

PART ONE

HRM, strategy and the global context

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HRM, strategy, and diversity and inclusion

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LEARNING OUTCOMES

By the end of this chapter, readers should understand and be able to explain:

- How competing views on the meanings of HRM and strategy generate implications for managing people in all types of organisation.
- The nature and importance of corporate social responsibility (CSR) and ethics for a values-driven and morally principled approach to the management of people.
- The pivotal role that equality, diversity and inclusion should play in the work of HR professionals and in HR/Learning & Development (L&D) policies within organisations.

Drawing on this knowledge and insight, readers should be able to:

- Advise managers as to how HR strategies interconnect with broader corporate and business strategies, and their implications for managing and leading people.
- Demonstrate an ethical and professional approach to HRM, taking into account its multiple meanings.
- Have the professional courage to initiate, develop and defend policies and practices which embed equality, diversity and inclusion within the modern workplace.

1.1 Introduction

Originating from the United States, the term human resource management (HRM) became fashionable in the UK from the mid-1980s, when it began to replace other terms such as ‘personnel management’ (Gospel, 2019). Much of the interest at the time was around the idea of HRM as a new and distinctive approach, attempting to develop and utilise the potential of human resources to the full in the pursuit of strategic organisational objectives (Cascio and Boudreau, 2013; Wilkinson et al, 2020; Bauer et al, 2020;), and led to talk of an ‘HRM revolution’. Yet, HRM can take many forms in practice and often varies between organisations and the occupational group that is targeted. HRM cannot be analysed in isolation from the wider strategic objectives of employers, specifically the need to satisfy shareholders, or (in the public sector) government and societal demands for efficiency and effectiveness.

However, strategy is also a multidimensional concept and, despite common usage of the term, it is more complex than the simple military analogy implies (Boxall and Purcell, 2016; Johnson et al, 2017; Lynch, 2018; Grant, 2019). Strategies emerge within organisations rather than being set merely by senior managers (generals) and then cascaded down the hierarchy by more junior managers to those they manage (the troops). Moreover, as we see in Chapter 2, wider societal objectives, legislative and political frameworks, social and economic institutions, and a range of different stakeholder interests also influence strategies. Strategy is not simply about financial returns to shareholders but also involves a wider base of stakeholders that includes customers, local communities, the environment and of course workers. HRM differs from other managerial functions because of its professional, ethical and moral base, so trust and integrity are important elements in how HRM is practised at work. Hence, the interest in CSR and the idea that HRM has to be viewed in relation to organisational strategies and wider institutional forces.

Building on this, we include a more developed and extensive discussion of equality, diversity and inclusion than in previous editions of this book. In this chapter, we engage with the moral and business cases for equality, diversity and inclusion and review the development of national and organisational initiatives. We argue that the aim of equality through greater diversity and inclusion (D&I) continues to be a work-in-progress, with HR playing a key role in its achievement. This generates implications for the meanings of HRM, which we examine in the next section, as D&I is now central to HRM and the CIPD’s Profession Map.

1.2 The meanings of human resource management

‘People are our most valued asset’ has become a very common but rather overused and trite-sounding phrase. Indeed, historically competitive strategies have not been based on the capabilities of employees. Instead, labour has often been seen as a cost to be minimised, particularly in hard times when downsizing and retrenchment predominates (Rubery and Johnson, 2019; Armstrong and Brown, 2019b). However, organisations increasingly need to innovate and learn, which puts greater emphasis on human resources as a source of competitive advantage (Storey et al, 2019; Wilkinson et al, 2020).

Indeed, HRM is now often seen as one of the major factors differentiating between successful and unsuccessful organisations after technology or finance. This is particularly pertinent in the service sector where workers are the primary source of contact with customers, either face-to-face in a service encounter or over the telephone or the internet. Even in manufacturing firms, the way in which human resources are managed is seen as an increasingly critical component in the production process, primarily in terms of quality and reliability. Much of this revolves around the extent to which workers are prepared and allowed to use their discretion to improve products and services. From this perspective, a particular style of HRM is envisaged, one that can be broadly termed the ‘high-commitment’ model (see Chapter 3).

Wilkinson et al (2020) argue that HRM can be seen as having:

- 1 *A human focus*: a focus on employee rights and well-being is evident in the underpinning history of HRM. This can be seen in the current emphasis on work design, well-being, D&I, and ethics, all of which are covered in this book. At its core, HRM focuses on managing the employment relationship and agreements (implicit and explicit) between individuals and organisations. In some cases, as we see in Chapter 5, HR professionals play the roles of employee advocate and ethical guardian in ensuring employers not only treat their employees properly, but also try to ensure they stay in line with – and hopefully promote – wider societal responsibilities. These themes are revisited in several chapters in the book.
- 2 *A resource focus*: HRM focuses on employees as a resource in enhancing organisational performance. We examine how HR practices can be linked to organisational productivity and competitiveness. This is done by ensuring the organisation acquires employees with the ability and motivation to perform via effective recruitment and selection practices, and builds capabilities via L&D and performance management. Much of this literature is informed by the resource-based view of organisations, which we examine in Chapter 3.
- 3 *A management focus*: in recent years, there has been much focus on how the HR function has evolved. While HR professionals used to be seen as the guardians of administrative and transactional issues, nowadays they are required to adopt a more strategic approach, which focuses on managing change, building organisational cultures and becoming a partner in the business, as well as being able to interpret workforce analytics and adopt a more agile approach. This requires a different set of skills, knowledge and behaviours from HR managers; this appears again in Chapters 5 and 6 in particular, but also re-appears throughout the book.

As Snell and Morris (2018) note, it is not just HRM scholars who are calling for a stronger focus on the human resources inside a firm and how they are managed, but mainstream strategy scholars are also beginning to acknowledge that they need to focus on ‘micro-level’ factors; the value proposition of a firm is seen as relying more on knowledge and service activities, and so strategic management depends very much on what people know and how they behave (Lynch, 2018, Grant, 2019). For Snell and Morris (2018), this is because products and services often originate from the human and social capital of employees, who have agency and free will, which makes how they are managed particularly critical. The increase in differentiated and segmented workforces poses added cultural, geographical and competency challenges (Huselid and Becker, 2011).

HRM is still a relatively new area of study that is seeking to gain credibility in comparison with more established academic disciplines – such as economics, psychology, sociology and law – which have a much longer history. HRM is often contrasted with industrial relations and personnel management, with the former laying claim to represent the theoretical basis of the subject while the latter is viewed as the practical and prescriptive homeland for issues concerning the management of people. In addition, there are so many variants of HRM it is easy to find slippage in its use, especially when critics are comparing the apparent *rhetoric* of ‘high-commitment’ HRM with the so-called *reality* of employers managing through fear and cost-cutting. Similarly, HRM often attracts criticism because it can never fully satisfy business imperatives nor the drive for employee well-being. Given that issues such as these are explored in depth in subsequent chapters, we focus here on a brief overview of the main strands of the subject. In the concluding section of the chapter, we outline what we see as the main components of HRM.

1.2.1 The origins of HRM in the United States of America

The terminology of HRM originated in the United States subsequent to the human relations movement, which focuses on how people relate to each other and behave in work and society (Gospel, 2019). The term HRM first appeared in textbooks in the mid-1960s, specifically in relation to the specialist function, which was interchangeably termed ‘personnel’ or ‘human resources’. What really helped HRM to take root a couple of decades later was the Harvard framework developed by Beer et al (1985).

In this framework, HRM was contrasted with ‘personnel management’ and ‘industrial relations’; the latter was conceptualised as reactive, piecemeal, part of a command-and-control agenda, and short-term in nature, whilst HRM was seen as proactive, integrative, part of an employee commitment perspective and long-term in focus. In line with this perspective, human resources were seen as an asset and not a cost. The Harvard framework consists of six basic components:

- 1 *Situational factors*, such as workforce characteristics, management philosophy and labour market conditions, which combine to shape the environment within which organisations operate.
- 2 *Stakeholder interests*, such as the compromises and trade-offs that occur between the owners of an enterprise and its employees – and unions where present. This makes the Beer et al framework much less unitarist than some of the other models (Bratton and Gold, 2017). A unitarist managerial viewpoint assumes common and cohesive interests are shared throughout an organisation.
- 3 *HRM policy choices*, in the areas of employee influence, HR flow, reward systems and work systems. Employee influence is seen as the most important of these four areas, again making this model somewhat different from some other versions of HRM.
- 4 *HR outcomes*, in terms of what are termed the ‘4Cs’: commitment, competence, cost effectiveness and congruence. This incorporates issues connected with trust, motivation and skills, and it is argued that greater employee influence is likely to foster greater congruence (Beer et al, 1985, p37).
- 5 *Long-term consequences*, such as individual well-being, organisational effectiveness and societal goals. Unlike many other models of HRM, the

framework explicitly recognises the role that employers play in helping to achieve wider societal goals such as employment and growth.

- 6 A *feedback loop*, which is the final component of the framework, demonstrating that it is not conceived as a simple, linear set of relationships between the different components.

A key feature of the Harvard approach is that it treats HRM as an entire system, and the combination of HRM practices is important. This led to the analysis of how different HRM policies and practices could be better aligned to achieve both HR and organisational goals (Gospel, 2019). While acknowledging the role of government and the community, this framework is essentially positivist because it assumes a dominant direction of influence from broader situational and stakeholder interests through to HR outcomes and long-term consequences. In reality, the relationship is much more complex, contested and fragmented as employers are unable to make policy choices in such a structured way, especially if they operate in networks of firms, up and down supply chains or across national boundaries.

The other main school of thought emerging from the United States was the ‘matching model’ (Fombrun et al, 1984). This emphasises links between organisational strategy and specific HR practices, concentrating on *vertical* rather than *horizontal* alignment. HR practices are grouped into four categories: selection, development, appraisal and reward. The human resource cycle – as the four components are known – are tied together in terms of how effectively they deliver improved performance. In Devanna et al’s (1984, p41) words:

Performance is a function of all the HR components: selecting people who are the best able to perform the jobs defined by the structure; appraising their performance to facilitate the equitable distribution of rewards; motivating employees by linking rewards to high levels of performance; and developing employees to enhance their current performance at work as well as to prepare them to perform in positions they may hold in the future.

The focus is on ensuring that there is a ‘match’ or ‘fit’ between key organisational goals and the way in which people are managed. The approach to rewards, for example, is expected to vary dependent on strategy; it is suggested that a single-product firm would deal with this in an unsystematic and paternalistic manner, while a diversified firm would operate through large bonuses based on profitability and subjective assessments about contribution to company performance (Devanna et al, 1984). It is essentially a unitarist analysis of HRM whereby the management of people is ‘read off’ by managers to meet broader organisational objectives. No account is taken of the interests of different stakeholders, nor is there much room for strategic choice.

