

IS HRM A NEW APPROACH IN THE EMPLOYMENT SCENE IN DEVELOPING COUNTRIES?

*Emmanuel D. Ndikumana**

Abstract: This paper attempts to discuss whether HRM represents a new approach to managing employment relationships in developing countries. It defines with brief descriptions the main key terminologies namely employment relationships, HRM and PM. The basic philosophy and values enshrined in the HRM model are explored. It compares and contrasts HRM, welfare, traditional Personnel Management and Industrial relations approaches. It pulls the threads together to draw a balance sheet of the discussion by portraying that HRM is an evolutionary rather than revolutionary process.

INTRODUCTION

The quest to gain competitive advantage, flexibility and adaptability exacerbated by the interplay of both internal and external environments in political, socio-economic, cultural and technological perspectives has spawned a wind of change in the employment scene (Storey, 1989; Armstrong, 1992). Underlining this trend, is the concern that traditional procedures and work relationships are no longer adequate to cope with the dynamics of change. As the trend towards less bureaucratic organisations gathers pace, the pendulum in employment relationships is slowly, but increasingly, swinging from organised labour to managerial prerogatives. These changes transcend different economies, organisations and indeed cultures with different magnitudes.

The theory and practice of Human Resource Management (HRM) in the UK and North America has been well documented (Fombrum, et al, 1984, Storey, 1989, Hendry and Pettigrew, 1990). However, the scenario in developing Countries has been given scanty attention. (Blunt and Jones, 1992).

By and large, change in work pattern and production system invariably dictate constant reassessment of management practices. Accordingly, the role and powers of different actors in the employment relations: the government, top management, personnel specialists, line managers, employees and trade unions has to be adjusted to new structures and processes.

This scenario is mirrored in a historical perspective of an array of approaches to

managing employment relationships: the welfare, paternalistic, personnel management, and industrial relations and of late, Human Resource management (HRM).

As we approach the new millennium, slowly but increasingly Human Resource Management (HRM) is becoming prominent on the business management agenda. There has been an increasing tendency to use HRM as an alternative model to the traditional personnel management (PM) and industrial relations approaches. There is a growing awareness that the human resource is the most valuable asset on which successful organisations depend (Guest, 1989, Armstrong, 1992). This is in part due to a growing dissatisfaction on the effectiveness of personnel management in many organisations both in the West and LDCs (Tyson and Fell 1986, and Taylor, 1992).

As so often the case, these changes have been received with both scepticism and optimism. Along theoretical and practical dimensions, they have triggered a debate as to whether HRM constitutes a fundamentally different approach to the management of employment relationship than the traditional approaches. Before we delve into the discussion, it is worth delineating operational definitions.

What are Employment Relationships?

According to Beardwell and Holden (1994: 444) employment relationship is defined as: "a process of socio-economic exchange in which employees provide their labour service to their employer and in return they get monetary reward." From this definition it is evident that the actors in the employment relationship are interdependent. The relationship is governed by a contractual agreement between the two

* Lecturer, Institute of Development Management (IDM) Mzombe, Tanzania

actors. At a wider scale, this relationship is balanced by the third party namely the government. In this respect the political, social-economic, technological and cultural environment determines the employment relationships.

What is HRM?

For some, (Keenoy,1990, Legge,1989) changes associated with HRM have primarily been rhetoric, and at most they reflect changes in language rather than substance. For others (Boxall, 1992, and Storey,1995) HRM is a distinctive approach in employment relationships. The definition of HRM still lacks consensus. As Storey (1991:8) observes, the "elasticity in meaning" of the term leads to variations in interpretation.

For the purpose of our discussion, it is worth adapting the definition of Storey (1995:5) who defines HRM as:

a distinct approach to employment management which seeks to achieve competitive advantage through strategic deployment of a highly committed and capable work force, using an integrated array of cultural, structural and personnel techniques.

From this definitions, we can deduce that HRM is a management philosophy which values investment in people since they determine the competitive advantage of an organisation.

What is PM ?

Many writers in academic as well as business circles have examined personnel management (Harrison, 1993; Torrington and Hall, 1995) among others. Quoting the then Institute of Personnel Management, Harrison (1993:73) defined personnel management as:

that part of management concerned with people at work and with that relationship with an enterprise. Its aim is to bring together and to develop into an active organisation the men and women who make up an enterprise and; having regard for the well being of the individual and of working groups; to enable them to make their best contribution to its success.

The above scope seems to suggest that PM is concerned with maintaining the operations of the system. Its focus is administrative and operational efficiency. Indeed, this endorses

Tyson and Fell's (1986) observation that the personnel function lacks concern with the totality of the organisation since it is restricted to parochial and esoteric issues. In the ensuing discussion, let us explore the philosophy and values of HRM through which we compare and contrast the welfare, PM and Industrial relations approaches. Accordingly, we draw parallels with the scenario in developing countries generally and Tanzania in particular.

