

HUMAN RESOURCE MANAGEMENT

ALAN NANKERVIS
MARIAN BAIRD
JANE COFFEY
JOHN SHIELDS

STRATEGY AND PRACTICE

AHRI⁷
Australian HR Institute®



10TH ASIA-PACIFIC EDITION

HUMAN RESOURCE MANAGEMENT

STRATEGY AND PRACTICE





To all HRM students and professionals who dream of making their workplaces attractive, inspiring, productive and future-focused.

Alan Nankervis

To my work colleagues and students, for your ongoing interest in and commitment to creating good employment relations and workplaces.

Marian Baird

To all those who have taken the time to either adopt or read this wonderful edition – thank you for your ongoing interest to learn more about building and improving an HR culture that will build dynamic and positive workplaces of the future.

Jane Coffey

To Millennials worldwide – the generation of future leaders on whom our hopes for responsible organisational stewardship now so much depend.

John Shields

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Human Resource Management: Strategy and Practice
10 Edition
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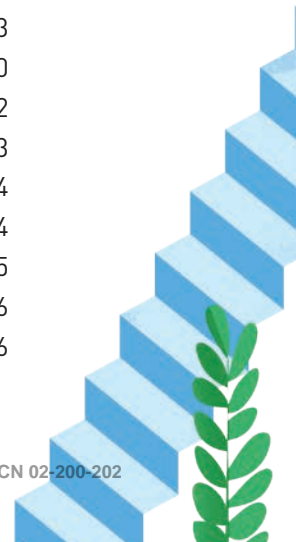
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Guide to the text

As you read this text you will find a number of features in every chapter to enhance your study of Human Resource Management (HRM) and help you understand how the theory is applied in the real world.

CHAPTER OPENING FEATURES

Gain an insight into HRM with **industry quotes** at the beginning of each chapter.

Identify the key concepts that the chapter will cover in the **learning objectives** section at the start of each chapter.

Consider the scope of **emerging issues** in HRM with a box feature that links to relevant highlighted issues throughout the chapter.



CHAPTER 1 Evolution of strategic human resource management

There is a global shift towards non-standard, flexible employment models, including agency work (which) is set to become a permanent feature of the modern workplace.

Zhang, M. M., Barram, T., McNeil, N. and Dowling, P. J. (2019), Towards a research agenda on the sustainable and socially responsible management of agency workers through a flexibility model of HRM, *Journal of Business Ethics*, 177(3), p. 514.

We must pursue innovation through technology as the main contributor to our future prosperity and happiness. The new jobs generated will allow us to compete with the world.

Williamson, R. C., Raghall, M. N., Douglas, K. and Sanchez, D. (2015), Technology and Australia's future: New technologies, and their role in Australia's security, cultural, democratic, social and economic systems. Melbourne: ACOLA.

OBJECTIVES
After reading this chapter, you will be able to:

- 1 explain the development and concepts of strategic human resource management (SHRM)
- 2 understand the relationship between business strategies and HRM strategies, processes and functions in the context of a dynamic global environment
- 3 understand the principles behind international human resource management
- 4 appreciate the critiques of SHRM
- 5 describe the principal roles, functions and ethical principles of SHRM professionals
- 6 understand the SHRM model and framework used throughout this text.

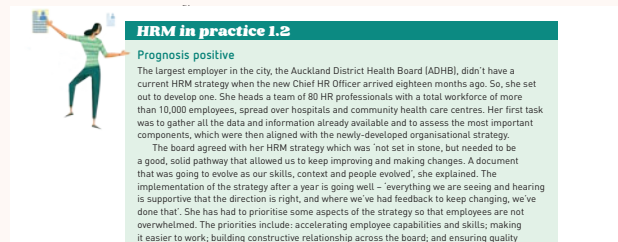
Emerging issues

- 1 Globalisation
- 2 New technology – the Fourth Industrial Revolution
- 3 Employability
- 4 SHRM theories and new models
- 5 HR ethics

NEW

FEATURES WITHIN CHAPTERS

Examine how theoretical concepts are used in practice through the **HRM in Practice** boxes.



HRM in practice 1.2

Prognosis positive

The largest employer in the city, the Auckland District Health Board (ADHB), didn't have a current HRM strategy when the new Chief HR Officer arrived eighteen months ago. So, she set out to develop one. She heads a team of 80 HR professionals with a total workforce of more than 10,000 employees, spread over hospitals and community health care centres. Her first task was to gather all the data and information already available and to assess the most important components, which were then aligned with the newly-developed organisational strategy.

The board agreed with her HRM strategy which was 'not set in stone, but needed to be a good, solid pathway that allowed us to keep improving and making changes. A document that was going to evolve as our skills, context and people evolved', she explained. The implementation of the strategy after a year is going well – 'everything we are seeing and hearing is supportive that the direction is right, and where we've had feedback to keep changing, we've done that'. She has had to prioritise some aspects of the strategy so that employees are not overwhelmed. The priorities include: accelerating employee capabilities and skills; making it easier to work; building constructive relationship across the board; and ensuring quality

HRM IN PRACTICE

Are you work-ready yet?	Ch 1, p. 5	Australian government axes 457 work visa: experts react	Ch 2, p. 51
Prognosis positive	Ch 1, p. 16	To chip or not to chip?	Ch 2, p. 53
Picture perfect	Ch 1, p. 20	KCGM ups level of support for new parents	Ch 2, p. 62
Professional certification	Ch 1, p. 31		