1.2.2 The emergence of HRM in the UK

Interest in HRM in the UK – both as an academic subject and a source of interest for practitioners – developed in the late 1980s and early 1990s, with contributions from a plurality of disciplinary backgrounds. Drawing on Bach and Edwards (2013) and developing their categorisations through engagement with recent texts on HRM (Wilkinson et al, 2020; Collings, Mellahi et al, 2019), it is possible to identify four different traditions:

- 1 *Prescriptive*: this used to be the dominant approach in the literature, stemming from the domain of personnel management, and it examined and prescribed

the ‘best’ tools and techniques for use by practitioners. It was essentially vocational in character, although the universal prescriptions that were put forward had much greater resonance in large firms with well-staffed personnel functions. The underpinning values were essentially unitarist, assuming that workers and employers could work together, wherever possible, to achieve mutual gains within the framework of traditional hierarchical and capitalist relations. Within the prescriptive tradition, the personnel department tended to be seen as an intermediary between the harsher extremes of cost-driven business goals and the needs and motivations of workers.

- 2 *Industrial relations*: within this tradition, HRM was seen as part of a system of employment regulation. Using both detailed case study and quantitative techniques, researchers analysed HRM *in practice* in order to develop a better understanding of the employment relationship. Whilst crucially bringing in a pluralist perspective on HRM, this tended to focus on collective aspects of the employment relationship, and in particular to view all forms of employment – including non-union firms – against the template of a unionised environment. Within this perspective, the employment relationship is characterised as a mix of conflict and co-operation (Marchington and Dundon, 2017) with massive variations in the precise mix across different organisations and societies. Given the ‘incompleteness’ of the employment contract, it is clear that all workers possess some tacit skills (Bischoff, 2016), those that are essential to the job but are not codified or necessarily understood by managers. Sometimes, workers withdraw their labour and skills, in disputes for example, to demonstrate that the organisation would not function effectively if managers attempted to exert too much control. These skills are often needed on a daily basis to maintain working schedules or provide crucial patient care services, as for example in a hospital or social care environment.
- 3 *Labour process*: this field contrasts sharply with the benevolent, yet paternalist, image of the *prescriptive* tradition explained above, and focused on HRM as an implicit or explicit device to control and subjugate labour. Whilst helping, initially at least, to introduce more critical accounts of HRM, and later providing a more nuanced and more subjective understanding of how organisations work, it tended to critique management for everything it did. In the more extreme cases, it assumed that managers’ sole objective in life is to control and manipulate workers, rather than meet production or service targets laid down by senior management. Whilst the HR function might appear to have a human face, according to critics this made it even more dangerous because workers were conned into achieving targets that only helped employers to meet their goals, thereby undermining workers’ needs altogether.
- 4 *Organisational psychology*: whilst common in the United States, the contribution from this tradition has become more significant in the UK as scholars analyse HR issues connected with selection, appraisal, learning and development, and the psychological contract (Troth and Guest, 2020). As we see later (in Chapter 13 in particular), psychology is central to studies examining the links between various aspects of HR strategy/practice and employee outcome measures such as commitment and satisfaction. In contrast

to the industrial relations tradition, this approach tends to downplay notions of conflict and resistance, as well as overlook the realities of HRM at work. Recently, there has been an interesting debate between psychologists such as David Guest who argues that the contribution of psychology has been sidelined in the past, and it should now be seen as a major plank of HRM. However, Dundon and Rafferty (2018) feel this approach leads to hyper-individualism, and a more explicit focus on performance management, talent acquisition and leadership skills, which neglect the collective aspects of HRM. Kaufman (2020, p49) is less concerned about the contribution of psychology per se, but about the increasing ‘psychologisation’ of HRM; by this, he means ‘the drive to reduce explanation of macro-level HRM outcomes to individual-level psychological-behavioural factors and individual differences.’ This has been exacerbated by the increasing use of large-scale data sets using quantitative methods to collect data on HRM, the fact that many researchers no longer know what many workplaces actually look like, and the failure to take into account the dynamics of an organisation’s external context.



Reflective activity 1.1

What does HRM mean to you? Is it solely the specialist function or is it part of the role of every manager that has responsibility for supervising staff? Is it realistic to conceive of HRM as potentially capable of producing mutual gains

or is it merely a device to ensnare workers into accepting management plans just because they are delivered with a human face?

Work in groups to consider these questions and the contrasting traditions that underpin HRM.

The British debate initially focused on the distinction between ‘hard’ and ‘soft’ models of HRM (Wilkinson et al, 2020; Gospel, 2019). The ‘hard’ model – as with Fombrun et al’s (1984) approach – stresses the links between business and HR strategies and the crucial importance of a tight fit between the two. From this perspective, human resources are seen as similar to all other resources (land and capital, for example) being used as management sees fit. Under this scenario, which stresses the ‘resource’ aspect of HRM, there is no pretence that labour has anything other than commodity status even though it may be treated well if the conditions are conducive, such as when it is in short supply or it is central to the achievement of organisational objectives. Broadly, however, it would downplay the rules of industrial relations – such as procedures for dealing with redundancy – because they reduce employer flexibility to select on the basis of who they think is most/least valuable to the organisation.

By contrast, the ‘soft’ model focuses on the management of ‘resourceful humans’, assuming that employees are valued assets and a source of competitive advantage through their skills and abilities. Storey (2001, p6) defines the soft version as: ‘HRM is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and

capable workforce using an array of cultural, structural and personnel techniques.’ As we see in Chapter 3, soft/high-commitment HRM has attracted a lot of interest, especially for those seeking links between HRM and performance. Although important at the time, it also stimulated what might now be seen as a series of somewhat sterile debates about whether the management of employment equates more closely with HRM or with industrial relations and personnel management. Storey (1992) compared HRM with personnel management and industrial relations, identifying 27 points of difference between the two in terms of beliefs and assumptions, strategic aspects, line management and key levers. Broadly, HRM – again seen as a distinct style – was regarded as less bureaucratic, more strategic, more integrated with business objectives, and substantially devolved to line managers; the key elements of the HRM model are outlined in Box 1.1. It is interesting that the same sorts of issues are still central to many of the key questions being asked nowadays as well.

BOX 1.1

HRM at Work in focus: John Storey’s model of HRM

Beliefs and assumptions

- The human resource gives organisations a competitive edge.
- Employee commitment is more important than mere compliance.
- Careful selection and development are central to HRM.

Strategic qualities

- HR decisions are of strategic importance.
- Senior managers must be involved in HRM.
- HR policies need to be integrated into business strategy.

Critical role for line managers

- HR is too important to be left to HR specialists alone.
- Line managers need to be closely involved as deliverers and drivers of HR.
- The management of managers is critically important.

Key levers

- Managing culture is more important than procedures and systems.
- Horizontal integration between different HR practices is essential.
- Jobs need to be designed to allow devolved responsibility and empowerment.

SOURCE: Adapted from Storey (2007, p9)

A key feature of the Storey model is the role of line managers rather than the HR function (CIPD, 2018a; Lopez-Cotarelo, 2018), which makes sense given that HRM is essentially embedded at workplace level in interactions between members of staff (individually or collectively) and their supervisors. Storey argues that HRM is fundamentally concerned with the *management* of managers, with their training and development, their selection via use of sophisticated techniques, and with their performance management and career development, as opposed to that of the people who work for them (Storey, 2007, p10). Unlike some of the more positive and celebratory accounts of how HRM can make the difference, Storey (2007, p17) accepts that, 'HRM is no panacea; no set of employment practices ever will be. But, as a persuasive account of the logic underpinning choice in certain organisations and as an aspirational pathway for others, it is an idea worthy of examination.' Subsequent publications (for example, Paauwe and Farndale, 2017; Collings, Mellahi et al, 2019) suggest the search for HRM is still ongoing.

1.3 Workforce analytics

During the last few years, a quite different, more quantitatively-based focus has gained traction in debates about HRM, one example being a Special Issue of the US journal *Human Resource Management* in 2018 on 'The science and practice of workforce analytics', edited by Mark Huselid. We refer to some of these papers in the rest of this section, as well as drawing on the work of other authors such as Edwards and Edwards (2016; 2019) and Marr (2018). We also examine some of the more critical contributions to the debate, including our own concerns about the ethics of some of the metrics used and 'answers' provided from workforce analytics.

Edwards and Edwards (2019, p3) define 'predictive HR analytics' as:

the systematic application of predictive modelling using inferential statistics to existing HR people-related data in order to inform judgements about possible causal factors driving key HR-related performance indicators. The results of this modelling can be used (where appropriate) to make tangible predictions about particular results or people outcomes.

The sophisticated statistics and quantitative analyses techniques used by scientists to predict what may cause heart disease or what might help to cure cancer are applied to the information we hold about people in organisations. This enables the use of statistical models to predict what might drive high performance or what might cause an employee to leave an organisation. This is a step-change from what organisations currently do – the production of descriptive reports with a 'snapshot' of what is occurring in an organisation at that particular point in time. Whilst not without value, descriptive reports simply describe what is happening but not *why* things are happening (see Edwards and Edwards, 2019, p4). But, as they note, while many HR professionals may have a conceptual understanding of what HR analytics might involve and the variables that might be used in statistical procedures, very few have the relevant competencies to carry out sophisticated predictive HR analytics. However, if the HR function did learn more about analytics:

it would be able to present robust ‘hard’ evidence to show that it has a good understanding of what makes people tick, along with knowledge about who is likely to perform well, who is likely to leave, which parts of the organisation are showing race or gender bias, which candidates are likely to be successful in the organisation, and which interventions had a significant impact on the organisation and which did not (Edwards and Edwards, 2019, p10).

Huselid (2018, p680) uses the term ‘workforce analytics’ rather than HR analytics, defining it as ‘the processes involved with understanding, quantifying, managing and improving the role of talent in the execution of strategy and the creation of value.’ In his paper, he focuses on both metrics and analytics. This is slightly different from Edwards and Edwards’ (2016; 2019) definition, in as much as it relates more to the managerial elements of how analytics can be used, rather than the use and value of the statistical tests – though, as we see in various chapters of our book, Edwards and Edwards present information and advice on which techniques to use in different situations. Marr (2018, p2) uses the terminology of ‘data-driven HR’ or ‘intelligent HR’ to describe use of ‘the data explosion in a smart way and extracting insights that not only improve the performance of people within the company but also contribute to the overall success of the organisation.’

All of these definitions refer to making better use of data that is already available, or could be made available without much effort. Levenson (2018) focuses on how to use data available to HR decision-makers to improve strategy execution and organisational effectiveness, and determine whether the major constraints are due to problems with the existing culture or organisational design. Minbaeva (2018, p712) believes the development of credible workforce/human capital analytics can help to improve competitive advantage, but this also requires higher quality data as well as people *and* systems with stronger analytics capabilities. While having data available more easily through dashboards, for example, is important, he advises HR professionals to use evidence more effectively, to ask the right questions, and accept responsibility for implementing changes in culture, processes, behaviours and capabilities that result from being more comfortable with analytics. Drawing on their work with many organisations, Schiemann et al (2018, p806) note that ultimately it is the process used which matters most in using the data from workforce analytics; their recommendation is ‘to start with the right questions; build, borrow or adapt practical models to answer those questions; and engage decision-makers in the process so they will own and be eager to use the information to further their goals.’ Marr (2018, pp29–30) sets out some key actions for HR professionals which include the following: identify the data which is really going to impact on performance; use value-adding insights about employee retention and talent management; use AI wherever feasible; automate the mundane administrative parts of the role to free up time to focus on more strategic issues that add value to the organisation.

