and redundancies			Social responsibility

Source: Adapted from Carberry and Cross 2013: 9

Looking at HRM this way gives aspiring HR practitioners a feel for the range of activities they might be involved in.

### CASE IN POINT

#### How HR practitioners spend their time

A 2014 study by Dr Adam Fraser and Dr John Molineux found that Australian HR practitioners spend 42.7 per cent of their time in communication-related activities such as providing advice, participating in meetings and dealing with emails. An additional 21.2 per cent of their time is spent on conflict resolution, interviews, reports and training, and 7.8 per cent is spent on strategy. The study also found that HR practitioners were typically very busy, and that this was perceived by many as being a positive thing leading to high performance, especially when accompanied by a supportive leader and an appropriate level of work–family balance. One of the biggest challenges for HR practitioners was managing interruptions.

These findings highlight the need for HR practitioners to be effective communicators who are able to manage multiple demands on their time.

Source: Fraser and Molineux 2014

## THE CONTEXT OF HRM

Discuss the economic, political, legal, social, technological and organisational contexts in which HRM takes place

No organisation exists in a vacuum. Every organisation is affected by the environment in which it exists. Contextual issues impact significantly on every organisation and on the management

of its workforce, so it is important to be aware of these. The overall context can be seen as consisting of six sub-contexts:

- The economic context
- The social context
- The political context
- The legal context
- The technological context
- The organisational context.

### The economic context

The **economic context** encompasses changes in business and labour market conditions that can significantly affect HR policies and practices. During periods of strong economic growth, organisations tend to focus more on the future, so policies and practices geared towards facilitating growth and development gain ascendancy. Good economic times often coincide with a competitive labour market, so organisations need to adjust their policies and practices in order to compete for scarce labour and skills. By contrast, difficult economic times cause organisations to focus much more on the present and be driven by survival rather than growth. During these periods, HR policies and practices tend to become less generous as organisations look for ways to reduce costs. They also tend to become more short term in their outlook.

**economic context** Business and labour market conditions that affect HR policies and practices.

The **social context** links with the concept of social legitimacy that we discussed earlier. In the past, organisations have tended to underestimate its influence, but this is rapidly changing as businesses compete for the best people and strive to create stable and productive workforces. The social context is, of course, shaped by the society in which the organisation exists. Australian society is increasingly diverse with changing social trends and values including a growing focus on work–life balance, social mobility, health and safety, and many other factors. These changing values and attitudes typically create new challenges for HRM such as how to handle dual career couples in an interstate or international transfer; whether benefits coverage should be extended to the partners of gay employees; or how to deal with ‘down shifters’ (people who have decided on a lifestyle change involving less work, income and consumption). Changes in the demography of the Australian workforce are part of the social equation too. We are on the cusp of the biggest generational change that has ever occurred as members of the baby-boomer generation—which dominates the workforce at present—begin to retire in large numbers, making way for a new generation that has very different values and characteristics.

**social context** The prevailing values, attitudes and demographic features of the society in which business takes place.

### REFLECTIVE NOTE

A survey undertaken by the Australian Human Resources Institute (AHRI) in 2014 found that 31 per cent of respondents believed it was essential for HR practitioners to have experience in line management roles (that is, working outside HR), and 60 per cent believed it was ‘somewhat important’. However, this isn’t always feasible. Can you think of other ways that HR practitioners can gain an understanding of the operational aspects of the organisations they work in?

Source: AHRI 2014a

**political context**

Government policies that affect the employment relationship and HRM practices.

The **political context** affects the regulatory framework that governs the employment relationship. This can change regularly, especially when new governments are elected. In addition, government policies relating to areas such as education, training and immigration can affect HRM activities. For example, a company's ability to recruit skilled people from overseas is directly affected by the federal government's policy on skilled migration. As Fazey (2013) has pointed out, governments are interested in a number of things that are also of interest to HRM, including:

- Labour market participation
- Unemployment
- Access to the labour market for the disadvantaged
- Labour supply and demand
- Skills development
- Skills shortages.

Approaches vary according to political ideology and socio-economic factors. While some governments prefer to intervene directly in the labour market using a 'social market' approach, others tend to favour a 'free market' approach, which is less interventionist. Regardless of which approach is taken, government policies can have a profound impact on many areas of HRM.

**The legal context**

**legal context**

The common law principles and legislation that underpin the employment relationship.

Perhaps the most fundamental contextual factor affecting HR policy is the **legal context** or framework that surrounds employment. Employment law is drawn from two main sources: common law and statute law.

Common law (or case law) is derived from decisions made in courts. These decisions establish precedents based on fundamental principles that are applicable generally. In the context of HRM, case law decisions provide the basis for understanding the legal principles that apply to employment scenarios, and the obligations that the employment relationship imposes on both employers and employees. HR policies, therefore, need to reflect those obligations.

Statute law is legislation enacted by federal or state governments. Various types of statute laws affect employment and, therefore, HR policies and practices. The main ones are outlined in Table 1.3.

**TABLE 1.3** TYPES OF STATUTE LAW AFFECTING HRM

Employment/industrial relations	Covers setting of pay and conditions, minimum employee entitlements, grounds for dismissal, parameters for industrial action
Anti-discrimination	Outlaws discrimination in employment based on gender, race, age, disability and a range of other grounds

Occupational health and safety	Prescribes specific employer responsibilities for creating and maintaining a safe, healthy work environment and for managing safety and health issues
Privacy	Protects employee information

An important role for HR is to ensure that organisations do not, through their employment practices, put themselves at risk of litigation and prosecution. This is not only an expensive process in dollar terms, but can also be costly in terms of reputation.