PHILOSOPHY AND VALUES OF HRM

People as a Key Resource

The ability of an organisation to gain competitive advantage hinges on the calibre of its workforce. Accordingly, they are viewed as the most valuable asset worth investing in. Unlike PM and industrial relations approaches which treat people as variable costs, HRM treat people as valuable assets in an organisation. Although Armstrong, (1987) argues that the need to treat people as a key resource has been the philosophy of PM for decades, he acknowledges that there has been insufficient attention. In a similar vein, Hunt, (1987) argued that human assets are rarely considered in company acquisitions and that personnel managers are only involved in peripheral aspects such as the transfer of pensions. In this regard, I share with Beardwell and Holden, (1994:8) as they argued that,

By treating people as resources rather than an expense and viewing expenditure on training as an investment rather than a cost, HRM sharply deviates from the current wisdom of PM.

However, the high power distance enshrined in organisation cultures of many developing countries invariably cements autocratic leadership through which people are viewed as mere factors of production. How costly is it for example for a manager to tell his/her subordinate "well done" for exemplary performance? It is no wonder that this could be a motivating factor like monetary rewards.

Strategic Integration

The quest for competitive advantage necessitates the adaptation of a strategy in managing human resources. There has to be a clear link and fit between a human resource plan and business plans. Since integration is

not an end in itself but rather a means to an end, the generic processes of selection performance appraisal, reward management and development must support the overall business strategy. However, a closer look at the traditional PM and industrial relations reflect that it is not strategic. As testified by Tyson and Fell, (1986) HRM and PM differ strategically. Whereas PM is a series of unrelated events, HRM is holistic and designed in a unified and interlocking manner. As if that is not enough, (Drucker, 1961:243) referred to PM as "a hodge podge," that it is largely a collection of incidental techniques without much internal cohesion."

Reflecting on the dismal role of the personnel function in business strategies of organisations, Brewster (1990:38) quoting Armstrong in *extenso*:

Personnel directors who remain in their corner nursing their knowledge of the behavioural sciences, industrial relations tactics and personnel techniques while other directors get on with running the business cannot make a fully effective contribution to achieving the company's goals for growth, competitive gain and the improvement of bottom line performance.

However, Brewster (1990) observes the fact that a seat at the board table does not necessarily bring with it involvement in the key decisions. Such reservations hinge on the premise that the lions share in decision-making powers may be the preserve of the top management leaving the personnel director acting as a rubber stamp. This is typical of many organisations in developing countries where employee's representatives are invariably unconscious of the technical matters discussed at the board level partly due to lack of training and/or proper orientation. In my view, a seat at the board table is necessary but not sufficient since the intended objectives have not been achieved.

Invariably, human resource plans in many organisations in developing countries are not fused with corporate level planning. Human resource policies and practices in recruitment, performance management, training and reward management tends to be ends in themselves rather than being means to the end (Holistic). Lack of clear missions makes it difficult for planners to determine human resource requirements. This may lead to

unnecessary employee lay off in the long term. The author recalls a practice in which some organisations suspended their performance appraisal plans when Tanzania temporarily froze promotion in the civil service in 1988. Arguably, that performance appraisal is multipurpose function focusing on identification of training and development needs, and a review of an employee's efficiency and effectiveness.

The Role of Line Management

HRM is an integrated line management responsibility. Underpinning this line of reasoning is their pivotal role in the achievement of bottom-line results. It can be argued that if the utilisation of all other resources in an organisation revolve around their role, why not people-the key resource? Although Legge (1995) argued that both PM and HRM models vest PM in the hands of line managers, Storey (1987) makes a distinction that, whereas in PM models the role of line managers focus on quality of production and service, HRM models draw a clear relationship between the achievement of these results and the line's appropriate use of human resources in the business unit. As aptly put by Tyson (1995) line managers are put back in the driving seat.

Proponents of HRM strongly argue that it is not an adjunct to an established set of personnel principles. Even writers such as Torrington and Hall (1995) who had earlier been sceptical of HRM are beginning to admit that HRM represent a significant change of direction pointing to a need for personnel executives to be change agents. Chapman (1990:29) echoes this message thus:

PM cannot expect to sustain an exclusively inward looking and reactive support role in response to the fast changing business and social context in which employment issues have to be addressed nowadays.

Similar views are held by Torrington (1989) who argued that personnel managers have filled a variety of roles over the years ranging from social reformer, through humane bureaucrat, consensus negotiator to manpower analyst and general practitioner. In doing so, personnel needs and external management has altered its title in the light of changing organisation needs and external pressure. This paves way

for his conclusion that the nature and degree of difference is largely matters of opinion rather than fact and that the similarities are much greater than differences. Tyson and Fell (1986) contrasted HRM with PM. Whereas PM is a series of unrelated events, he argues that HRM is holistic and designed in a unified, interlocking manner.