FEATURES WITHIN CHAPTERS

HRM IN PRACTICE

'Relentless focus' leads Westpac to hit 50% women in leadership target	Ch 2, p. 64	Beware the humble reference check	Ch 6, p. 228
Job sharing – opportunities and challenges	Ch 2, p. 70	Preparing for the virtual interview	Ch 6, p. 235
FWO's Food Precincts campaign returns \$471,904 in wages owed to hospitality workers	Ch 3, p. 91	Lorna Jane receptionist job requires physical measurements	Ch 6, p. 239
Characteristics of employment, Australia, August 2016	Ch 3, p. 93	Gamified induction	Ch 7, p. 261
<i>Fair Work Act 2009</i> , s. 12 – the dictionary	Ch 3, p. 95	The 'only at Deloitte' learning experience	Ch 7, p. 264
Union no show at Commission as another agreement terminated	Ch 3, p. 109	Simulations in clinical teaching and learning	Ch 7, p. 270
Wage theft	Ch 3, p. 112	Energy workers get wearables for training	Ch 7, p. 271
Key HRP challenges	Ch 4, p. 124	Aboriginal and Torres Strait Islander mentoring programs	Ch 7, p. 276
NSW Department of Education: business priorities = HR plan	Ch 4, p. 139	The special relationship	Ch 7, p. 277
Michell Wool	Ch 4, p. 134	Inside the new talent war	Ch 7, p. 284
Labour supply analysis for public health physicians in Australia	Ch 4, p. 140	The new work order	Ch 7, p. 286
Using data across HRM functions	Ch 4, p. 148	Employees don't want feedback, they want attention	Ch 8, p. 328
OPM-Gate 'biggest cyber-security breach in US history'?	Ch 4, p. 154	Salesforce – the best place to work in Australia, 2018	Ch 9, p. 356
What do Australian employers look for from university graduates?	Ch 5, p. 175	Fixing the gender pay gap	Ch 9, p. 375
Australia's casualisation crisis	Ch 5, p. 185	Employee perks that attract the best talent	Ch 9, p. 386
How to have great virtual teams	Ch 5, p. 188	<i>Australian Work Health and Safety Strategy 2012–2022</i>	Ch 10, p. 448
Hilton named one of Australia's best companies for which to work	Ch 5, p. 190	Injury prevention and management at Gay's Construction	Ch 10, p. 459
Outside the box	Ch 6, p. 202	What does bullying in the workplace look like?	Ch 10, p. 465
Indian Railways gears up for the world's largest recruitment drive	Ch 6, p. 213	Family matters	Ch 10, p. 467
Outsourced recruitment: bad apples?	Ch 6, p. 215	Preventing body stressing injuries	Ch 10, p. 469
Employee referral programs need to be supported by employers	Ch 6, p. 217	Mediation for North Sydney Council	Ch 11, p. 488
Recruiters again urged to use social media cautiously	Ch 6, p. 219	Mediation helps family farm disputes	Ch 11, p. 490
So, you want to hire a digital native?	Ch 6, p. 224	Core principles in negotiating	Ch 11, p. 494
Playing for keeps	Ch 6, p. 224	Cross-cultural disputes: the impact of language	Ch 11, p. 502
Public servant convicted of fraud for lying on résumé	Ch 6, p. 226	HR strategy and HR analytics at Chevron US	Ch 12, p. 512
		Accounting for HR at GMHBA	Ch 12, p. 519

FEATURES WITHIN CHAPTERS

HRM IN PRACTICE

Valuing human capital – BT’s new initiatives	Ch 12, p. 522	HRM drivers	Ch 12, p. 540
The most effective ways for organisations to retain workers	Ch 12, p. 526	Banking on strategic HR system digitisation	Ch 12, p. 541

Explore practical applications that show how HRM relates to and informs international practices through the **International Perspective** boxes.



International perspective 1.1

Managing talent in cross-border mergers and acquisitions in China: going global

China is continuing its ‘going global’ process and has occupied the headlines with its prominent outbound foreign direct investments (FDIs). Since 2009 the cross-border investment deals have grown steadily according to the 2017 World Investment Report, ‘Chinese outward FDI rose by 44 per cent to \$183 billion, driven by a surge of cross-border (mergers and acquisitions – M&A) purchases by Chinese firms.’⁴⁵ Despite a reduction in its outbound investment during the first half of year 2017, it is forecasted that the outstanding cross-border M&A activities will reach an aggregated volume of \$278 billion in 2018, and by 2019 the amount will hit \$297.1 billion. Obviously, the increasing appetite for international M&As has pushed forward China’s strategy and outcomes on moving towards a more dynamic, inclusive and sustainable economic globalisation process.

INTERNATIONAL PERSPECTIVE

Managing talent in cross-border mergers and acquisitions in China: going global	Ch 1, p. 22	What makes Indian employees stay?	Ch 7, p. 257
Fathers and care	Ch 2, p. 61	Managing employee performance across borders	Ch 8, p. 322
Employment relations in China	Ch 3, p. 104	Industry preferences of graduates changing	Ch 9, p. 361
The global context	Ch 4, p. 132	Who’s top of the expat salary pack in Asia?	Ch 9, p. 420
Employment opportunities in the Middle East	Ch 4, p. 143	Australian and International Standards	Ch 10, p. 472
When diversity wins over inequality: the experience of the Indian IT industry	Ch 5, p. 192	Conflict management in China – when avoidance is not avoidance	Ch 11, p. 501
A global workplace	Ch 6, p. 205	CSR in some Indian companies	Ch 12, p. 532

Gain helpful hints on how to be a successful human resources practitioner with the **Professional Tip** boxes.