We will explore the legal framework in more detail in Chapter 3.

**The technological context**

The **technological context** exercises significant influence on all organisations in the twenty-first century. Technology has changed the way we do business and the ways we communicate with one another. Automation has transformed once labour-intensive industries such as manufacturing, and has created jobs that did not exist 20 years ago. The speed of technological change has a direct impact on HR functions such as job design, recruitment, selection and training. Technology also makes it possible for many workers to work from home or while travelling, potentially from any location, creating a whole new set of challenges for HRM. Developments such as the e-learning revolution are also significant. In addition, technology has allowed HR departments to manage the transactional aspects of HRM much more efficiently, freeing up resources to focus on advisory and strategic roles. Some of these issues are explored further in the chapters on recruitment and selection (Chapter 8); human resource, development and career management (Chapter 9); and HR information systems (Chapter 12).

**technological context**

The ongoing advances in technology that affect the way we communicate and how work is carried out.

**The organisational context**

Because no two organisations are the same, the **organisational context** is also important. As Carberry and Cross (2013) have noted, the organisational context is multifaceted, and includes such things as the industry in which the organisation operates, the organisation's size and structure, the characteristics of the workforce, the culture of the organisation and the values and ideology of the organisation's leaders. The nature of the jobs in the organisation is also an important part of the organisational context. For example, in a manufacturing plant where employees work with machinery, there would be a strong emphasis on safety and standardising job descriptions. By contrast, in a professional-services firm where the jobs are white collar, there might be a greater emphasis on creating a more flexible workplace with higher levels of individual autonomy.

**organisational context**

The size, structure, culture and other distinctive features of individual organisations.

## HRM AND ORGANISATIONAL PERFORMANCE

In our earlier definition of HRM, we observed that ultimately HRM is geared towards contributing to organisational success. Implicit in this definition is the notion that an organisation's people are fundamental to the achievement of its goals. Such a view is consistent with the **resource-based view of the firm (RBV)**, which proposes that an organisation's competitive advantage stems from its internal resources. When these resources are valuable, rare, inimitable and non-substitutable, they give competitive advantage. These resources can include financial resources, physical resources and organisational resources as well as human resources (Barney 1991). Within RBV theory, it is the skills, knowledge, abilities and behaviour of the organisation's human resources that provide the advantage.

Truss et al. (2012) have further outlined a number of advantages stemming from an organisation's human resources. These include the advantages gained from social capital (working relationships between individuals and groups), human processes (HR systems, policies and practices) and human systems (alignment of employees' skills and attitudes with organisational systems, structures and processes).

Boselie (2010) has proposed a value chain that links HR practices to competitive advantage (see Figure 1.3), and suggests that those HR practices should be specifically designed in order to achieve that advantage.

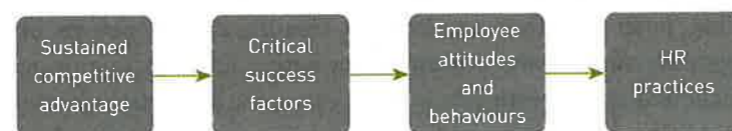


FIGURE 1.3 HR VALUE CHAIN

These theories and models, with their emphases on competitive advantage, have clearly been developed with the private sector in mind. There are also many organisations in the public and not-for-profit sectors whose ultimate goals are not competitive advantage. Rather, their goals involve fulfilment of their functions or delivery of services. Carberry and Cross (2013) have also pointed out that organisational success can encompass criteria other than competitive advantage (survival and the development and maintenance of corporate reputation, for example). However, regardless of how you define it, the contribution of HRM towards achieving organisational goals cannot be denied. Indeed, it can be concluded that, regardless of the nature of the organisation and the kinds of goals it is trying to achieve, its workforce and the way that workforce is managed are central to it achieving those goals.

Nonetheless, defining exactly which HRM policies and practices contribute to organisational performance and exactly how they do so, has been difficult to pinpoint. Wilton (2011) identifies more than 20 studies that have found positive links between HRM and organisational performance. However, because the contexts, methodologies and types of HR practices examined vary significantly, a 'magic formula' eludes us. It would be logical to think that there is no magic formula—that different policies and practices will be successful in different organisations, different industries and different circumstances. This is part of what

### resource-based view of the firm (RBV)

The view that an organisation's internal resources, including its human resources, are the main source of competitive advantage.

makes the HR profession challenging and interesting. HRM is not merely the application of a set of standard policies and practices. Making the right choices requires analysis, understanding of the business and its context and good judgment. We will further explore the relationship between HRM and performance in Chapter 2.

## A BRIEF HISTORY OF HRM

Although organisations and their workforces have existed for hundreds of years, it has only been in the last century or so that theorists have considered the question of how to best manage those workforces. Consequently, HRM is a relatively young profession. In this section we will review the evolution of HRM theory and practice.