Edwards and Edwards (2019) use case studies to highlight the areas of HRM where workforce analytics is used, along with information about which statistical techniques should be employed. The areas covered are: diversity and inclusion; employee attitude and engagement surveys; employee turnover; the impact of L&D interventions on employee performance; the influence of gender and Black, Asian and Minority Ethnic (BAME) on shortlisting decisions; employee stress levels; and scenario modelling. In subsequent chapters, we give examples of how workforce analytics has helped

to identify which of a number of potential variables is the most likely to predict outcomes. For example, in one case, it allows us to calculate the impact of regional or locational differences on employee turnover, both at a group and individual level. Further investigations could then focus on the state of local labour markets, the role of line managers at each location, the quality of support received during induction, and the effectiveness of the hiring process. If we were to find substantial differences in levels of retention between men and women, for example, this could throw up a further set of questions. The point is that provided the analytics are done by well-trained people who are fully aware of the benefits and limitations of the data, they could make it much easier for HR professionals to identify potential changes to address these problems. However, as Edwards and Edwards (2019, pp479–84) make clear, there are also significant ethical considerations, which need to be taken seriously. We explore this again, both later in this chapter and in Chapter 5.

Of course, there are some criticisms of workforce analytics. First, there is the argument that analytics treats individual employees as nothing more than costs to be minimised (Angrave et al, 2016). This is fair in one respect, as many of the applications seek to reduce the costs of hiring new staff, reducing labour turnover by identifying in advance who would not be a suitable fit with the organisation, and getting rid of poor performers. On the other hand, measuring the value of L&D programmes focuses as much on quality as it does on cost, as does data which exposes an inherent racial bias in an HR practice, or the engagement survey which shows that line managers do not listen carefully to what their teams are saying. Second, Angrave et al (2016, p7) argue that if HR is not fully involved in the modelling process for an analytics intervention, there is 'significantly greater scope for models to be constructed in a way which fundamentally misunderstands the nature of human capital inputs' into the design of work or the amount employees contribute to the development of work processes. This problem is compounded if the new analytics programme is designed and implemented by external consultants who do not have sufficient understanding of how work and cultures vary across sectors, different types of organisation and occupational groups.

Third, there are substantial concerns that workforce analytics has a flaky ethical base in terms of (a) how data is collected and (b) the implications arising from the so-called 'predicted solutions'. In relation to the former, Marr (2018, p21) cites examples of companies which collect data that was previously unavailable, such as 'capturing employees on CCTV, taking screenshots when staff are using company computers, scanning social media data, analysing the content of e-mails, and even monitoring where they are using the data from geo-positioning sensors to corporate smartphones.' Use of this data is invasive, ethically suspect and, ultimately, a very scary picture of what the future might (or perhaps now does) look like. He also mentions (p26) the use of machine learning algorithms, which make it possible to assess an employee's level of engagement and how they fit with the company culture, although he also questions the ethics and legality of such interventions. Edwards and Edwards (2019, p480) raise concerns about the 'big brother' nature of some of the data collected, and they suggest analysts should always ask whether, 'if this data was being conducted on me, would I feel a level of discomfort?' In relation to the latter point, Edwards and Edwards (2019, p482) warn readers not to use targeted demographic profiles to stereotype individuals and use workforce analytics to discriminate against them. For example, if a review of a training course for checkout staff reveals

that the best performers are women in the 30- to 35-year-old age group, does that mean the supermarket should only target that specific group when hiring? Apart from the fact this would be absurd, because employees would have to be hired on (at most) a five-year contract and then dismissed, there are a number of other traits that customers like at the checkout, such as the chance for a short chat or being treated by someone who seems to have an interest in them. So, while this data can offer employers some gains, workforce analytics also has a potentially dark downside depending on how the results are used; this certainly requires an ethical awareness of how the results should be interpreted.

1.4 Business and corporate strategies

We now examine classical and alternative perspectives to organisational strategies, before turning to the balanced-scored approach to HRM, which recognises that an organisation's purposes extend beyond profit and addresses the needs of multiple stakeholders.

1.4.1 The classical perspective

Most definitions of strategy in the field of business and management stem from the work of Chandler (1962), who argued that the structure of an organisation flows from its growth strategy. Since then, there have been arguments about the extent to which a strategy is deliberate or emergent, and the extent to which organisations are able to determine strategies without taking into account wider societal trends and forces, and in particular the economic, legal and political frameworks within the countries in which they are located. Of course, some large multinationals are able to exercise influence beyond national boundaries, and actually affect the development of policy within countries, but this is restricted to a small number of global players. The reality for most organisations is that forces beyond their immediate control shape their strategic choices even if they have room for manoeuvre. Rumelt (2011, p2) notes that:

Despite the roar of voices wanting to equate strategy with ambition, leadership, 'vision', planning or the economic logic of competition, strategy is none of these. The core of strategy is always the same: discovering the critical factors in a situation and designing a way of co-ordinating and focusing actions to deal with those factors.

Grant (2019, p4), in a US text, makes it clear that 'strategy is about achieving success... [It] is not a detailed plan or program of instructions; it is a unifying theme that gives coherence and direction to the actions and decisions of an individual or an organisation [*sic*].' The best-known British text on the subject (Johnson et al, 2017) defines strategy as the long-term direction of an organisation. Drawing on these two definitions (Johnson et al, 2017, pp2–28; Grant, 2019, pp4–30), the principal elements of 'strategy', in the classical sense of the word, are:

- 1 Establishing the *long-term* direction of the organisation, looking a number of years ahead and attempting to identify the product markets and geographical locations in which the business is most likely to survive and prosper. Goals

need to be simple, consistent and long-term, and they need to be pursued with a single-minded commitment. The chosen strategy has clear implications for HR policy and practice, as well as for the types of workers needed in future. Of course, shocks to the system – such as major new inventions, political upheaval or changes in the nature of the working population or demography – may disrupt strategic plans but without them organisations are likely to be rudderless. Shifts in decisions about the long-term direction of an organisation can impact heavily on HRM. For example, a move to manufacture products in a different country has major implications for future employment. Similarly, the loss of migrant workers on farms might prompt UK-based workers to consider these jobs, which can stimulate changes in the organisation's goals.

- 2 Driving the organisation forward to achieve *sustained competitive advantage*. This may emerge through the creation of new products or services or in providing better value in a way that can be sustained, even if competitors also take advantage of similar gains or move in other equally or more profitable directions. In HR terms this may lead to decisions about whether higher levels of performance are more likely from a quality enhancement or innovation route, or one that focuses almost exclusively on cost reduction. This has implications for the type of labour required in the organisation, and in situations where there is a shortage of skills it may prevent employers attaining their overall goals. Moreover, as Boxall and Purcell (2016) note, other organisations do not stand still but also adapt continuously to achieve their own competitive advantage. This means that staying ahead of the game is critical.
- 3 Determining the *scope* of the organisation's activities, in terms of whether it chooses to remain primarily in one sector and line of business or diversify into other areas. This can be done so as to spread risk by creating a balanced portfolio or seeking success from growing markets and higher profit margin products. Each of these different strategies has HR implications, for example in terms of the type of staff required or the extent to which services are provided in-house or from subcontracted labour. Decisions concerning scope centre on the boundaries of organisations, and ultimately power differences between organisations up and down the supply chain can have a significant impact both on business decisions and HR practices. This means that decisions about HRM may be beyond the control of an individual employer, either due to pressures from a powerful business customer or because decisions are taken to set up joint ventures between organisations (Marchington et al, 2005).
- 4 *Matching* their internal resources and activities to the environments in which the organisation operates so as to achieve strategic fit. This requires an assessment of internal strengths and weaknesses as well as external opportunities and threats (SWOT) in order to decide how best the organisation can meet current and future needs. Grant (2019) argues that the best-equipped strategists have a profound understanding of the competitive environment and are able concurrently to systematically appraise the resources available to them. In HR terms, major problems can occur if enough adequately qualified and trained staff have not been employed to enable the organisation to satisfy customer demand. However, because other organisations are also trying to achieve this match, they may poach the best staff, thereby compounding the problem.

- 5 Recognising that top-level decisions have major implications for *operational* activities, especially when there is a merger or takeover, a joint venture or public–private partnership, or even a change in the organisation’s strategic direction following a review of its activities. Grant (2019) particularly emphasises the need for effective implementation to achieve competitive advantage. For example, deciding to grow the business through the creation of an IT-led customer service model will fail if HR issues have not been properly considered, and there are not enough staff to receive calls or they are poorly trained. One of the biggest problems in any large organisation, especially one that operates across a number of different product areas, is determining the most appropriate structures and systems to put strategies into effect.
- 6 Appreciating that the *values and expectations* of senior decision-makers play a sizeable part in the development of strategy because it is how they choose to interpret advice about external and internal resources that ultimately shapes strategic decisions. Although many organisations within the same market choose to follow a similar path, some decide to differentiate themselves by adopting different strategies. This may or may not appear ‘logical’ from a rationalist perspective, but entrepreneurs typically mould organisations in their own image, which might lead to problems further down the line if a family-owned firm brings in professional HR managers from outside.

Within this perspective, strategy is seen to operate at three levels:

- *Corporate* strategy relates to the overall scope of the organisation, its structures and financing, and the distribution of resources between its different constituent parts.
- *Business or competitive* strategy refers to how the organisation competes in a given market, its approaches to product development and to customers.
- *Operational* strategies are concerned with how the various sub-units – marketing, finance, manufacturing and so on – contribute to the higher-level strategies.

HRM would be seen as an element at the third level, but it is rare for texts on strategy to pay much attention to HRM issues; for example, neither Johnson et al (2017) nor Grant (2019) devote more than a few pages to HRM.

1.4.2 *Alternative perspectives on strategy*

The so-called ‘classical’ model is not the only way to observe strategy, however, and an alternative approach put forward by writers such as Quinn and Mintzberg treats strategy as *emergent* rather than deliberate.

Quinn (1980, p58) regards the most effective strategies as those that tend to ‘emerge step by step from an iterative process in which the organisation probes the future, experiments, and learns from a series of partial (incremental) commitments rather than through a global formulation of total strategies.’ Quite rightly this casts doubt on the perspective that organisations make decisions on the basis of cold, clinical assessments in an ‘objective’ manner. Decisions are taken by people whose own subjective preferences and judgements clearly influence outcomes. Mistakes

are made for a variety of reasons and conditions change, rendering decisions that seemed sensible at the time totally inappropriate at a later date. Interpersonal political tensions and battles also play a major part in the outcome of decision-making processes within organisations.

Mintzberg's (1987) notion of strategy being 'crafted' evokes ideas of skill and judgement, as well as people working together to make sense of confusing situations before reaching a conclusion that appears to offer a way forward. Of course, neither the classical nor the emergent perspective is correct in its entirety. Mintzberg and his colleagues (1998, p11) have suggested that strategies are neither purely deliberate nor purely emergent, as 'one means no learning, the other means no control. All real-world strategies need to mix these in some ways; to exercise some control while fostering learning.' Deliberate and emergent strategies form the poles of a continuum along which actual practice falls. Moreover, as we see below, strategy is sometimes used as a device for legitimising decisions which have already been made.