Professional tip 7.2

Use a checklist

To avoid overlooking items that are important to employees, many organisations devise checklists for use by those responsible for conducting some phase of induction. The use of a checklist compels the manager and the HR manager to pay more attention to each new employee at a time when personal attentiveness is critical to building a long-term relationship. However, as mentioned earlier, it is important that the checklist does not become the only element, or the focus, of the induction program. The checklist is a helpful tool to assist in ensuring that all items are covered and to keep the induction focused.

PROFESSIONAL TIP

Key HRM issues	Ch 1, p. 33	Key HR roles and competencies	Ch 4, p. 125
Collecting data	Ch 2, p. 65	Community meetings and events	Ch 4, p. 156
Understanding the <i>Fair Work Act 2009</i>	Ch 3, p. 107	Key HR roles and competencies	Ch 5, p. 166
		Reviewing job descriptions	Ch 5, p. 182

FEATURES WITHIN CHAPTERS

PROFESSIONAL TIP

Key HR roles and competencies	Ch 6, p. 202	Key HR roles and competencies	Ch 10, p. 442
Is there any hope for the interview?	Ch 6, p. 237	Who should carry out drug and alcohol testing procedures?	Ch 10, p. 471
Key HR roles and competencies	Ch 7, p. 255	Analysing WHS issues	Ch 10, p. 473
Use a checklist	Ch 7, p. 260	Key HR roles and competencies	Ch 11, p. 481
Needs analysis	Ch 7, p. 266	Use of management styles	Ch 11, p. 498
Key HR roles and competencies	Ch 8, p. 295	Key HR roles and competencies	Ch 12, p. 511
Questions to consider in disciplinary investigations	Ch 8, p. 340	Marketing HR	Ch 12, p. 533
Key HR roles and competencies	Ch 9, p. 359		

Understand the changing HRM landscape with **The Future of Work** boxes.

The future of work I.1

The gig economy, virtual workplaces and digital disruption

The emergence of the e-commerce economy based on information technology, and on fluid and changing notions of work and conditions of employment (especially the emerging 'gig economy') provides a significant dilemma for HR strategists. The management of the 'virtual workplace' will require far more complex and contingent approaches to the structuring of organisations and the development of appropriate work cultures than have been used formerly. New applications of technology, such as BYOD (bring your own devices), 'digital disruptions' (such as the challenge to the taxi industry from innovative internet-based services such as Uber); workplace interactions via social media tools and iPads as integrated work systems, represent 'the blurring of personal and work lives' and demand new approaches to employment contracts, job design, office space utilisation, learning and development, and performance recording and evaluation, to mention just a few areas.⁹⁴

In response to these challenges, new forms of employee benefits and rewards have begun to emerge, including variable leave entitlements and greater flexibility in attendance requirements and work-life balance opportunities. As examples of these new benefits and rewards trends, pharmaceutical company MDA provides 'green' bonuses to employees who choose to use public transport or ride to work; Ernst & Young offers free personal financial planning services to its



THE FUTURE OF WORK

The gig economy, virtual workplaces and digital disruption	Ch 1, p. 26	The new MOOCs: the Netflix way	Ch 7, p. 278
Insecurity vs security	Ch 3, p. 85	Is this the future of performance management?	Ch 8, p. 317
Employment projections for future Australian industry sectors and jobs	Ch 4, p. 137	The future of reward management	Ch 9, p. 389
A day in the life of 2035	Ch 5, p. 191	The future of work and WHS	Ch 10, p. 446
A résumé tracking bot	Ch 6, p. 226	Conflict resolution by BOTS: humans no longer needed	Ch 11, p. 496
Unilever	Ch 6, p. 242	Employers and the gig workforce	Ch 12, p. 534

ICONS

Emerging issues icons link the content to the emerging issues outlined in the chapter opener to highlight topical HRM issues throughout each chapter.



Political and demographic factors

Political developments, including the awkward and divisive Brexit negotiations between the United Kingdom and the European Union (EU); the replacement of President Barack Obama with President Donald Trump in the United States; ongoing leadership instability in countries such as Germany, Australia and the United Kingdom; China's expansion, and tension on the Korean peninsula, have also provided both challenges and opportunities for global business and the management of workforces. Demographic factors such as the ageing workforces of most

FEATURES WITHIN CHAPTERS

At the end of each chapter you'll find several tools to help you to review, practise and extend your knowledge of the key learning objectives.

- Review your understanding of the key chapter topics with the **Summary**.
- Revise the key concepts from the chapter with the **Key Terms** list.
- Develop your knowledge of topical HRM issues with the **Emerging Issue** questions linked to the icons throughout the chapters.
- Examine the **Ethical Challenge** scenarios and consider the ethical implications of theories and practices covered in the chapter.
- Analyse in-depth **Case studies** that present issues in context, encouraging you to integrate and apply the concepts discussed in the chapter to the workplace.

SUMMARY

SHRM is a complex and rapidly changing field of practice in industry. Despite its comparatively recent origins, and drawing upon both overseas and local influences, SHRM is a critical factor in the success of all organisations.

Beginning in the 1940s as a series of functions, often neither integrated nor based upon solid conceptual foundations, modern SHRM is a dynamic specialisation in the process of refining its philosophies, practices and overall contributions to organisational effectiveness. In response to external influences, including economic, demographic, technological, legislative and social changes, as well as

KEY TERMS

- AHRI Model of Excellence (MoE) 29
- ASEAN Economic Community (AEC) 4
- employment relationship 12
- Fourth Industrial Revolution (FIR, or Industry 4.0) 4
- globalisation 3
- 'hard' HRM 20
- psychological contract 12
- resource-based view (RBV) 13
- social contract 12
- 'soft' HRM 20
- strategic human resource management (SHRM) 8
- strategic international human resource

EMERGING ISSUES

1 Globalisation

Globalisation of business has become a reality, with the economic interconnectedness of nations and their organisations facilitated by new technologies and an increasing number of trade agreements between countries and regions.