### The scientific management era

Pioneer of scientific studies Frederick Taylor's book *The Principles of Scientific Management* was published in 1911. In it, Taylor outlined methods for streamlining the organisation of work and for maximising the output of workers in the context of manufacturing. Fundamentally, the theory proposed that there was 'one best way' of getting work done. It also discussed the question of how to motivate workers to greater levels of output, positing that financial rewards for productivity were the most effective. Taylor was an engineer, so he was more concerned with increasing production than with creating positive employment experiences for workers. Indeed, he had rather a negative view of workers, believing them to be inherently lazy. The most obvious application of Taylor's theories was the development of the production line, a manufacturing methodology that remains common today. **Scientific management theory** is significant in the history of HRM because it represents industry's first attempts to actively manage workers.

### The human relations era

Not everyone agreed with Taylor's views. Soon after the publication of his scientific management theories, the discipline of industrial psychology began to emerge. Psychologists began to consider issues such as employee health and wellbeing, and in doing so, opposed Taylor's somewhat one-dimensional approach to worker management. A landmark publication in the history of HRM, Elton Mayo's *The Human Problems of an Industrial Civilization*, was published in 1933. Mayo wrote about issues such as monotony and morale, as well as considering the impact of industry on society. The book also contained an account of the now famous Hawthorne experiments, in which workers at an electric company were subjected to a series of tests and observations between 1924 and 1932. The studies illustrated the importance of group behaviour in the workplace and its effect on productivity. One major conclusion was that 'important factors in the production of a better mental attitude and greater enjoyment of work have been the greater freedom, less strict supervision and the opportunity to vary



Outline the history and evolution of HRM in Australia

### scientific management theory

An early theory about streamlining the organisation of work for maximum efficiency.

from a fixed pace without reprimand from a gang boss' (Mayo 1933: 65). Such conclusions were a direct challenge to Taylor's ideas. Interestingly, Mayo was Australian. Originally from Adelaide, he spent more than 20 years working as a researcher at Harvard Business School.

The development of industrial psychology and the publication of research such as Mayo's gave rise to what became known as the **human relations school of thought**, which put worker psychology at the forefront of management. The human relations school of thought was influential in the theory and practice of HRM through to the 1960s, and proponents of so-called 'soft' HRM today (which we will discuss later in this chapter) owe much to this approach.

## Post-war growth

The end of the Second World War brought workforce management issues into greater prominence as economies began to grow at a rapid rate. As Coffey and Nankervis (2006) have pointed out, in Australia there was a huge need for recruitment and training, as well as employee welfare services, as industries surged ahead. Consequently, the need for specialists to deliver and manage these operations increased. This period saw the first recognition of HRM (or 'personnel management', as it was called) as a specialist field of management with the establishment of the Personnel Officers' Association in 1949. This professional association evolved into the Institute of Personnel Management Australia (IPMA) and ultimately into today's Australian Human Resources Institute (AHRI).

At the same time, a significant body of research in the field was being amassed and the complexity of HRM was beginning to be understood. In Australia, as the economy continued to grow through the 1950s and 1960s, the demands on the personnel management function became more complex. In short, both the depth and scope of HRM were growing and becoming more complex, and the profession was gaining in stature and recognition.

## Legislative evolution and new terminology

The 1970s saw the beginning of a period in which federal and state governments enacted various pieces of legislation designed to protect the rights of individuals in the workplace and in society more generally. Anti-discrimination and equal opportunity legislation made it unlawful to make employment decisions based on gender, age, disability, marital status, nationality, race, religious beliefs and other factors. These are discussed in Chapter 3.

During the same period, the term 'human resource management' started to replace 'personnel management'. At first, the two were seen to exist side by side, with personnel management focusing more on administrative matters and human resource management focusing on more complex workforce-related matters. However, HRM soon usurped personnel management altogether and became the dominant term for all workforce-related management functions. It has always been a somewhat contentious term, and even today, there remains a view that human beings are not mere 'resources' (that is, tools to be used in the pursuit of organisational goals), but that they are something more complex and more valuable: more like assets than resources. Various alternative terms have been proposed and used by some

**human relations school of thought** An approach to worker management based on the psychology of individual workers and the effects of group behaviour on performance and productivity.

organisations (for example, human capital management or people management), but human resource management is the term that has stuck.

One of the reasons that the term 'human resource management' was controversial within the profession was that during this period, HR practitioners often saw their role as being employee focused rather than management focused. This attests to the influence of the human relations school. Indeed, it was not uncommon for HR practitioners to be less interested in business and more interested in employee welfare and employee advocacy. However, by the 1990s the momentum had started to shift towards a more strategic concept of HRM.

## Strategic HRM

The period since the turn of the twenty-first century has been a time of transformation for HRM. Up to this point, HRM's main concerns were related to the management of processes and systems. We are now in the era of strategic HRM, where the focus is very much on HRM making a tangible contribution to the achievement of organisational objectives rather than being considered an organisation's housekeeping function. HR managers and practitioners have actively sought higher status in organisations, with many organisations now including the HR manager as part of the leadership group. The move to a more strategic outlook does not mean that HRM processes and systems have ceased to be important. They remain essential aspects of HR practice, although achieving an appropriate balance between the two has been challenging. We will see different approaches to HRM and explore the theory and practice of strategic HRM in Chapter 2.

## APPROACHES TO HRM

As we have already seen, HRM has been influenced by different schools of thought as it has evolved. This has led to different philosophical approaches to HRM. In this section, we will explore these philosophical positions and discuss how they impact the employer–employee relationship, and ultimately, the productivity and effectiveness of the workforce.