Even though it is over 25 years' old, Whittington's (1993) classic four-fold typology still helps us to understand the complex and multidimensional ways in which strategy might be conceived. It is based upon distinctions between the degree to which outcomes are perceived purely in either profit-maximising or pluralistic terms, and the extent to which strategy formulation is seen as either deliberate or emergent. The four types are:

- *Classical (profit-maximising, deliberate)*: from this perspective, strategy is portrayed as a rational process of deliberate calculation and analysis, undertaken by senior managers who survey the external environment searching for ways in which to maximise profits and gain competitive advantage. It is characterised as the product of honest endeavour by independent professional managers who have nothing but the organisation's interests at heart, and who are able to remain above the day-to-day skirmishes that typify life at lower levels in the hierarchy. This leaves little room for choice when devising HR plans because these are operational matters.
- *Evolutionary (profit-maximising, emergent)*: from this angle, strategy is seen as a product of market forces, in which the most efficient and productive organisations succeed. Drawing on notions of population ecology, 'the most appropriate strategies within a given market emerge as competitive processes allow the relatively better performers to survive while the weaker performers are squeezed out and go to the wall' (Legge 2005, p136). For evolutionists 'strategy can be a dangerous delusion' (Whittington 1993, p20). Taken to its extreme, one could argue there is little point in planning a deliberate strategy since winners and losers will be 'picked' by a process of natural selection that is beyond the influence of senior managers. They might, however, see some advantage in keeping their options open and learning how to adapt to changing customer demands to achieve competitive advantage. Boxall and Purcell (2016) make the very useful differentiation between the problem of viability (remaining in business) and the problem of sustaining advantages (playing in the 'higher-level tournament' through superior performance).
- *Processual (pluralistic, emergent)*: this view stems from an assumption that people are 'too limited in their understanding, wandering in their attention, and careless in their actions to unite around and then carry through a

perfectly calculated plan' (Whittington, 1993, p4). There are at least two essential features to this perspective. First, as Mintzberg (1987) argues, strategies tend to evolve through a process of discussion and disagreement between senior managers. Quinn's (1980) notion of 'logical incrementalism' – the idea that strategy emerges in a fragmented and largely intuitive manner, evolving from a combination of internal decisions and external events – fits well with this perspective. Second, the processual view acknowledges organisations are beset with tensions and contradictions, with rivalries and conflicting goals, and with behaviours that seek to achieve personal or departmental objectives (Pettigrew, 1973; Marchington et al, 1993). Strategic plans may be worth little in reality but they help to give some credibility to decisions. On this basis, strategy can never be perfect.

- *Systemic (pluralistic, deliberate)*: the final perspective follows Granovetter (1985; 2017) in suggesting that strategy is shaped by the social system in which it is embedded – factors such as class, gender, legal regulations and educational systems play a major part (often subconsciously) in influencing the way in which employers and workers behave. Whittington (1993, p30) argues that the very notion of 'strategy' may be culturally bounded because it arose in the particular conditions of post-war North America. In other countries, the dominant perspective may be based upon philosophies that regard the provision of continuing work for families and local communities much more desirable than short-term gains for shareholders. A further advantage of viewing strategy from this perspective is that it highlights how – under the classical approach – management actions are legitimised by reference to external forces, so cloaking 'managerial power in the culturally acceptable clothing of science and objectivity' (Whittington, 1993, p37). Ultimately, the systemic perspective challenges the universality of any single model of strategy and HRM, which is applicable to all countries and cultures.



Reflective activity 1.2

Discuss these competing versions of strategy with colleagues from other organisations,

cultures or societies, and then try to take a fresh look at your original views.

Viewing strategy in different ways raises interesting implications for how we view its links with HRM. Under the *classical* perspective this is unproblematic, merely a matter of making the right decision and then cascading this through the managerial hierarchy to shopfloor or office workers, who then snap into action to meet organisational goals. The *evolutionary* view complicates the situation, in that it puts a primacy upon market forces and the perceived need for organisations to respond quickly and effectively to customer demands. This introduces notions of power and flexibility into the equation compared with notions of objectivity that underpin the classical perspective. The two pluralist perspectives take it for granted that

organisational life is contested. The *processual* perspective demonstrates the barriers to fully-fledged vertical integration in practice, whether this is due to tensions within management or to challenges that may be mounted by workers. Accordingly, HRM styles also emerge in a fragmented and uneven manner, influenced by the relative power and influence of the HR function compared with other senior managers. The *systemic* perspective forces us to look beyond the level of the employing organisation and recognise that employers are shaped by forces external to an organisation. Problems will arise if critical social norms or cultural traditions are ignored or it is assumed that HR practices that work in one country can be parachuted automatically into others. Thompson (2016) refers to the concept of disconnected capitalism which has linked the growth of financialisation – the increased significance of capital markets in driving firm behaviour – in the economy to largely negative outcomes in the employment relationship. By engaging in such behaviour, organisations are forced to adopt short-term measures to meet shareholder targets, thus undermining the conditions necessary for the achievement of long-term employment relationships.

1.4.3 The balanced scorecard

Strategy is not simply about financial returns to shareholders but also involves a wider base of stakeholders that includes customers, local communities, the environment and, of course, workers. Our perspective is that HR is different from other managerial functions because of its professional, moral and ethical base, and – in some countries more than others – its rejection of the simplistic view that people are merely a means to achieve greater corporate profits and shareholder returns. This is not to deny the importance of people making an effective contribution to organisational goals, but to stress that trust and integrity are also critically important for HRM at work.

Kaplan and Norton (2007) and Kaplan (2010) argue that because traditional approaches to management accounting focus on short-term financial performance and shareholder value alone, firms need to take into account the longer-term needs and expectations of other stakeholders. They suggest there should be a balance between four perspectives on business performance:

- 1 How to appear to our shareholders to achieve financial success (*financial*).
- 2 How to satisfy our shareholders and customers through the choice of excellent business processes (*internal business processes*).
- 3 How to appear to our customers to achieve our vision (*customers*).
- 4 How to sustain our ability to change and improve in order to achieve the vision (*learning and growth*).

There is no specific category for employees within the scorecard but they figure principally within the learning and growth perspective – in terms of the strategic skills and knowledge of the workforce to support strategy, and in the cultural shifts required to motivate, empower and align the workforce behind the strategy (Boxall and Purcell, 2016). While employees should be considered as stakeholders in their own right, Kaplan and Norton (2007, pp150–51) feel the scorecard enables ‘companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they would need for future growth.’

Because of this, Boxall and Purcell (2016) reckon the balanced scorecard approach does not go far enough in relation to HRM. There are two major concerns. First, HRM is not just about satisfying corporate objectives but also relates to social legitimacy in terms of compliance with labour laws and the provision of policies which build long-run opportunities for managers and workers. Second, the balanced scorecard tends to assume certain HR practices, in particular incentive pay systems, are universally effective in promoting better performance. By contrast, they argue that the alignment of employer and employee interests depends greatly on the circumstances and the institutional regimes within which organisations operate, and that what might appear highly appropriate in a US context could well prove counterproductive in another. Moreover, it could be argued the balanced scorecard approach only includes additional processes because they contribute to improved performance (Bailey et al, 2019). As such it continues to reflect management and organisational interests rather than those of all stakeholders. For example, instead of arguing for greater employee engagement in organisational decisions, it suggests that managers just need to communicate with workers more effectively and educate them about the realities of organisational life. Attention is also focused on how employers can ensure employees are aligned with the organisational vision and that wanting high levels of employee morale is because it links with customer satisfaction. Nothing is wrong with these objectives, but they are hardly ‘alternative’ in the sense of satisfying people’s needs for equality, or corporate responsibility for all stakeholders.

Some scholars advocate measuring the return on investment in HRM, specifically in terms of the value created by deliverables and the control of costs through more efficient operations (Cascio et al, 2019). These use a similar set of metrics to those used in other approaches, basically relying on factors that impact directly on organisational performance – such as labour turnover, absence levels and productivity. Paauwe et al (2013) propose an alternative – the *real* balanced HRM scorecard. This starts from the stance that HR specialists cannot focus solely on organisational criteria such as efficiency, effectiveness and flexibility, and that – like Legge’s deviant innovator, which we discuss in Chapter 5 – they should be prepared to risk unpopularity by questioning the short-term approaches taken by many businesses. The HRM scorecard that Paauwe develops consists of four logic components: strategic, professional, societal and delivery (Paauwe et al, 2013). Professional and societal logics comprise factors such as the following:

- Providing assurance and trust about financial reporting of organisations’ tangible and intangible rewards to employees.
- Delivering reliable information to works’ council members.
- Offering information and individual help to employees.
- Safe-guarding fairness in management–worker relations.

1.5 Corporate social responsibility (CSR) and ethics

In this section, we examine corporate social responsibility and ethics, and explain why these are important elements in a principles-based philosophy of HRM.

1.5.1 Corporate social responsibility

Corporate social responsibility (CSR) is defined as ‘context-specific organisational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance’ (Aguinis, 2011, p855). This usually relates to voluntary issues beyond the law and with ethical and moral behaviour, so fundamentally it questions who should benefit from business (Voegtlin and Greenwood, 2016; Armstrong with Taylor, 2020). Since its inception, the concept of ‘corporate social responsibility’ has had many labels, often used interchangeably and without accurate definition.

CSR involves a wide range of activities and stakeholders. Stakeholders are the groups or individuals with whom the organisation interacts, and most have vested interests. Customer interests might include quality, truthful marketing, product provenance; for the community, issues include the environment, responsible/fair trade, ethical investment, donations to charity, secondments to community work, supporting third world education and health programmes, refusal to operate in certain markets, avoidance of bribery and corruption – as we see below this is also a key part of an ethical approach to business (CIPD, 2019a). Its relevance to HRM is apparent in many areas such as health and safety, working conditions, discrimination and harassment, reward, well-being, employee voice, training and development, child and forced labour, and concern for human rights (Voegtlin and Greenwood, 2016; Sarvaiya et al, 2018; Armstrong with Taylor, 2020).

The Fundamental Principles and Rights at Work in the 1998 International Labour Organization (ILO) Declaration, which is still in operation, relate to basic human rights that exist without regard to level of economic development. These are:

- Freedom of association.
- Recognition of the right to collective bargaining.
- Elimination of forced or compulsory labour.
- Abolition of child labour.
- Elimination of discrimination in employment.

Using slightly different terminology, Carroll (2016) sees corporate responsibility as a pyramid (similar to Maslow’s hierarchy of needs) made up of economic, legal, ethical and philanthropic responsibilities, with economic responsibilities at the base. The *economic* responsibility is to make a profit for shareholders which, according to Milton Friedman (1970), is the one and only responsibility of the business community. This perspective is challenged by the stakeholder model that regards business as not just about profit but also about the well-being of individuals and society.



Reflective activity 1.3

Bill Ford (executive chairman of Ford) has stated that ‘a good company delivers excellent products and services while a great company delivers

excellent products and services, and strives to make the world a better place.’

What are your views on this statement?