- Visit the ASEAN Economic Community website (<http://asean.org/asean-economic-community>) and consider the positive and negative implications for labour mobility across the ASEAN region, and also the possible challenges for Australian organisations wishing to expand to the region.



ETHICAL CHALLENGE

Work hours and pay rates

You have been asked to provide advice to a fellow student who works in a restaurant on weekends and feels pressured by their boss to work longer hours than they wish. In discussion with your fellow student, you also realise that the student is possibly not being paid the correct hourly rate. You also suspect the student is already working more hours than their visa allows.

- How would you advise the student about their initial request to refuse more hours of work?
- What other issues does the conversation raise?
- Would you raise these issues with your fellow student, or keep them to yourself? What would you say and do?

CASE STUDY 2.1

HR director's challenge: advancing women to leadership positions

A large (just over 3000 employees) publicly listed company has received bad publicity recently about the low representation of women in leadership positions in the organisation. The company is headed by a male CEO and the current senior executive team has one woman (the HR director) and three men (Marketing director, Operations director and Finance director). The composition of the non-managerial workforce is largely female, with 75 per cent female and 25 per cent male. The profile changes at the managerial level, with 20 per cent of managers being female and 70 per cent being male. As a consultant specialising in women and work, you have been asked to provide

Guide to the online resources

FOR THE INSTRUCTOR

Cengage is pleased to provide you with a selection of resources that will help you prepare your lectures and assessments. These teaching tools are accessible via cengage.com.au/instructors for Australia or cengage.co.nz/instructors for New Zealand.

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The Instructor's Manual includes:

- learning objectives
- chapter outlines
- key questions
- sample responses to emerging issue questions, ethical challenges and tutorial activities
- tutorial activities
- answers to case studies
- websites and readings

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PREFACE AND AHRI ENDORSEMENT

Preface: The future of human resource management

As we approach 2020, profound sociopolitical, economic, technical and environmental changes are affecting the world of work. These changes and the accompanying challenges will impact on the roles, skills and significance of human resource management (HRM) in theory and in practice.

Perhaps the most important catalyst in changing present and future organisations, workplaces, employment conditions, jobs and employees' skills requirements will be the impact of the so-called Fourth Industrial Revolution (4IR, 'Industry 4.0', or simply '4.0'). Coined by Charles Schwab, founder of the World Economic Forum, this technological 'revolution' is the digital transformation in society and business which involves an interface between technologies in the physical, digital and biological disciplines. Emerging technology – such as artificial intelligence, robotics, the Internet of Things, autonomous vehicles, 3-D printing, nanotechnology, biotechnology, materials science, energy storage and quantum computing – represent just the tip of this technology iceberg. Significant workplace changes and the potential to replace low- and medium-skilled jobs with robots are anticipated. It is likely that all industries and most occupations will be transformed by the 4IR.¹ Some observers suggest the occupations that will be least affected by these technological developments are those in creative work, human-centred and skilled trades jobs.²

Compounding these major technological changes are political and economic uncertainties, and broad demographic and sociocultural developments, including the ageing of the population and workforces in most developed and many emerging countries. This is contrasted with youthful labour markets in countries such as Indonesia and India. Younger generations of workers possess particular lifestyles and attitudes towards their jobs and careers, working alongside older employees who have different motivations and considerable work knowledge and experience. The gig economy and project-based or contract work have challenged traditional employment models, and global career opportunities requiring multicultural knowledge, skills and capabilities have also provided significant challenges for organisations, managers, unions and, in particular, human resource professionals.

Legislative changes aimed at ensuring equity, encouraging diversity and strengthening corporate governance have been enacted in many countries, with far-reaching consequences for all organisations, HR professionals and employees. As examples, the UN Human Rights Commission and UNICEF have been more active in recent years in proscribing child slavery and sex work, enhancing female workers' rights and attempting (often with only limited success) to enforce the rights and employment conditions of cross-regional migrant workers.



At the global level, the volatility of political and economic environments provides organisations across the world with new and unexpected threats and opportunities. These are illustrated by such diverse developments as the election of President Donald Trump in the United States and the challenges posed by North Korea; the contested withdrawal of the United Kingdom from the European Union following the Brexit referendum; the formation of the ASEAN Economic Community (AEC); the continuing rise of China and India; frequent leadership changes in Australia and elsewhere, and constantly fluctuating currencies and stock markets.

While it is difficult to predict, there are indications that HRM theories will need to incorporate stronger environmental, social responsibility and ethical dimensions ('green HRM', 'sustainable HRM' and 'responsible HRM') as communities and workers demand that organisations respond more strategically to these global challenges. In an increasing 'war' for talent, organisations that fail to respond will find it difficult to compete as employer branding in these dimensions becomes more imperative for choosy younger workers. In many organisations, HRM professionals are (or will become) the catalysts for such challenges. In addition, given the monumental changes to jobs, skills and entire workplaces associated with Industry 4.0, HRM professionals will need to focus more intensively on proactive human resource planning, global and local environmental scanning, devolving many of their traditional functions (attraction and retention, learning and development, performance and rewards management) to line managers and/or outsourcing to external service providers, and using artificial intelligence or robotic technologies to augment them. The increasing use of big data and more sophisticated human resource information management systems (HRIMS) will become mandatory for these purposes, as well as stronger accountability for their strategies, processes and outcomes.