### Hard and soft HRM

Broadly speaking, human resource management policies and practices embrace two particular philosophical positions. The two competing philosophies are perhaps best characterised by the **Harvard model of HRM** (sometimes referred to as the Harvard map of HRM) and the **Michigan model of HRM**.

The Harvard model emerged from the human relations school of thought, which we have already discussed. The human relations school of thought brought the social science of psychology to the business of managing people and emphasised issues such as motivation and job satisfaction as keys to employee performance. Taking that fundamental philosophy as its base, the Harvard model sees employees as complex entities that cannot be managed like other resources. It proposes that people management policies and practices should have



Discuss the different approaches to HRM and their impacts on the employment relationship

**Harvard model of HRM** An approach to HRM that emphasises employee commitment, competence and congruence with organisational goals leading to the achievement of those goals as well as individual and societal wellbeing.

**Michigan model of HRM** An approach to HRM that sees employees as resources to be managed like any other, focusing on cost control, efficiency and the achievement of organisational goals above all else.

the ultimate objective of achieving employee commitment, competence and congruence with organisational goals, as well as cost effectiveness (Beer et al. 1984). Significantly, the Harvard model (see Figure 1.4) considers individual and societal wellbeing as long-term outcomes as well as organisational effectiveness. This is the significant point of difference between the Harvard model and the Michigan model of HRM.

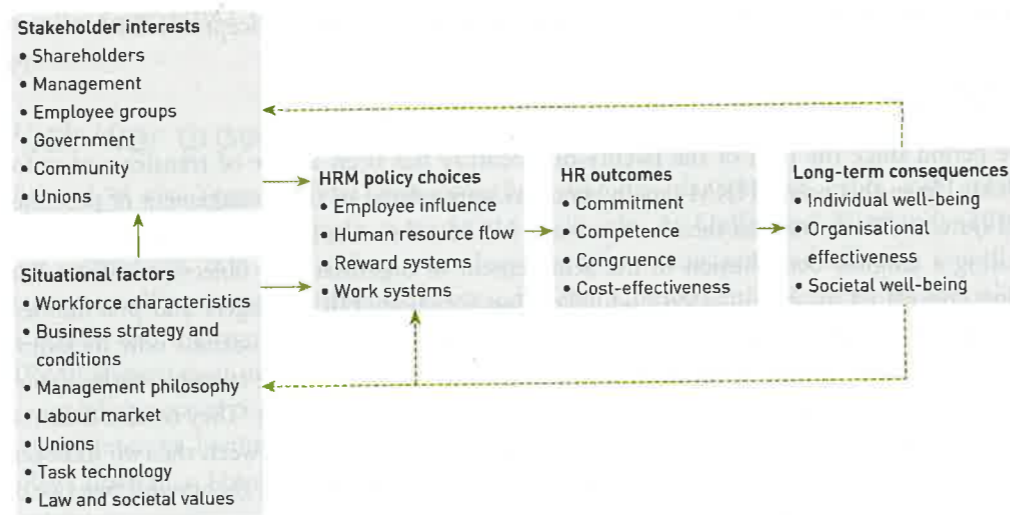


FIGURE 1.4 THE HARVARD MODEL OF HRM

The Michigan model sees employees as resources to be managed in exactly the same way as any other resources. Drawing on strategic management theory, it emphasises cost control and efficiency, and advocates that people management policies and practices be directed exclusively to the achievement of business objectives (Tichy et al. 1982). The Michigan model is totally focused on human resources as tools for the achievement of organisational goals. It does not see employees as stakeholders in the same way that the Harvard model does, nor does it consider the social context. For proponents of this approach, employee performance is central, and HR systems—in particular those relating to selection, rewards, performance appraisal and employee development—have the fundamental role of optimising employee performance in pursuit of organisational goals (see Figure 1.5).

These philosophies have come to be seen as embodying *hard* and *soft* approaches to HRM. Hard HRM is focused on directing employee performance towards the achievement of organisational goals. Soft HRM seeks to maximise performance by aligning organisational and employee needs. In reality, however, it is not possible to characterise organisational approaches to HRM as simply being one or the other. It is more accurate to see the two philosophies as being at opposite ends of a continuum. Organisational cultures tend not to occupy a fixed