Legal responsibilities are about obeying the law whilst *ethical* responsibility involves ensuring the organisation is fair and just, and avoids harm. Finally, the *philanthropic* organisation would act to improve quality of life. Carroll's illustration of the pyramid implies that most organisations adhere to Friedman's viewpoint, and may even ignore legal constraints; a minority will take the ethical stance of ensuring they do no harm; while a few are philanthropic and ensure that their actions positively impact the quality of life on the planet. The New Economics Foundation (www.neweconomics.org) in the UK promotes ethical business: that is, businesses which are set up to solve world problems while also making profits and offering gainful employment. Kyrio (2015) suggests entrepreneurship offers more than aid or government intervention in terms of sustainable development, which goes beyond fair trade. Many 'ethical pioneers' start out as SMEs and may have different forms of ownership. The field of renewable energy in the UK provides some examples of community-owned cooperatives, such as Energy4All, and environmentally-focused food and home products organisations such as Suma Wholefoods, which has been going for more than 30 years. Others have traditional ownership (for example, Triodos Bank, Ecover, Cafédirect, One Water) and a number of these have been taken over by multinationals seeking to enhance their credentials (for example, Body Shop, Ben & Jerry's, Green & Blacks). Luenenburger and Goleman (2010) suggest that company behaviours confer a licence to operate and a right to exist and that companies that do not engage in CSR will ultimately lose legitimacy and fail. Certainly, there are plenty of companies that have been involved in major scandals, such as the mis-selling of PPI (payment protection insurance), Oxfam and Exxon (Exxon Valdez).

There are four motivations for adopting corporate social responsibility. These are:

- 1 *The business case*: for those who believe profit is the only concern of business, increasing profits through engaging in CSR would be a major incentive. At the simplest level, profits can quickly be enhanced by reducing the use of resources (heating, light, water, etc), or by reusing or selling waste products. Balanced against this is the fact that CSR typically involves the use of resources, but at the same time it contributes to competitive advantage and therefore can generate higher profits. This can be achieved through avoidance of business risks, scandals and accidents. A good corporate image enhances customer loyalty, general acceptance by governments and local communities, and a better chance of attracting, retaining and motivating staff. Furthermore, ethical companies can access ethical capital, and may be able to avoid government intervention – something that most organisations dislike. As Warren Buffett said, it takes '20 years to build a reputation and 5 minutes to ruin it' (CNBC, 2017).
- 2 *Consumer pressure*: the scenario of ethical consumerism suggests that CSR could become much more widespread in companies operating in competitive markets. However, many consumers primarily care about price – which also contributes to a race to the bottom in terms of wages and conditions, such as health and safety. Customers who do care need to have sufficient information, making it essential for corporations to ensure that stakeholders – particularly customers – are aware of differentiation (Voegtlin and Greenwood, 2016). This involves companies listening actively to key stakeholders such as customers, government and the community and creates a virtuous cycle for companies attuned to stakeholder perspectives. However, it is generally agreed that the relationship between CSR and company profits is complex (Meier and Cassar, 2018).

- 3 *Regulatory and global pressures:* one of the main pressures is regulation, although there is ample evidence of large organisations using their power to coerce governments to weaken environmental and safety regulations, impose or raise import surcharges, put up trade barriers through tariffs, and negotiate tax exemptions. The regulatory controls on multinational corporations (MNCs) are particularly weak and uneven (MacKenzie and Martinez-Lucio, 2019), and the 2008 banking crisis was attributed to lax regulatory control and the undue influence of city lobbyists (Chu, 2018). Despite the ability of some to prevent or sidestep regulations, laws and rules do influence behaviour. In general, legislative and regulatory pressures are increasing – albeit often in response to major scandals. As well as regulations, there are attempts at an international level to persuade individuals and organisations to address major issues such as global warming, poverty and decreasing biodiversity – for example, Davos and Kyoto. The UN Global Compact is one such structure which links almost 6,000 organisations with governments, labour organisations and non-governmental organisations (NGOs) which set out principles concerning labour relations, human rights, the environment and anti-corruption. Other organisations working towards minimally acceptable international standards include the International Labour Organization (ILO), Organisation for Economic Co-operation and Development (OECD), the World Bank and World Trade Organization. In Europe there is the Charter of Fundamental Rights, and the Sustainability Strategy for Europe.
- 4 *Normative values:* in some organisations, the CEO, the board or a group of senior managers – and in some cases, trade unions (Logan, 2018) – act as a driving force for change through normative leadership. Training in top business schools encourages managers to embrace CSR (PRME – Principles for Responsible Management Education) and unions are increasingly linking with networks and NGOs to campaign on issues (Voegtlin and Greenwood, 2016). Larger organisations operating globally, and with formal strategic plans, are more likely to embrace CSR, which may be because they have increased access to resources (Schooley, 2019), but to date, there is relatively little research on developing countries, and cultural sensitivity means notions of corporate responsibility differ between MNC home countries and host countries. Where there are weak institutional frameworks, arbitrary law enforcement, corruption, tax evasion, fraud and bribery, corporate responsibility is likely to take a different form as organisations operate in lieu of the state to provide health, education, social security or environmental protection (Logan, 2018).

More organisations are now monitoring activity and reporting on their CSR. Examples include: Social Accountability 8000, the Global Reporting Initiative, the Global Compact, the Fair Labour Association workplace code, and Business in the Community (UK). Additionally, the EU Accounts Modernisation Directive (2005) requires non-financial reporting (reports on environment, employee, social and community issues) in directors' reports. The best organisations ensure that ethical performance covers a wide range of activities and that corporate responsibility is embedded throughout the organisation. Unfortunately, many companies only report on a minor part of their operations and promote them widely as a public relations exercise, leading to cynicism, especially where the organisation has a dented

reputation. Where responsibility for corporate responsibility rests in the public relations department, this speaks volumes. Many would argue that it fits with HRM's welfare roots and should always be located within HR (Sarvaiya et al, 2018). The Rana Plaza disaster shows clearly the dangers created by lack of regulation and the difficulties getting international agreement on labour standards.



CASE STUDY 1.1

The Rana Plaza disaster: Improving safety and employment standards across global supply chains

The collapse of Rana Plaza in Bangladesh in 2013 was one of the world's worst industrial accidents. The building was originally designed to be an office complex with a shopping centre, but then a further four floors were added without planning permission, housing over 3,000 factory workers. On the day of the disaster, the building crumbled in the space of 90 seconds, killing 1,134 people and injuring many more. After the collapse, it became apparent that over 250 well-known MNCs used the factory to fulfil garment orders. While the brands involved had no 'duty of care' to the factory and its workers, pressure grew for them to take responsibility. Within weeks, a large number of leading brands had signed the 'Accord for Fire Building Safety in Bangladesh', an unprecedented and legally binding agreement to improve building safety. This innovative tripartite governance mechanism, chaired by the ILO, focused on improving the governance of international supply chains by shifting labour regulations from a national to a global level.

Central to the emergence of the Accord was a coalition between actors united by their growing frustration at existing labour conditions. Together, the coalition managed to get 180 brands to sign up to the Accord. Their actions highlight the intersection of production and consumption power as a potent mechanism that can strengthen labour rights within global supply chains. However, while these MNCs are calling for safety improvements and the payment of higher minimum wages in Bangladesh, which are among the lowest in the world, they are at the same time seeking to reduce the amount they pay for garments from factories there. For example, they were paying 13 per cent less for men's cotton trousers in 2018 than they did before the disaster.

SOURCE: Adapted from Safi and Rushe (2018)

To think about: *To what extent does the setting of global standards offer hope for better employment relations across the supply chains while maintaining quality for customers and low costs?*

At a corporate level, this can be done in a variety of ways depending on business context and the location of the organisation within the area. For example, chemical firms run community days to show local residents around their factory and, in some cases, consult them on changes to processes, which could have an effect on the local environment. These could lead to the setting-up of a community engagement group which includes local residents and pressure groups to explain new plans and check

how these might impact the environment. In other sectors, engagement with the local community can result in opportunities for young people at secondary schools or local colleges to take up work placements as part of their course. In the case of a university located in one of the poorer areas of a city, this could involve school visits by lecturers to talk through how research can impact their lives (for example, in medical, engineering and science faculties) and lead to new groundbreaking technologies, for example, the University of Manchester's Engineering Campus Development project (mecd.manchester.ac.uk). The hope is that it might also lead to more young people from state schools in the local catchment area being motivated to apply for university places.

1.5.2 Ethical principles and practice

Ethical behaviours and practices have been part of the development of HRM since its foundations as a function and field of study, and there have been sustained calls for ethical HRM from a variety of parties (Greenwood, 2015). Over recent years, ethics has risen up the agenda for organisations and HRM. This is evidenced by the growing emphasis on organisational ethics statements, including those relating to free trade, modern slavery and human trafficking. The Ethisphere Institute produces an annual list of the world's most ethical companies, which in 2020 included firms from 3M to Xcel Energy. Some argue that firms are increasingly recognising there can be a financial return on ethics (RoE), which is attracting the attention of a greater number of CEOs (Reiss, 2017).

The idea that ethical principles can easily be converted into practice is less straightforward than might be imagined, especially if we remember that PLCs are required to enhance and protect shareholder value, and that some might have little or no commitment to ethical practice anyway. What is more likely is that some employers just pay lip service to ethical policies, assuming their commitment at a rhetorical level is sufficient to see policies put into action. However, senior managers do not always follow up to ensure these are implemented fully within an organisation. For example, there may be an expectation that staff work long hours despite a commitment to healthy working practices, or some people in roles that used to be 'internal' to the organisations are now paid low wages due to outsourcing of contracts, or their work is precarious. There is also a danger that ethical policies become even more diluted because line managers are expected to take over some of the roles previously filled by HR professionals, and then make snap decisions, which undermine wider commitments to ethical practice. However, the ethical credentials of an organisation can best be measured by their initial response to a crisis, such as happened in the UK during the 2020 Covid-19 crisis (see Case Study 1.2).



CASE STUDY 1.2

An ethical approach to HRM during the Covid-19 crisis

Like most global businesses, the *Financial Times* (FT) was exposed to major shocks precipitated by Covid-19. The company's top

priority was to ensure the welfare of staff, along with the continuity of services; this was addressed by the introduction of remote

working. The second priority was to secure the business by taking the necessary actions to protect jobs and uphold the organisation's strategy and mission, in order to bring the whole team through the crisis. Staff had told senior managers their primary concern was job security, amid surging unemployment and a frozen labour market in the UK, so the FT committed to protecting all jobs for the remainder of 2020. The FT also stressed that the strategic pillars of the business, which are strong and successful, need to be protected so the company could return to growth quickly – when the time comes – to sustain its mission.

This led to several decisions, which took effect in May 2020. Amongst these were:

- 1 The maintenance of staff salaries other than for senior managers/board members.
- 2 A 10 per cent salary reduction for the 80 members of the senior management group and assistant editors.

- 3 A 20 per cent salary reduction for board members, and a 30 per cent reduction for the CEO.

The FT's current intention is for salaries and other benefits to be reinstated from the beginning of January 2021, but of course this is dependent on things returning to normal. If the crisis deepens, further actions might need to be taken.

The CEO praised the work of all staff, their willingness to contribute, and the level of co-operation, camaraderie and loyalty to the FT they had exhibited. He said: 'We are all rightly proud to work for this special organisation, and I'm confident we will emerge from this storm in good shape.'