The roles of HRM professionals are also likely to become more fragmented, with emphases on functional specialists (e.g. attraction and retention consultants, reward specialists, learning and development experts) and 'fair work' counsellors who monitor and enforce compliance with legal and industrial relations regulations and processes. Such new HRM roles may be undertaken both within organisations and externally. With respect to traditional HRM functions, the demands of Industry 4.0 are likely to transform attraction and selection systems via the use of chatbots, computer-aided selection processes and social media; learning and development is likely to comprise blended, self-paced packages on demand; job and performance management criteria may emphasise soft skills over specific technical competence and capabilities; while, increasingly, rewards and benefits are likely to be individualised rather than generalised, dependent on mutually agreed outcomes. Multiple (internal and external) careers will become the norm.

The challenge for the HRM profession and its practitioners is to understand the avalanche of forthcoming changes; to develop flexible long-, medium- and short-term strategies and plans to accommodate them based on available data; to collaborate with line managers, outsourced and in-sourced service providers and (where appropriate) unions in order to deliver responsive,

responsible and cost-effective HRM systems; and to account for their effectiveness in terms that reflect business imperatives. As Peter Wilson, National President of the Australian Human Resources Institute (AHRI) suggests, it is important to ‘measure and reward the execution of HRM service delivery that optimises human relationships and a more positive culture ... (and) secures a more responsible operation that safeguards brand and reputation’.³

Our goal in this 10th edition of *HRM Strategy and Practice* is to provide students of HRM with the capacity to understand and act within this new context, and to become capable and ethical HRM practitioners and leaders across the range of HRM functions.

Alan Nankervis, Marian Baird, Jane Coffey and John Shields

ENDNOTES

- 1 Ford, M. (2018), *Architects of intelligence: The truth about artificial intelligence from the people building it*. New York: Pacht Publishing.
- 2 Schwab, F. (2015), *The Fourth Industrial Revolution: What it means and how to respond*. Geneva: WEF.
- 3 Wilson, P. (2019), Ethics 4.0: An HR guide to shaping modern ethics. *hrmonline.com.au*, December/January, p. 6.

AHRI endorsement

AHRI is pleased to endorse this textbook as a key HR reference for students. The book is a set text for the AHRI Practising Certification Program (APC), a program equivalent to AQF 8 postgraduate level. Familiarity with the 17 behaviours and capabilities set out in the AHRI Model of Excellence (MoE) is a central part of the APC, and this updated 10th edition of the textbook examines each of the 17 attributes of the MoE in detail. The APC is a mandatory requirement for HR practitioners seeking AHRI certification.

The Australian Human Resources Institute (AHRI) is the national association representing human resource and people management professionals. AHRI leads the direction and fosters the growth of the HR profession through actively setting standards, building capability and providing a certification credential for the profession. Through its international affiliations and its close association with Australian industry and academia, AHRI ensures that its members are given access to a rigorous world class professional recognition framework and professional development opportunities. Professional, Graduate, Affiliate, Organisation and Student memberships are available through the Institute. Find out more and how to become a member at <http://www.ahri.com.au>.



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HRM IN CONTEXT

PART

1

- 1 Evolution of strategic human resource management
- 2 The context of strategic human resource management
- 3 Industrial relations: frameworks and practice
- 4 Human resource planning in a changing environment



CHAPTER

1

Evolution of strategic human resource management

There is a global shift towards non-standard, flexible employment models, including agency work (which) is set to become a permanent feature of the modern workplace.

Zhang, M. M., Bartram, T., McNeil, N. and Dowling, P. J. (2015), Towards a research agenda on the sustainable and socially-responsible management of agency workers through a flexicurity model of HRM. *Journal of Business Ethics*, 127(3), p. 514.

We must pursue innovation through technology as the main contributor to our future prosperity and happiness. The new jobs generated will allow us to compete with the world.

Williamson, R. C., Ragnhail, M. N., Douglas, K. and Sanchez, D. (2015), *Technology and Australia's future: New technologies, and their role in Australia's security, cultural, democratic, social and economic systems*. Melbourne: ACOLA.

OBJECTIVES

After reading this chapter, you will be able to:

- 1 explain the development and concepts of strategic human resource management (SHRM)
- 2 understand the relationship between business strategies and HRM strategies, processes and functions in the context of a dynamic global environment
- 3 understand the principles behind international human resource management
- 4 appreciate the critiques of SHRM
- 5 describe the principal roles, functions and ethical principles of SHRM professionals
- 6 understand the SHRM model and framework used throughout this text.



Emerging issues

- 1 Globalisation
- 2 New technology – the Fourth Industrial Revolution
- 3 Employability
- 4 SHRM theories and new models
- 5 HR ethics

INTRODUCTION

Organisations exist for a variety of purposes. Some produce goods for local or overseas consumption while others provide necessary services for profit or community benefit. In pursuit of their objectives, all organisations rely on the availability and effectiveness of several kinds of resources, which (for the sake of simplification) can be divided into finance, technology and people. Some organisations emphasise their financial resources (banks, credit unions, stockbroking companies), others rely on the sophistication of their technology (telecommunications, manufacturing, information technology), while the growing services sector throughout the world depends heavily on the quality of its employees – its human resources.