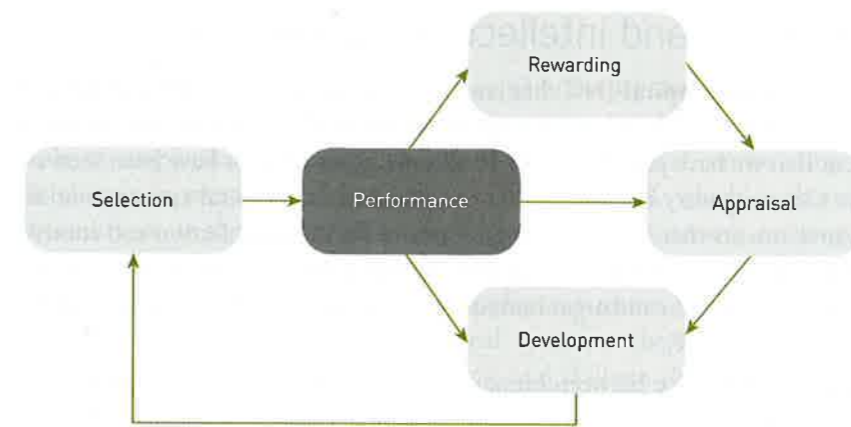


FIGURE 1.5 THE MICHIGAN MODEL OF HRM

position on the continuum, but move backwards and forwards along it under the influence of contextual factors (such as those we discussed earlier in this chapter) and internal factors such as the values of the leadership group and the influence and status of HR. HR policies and practices, therefore, will reflect the organisation's position on the continuum. Indeed, it is common for organisations to have some HR policies that clearly equate with a hard HRM philosophy and others that equate more with soft HRM. Clearly, there is potential for policies to conflict or send mixed messages, but this is not to say that hard and soft policies cannot co-exist. One of HR's important roles, therefore, is to maintain an appropriate balance between hard and soft policies and to ensure that they do not clash with one another (see Figure 1.6).

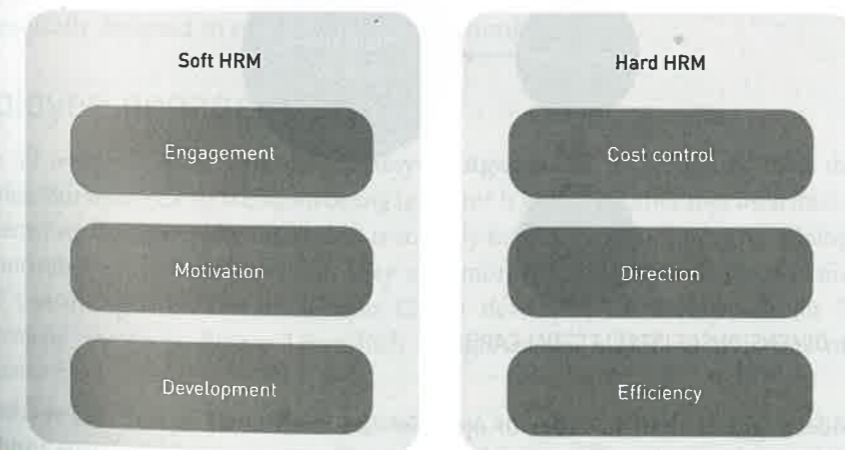


FIGURE 1.6 OBJECTIVES OF HARD AND SOFT HRM

## Human capital and intellectual capital

**human capital** A concept that views employees as assets that produce a return on investment, rather than simply as costs.

The concept of **human capital** (HC) has emerged from economic theory and has evolved to a point where it can be seen as an attempt to reconcile the different approaches to people management that we have just discussed. Traditionally, workforces have been seen as a cost of production. Contemporary HC theory sees the workforce as a capital asset, so workforce costs are seen as investments that produce a tangible return for the organisation and contribute to its overall value. Indeed, numerous studies have shown a positive link between investment in human capital development and organisational performance (Marimuthu et al. 2009; Argawala 2003; Garavan et al. 2001).

An important difference between human capital and other forms of capital is that, rather than being owned by the organisation, human capital is engaged through the employment relationship. Part of that relationship is about recognising that an organisation's **intellectual capital** is not restricted to tangible assets such as patents and intellectual property. Employees, too, possess stocks of intellectual capital (for example, skills, knowledge and ideas) that they choose either to use or to withhold in the workplace. The nature of the employment relationship influences the extent to which this discretionary effort is applied. Burr and Girardi (2002), expanding on an earlier model developed by Ulrich (1998), have identified three aspects of intellectual capital that can all be affected by an organisation's approach to HRM (see Figure 1.7).

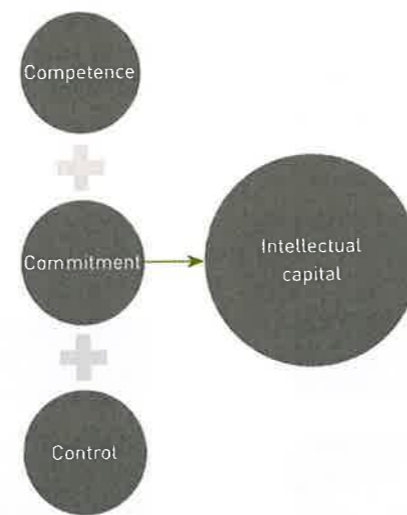


FIGURE 1.7 DIMENSIONS OF INTELLECTUAL CAPITAL

The model suggests that, in order to optimise the intellectual capital that resides with people, organisations need to harness the capacity (competence) of employees, and their willingness to apply it (commitment), as well as giving them the opportunity to do so (control).

The implication of this model is that HRM policies and practices that enhance employee capacity and willingness, and which provide opportunity, will increase employee performance and, ultimately, organisational performance.

**intellectual capital** The collective insights, expert knowledge and commitment of employees.

## The psychological contract

Unlike the formal employment contract, which is explicit, the **psychological contract** between employers and employees is implicit. It is an unwritten, mutual understanding about the nature of the employer–employee relationship. The nature of psychological contracts has undergone significant change in recent times, moving from the *relational*, which is characterised by mutual commitment, to the *transactional*, which is based on an economic exchange (Holland et al. 2015). Under a relational psychological contract, the employment relationship is seen as an exchange of effort and commitment by the employee in return for job security and career progression. Under a transactional psychological contract, there is no sense of mutual commitment: the employee merely sells their time and skills to the employer for an agreed amount of money.