SOURCE: Adapted from a statement from John Ridding, CEO, Financial Times Group, April 2020. We thank the FT for permission to use this

To think about: *Discuss with colleagues your assessment of how the FT dealt with the threats posed by Covid-19, especially how these actions reflected the company's mission. Compare this with the actions taken by other organisations to furlough large numbers of staff, who show little interest in their futures, and in some cases threaten staff who stay off work because of fears about Covid-19 with dismissal.*

We have already briefly discussed the importance of considering ethical issues in workforce analytics in Section 1.2.3, but ethical HR practices and decision-making also run through the CIPD's Profession Map and its Guide for Employers, published in 2019. We discuss ethics in general and these two documents more fully in Chapter 5.

1.6 Diversity and inclusion (D&I): Equality as a work-in-progress

Diversity and inclusion (D&I) are increasingly salient dimensions to corporate social engagement and responsibility (Chief Executives for Corporate Purpose (CECP), 2018). Indeed, many CEOs have taken up the mantle of advancing D&I by pursuing positive action (for example, ceoaction.com). A group of 181 CEOs of US firms from Apple to Walmart recently published a landmark declaration setting out their intention to rebalance shareholder primacy with the interests of other stakeholders by broadening the purposes of the firms they lead beyond profit (Gartenberg and Serafeim, 2019). The statement included an explicit commitment to D&I and fair employee compensation (Business Roundtable, 2019). Such rhetorical statements

oblige firms and their members to actively embrace moral, social and legal responsibilities (Marcus and Hargrave, 2020). The extent to which they do this is likely to be influenced by dynamic political, economic, social and technological agendas within and outside a firm (see discussion on Vertical and Horizontal Fit in Chapter 3).

As well as being a key dimension to CSR, D&I is an implicit or explicit component of strategic frameworks for HRM, including the best-fit and resource-based views and the need in practice for integration and alignment (see Chapter 3). This is because employee diversity is linked to a firm's sustainable competitive advantage, which supports the business case for D&I, and is explained in more detail later in this chapter.

Definitions of diversity can stem from the restrictive to the wide ranging, depending on the source of the definition, the organisation and the individual. Box 1.2 sets out definitions from the CECF (2018, p3), which include *internal* and *external* dimensions to organisational D&I. The relationship between an organisation's operating environment and the internal and external fit of its HRM strategy and practice are covered in Chapters 2 and 3.

BOX 1.2

Defining D&I and its internal and external dimensions

- **Diversity** refers to 'The variety of similarities and differences among people, including but not limited to: gender, gender identity, ethnicity, race, native or indigenous origin, age, generation, sexual orientation, culture, religion, belief system, marital status, parental status, socio-economic difference, appearance, language and accent, disability, mental health, education, geography, nationality, work style, work experience, job role and function, thinking style and personality type.' The aim here is ultimately for equality or equity of opportunity and treatment. This generates implications for the dimensions to HRM covered in each chapter of this book.
- **Inclusion**, which is needed to achieve and sustain workforce diversity, involves 'A dynamic state of operating that ensures equitable access to resources and opportunities for all. It also enables individuals and groups to feel safe, respected, engaged, motivated and valued, for who they are and for their contributions toward organisational and societal goals.' Again, this intersects with equality of opportunity and treatment and applies to the chapter contents of this book.
- **Internal D&I**. 'D&I-related efforts that are internal, company-facing and are typically tied to tangible, shorter-term business objectives, such as talent diversity.'
- **External D&I**. 'D&I-related efforts that are external-facing and seek to engage and/or benefit individuals and communities outside a company. These efforts can be tied to longer-term business objectives and/or philanthropic objectives.'

The increasing contemporary focus on D&I reflects changes in workforce demographics and social attitudes (PwC, 2019a). This includes the growing representation of Millennials and Generation Z in the workforce (Allaway and Gurgiel, 2019), higher numbers of women in employment, an ageing workforce, Brexit and migration (CIPD, 2015a; Mercer, 2018). We review some of these developments in the next section.

1.6.1 A changing economy and workforce demographics

The composition of the labour market has changed considerably over the past 50 or so years. As shown in Table 1.1, there are now over 8 million more adults in employment than in 1970. The employment rate of men has dropped by nearly 12 per cent, whilst the employment rate of women has increased by almost 19 per cent. The employment rate of women in the last quarter of 2018 was at its highest since records began in 1971 (Powell, 2019a). A much higher proportion of women work part-time (41 per cent) compared to men (13 per cent), with a greater proportion of men working part-time now than in the past due to personal choice and/or necessity. We fully appreciate there are more than two sexes and gender identities, but as most existing studies and publications on employment and HRM refer to binary categorisations, these are used in this chapter and book.

As can be seen in Table 1.1, employment in the public sector has fallen, but has increased substantially in the private sector partly due to government spending cuts and more extensive privatisation and outsourcing (Grimshaw et al, 2015; ONS, 2019a). The rate of self-employment has almost doubled since 1970, reaching record rates (ONS, 2019a). Some of this growth can be adduced to the expansion of the gig economy and the diversity of self-employment, including *pseudo* self-employment to mitigate taxation and organisational liabilities (Williams et al, 2017). Employment in manufacturing has fallen dramatically. Almost half a million jobs have been lost since 2008 (GMB, 2019). In contrast, employment in the service sector has increased. This shift partly explains the reduction in the employment rate of men and generates implications for the types and levels of skills that are in demand now (Ngai and Petrongolo, 2017).

With changes in the employment rates of men and women, the traditional ‘male breadwinner’ model, where men earn a family wage and women undertake domestic work and care has been undermined (Trappe et al, 2015), but remains influential at home and at work in many countries (Berghammer, 2015; Donnelly, 2015; Connolly et al, 2016). This is because the male breadwinner model is intertwined with the norm or narrative of the ideal worker, who is able to work long full-time hours and travel/relocate without domestic relationships, work or care getting in the way (Brumley, 2014).

Although male dominance is declining in some aspects of work, this is not the case across all occupations or organisational levels (Dill, 2017). In the United States, women still only account for 5.2 per cent of aircraft pilots and flight engineers, and only 3.5 per cent of fire fighters (Lakritz, 2019). Women make up 25 per cent of those employed in STEM (science, technology, engineering and mathematics) industries in the UK, but only 12 per cent of engineering professionals are women (WISE, 2018). In IT, men’s dominance of technical roles is increasing rather than decreasing, with women’s representation falling from 19 per cent to 17 per cent (WISE, 2018). This demonstrates the *horizontal segmentation* or *segregation* of women, defined as

Table 1.1 Changes in the UK economy and employment over the last 50 years

UK	1970/71	2018/19
Number of adults in employment (increase partly attributable to immigration)	24,289,000	32,693,000
Balance of trade in goods and services as a % of GDP (from a trade surplus to a deficit)	+0.6%	-1.5%
Reduction in GDP growth rate	3.5%	1.4%
Reduction in percentage of men aged 16–64 in employment (seasonally adjusted)	92.1%	80.2%
Increase in percentage of women aged 16–64 in employment (seasonally adjusted)	52.8%	71.6%
Increase in private-sector employment	18,219,000	27,040,000
Reduction in public-sector employment	6,288,000	5,357,000
Increase in self-employment partly attributable to growth of entrepreneurialism and the gig economy and more older people setting up their own business after retirement continuing to work later in their lives	8.36%	14.81%
Manufacturing (two-thirds reduction)	30.1%	10%
Services (increase to almost 4 out of 5 employees)	55.9%	79.6%
Construction (stable)	6.1%	6%
Agriculture (65% reduction partly due to increasing use of technology and imports)	2%	0.7%
Other sectors	5%	3.8%

SOURCES: Chiripanhura and Wolf (2019); ONS (2019a)

‘the concentration of women and men in different kinds of jobs’ (EurWORK, 2017). Where male domination of an occupation and/or organisation is present, women may be expected to follow gendered career scripts in terms of their behaviour, work and appearance to fit in with the gender regimes or structures in place, which become more pervasive higher up the organisational hierarchy (Kenny and Donnelly, 2020).

Vertical segmentation or *segregation* is evident with respect to the hierarchical representation of women, ‘whereby opportunities for career progression for a particular gender within a company or sector are limited’ (EurWORK, 2017). Men typically dominate positions of power and senior organisational posts. Although the Department for Business, Energy and Industrial Strategy (BEIS, 2018b) found the representation of women on the boards of FTSE100 companies in the UK reached almost 29 per cent in 2018, ‘four times more men than women hold the highest-paid jobs’ (Agerholm, 2018). Labour market segmentation or segregation (vertically and horizontally) and gender imbalances with respect to full- and part-time working contribute to pay gaps. According to the OECD (2019a), the median gender pay gap for employees in OECD countries is 13.45 per cent, the EU28 (19.13 per cent), the United States (18.17 per cent) and the UK (16.45 per cent). Each November an ‘Equal Pay Day’ is held in a number of countries, including the UK and United States.

The Fawcett Society (2019), an equality charity, identifies four main causes of gender pay gaps in the UK:

- 1 *Discrimination*, which remains common, because many women continue to be paid less or are treated less favourably than their male counterparts.
- 2 The *unequal division of care responsibilities*, which are typically undertaken by women and are unpaid or underpaid.
- 3 The *traditional concentration* of women in low paid, low skilled jobs in so-called feminised industries.
- 4 The *under-representation* of women in senior organisational positions.

Sex or gender can also intersect with other demographic states or characteristics (including age, race, sexual orientation, disability, religion or belief, gender identity and reassignment, marriage and partnership, and pregnancy and maternity) and contract types (full-time, part-time, and temporary to zero hours) to affect the representation of different groups and their experiences of work. To counter the potential for bias, discrimination and less favourable treatment we have seen the continuing development of equality legislation in the UK.

1.6.2 Equality legislation in the UK: A brief overview

We deal with some aspects of the law in Chapter 2 as well, but here we focus directly on gender legislation. The UK introduced an Equal Pay Act in 1970 due to the need to comply with the Treaty of Rome (1957) in order to join the European Community, and to address with the mounting public and political calls for equal pay for equal work, the passage of an Equal Pay Act (1963) in the US and the Ford Sewing Machinist strikes initiated at Dagenham in the UK in 1968. Case Study 1.3 provides insight into this landmark campaign.



CASE STUDY 1.3

Equal pay at Ford

Seat cover machinists at Ford UK's plant in Dagenham went on strike in 1968 after their jobs were downgraded from Category C (skilled jobs) to lower-skilled Category B jobs, which meant that they were paid 15 per cent less than their male counterparts. The strike spread to Ford's factory in Halewood causing substantial disruptions in production. After three years, the Secretary of State for Employment and

Productivity intervened in the dispute, but this only reduced the gap to 8 per cent. It took 16 years for the women to be classed as skilled workers and to be paid accordingly.

The campaign was made into a movie in 2010 called *Made in Dagenham*. Following the popularity of the film, it was then made into a West End musical in 2014.

SOURCE: Adapted from Wilson (2018)

The Equal Pay Act came into force in 1975, the same year as the Sex Discrimination Act, which was followed the year after by the Race Relations Act (1976) and then the Disability Discrimination Act in 1995.

In order to comply with European Directives, the UK introduced regulations to prevent the less favourable treatment of fixed-term and part-time employees in 2002. These regulations sought to limit the scope for employers to use fixed and part-time contracts as a means of offering inferior terms and conditions to temporary and part-time employees, whilst seeking to retain the scope for employers to engage in numerical flexibility. It is important to note here that women hold the majority of part-time jobs and temporary jobs in the UK and most OECD countries (OECD, 2019b). The regulations to protect part-time and temporary workers were followed by employment equality regulations by sexual orientation and religion and belief in 2003 and age in 2006.