Regardless of the particular resource emphasis in an industry, the human resource is almost always the key ingredient for organisational success. People design, operate and repair the technology, people control the financial resources, and people manage other people in all organisations. Compared with technological or financial resources, human resources are the most unpredictable – because of their complex blend of rational and emotional characteristics – and often the largest ongoing cost factor in any organisation; they may also be regarded as its most valuable asset. It is therefore crucial that people are managed effectively, equitably and ethically, and that their personal and work needs are satisfied, if organisational objectives are to be achieved. The next sections of this chapter briefly explain four important external challenges facing the management of employees as human resources in the modern world of work: globalisation, political and demographic factors, new technologies, and work-readiness (or ‘employability’) issues. These issues are discussed in more detail in Chapter 2, and their implications for human resource management (HRM) strategies and processes are included in all subsequent chapters.

Globalisation

A number of developments have begun to transform the nature of jobs and the workplaces in which they are performed. **Globalisation**, or the growing interconnectedness of economies across the world, is perhaps the most significant and enduring of these challenges. On the positive side, globalisation has broadened the markets for Australian and regional businesses, reshaped labour markets and, with the aid of enhanced information technology and telecommunications systems, begun to fashion new kinds of jobs, new forms of workplaces and, increasingly, more innovative approaches to all **human resource management (HRM)** processes. Less positively, the economic interconnectedness of countries, coupled with the unethical behaviour of some senior managers in many industries, has contributed significantly to serious global financial difficulties, currency fluctuations and continuing major economic problems in many countries. Such events have resulted in the demise of many businesses; more active intervention of governments in the re-regulation of industries; and associated changes in HRM strategies,

globalisation
The expansion of organisational operations across national, regional and global boundaries, with its associated financial, marketing, operational and HRM implications

human resource management (HRM)
The management of employees for their own benefit and for their organisations

Trans-Pacific Partnership (TPP2)

A free trade agreement between 11 Pacific Rim countries, excluding the United States

ASEAN Economic Community (AEC)

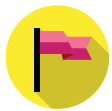
A regional trade grouping of 10 ASEAN countries, excluding Australia

including major revisions to staffing, performance management, executive pay systems, human resource development, rewards and career development programs.

Two recent developments are likely to significantly affect labour markets in Australia and the Asia Pacific. First, the revised **Trans-Pacific Partnership (TPP2)**, a grouping of 11 countries (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam – see <https://dfat.gov.au/trade/agreements/in-force/cptpp/Pages/comprehensive-and-progressive-agreement-for-trans-pacific-partnership.aspx>) – excluding the United States; and second, the formation of the **ASEAN Economic Community (AEC)**, which aims to facilitate trade and labour mobility across the region. Members of the AEC include 10 countries – Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Lao PDR, Myanmar, Cambodia and Brunei Darussalam – excluding Australia. Both developments pose potential challenges and opportunities for HR professionals in local organisations with global or regional operations.

Political and demographic factors

Political developments, including the awkward and divisive Brexit negotiations between the United Kingdom and the European Union (EU); the replacement of President Barack Obama with President Donald Trump in the United States; ongoing leadership instability in countries such as Germany, Australia and the United Kingdom; China's expansion, and tension on the Korean peninsula, have also provided both challenges and opportunities for global business and the management of workforces. Demographic factors such as the ageing workforces of most developed countries (the United States, United Kingdom, Australia, Canada, New Zealand, Singapore and in Europe), but younger workforces in emerging nations like Indonesia and India, pose different business and SHRM challenges; as do rising education levels in many countries and regions, combined with diverse expectations of jobs and workplaces from different generations.



Emerging issue 1

Globalisation

New technology – the Fourth Industrial Revolution

Perhaps the greatest challenge for global business and SHRM is provided by the predicted impacts of new technology on all industries, workplaces and jobs in the next decades. The so-called '**Fourth Industrial Revolution (FIR, or Industry 4.0)**' is the digital transformation in society and business that involves an interface between technologies in the physical, digital and biological disciplines. It involves the 'transformation of systems of production, management and governance'.¹ Emerging technologies, such as artificial intelligence, robotics, machine learning, the Internet of Things (IOT), autonomous vehicles, 3-D printing, nanotechnology, biotechnology, materials science, energy storage, and quantum computing, represent just the tip of this technology iceberg. The FIR is predicted by some observers to be 'a major driver of long-term economic growth...(and) investment in the skills and organisational capacities that allow effective technological development, evaluation, adoption and adaptation will help solve social, economic and environmental challenges, leading to a prosperous and healthy future'.²

Fourth Industrial Revolution (FIR, or Industry 4.0)

Interface between physical, digital and biological technologies

Other experts are less sanguine, predicting that between 20 and 60 per cent of all current jobs are likely to be replaced, or at least seriously modified, due to the FIR. Whichever prediction is correct, it will be the key responsibility of SHRM professionals to ensure the optimal use of human resources to meet both organisational and employee needs; and the outcome of the FIR will have significant effects on all SHRM functions; for example, HR planning, work and job design, talent attraction and retention, learning and development, performance management, rewards, remuneration and career development. These issues are discussed in considerable detail throughout this book.

Work-readiness (or 'employability')

The following section considers the last important challenge facing many workplaces and their HR professionals – namely, graduate **work-readiness (or 'employability')**, expressed as a perceived gap between the skills required by employers and those possessed by vocational and higher education graduates (see **HRM in practice 1.1**).