There are emerging signs of this scenario in a few organisations in Tanzania notably Tanzania Revenue Authority (TRA), international firms in sectors such as Banking and Insurance. For example, empirical evidence from TRA reveals that a line manager is a key player in employee recruitment and selection. Drawing on their proximity to the work setting and professional knowledge, skills and experiences, they are actively involved in identifying potential candidates rather than personnel officers and chief executives assuming managerial prerogatives in this function.

Moreover, the on-going civil service reforms in Tanzania have equally ushered in HRM values. Performance evaluation methods are being improved. Automatic promotions largely based on seniority are paving way for objective criteria such as merit. Employees in certain cadres are required to pass professional examinations before being promoted. Indeed, this practice has revitalised employee initiatives for self-development.

Top Management Support

HRM is a top management driven and business oriented activity. Underpinning this focus is the fact that HRM is governed by the objective of achieving competitive advantage through its human resources. In this regard, HRM needs a visionary leadership to manage the dynamics of change. However, the experience of traditional personnel management and industrial relations points in the opposite direction. Torrington and Hall (1987:14) paint this image as they argued that:

Although indisputably a management function, it is never totally identified with management interests as it becomes ineffective when not able to understand and articulate the aspirations and views of the workforce.

In the face of these trends, strategic and operational plans can hardly be implemented

due to lack appreciation by decision-makers at the top.

Commitment

This concept is at the core of HRM models (Beer, *et al*, 1985, Guest, 1987). Echoing a similar view, Storey (1995:13) emphasised that it is one of the policy goals of HRM. These are identified to be strategic integration, quality, flexibility and commitment. As he aptly puts, employee commitment is geared towards "winning the hearts and minds of the workforce."

According to Storey (1995:113) commitment is premised on a number of assumptions. First, it is assumed that committed workers will be highly motivated to perform better. Second, that committed workers are likely to stay with the organisation. In this sense, the investment in the generic processes of selection, training, development and performance management is justified. Third, and most important, is that committed workers are unlikely to be involved in collective activities at the expense of quality service to the organisation. However, the concept of commitment has raised doubts as to whether there can be dual commitment. Is it possible for workers to be committed to both the organisation and their trade union? Drawing on the evidence of UK and North America, Storey (1995) reports conflicting evidence. Whereas there is little evidence of dual commitment in the UK, it is said to be a function of the industrial relations climate in the North America.

When we compare employee commitment in different approaches to managing employment relationships, it connotes different meanings and emphasis. Whereas in traditional PM employees are expected to comply with rules and regulations, the HRM approach focuses on commitment. Drawing on Walton (1985) Armstrong (1995: 174) captures this focus he insists that:

Workers respond best - and most creatively - not when they are tightly controlled by management, placed in narrowly defined jobs, and treated like an unwelcome necessity, but, instead, when they are given broader responsibilities, encouraged to contribute and helped to achieve satisfaction in their work.

In the context of many developing countries employee commitment is hampered by high

power distance. This culture tends to elevate managers to be semi-gods. Through what miracles can such managers arouse their follower's commitment? In a similar vein, economic hardships and poor managerial styles have joined forces to create an atmosphere in which employee commitment is eroded. They thus tend to value private businesses at the expense of official roles. Although there has been attempts by progressive employers particularly in the welfare and human relations movement to achieve higher trust relations with employees, HRM ushers a renewed emphasis.

Organisational Culture

Partly as a consequence of excellence literature (Peters and Weatherman, (1982), the theme of Organisational culture is increasingly viewed as pivotal to organisation performance. In HRM philosophy, a strong organisational culture is correlated to greater employee commitment premised on assumed mutuality of interests between the employees and the organisation. In this respect, the management of culture is firmly placed in the hands of the top management. The rationale stems from the belief that the top management as founders, and major stakeholders, invariably determine the direction in which business strategies will be pursued, through the mission, goals and objectives. Accordingly, a strong culture cements employee commitment to the organisation.

In the context of culture management, there is a difference between HRM and traditional Personnel Management and Industrial Relations approaches. Whereas HRM highlights senior manager's responsibility for managing organisational culture in that they give a visionary leadership, traditional personnel management locates such an activity for a separate department such as organisation development (OD). After all, it was often presented as Legge (1991: 29) puts it as "a fringe activity, nice to have but the first to be dispensed in the case of financial cutbacks."

Individualism/Unitarist

HRM holds a unitarist (individualist) approach to management of people at work other than what has hitherto been a pluralist (collectivist) approach in PM. This is premised

on the view that there is unity of purpose between an organisation and its employees due to mutuality of interests namely the achievement of organisational objectives. Accordingly, HRM prefers direct communication to individual employees rather than groups.