HR policies and practices are indicators of the type of psychological contract that the organisation favours. Grant (1999) has pointed out that where there is a mismatch between the type of relationship explicitly espoused by the organisation and an employee's perceptions of the reality of the relationship, there are inevitably negative consequences such as cynicism, reduction in commitment and lower work quality. In other words, where an organisation's rhetoric implies that the psychological contract is relational, but its actions indicate that it is, in fact, transactional, employees will feel that the contract has been breached and this will affect their work performance negatively.

There is also a view that the trend towards transactional psychological contracts has negative long-term implications (Tsui and Wu 2005). This view places the onus on HR to develop policies and practices that emphasise reciprocity and are geared towards building long-term relationships between employers and employees. Importantly, Sonnenberg, Koene and Paauwe (2011) have found that 'traditional' HRM activities that are concerned with processes and systems are just as influential in shaping the psychological contract as HR practices that are specifically designed to enhance employee commitment.

## Employee engagement

CEOs all over the world consider **employee engagement** to be one of their top strategic priorities. But what exactly is employee engagement? It is a term sometimes used interchangeably with terms such as 'commitment', but it is actually more than that. Engaged employees are not just motivated to do their jobs well; they are emotionally invested in the organisation. The global consulting firm Towers Watson (2012) developed the framework for 'sustainable engagement' shown in Figure 1.8, which recognises the multifaceted nature of employee engagement.

The Towers Watson framework suggests that an organisation has an important role in facilitating sustainable engagement through its culture, work systems and the way it manages its people. This, in turn, suggests a central role for HRM in areas such as job design, employee health and wellbeing, and learning and development. Employee engagement also has a connection with the psychological contract. Logic seems to suggest that sustainable employee engagement can only happen where the nature of the psychological contract is relational. Yet, as

**psychological contract** An unwritten, mutual understanding about the nature of the employer–employee relationship.

**employee engagement** The extent to which employees are emotionally invested in an organisation.

Traditional engagement	Enablement	Energy
Belief in company goals and objectives	Freedom from obstacles to success at work	Ability to maintain energy at work
Emotional connection	Availability of resources to perform well	Supportive social environment
Willingness to give extra effort	Ability to meet work challenges effectively	Feelings of enthusiasm/accomplishment at work

FIGURE 1.8 COMPONENTS OF SUSTAINABLE ENGAGEMENT

we have discussed, the trend is away from relational psychological contracts. This presents a dilemma. If CEOs genuinely want to nurture employee engagement, they must develop the kind of relationship with their employees that is conducive to genuine engagement.

## THE HRM PROFESSION IN AUSTRALIA

HRM has grown to be a significant profession in Australia, with more than 14,000 practitioners holding membership of the primary HRM professional association, the Australian Human Resources Institute (AHRI).

### Australian Human Resources Institute (AHRI)

AHRI offers its members a range of services such as access to professional development programs, including programs leading to formal qualifications in HRM, conferences and networking opportunities. AHRI's national office in Melbourne also undertakes surveys and other research activities and publishes reports and discussion papers on topical issues. In addition, it develops a range of information sheets, guidelines, checklists and templates to assist practitioners in dealing effectively with many day-to-day HR activities. It also publishes a monthly magazine, *HR Monthly*, as well as electronic publications such as *HR Online* to help practitioners stay up to date with developments in the profession. Members also have access to the *Asia Pacific Journal of Human Resources*, which publishes research and academic papers.

AHRI also accredits university programs in HRM. In order to be accredited, undergraduate and postgraduate courses must meet certain stringent criteria, reflecting business and industry needs. In accrediting university programs, AHRI's concern is to ensure that universities

are producing graduates who are employable and have the requisite knowledge to make a meaningful contribution to their organisations.

State and territory councils composed of senior practitioners guide activities in their regions. This includes promoting membership and arranging professional development programs, as well as facilitating special interest groups that allow practitioners with similar professional interests to share knowledge and ideas.

Like many professional associations, AHRI offers different categories of membership that reflect different stages of professional experience and development. This includes a student member category, which offers access to a range of products and services designed to help students of HRM to make the most of their professional studies.

## JOBS AND CAREERS IN HRM

Over the past 30 years or so, HRM has undergone a steady process of **professionalisation**. As we have seen, HRM has evolved from relatively humble, low-profile beginnings. In the past, it was common for HR managers and practitioners to have no formal qualifications in the field. Indeed, HR practitioners came from a range of backgrounds. Some worked their way up from administrative roles; others came from educational backgrounds in the humanities and social sciences. Today, however, the vast majority of people entering the field have relevant post-secondary qualifications in HRM.

The nature of jobs in HRM has also diversified (see Figure 1.9). Within the HR departments of organisations, the nature of the jobs depends on how the HR function is structured. We will discuss alternative HR department structures further in Chapter 2.



FIGURE 1.9 TYPES OF HR JOBS



Outline the different types of jobs and careers available to Australian HR practitioners

### professionalisation

The elevation of HRM to the status of a profession requiring relevant post-secondary qualifications.

HR administrators attend to transactional functions such as the processing of pay and entitlements, record-keeping and the management of processes such as recruitment, appointment of new employees, employee promotions and training. New entrants to the profession often begin as HR administrators before moving on to more complex roles. In larger organisations, there may be HR graduate positions that provide structured training for new entrants.