Each of these Acts and regulations were consolidated and updated by the Equality Act (2010), which in turn replaced them. The coverage of the Act is summarised in Box 1.3.

BOX 1.3

The scope of The Equality Act: A brief overview

Equality Act (2010): Forms of discrimination and protected characteristics

The nine types of discrimination/protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race (including colour, nationality, ethnic or national origin); religion or belief; sex; and sexual orientation.

There are conscious biases that we are aware of and those that we are unconscious of (Noon, 2017). According to ACAS, '*unconscious bias* at work can influence decisions in recruitment, promotion, staff development and recognition and can lead to a less diverse workforce. Employers can overlook talented workers and instead favour those who share their own characteristics or views. Where unconscious bias is against a protected characteristic, it can be discriminatory. For example, if during a recruitment process an employer ignores the skills and experience of a candidate who is a different race than them and appoints another candidate who is the same race, this could be discriminatory.'

Forms of discrimination may take one of the following forms:

- **Direct discrimination:** treating someone with a protected characteristic less favourably than others. This includes discrimination by association and perception:
 - According to ACAS, '*associative discrimination* comes about when someone is treated unfavourably on the basis of another person's protected characteristic. For example, a candidate who has been told she is getting a job is suddenly deselected after revealing she has a severely disabled child

with complicated care arrangements. The withdrawal of the job offer could amount to discrimination because of her association with a disabled person (disability being a protected characteristic).'

- *Discrimination by perception* occurs 'when someone is treated unfavourably because others believe they have a protected characteristic, even though in reality they don't have it, it is perceptive discrimination. A possible example of this is an employee who is rejected for promotion to a supermarket buying team that sources wines, because he has an Arabic name. The employer has assumed that he is a Muslim and won't want to deal with alcohol.'
- **Indirect discrimination:** putting rules or arrangements in place that apply to everyone, but place someone with a protected characteristic at an unfair disadvantage.
- **Harassment:** unwanted behaviour linked to a protected characteristic that violates someone's dignity or creates an offensive environment for them.
- **Victimisation:** treating someone unfairly because they've complained about discrimination or harassment.

At work, the law protects against discrimination with respect to: dismissal; employment terms and conditions; pay and benefits; promotion and transfer opportunities; training; recruitment; and redundancy.

SOURCES: gov.uk; Acas (2015a)

The Equality Act provides a number of important provisions including a public-sector Equality Duty, annual gender pay gap reporting for large organisations with more than 250 employees, equal pay audits and positive action with respect to recruitment and promotion.

The public-sector Equality Duty requires public authorities such as the police and NHS to pay due regard to how their policies and decisions could affect people with the protected characteristics featured in Box 1.3 and to advance equality of opportunity. This includes conducting Equality Impact Assessments. The Duty also extends to *hybrid authorities*, which are private firms or charities delivering public functions such as British Gas or private hospitals treating NHS patients.

The requirement for large organisations to report their gender pay gaps has shed light on substantial disparities in pay (Guiborg, 2019). EasyJet reported the largest gap in 2018 at 45.5 per cent. Instead of shrinking the following year, the gap instead grew to 47.9 per cent in 2019. This is partly because, like other airlines, the majority of its pilots are male. Barclays reported a pay gap of 43.5 per cent in 2018, increasing to 44.1 per cent in 2019, whilst 42 per cent of organisations reported an increase in their pay gaps in comparison to 2018. The BBC reported a pay gap of 7.6 per cent, which is below average, but has faced a number of high-profile equal pay claims over recent years. Samira Ahmed took the BBC to tribunal in 2019 because she claimed

she was being paid dramatically less per episode than Jeremy Vine for a comparable TV show (£440 compared to £3,000). This followed cases successfully pursued by Carrie Gracie and Caroline Barlow. The tribunal upheld Samira's claim in January 2020 and a settlement was reached with the BBC shortly afterwards.

Shopfloor workers at Asda are pursuing a major equal pay claim drawing on a comparison with distribution workers at the supermarket. If they are successful, the implications could extend to other big supermarkets and cost up to £10 billion to settle (Chapman, 2019). It is unclear what the consequences would be for these organisations, their staff, customers and stakeholders.

Birmingham City Council has spent an estimated £1.25 billion on equal pay claims over the last decade (Jackson, 2019). These funds have come from a combination of service cuts and increases in council tax and charges.

Pay disparities are evident across a range of fields of work, including professional sport. Case Study 1.4 focuses on the continuing international struggle for equal pay in football.



CASE STUDY 1.4

Professional football: An uneven playing field (#EqualPay)

The Women's World Cup was held in France in 2019. Although the prize money doubled in comparison to the 2015 Women's World Cup to \$30 million, it was still more than 10 times less than the prize money awarded at the 2018 Men's World Cup at \$400 million.

The US team is taking legal action against the National Football Association in the United States. Female players earn approximately \$30,000 less than male players in the USA and receive lower bonuses. From 2016 to 2018, women's football games in the United States generated \$900,000

more revenue than those of their male counterparts (Leigh Day, 2019). The call for equal pay has also been taken up by high school students in Vermont who had 700 T-shirts printed with #EqualPay sold with a voluntary premium of 16 per cent, the contemporary median gender pay gap for the state.

Norway, Finland and New Zealand have agreed to equalise pay when their teams are playing for their country. In the UK, the fight for pay equality in football continues.

SOURCES: Adapted from BBC (2019a); Leigh Day (2019); Wrack (2019)

Where an employment tribunal determines that there has been an equal pay breach in an organisation employing over 50 members of staff, an equal pay audit can be ordered. This is leading some firms to carry out self-initiated audits to elucidate any potential problems. *Positive action* can be taken by an employer to address unequal opportunities or disadvantages faced by those with protected characteristics, so long as the action does not discriminate against others.

There are calls for mandatory equal pay reporting to apply to ethnicity and not just gender (PwC, 2019b). Some firms have already started doing this on a voluntary

basis (for example, Deloitte, 2019). White British employees in the UK earn an average of 3.8 per cent more than those of ethnic minorities. The median gap is as much as 20 per cent in the case of those of Pakistani and Bangladeshi origin. In contrast, Chinese and Indian employees had higher average earnings than their white British counterparts (Romei, 2019).

This exemplifies the need to move beyond a focus on just an individual's gender. D&I provides a wider lens for equality, which goes beyond legally defined protected characteristics to include less visible individual differences such as an individual's socio-economic background and working preferences.

1.6.3 Diversity and inclusion: A wider landscape for equality

The concept of diversity management originated in the United States in the 1980s/90s and has continued to gain momentum both in the USA and internationally. The term 'diversity' is open to interpretation and can be used in a number of different ways. Kirton and Greene (2016) differentiate between the use of the term: (i) as a workforce descriptor; (ii) as an approach to workforce management; and (iii) as a theoretical paradigm highlighting the positive benefits of recognising and championing socio-biological differences. Diversity along these lines needs to be reinforced by efforts that foster inclusion, otherwise enhanced diversity is unlikely to be realised or maintained (CECP, 2018; CIPD, 2018a).

D&I is particularly important when a relatively homogeneous group dominates an occupation and/or organisation. For example, 96.9 per cent of environment professionals and 94.2 per cent of police officers in the UK are white (McIntyre, 2017). Only 8 per cent of MPs were BAME as of 1 May 2019 (Diversity UK, 2019). Such homogeneity is at odds with the demographic diversity evident in the UK today. Applicants from minority groups may be put off from pursuing such career paths if they feel that they are unlikely to fit the mould or face a potentially hostile working environment.

There are business and moral cases for diversity and it is important to leverage both as part of a multi-pronged approach to the advancement of D&I, which includes legal and social regulation (Dickens, 1999; CIPD, 2018b). The moral case centres on calls for fairness, respect and enabling everyone to do their best through equality of opportunity and treatment. The business case, which has become much more salient, is built on the notion that greater workforce diversity improves workforce creativity and innovation by making fuller use of an organisation's and individual's array of talents. Workforce diversity can expand market opportunities and share through opening up a wider customer base. Customers are more likely to buy goods or services from an organisation if they feel that they are reflected within an organisation's workforce (Exter, 2015). Globalisation is increasing the need for workforce diversity, particularly among multinational firms (Cooke, 2019a; World Economic Forum, 2019).

Drawing on the resource-based view and Lepak and Snell's HR architecture, which emphasises the uniqueness of a worker's contributions to a firm's strategic goals (see Chapter 3), a diverse workforce is also likely to be more difficult for competitors to replicate and so provide a more sustainable competitive advantage. The World Economic Forum argues that the business case for D&I is now 'overwhelming' (WEF, 2019). However, the business case has its limitations and

may be undermined and even backfire in the long run if organisations do not see an increase in organisational performance and profitability (Coleman, 2018). Hence, it needs to form part of a multi-pronged approach to the promotion of D&I (Dickens, 1999).

1.7 D&I practice in organisations

1.7.1 Progress and achievements

Many organisations are seeking to be more diverse and inclusive, both internally and externally (see Box 1.2 for definitions of external and external D&I). Indeed, there are a number of D&I ranking, accreditation and award schemes. Examples include: The National Diversity Awards (nationaldiversityawards.co.uk); Athena Swan accreditation for higher education institutions; Stonewall's Top 100 list; gender and diversity lists compiled by greatplacetowork.co.uk; and Inclusive Top 50 UK Employers (inclusivetop50.co.uk). It is worth looking at these each year to keep up to date with developments in D&I policy and practice because the landscape is fast-changing. The boundaries between internal and external D&I overlap here as well as through website content and imagery, marketing and recruitment materials, and the sponsorship and merchandising of events such as Pride.

The government has set itself the ambitious target of being the most inclusive employer in the UK (Cabinet Office, 2017). However, most organisations struggle to successfully achieve and maintain high levels of D&I. A workplace may be relatively diverse with respect to some protected and unprotected characteristics, but not all. This is because, as Foster and Harris (2005) demonstrate vividly through their research findings, diversity management is 'easy to say, difficult to do'.



Reflective activity 1.4

Discuss whether the employment of an individual or a small number of individuals from a minority group equates to diversity or mere 'tokenism'.

Select an organisation you are familiar with; is it classed as a top employer for D&I?

Either way, would you characterise it as horizontally and vertically diverse and inclusive?

Would you regard it as being sufficiently diverse? If you had different demographics to the ones that you currently have – for example, a different sex or race – would you still see it this way?

Might the organisation be paying 'lip service', prioritising an external image of D&I?

Challenges are often encountered in transforming aspirational D&I rhetoric (policies and written and oral statements) into reality (workforce diversity and practice) (O'Malley and Yates, 2018). How can a workplace be deemed diverse and inclusive both horizontally and vertically?

A number of campaigns have established indicative benchmarks, for example, the 30 per cent club (30percentclub.org) and the target of 33 per cent of women on the boards of FTSE100 companies by 2020 set by the Hampton–Alexander Review (BEIS, 2018a). These provide initial targets, because these levels of female representation would not achieve parity. Such targets draw on business case arguments, but links between proportional representation of particular groups and improved organisational performance are tenuous to say the least. Representation below 15 per cent would be classed as ‘tokenism’ (Kanter, 1977), but again this is a somewhat arbitrary benchmark.