Emerging issue 2

New technology
– the Fourth
Industrial
Revolution

work-readiness (employability)

Perceived gaps
between employers'
skills requirements
and potential
employees'
competencies and
capabilities

HRM in practice 1.1

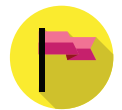
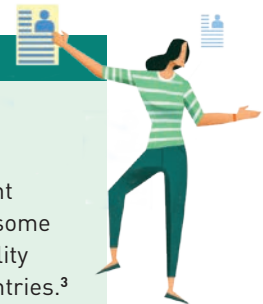
Are you work-ready yet?

Contrary expectations of employers and vocational and higher education institutions with respect to the employability or 'work-readiness' of their graduates have created significant concerns for governments, industry and educational institutions. This section illustrates some of the challenges, causes and possible solutions associated with the identified employability issues in Australia. Similar challenges are reported in many, if not most, Asia Pacific countries.³

Recent reports suggest that it may take new graduates up to five years to find a full-time job after completing their TAFE or university programs. Employers are constantly complaining that they can't attract graduates with the right combination of technical skills, work experience and key workplace competencies. An Australian Industry Group 2016 report, as one example, found that Australian graduates are falling way behind their regional counterparts on basic literacy and numeracy competencies, apart from more sophisticated workplace skills.⁴ So, what's the problem? Why are there such major mismatches between the skills expectations of governments and industry, and the work-readiness (employability) outcomes of education systems?

So, what's the nature of these work-readiness challenges?

In a recent study, most employers agreed that graduates generally possess the appropriate technical skills, and that many also have strengths in project management, teamwork and interpersonal communication, verbal skills and information technology competencies. However, concerns were generally expressed about the soft skills of many graduates. In particular, their business communication, problem solving, initiative, attitude, work ethic, critical thinking, resilience, adaptability, innovation and creativity skills; that is, 'the inability of new employees to self-regulate...learning how to work, how to pursue a goal'; and 'being willing to learn and have a go...showing initiative, being a good cultural fit'.⁵



Emerging issue 3

Employability





What causes them?

A multi-stakeholder model was used to analyse the causes of graduate work-readiness, and the possible strategies that might be used to address them. Employers were criticised for their inadequate human resource planning, unclear expectations of graduates, unwillingness to engage with educational institutions, a lack of investment in potential employees and failure to provide supportive induction and training programs. Other issues included that some employers have negative generational stereotypes or biases against young employees.

The education sector is also considered to contribute to these work-readiness challenges due to the imbalance between theory and practice in many of its programs; its research versus teaching priorities; the lack of industry experience of many (if not most) of its teaching staff; and a distinct absence of dedicated on-campus industry engagement professionals. According to the study, however, graduates themselves also exacerbate the problems. Unrealistic job expectations, together with difficulties in demonstrating resilience, adaptability and the willingness to integrate into the new work culture, only widen the increasing mismatch between graduate skills demand and supply.

How should we address the challenges?

Employers need to provide supportive cultures; focused graduate recruitment processes; ongoing training and support; targeted mentoring systems; and, most importantly, strong partnerships between industry and educational institutions. Education sectors also need to review and revise their programs and learning approaches in order to better address the challenges, in closer partnerships with associated industry sectors and professional bodies. These can range from relatively simple program inclusions such as incorporating industry guest speakers, more focused practical components, integrative and multidisciplinary capstone units in all programs, and adding work experience criteria for all new lecturers, to broader imperatives such as rethinking their graduate outcomes, revising work-integrated learning (WIL) and internship components, and designing 'incubators for graduate mentoring' that combine education institutions, employers and professional associations.

Most, if not all, of these strategies fall into the domain of HR professionals, not only to initiate and design the programs but also to implement them and to evaluate their contributions to the organisation in terms of talent attraction, development and retention.⁶

The following section traces the origins and historical development of the field of study and the profession, in order to understand its current and future roles and practices.

DEVELOPMENT AND CONCEPTS OF SHRM

Early employee specialists were called personnel managers (or personnel administrators), and this term is still in use. 'Personnel management' refers to a set of functions or activities (e.g. recruitment, selection, training, salary administration and industrial relations), often performed effectively but with little relationship between the various activities and overall organisational objectives.

Personnel management in the United Kingdom and the United States developed earlier than in Australia and Asia Pacific countries in response to their earlier and more widespread adoption of mass production work processes. Power-driven equipment and improved production systems enabled products to be manufactured more cheaply than before. This process also created many jobs that were monotonous, unhealthy or even hazardous, and led to divisions between management and a working class. The concentration of workers in factories served to focus public attention upon conditions of employment and forced workers to act collectively to achieve better conditions. The humanitarian, cooperative and Marxist theories of the early 1900s highlighted the potential conflicts between employee and employer interests in modern industry – situations that laid the foundations for the growth of trade unionism and industrial relations systems.

Governments in both the United Kingdom and the United States became involved in these issues and passed series of laws to regulate the hours of work for women and children, establish minimum wages for male labour and regulations to protect workers from unhealthy or hazardous working conditions. Australian governments, both state and federal, gradually began to follow suit from the early 1900s, although Australia and New Zealand adopted systems based on conciliation and arbitration rather than mandated conditions (see Chapter 3).

During this period, management theorists in the United States and United Kingdom began to examine the nature of work and work systems, and to develop models based upon emerging psychological and sociological research. The ways in which these theories have developed and have been applied, by both general management and HR professionals, reflect changing attitudes to jobs, work processes and organisational structures. The Classical School (or ‘Scientific Management’, founded by Frederick Taylor, and best exemplified by Henry Ford in his vehicle manufacturing plants) puts emphasis on the job itself and the efficient adaptation of workers to work processes. The Behavioural School (e.g. Elton Mayo’s Hawthorne Studies) focuses on workers, and the satisfaction of their needs to achieve greater organisational productivity. Subsequent management theories (e.g. systems theory, contingency approaches) attempt to build on earlier ideas to benefit both employees and their organisations.