Similarly, the paternalist approach is unitarist. Its main focus is to maintain and increase the dependence of workers to employees and hence weakening trade unions activities. With such a scenario, what is the plight of trade unions? In essence, there is a shift away from traditional Industrial Relations procedural mechanisms such as negotiated pay towards individualised contracts and performance-related pay. There are conflicting views as to whether HRM accommodates trade unions. Whereas Guest (1989) discussed that HRM is not necessarily anti-union; Farnham (1992) argued that it does not provide a fertile ground for trade unionism to flourish.

A close examination of HRM philosophy reveals some contradictions. On one hand, HRM advocates individualism and flexibility. On the other hand, it values teamwork and a strong organisation culture. These values are diametrically opposed. A higher pay for employees implies a reduced profit for the employer. The crux of the matter in the employment relationship is that invariably what is good for one actor is frequently costly for the other. In this context, it is unrealistic to assume that there is mutuality of interest between the parties.

HRM and PM Models

A survey of the literature reveals different models of HRM. In this discussion let us explore it's normative models developed by Guest (1984). There are two versions, namely: the hard and soft versions. According to Storey (1989: 8) the hard version emphasises the quantitative, calculative and business strategic aspects of managing the head counts resource in as 'rational' a way as for any other economic factor. Employees are viewed as just another factor in the input-output equation to be managed as efficiently and tightly as any other resource. As put by Fombrum *et al.*, (1984) this version emphasise the integration of human resource policies and systems with the business strategy. Coherence and logical consistence of personnel policies, systems and practices largely determine this.

By contrast, the soft version traces its roots to the human relations school. Emphasis is on communication, motivation and leadership. Underpinning this focus is the view that employees cannot be treated just like any of the other resources because unlike them, people think and react. There is more emphasis on strategies for gaining commitment by informing employees about the organisation's mission, values, plans; involving them in decisionmaking.

A closer examination of these models reveals that they are similar to PM models developed by Legge (1978). The hard version of HRM is similar to what Legge calls "deviant innovation" while the soft version can be equated with her "conformist innovation." Similarly, the hard version of HRM has same attributes as Tyson and Fell's (1986) Architect Model of PM. Moreover, there seems to be no difference between these models and Torrington's (1987) the descriptive - functional model of HRM.

It transpires from PM and HRM models that different approaches to managing employment relationship employ different models in the context of their socio-economic milieu. At most, it seems to me that many attributes ingrained in the HRM models are a summation of an array of accumulated values and philosophies propounded by different scholars in the social science.

CONCLUSION

A recurring theme in this paper revolves around the changes that the employment scene has brought to the fore. The desire for competitive advantage and change management has altered the role and power relations of all actors in the employment scene.

The advent of economic and political reforms and the attendant institutional reforms in developing countries like Tanzania are increasingly transforming public sector management practices. These reforms usher in HRM values like a leaner and fitter public sector, strategic human resource planning, and investment in human capital through training and development. Indeed, their prosperity lay in the calibre of their people rather than overblown bureaucracies.

It transpires from the discussion that scepticism and optimism surround the HRM approach. On the one hand, its contradictions casts doubt as to whether it is not a new wine in old bottles. For example, the mutuality of interest between actors in the work setting seems to be ideological. Moreover, its emphasis on flexibility is contradictory to the value of commitment.

On the other hand, HRM philosophy and values enrich traditional approaches like welfare, personnel management and industrial relations.

Firstly, it recognises people as a key resource, which can sharpen the competitive edge of an organisation. Secondly, it is top management driven with culture management on top of the agenda. Thirdly, it gives line managers a pivotal role as business partners responsible for bottom-line results. Finally, and most importantly, it focuses on strategic integration of a coherent human resource strategy with the business strategy. As the twentieth century come to a close, bureaucratic structures are becoming leaner and flatter, and tight job descriptions are paving way to flexibility and multi- skilling.

Taking these variances together and drawing on the available literature, particularly from the UK and North America, as well as my professional experience, it seems to me that there are emerging signs that PM is paving way for HRM. Most importantly, HRM appear to be an evolution management philosophy, which has filled a vacuum in the employment scene. Drawing on globalisation forces which are slowly creating a fertile ground for investors in developing countries like Tanzania, my contention is that HRM challenges the philosophy and values of traditional approaches to managing employment relationship. However, one can not lose sight of the fact that HRM is not a panacea for all organisational ills. Taking consideration of the hard and soft versions of HRM, it is worth applying a contingency approach in its adoption. This will largely be determined by the political, socio-economic, technological and indeed, cultural environment in which an organisation operates. Indisputably, further research on home-grown indigenous management practices is not only necessary but also urgent.

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