Many HR departments today deploy their practitioners as HR advisers. This is a generalist role that requires practitioners to operate as internal consultants, working closely with line managers to solve problems or deal with workforce-related issues.

HR departments that are structured around specific functions may engage HR specialists who have particular knowledge of different areas of HRM. For example, training and development is often seen as a specialist area requiring practitioners with in-depth knowledge and understanding of organisational learning methods and systems. Similarly, occupational health and safety is also seen as a specialist area in many organisations, especially those in industrial settings where employee safety is a high-profile issue. In recent times, demand has emerged for practitioners who specialise in workforce planning. This can be very complex and requires knowledge of a range of quantitative and qualitative methods, which we will discuss in Chapter 7. Employment relations, too, is usually considered to be an area of HRM that is best undertaken by specialists. This involves managing relationships with trade unions or other representatives of employee interests, negotiating employment agreements and managing industrial disputes. In global organisations, international HRM has emerged as an important area of specialty. This involves recruiting and deploying people across the globe, with all the complexities of travel, accommodation, cultural and language differences, and repatriation of employees and their families. This is perhaps the newest branch of HRM, and we will be exploring it further in Chapter 14.

The status of HR managers has changed significantly as the profession has gained in status. In the past, HR managers did not enjoy particularly high status, often being seen merely as coordinators of routine processes. However, today it is much more common for HR managers to be part of their organisation's leadership group, contributing to high-level strategic decisions and providing advice to CEOs and corporate boards on workforce-related matters. We will discuss this further in Chapter 2.

In recent times, many organisations have chosen to outsource some HR functions (see Table 1.4). There are several reasons for doing this, including cost savings and creating a more flexible, strategically focused HR department.

This has created career opportunities for HR graduates and practitioners with consulting firms, recruitment agencies, training companies and a range of other HR service providers. Indeed, a growing number of businesses are offering a range of complementary HR services to organisations that wish to outsource HR functions. Outsourcing also changes the roles of people within HR departments, adding a relationship management dimension. In fact, it is vital that organisations have close relationships with the agencies and service providers involved in order to maintain service quality and to foster understanding of the organisation's needs.

**Table 1.4** HR FUNCTIONS COMMONLY OUTSOURCED

Payroll management	Outplacement services
Leave and entitlements processing	Mediation and dispute resolution
Training design and/or delivery	Recruitment
Coaching services	Salary packaging
Employee counselling	HR information management

## HRM CHALLENGES

Organisations in Australia face some significant workforce challenges in the near future.

Perhaps the most pressing of these is the ageing workforce phenomenon. Most Australian organisations have an ageing workforce with many employees approaching or having reached an age where they can retire. However, managing the transition will not be easy. Skills and labour shortages are likely as large numbers of people leave the workforce over the next 20 or so years. This has the potential to seriously affect organisations and the entire economy. The leaders of organisations will be looking to HRM to manage issues such as attraction, retention, skills development and workforce planning.

At the same time, social changes and demographic changes will present challenges for organisations as they respond to greater employee demands for work-life balance and more flexible workplaces.

Technology continues to reshape the way we work. For example, over the next 20 or so years, we can expect more and more people to work remotely using technology. This presents a whole range of people-management challenges for organisations. The rise of social media has created great opportunities but also great challenges for organisations as they deal with productivity and disciplinary issues arising from its use and misuse.

We can also expect our workplaces to become more diverse as our society becomes more diverse. Organisations will be looking to HRM to develop policies and practices that allow them to make the most of this diversity and create and maintain a harmonious and productive work environment.

In the midst of all this, the HR profession itself will continue to evolve, and its status will continue to grow. HR's ability to effectively manage the issues we've just discussed will directly affect its status. There is little doubt that people entering the profession today can look forward to a challenging career with plenty of opportunities.



Identify the twenty-first century challenges for the HRM profession

**REFLECTIVE NOTE****Best practice is contextual**

There is no one best practice, no 'one size fits all'—each business or sector is different and is at a different stage of the life cycle. Therefore, the objectives will be different for each in relation to people management. It follows, then, that best practice is contextual, and that each HR professional has the obligation to find the best solution that fits their business or sector. Does this imply that stability within a particular organisation or industry is desirable for HR practitioners? If so, does this restrict career mobility?



- *Asia Pacific Journal of Human Resources*
- *Harvard Business Review*
- *Human Resource Management*
- *International Journal of Employment Relations*
- *International Journal of Employment Studies*
- *International Journal of Human Resource Management*
- *International Journal of Organisation Behaviour*
- *Journal of Industrial Relations*
- *Journal of Management and Organisation*
- *Journal of Organisational Behaviour*

**CONCLUSION**

HRM is a relatively young profession, but it has come a long way in a short time. Today, as organisations face significant challenges, HRM has an important role to play. Central to HR's role is the need to balance what is good for the organisation and what is good for employees and indeed society. Work is a significant part of people's lives, and workplace experiences can impact those lives significantly. While HR is not solely responsible for people's workplace experiences, HR policies and practices help to shape organisational cultures and the employer–employee relationship. As we have discussed in this chapter, engaging employees and encouraging discretionary effort are important if organisations are to achieve optimum performance. Jobs and careers in HRM present **opportunities** for practitioners to undertake a number of different roles, both generalist and **specialist**. Given the workforce challenges that contemporary organisations face, the HR profession offers stimulating and rewarding career opportunities for those who are interested in the human side of business.