Very few organisations are equally proportioned by each protected characteristic both horizontally and vertically, never mind other less visible forms of diversity such as neurodiversity (Bewley and George, 2016; CIPD, 2018c) and work and thinking style. A range of initiatives may be introduced by organisations including:

- D&I targets and quotas (CIPD, 2015a), which can conflict with meritocracy and so generate internal organisational tensions and affect performance if an individual feels that their position is protected by quota requirements.
- Employee resource/affinity groups (Welbourne et al, 2017), which position such groups as resource that can provide business benefits and a competitive advantage (Goode and Dixon, 2016).
- Targeted coaching and (reverse) mentoring (Conboy and Kelly, 2016; Beheshti, 2019).
- Leadership development programmes (Debebe et al, 2016).
- D&I training (Lambert and Myers, 2018).

There are contrasting views with regard to D&I training, some arguing that it can be effective under circumstances (Lindsey et al, 2017), whereas others such as Noon (2017) maintain that such training is virtually pointless, particularly when it is merely administered online. This is because D&I videos typically have a limited effect in changing ingrained biases, views and behaviours (Skapinker, 2019).

Equal opportunities regulations and policies can be ‘hollow shells’ (Littler, 2018), because they do not adequately deter inconsistent behaviours and decisions. For example, the fines faced by organisations are relatively low when compared to those for data breaches under the General Data Protection Regulation (GDPR). Individuals can often find ‘legitimate’ reasons to support their selections, in order to conceal or deflect potential questioning of their biases or discriminatory decisions.

Some firms have started reporting on the diversity of their workforce on a yearly basis to increase transparency over the composition of their workforces and to track their progress (examples include Google, Apple, Facebook and Microsoft). Google started doing this in 2014 (diversity.google/annual-report/). In 2018, men accounted for 66.8 per cent of its global workforce, with most concentrated in leadership (74.1 per cent) and tech roles (74.3 per cent) than non-tech ones (52.8 per cent). Its progress has been steady, but slow. In fields such as IT, women are steered into less technical and managerial roles, which are less prestigious (Kenny and Donnelly, 2020). The gendered nature of IT work is likely to influence the development of technology and AI and so male dominance over the future of work, which makes redressing this imbalance a pressing societal and organisational concern. Otherwise, rather than improving objectivity over HR decisions and D&I, AI may instead preference certain groups (Devlin, 2017).



Reflective activity 1.5

Software such as Gender Decoder (gender-decoder.katmatfield.com/) can be used to detect language biases in written text. To improve D&I at work, it could be used to filter job adverts, websites and organisational documents etc.

The software was piloted by the school of one of the authors of this book using a typical job

advert. Interestingly, terms such as ‘leadership’ were highlighted as being problematic, because they could deter women from applying.

What do you think about this and the use of such software? How might changes to the language used by organisations influence their recruitment of talent and their D&I?

1.7.2 Addressing barriers to D&I

Many organisations point to supply shortages to explain their limited diversity and progress over D&I. Some of these supply challenges can be attributed to long-standing and deeply entrenched obstacles. Research suggests that career ambitions are already limited by the age of seven by race, gender and socio-economic stereotypes that instil social mobility barriers (Coughlan, 2019). Occupations and organisations dominated by a hegemonic group may present hostile work environments to outsiders (Mistry, 2018); people may encounter biases and discrimination; glass ceilings (Lewellyn and Muller-Kahle, 2019); ‘old boys’ networks and white (male) privilege (Savage, 2015; Friedman and Laurison, 2019). It is unsurprising therefore that some women may ‘prefer’ or be steered toward more welcoming jobs and organisations.

The CIPD (2018b) has published a number of recommendations to help HR professionals tackle barriers to D&I. These are to:

- *Attract diverse candidates:* review job adverts for gendered or other biased wording. Review talent attraction methods, including recruitment webpages and other branded resources.
- *Offer flexible work:* review flexible working policies and analyse take-up in your organisation. Ensure jobs allow flexibility and think creatively about how jobs can be designed as flexible.
- *Review candidate selection procedures:* examine recruitment data to understand how diverse the talent pool is at each stage of the selection process. Ensure hiring managers understand the provision for reasonable adjustments, and are provided with support to put them into place.
- *Build D&I organisational cultures and policies:* ensure organisational policies treat everyone fairly, taking an intersectional approach that appreciates that individuals have multiple, overlapping identities. Review existing data on pay, progression and employee survey measures, or collect additional data to understand whether employees feel the organisation is inclusive and identify barriers to progression.

The right to equal pay is an entitlement rather than a legal requirement. The pursuit of an equal pay claim can be risky and off-putting for individuals, because they may fear being branded a troublemaker (*The Telegraph*, 2018). In the *Ahmed v. BBC* tribunal, a list of 120 women seeking equal pay was released (Waterson, 2019). The pursuit of a claim may make it difficult for an individual to continue working for an employer, particularly if a case runs for many years or is settled or not upheld.

The introduction of pay gap reporting does not seem to be uniformly reducing pay gaps. Only 50 per cent of organisations recorded smaller gender pay gaps in the second annual audit. Monzo Bank reduced its pay gap from 48 per cent to 34 per cent, but it still has a lot of work to do and HSBC saw its pay gap increase from 29 to 30 per cent. The reasons for this may be short term, because change is often slow and gradual. 'D&I is not instantaneous, nor is it easy. It's a progression of small, medium and large advancements that in totality incrementally improve culture and understanding' (Coleman, 2018). Progress may not continue to be incremental and may stall due to the departure of staff from minority groups.



Reflective activity 1.6

Take a look at the most recent pay gap reporting, and see if things have changed since 2019–2020. Which organisations have improved

and which have seen their gender pay gap growing?

Find data to explain why changes have or have not occurred since 2019–2020.

Internationally, rates of progress are likely to vary, but drawing on figures from the World Economic Forum (WEF), OECD and UNESCO it is estimated that it will take over 100 years to close the global gender pay gap (Gould and Martin, 2019). The BBC has produced a calculator index, which provides comparisons by gender and country (BBC, 2015).

Even in over a hundred years' time, there are concerns that equality will not actually be achieved due to power and hierarchical dynamics in societies and organisations, and because work is a continually contested terrain (Edwards, 1979). The delivery of equal pay is likely to be costly and reduce the profit margins of private firms. Greater and more co-ordinated multi-pronged approaches are needed, drawing on business case arguments, legal regulation, social regulation and action from leading organisations, academic experts, HR professionals and other individuals. HR professionals have a crucial role to play, and this is underpinned by the following core behaviours in the CIPD's Profession Map: *valuing people, working inclusively, insights focused, situational decision-making, ethical practice, and professional courage and influence*. Consequently, the theme of D&I runs throughout this book and will crop up again on many occasions.

1.8 Conclusions

In this chapter, we have provided an introductory analysis of the links between strategy and HRM, paying particular attention to the main arguments and debates in the subject area. HRM does not operate in a vacuum but within the internal and external frameworks within which organisational strategy is set. Snell and Morris (2018) note that the shift HR strategy has taken means that it is co-evolving with the wider corporate strategy literature, which is now taking cues from HR research. But they warn that many HR managers are still ill-equipped to deal with issues of knowledge and innovation in relation to globally dispersed and differentiated workforces, observing that much of the HR literature remains based in specific domestic locations and does not look at cross-boundary complexities. Too little is known about how an organisation might manage people employed by other firms, and they do not address issues of how firms might manage the increasing heterogeneity found across geographically dispersed workforces within a firm. As they note, addressing this requires more than the rote implementation of a specific set of standardised practices (Snell and Morris, 2018; see also Batt and Applebaum, 2017).

If we assume that HRM is a field of study rather than a distinct style, we can then examine how the management of employment varies between organisations and workplaces, as well as over time, because it can be shaped by the range of influences including factors external to the workplace – such as legislative, political and economic changes – which can impact differentially depending upon management choice, employment relations and worker attitudes and behaviours. Working with this conception of the subject means that HRM can exist just as easily in a small owner-managed sweatshop as it can in a large and sophisticated high-tech organisation.

HRM can therefore be defined as ‘the management of employment’, so incorporating individual and collective relations, the whole range of HR practices and processes, line management activities and those of HR specialists, managerial and non-managerial actors. Management styles depend not only on business goals but also on influences from a range of different stakeholders. Accordingly, HRM may include a role for unions, the development of so-called leading-edge HR practices, commitments to employment security and having line managers at the helm of organisational change. Conversely, HRM may be individualised, HR policies can rely on cost reduction and rationalisation, and there may be no provision for an internal HR function. Irrespective of the approach adopted, however, employers should be keen to enhance the contribution of HR practices to D&I, well-being and performance.

Four key points are central to our understanding of HRM; these continually reappear throughout the remainder of this book:

- 1 **The subject matter of HRM** We regard HRM as aspects of people management that need to be understood by all HR specialists and others with a major responsibility for managing people. Using Torrington’s medical analogy, these are the subjects the ‘general practitioner’ needs to understand, and which remain critical for specialist consultants even though they are not explicitly aware they are being used. This includes commitments to D&I, ethical practice and the well-being of human resources.

- 2 Integration is at the heart of HRM** This takes two forms: *vertical integration*, increasingly seen in the language of alignment, which refers to the links between HRM and both wider business strategies and the political, economic, social and legal forces that shape (and to some extent are shaped by) organisations; and *horizontal integration*, which refers to the 'fit' between different HR policies and practices (bundles), and the degree to which they support or contradict one another. We assume that both vertical and horizontal integration probably need to be strengthened in order to maximise the HR contribution, as well as minimise the likelihood of conflicting messages.
- 3 Line manager involvement** Irrespective of the role played by an internal HR function or by external agencies that provide HR support, line managers are central to the delivery of HRM at work. If HR policy and practice is to be effective, HR specialists need to gain line manager commitment to and buy-in to their proposals and recommendations. There is no point deciding on a course of action that impresses other HR specialists, but fails to convince line managers – the people who have to put most policies into effect. This is not to say that HR specialists should become the servants of line managers, merely recommending what the latter want to hear in order to gain 'customer' approval. Instead, HR specialists have to be acutely aware of their audience, of the purpose of HR policies and their contributions to organisational success (Marchington, 2015a).
- 4 Ambiguities and tensions** Although there are increasing pressures to demonstrate added value to organisations, HRM is often in an ambiguous position. The HR function is sometimes criticised for occupying the middle ground between management and non-managers, because it is dealing with issues for which it is difficult to identify a simple best option. For example, there can be conflicting and often equally strong arguments in favour of the dramatically different approaches an employer can take in relation to trade unions – for example, partnership or arm's-length relations. In HRM, perhaps more than in any other area of management, these choices can have significant implications for the future, and can lead an organisation down a path that is difficult to alter. Because the employment relationship is incomplete, ambiguous and contested, this means HRM can never be a simple technical exercise, in which answers are read off according to some scientific formula, and implemented without problem. HR professionals have to become accustomed to the fact – especially as they reach the higher echelons of the occupation – that their work is going to be fraught with tensions and contradictions, and with situations that are characterised by uncertainty, indeterminacy and competing perspectives.



Explore further

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