Contingency, Excellence and Total Quality Management (TQM) theorists have applied these ideas to particular industries and organisations, or to different economic and social situations. The relevance of these theories to SHRM is twofold. First, personnel management has historically developed into SHRM by incorporating management theories (notably strategic management); second, a sound knowledge of these theories can assist HR professionals to more effectively adapt their practices to organisational requirements and realities.

Stages in the development of SHRM

SHRM in Australia and the Asia Pacific region⁷ has progressed along similar lines to its counterparts in the United States and United Kingdom, but with differences in the stages of development and in the relative influence of social, economic, political and industrial relations factors. The two main features of the United States’ development of SHRM are

its initial emphasis on largely administrative activities, directed by senior management, and then the move to a more confident, business-oriented and professional approach in the 1980s and 1990s. Similar processes occurred in the United Kingdom, with emphasis on the welfare roles of personnel practitioners because of the excesses of early capitalist industry, a strong humanitarian movement and developing trade unionism. In Asian countries, there has been a blend of administrative, paternalistic and cooperative, and business-focused SHRM that varies between countries depending on their cultures, stages of development, extent of government intervention in the economy, and industrial relations systems.

In Australia, HRM has developed through the following stages:

- Stage one (1900–1940s): welfare and administration.
- Stage two (1940s–mid-1970s): welfare, administration, staffing and training – personnel management and industrial relations.
- Stage three (mid-1970s–late 1990s): HRM and **strategic human resource management (SHRM)**.
- Stage four (2000 onwards): SHRM into the future.

We now describe some of the major features of each developmental stage.

Stage one (1900–1940s): welfare and administration

During this period, personnel functions were performed by supervisors, line managers and early specialists (e.g. recruitment officers, trainers, welfare officers) long before the establishment of a national association representing a profession of personnel or SHRM. The early management theorists contributed ideas that would later be incorporated into personnel management theory and practice. Through job design, structured reward systems and ‘scientific’ selection techniques, Scientific Management helped to refine personnel management practice in the recruitment and placement of skilled employees. Behavioural Science (or Industrial Psychology) added psychological testing and motivational systems, while Management Science contributed to the development of performance management programs.

Prior to World War II, personnel management functions were largely fragmented, and often conducted by line managers as part of their overall management responsibilities.

Functions during this period were mainly restricted to administrative areas (e.g. wage/salary records, minor disciplinary procedures and employee welfare activities). In 1927, A. H. Martin established the Australian Institute of Industrial Psychology at Sydney University to promote the ideas of behavioural scientists and industrial psychologists in Australia.

Stage two (1940s–mid-1970s): welfare, administration, staffing and training

This second stage marked the beginning of a specialist and more professional approach to personnel management in Australia. World War II had significant repercussions for both those who went overseas and those who stayed behind, and particularly for business, the economy and the labour market.

strategic human resource management (SHRM)

A coordinated and integrated approach to HRM which ensures that HRM strategies and processes are aligned with broad organisational goals and strategies

During World War II, not only was there a scarcity of labour for essential industries such as munitions and food, but there was also a corresponding increase in the problems and performance of existing employees, especially women with children. When the war ended, returning soldiers, often with few work skills, flooded the labour market. Therefore, employers – spurred on by government initiatives and their own postwar requirements for skilled employees in a developing economy – began to focus on the importance of a wider range of personnel functions.

Increased provision of welfare services for employees was seen by some employers as a means of attracting and retaining employees and ensuring their continued productivity. The Commonwealth Department of Labour and National Service established an Industrial Welfare Division in the 1940s to promote the welfare function, offering emergency training courses to equip practitioners with the necessary skills. These activities were supported by the new human relations theories that were filtering into Australia from the United States.

In addition, Scientific Management, the Quantitative School and Behavioural Science, contributed employee and management assessment and development techniques such as productivity measures, management planning and control mechanisms (e.g. Drucker, McGregor, Chandler), psychological testing and applications of the emerging employee motivation theories (e.g. Maslow, Herzberg, McGregor).⁸ Many more organisations began to employ specialists to conduct recruitment, training and welfare activities, taking these functions away from line managers.

In 1943, the first personnel officer was appointed to the St Mary's Munitions Filling Factory in New South Wales, and in the same year a Personnel and Industrial Welfare Officers' Association was established in both Victoria and New South Wales. These state associations combined to form the national Personnel Officers' Association in 1949, renamed the Institute of Personnel Management Australia (IPMA) in 1954.⁹ Sydney Technical College and the University of Melbourne developed personnel management courses, and later business schools with personnel management strands were established in most Australian states during the 1950s.

This stage was characterised by the expansion of necessary personnel functions for the postwar Australian economy (welfare, recruitment, selection, training); a gradual move from specialist to more general approaches; the adoption of management theories, including Scientific Management, Behavioural Science and Human Relations; and the emergence of professional associations and courses. The resurgence of unionism during these decades cannot, of course, be overlooked. Unions in a buoyant economy focused on issues of pay and work conditions, forcing further expansion of personnel activities to include industrial relations considerations. The complex industrial relations structure at the national level was originally established by the Commonwealth *Conciliation and Arbitration Act 1904*, with similar developments at each of the state levels. They were further developed during the postwar period (see Chapter 3).

While the range of functions performed by the growing number of personnel specialists expanded greatly during this period, they were often conducted in isolation from one another