**SUMMARY**

- HRM is multi-disciplinary, drawing on both business and non-business fields of knowledge.
- HRM takes place within economic, social, political, legal, technological and organisational contexts.
- HRM has existed as a recognised profession only since the end of the Second World War, but has been influenced by earlier theories about the management of people in organisations, notably scientific management theory and the human relations school of thought.
- Today, there are different approaches to HRM, both in theory and in practice. Broadly speaking, these can be characterised as either hard HRM (which is focused on directing employee performance towards the achievement of organisational goals) or soft HRM (which seeks to maximise performance by aligning organisational and employee needs).
- Various approaches to understanding the nature of the employer–employee relationship have emerged from research. These include theories of human capital and intellectual capital, the psychological contract and employee engagement.
- The status of the HR profession has grown in recent times, and the nature of HR jobs and careers has changed. Today, HR practitioners may work within the HR departments of organisations as generalists or specialists, or with consultancies or agencies that provide various HR services.
- The ageing workforce, social and demographic change, rapidly evolving technology and greater workplace diversity are all creating challenges for current and future HR practitioners.

Lifeline Insurance is an established company offering life insurance, funeral insurance, income protection insurance and several other niche insurance products. It has been in business for more than 40 years and has grown substantially in that time. It employs about 300 people, who are based in its Melbourne office.

Sarah has been the HR manager at Lifeline for the past five years. During that time, she has introduced several initiatives designed to enhance attraction and retention. These initiatives have been successful. The company has a turnover rate substantially lower than the industry average, and attracts strong fields of applicants when jobs are advertised. It has a reputation for being an excellent employer offering great working conditions, opportunities for training and career development, competitive pay and rewards, and a high quality of work life. As a result, it has a stable, experienced workforce. One of Sarah's initiatives has been an annual employee survey. These have revealed increasing levels of job satisfaction and, overall, a positive organisational climate. Employees have indicated a strong commitment to the company and an appreciation of the culture and level of support.

**CASE STUDY**

Responding to contextual change: a challenge for HRM

However, in recent times, competition in the industry has increased with several new players entering the market. In addition, the economy has been in a period of downturn. Both of these factors have had an impact on Lifeline's bottom line, and while it is still profitable, the outlook is less than encouraging given that economic conditions are tipped to worsen in coming months, and are expected to be depressed for some time.



In response to this, the Board of Directors commissioned a review of the organisation by an independent consultancy firm. The firm looked at all of the company's operations with a view to identifying savings and efficiency improvements to help it remain competitive through the tough times ahead and into the future. The consultant's report has just been released. Copies have been circulated to all the company's senior managers including Sarah for comment. The recommendations include:

- Reducing overall employee numbers by 20 per cent through restructuring and streamlining of business processes
- Reducing expenditure on non-essential training and development programs
- Reducing expenditure on employee wellbeing initiatives such as health checks, stress-management programs and healthy lifestyle programs
- Reviewing remuneration and employee benefits such as performance bonuses, salary packaging arrangements and discounts on the company's insurance products
- Outsourcing of payroll and recruitment functions, with a consequent reduction in the size of the HR department.

Sarah is concerned about these recommendations, as they seem to signal a very different approach to managing the workforce. At the same time, she recognises that the company must respond to its changing context or risk becoming uncompetitive.

### Questions

- 1 Using one or more of the theoretical frameworks outlined in the chapter, discuss how the consultant's recommendations reflect a possible change in the company's approach to HRM.
- 2 How might the recommended changes affect the psychological contract between the company and its employees?



Extend Your Learning: Visit Oxford Ascend for additional case studies.

- 3 Given their different perspectives, how might senior managers, line managers and employees react to the recommendations?
- 4 How should Sarah respond to the recommendations?

- 1 Explain the transactional, strategic and advisory roles of HRM.
- 2 Explain how scientific management theory and the human relations school of thought have influenced contemporary approaches to HRM.
- 3 What were the primary drivers of the emergence and growth of the HR profession in the years following the Second World War?
- 4 Why has the term 'human resource management' been contentious? Which other terms might we use to describe this function?
- 5 How does the organisational context affect the practice of HRM?
- 6 Explain the concepts of hard and soft HRM and discuss which is the more effective approach.
- 7 Explain the concept of the psychological contract. How might HR policies and practices influence employee perceptions of the nature of the psychological contract?
- 8 Outline the three components of the Towers Watson framework for employee engagement and discuss how HR might contribute to creating an environment that is conducive to sustainable engagement.
- 9 Most people entering the HR profession today have been trained in business schools. Is this necessary or can people from other backgrounds make equally good HR professionals?
- 10 Discuss the main challenges facing HR practitioners in the twenty-first century.

### REVISION QUESTIONS



Extend Your Learning: Visit Oxford Ascend for additional revision material.

advisory role	intellectual capital	scientific management theory
economic context	legal context	social context
employee engagement	Michigan model of HRM	strategic role
Harvard model of HRM	organisational context	technological context
human capital	political context	transactional role
human relations school of thought	professionalisation	
human resource management (HRM)	psychological contract	
	resource-based view of the firm (RBV)	

### KEY TERMS AND CONCEPTS