

Employee Resourcing

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Acronyms and abbreviations

APEC	Asia Pacific Economic Cooperation Council
B2B	business to business
BARS	behaviourally anchored rating scales
BSO	British School of Osteopathy
CEO	chief executive officer
CI	continuous improvement
CIPD	Chartered Institute for Personnel and Development
CMD	career and management development
CPD	continuous professional development
CRM	customer relationship management
CS	customer service
CSR	corporate social responsibility
CSS	customer service strategy
CURDS	Centre for Urban and Regional Development Studies
DO	dynamic organisation
EI	emotional intelligence
EQ	emotional intelligence quotient
EO	equal opportunities
ER	employee resourcing
ERP	enterprise resource planning
ESO	ethical standards officer
ESS	enterprise solution services
EU	European Union
FDI	foreign direct investment
FE	further education
FIE	foreign-invested enterprise
HC	human capital
HCM	human capital management
HCN	host-country national
HE	higher education
HERA	Higher Education Role Analysis
HPWS	high-performance work systems
HR	human resources
HRD	human resources development
HRIS	human resources information system
HRM	human resources management
HRO	human resources outsourcing
HRP	human resource[s] planning

Acronyms and abbreviations

ICT	information and communication technology
IIP	Investors in People
IJV	international joint venture
ILO	International Labour Organisation
IM	information management
IM&T	information management and technology
IT	information technology
KM	knowledge management
KPI	key performance indicator
KTP	knowledge transfer partnership
MBTI	Myers–Briggs Type Indicator
MD	managing diversity
ME	Middle East
MITP	Management of Individual and Team Performance
MNC	multinational corporation
MNE	multinational enterprise
MO	monitoring officer
MSMR	multi-source multi-rater (assessment system)
MSS	manufacturing solutions systems
NAFTA	North American Free Trade Agreement
NCSP	Northern Cultural Skills Partnership
NGO	non-governmental organisation
NHRD	national human resources development
NHS	National Health Service
NPM	New Public Management (agenda)
NPCC	National Productivity and Competitiveness Council (Mauritius)
OD	organisation development
OECD	Organisation for European Cooperation and Development
PCN	parent-country national
PDR	performance development and review
PEST	political, economic, social and technological (analysis)
PM	performance management
PSF	professional service firm
QM	quality management
R&S	recruitment and selection
SECI	socialisation–externalisation–combination–internalisation
SME	small and medium-sized enterprise
SOE	state-owned enterprise
SPI	self-perception inventory
SSC	shared service centre

SWOT	strengths, weaknesses, opportunities and threats
TCN	third-country national
TCS	teaching company scheme
TM	talent management
VET	vocational education and training
WTE	whole-time equivalent
WTO	World Trade Organisation

Module 1

The Context of Employee Resourcing

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Learning Objectives

When you have finished reading this module you will be able to:

- appreciate the scope of employee resourcing (ER) and its contributions to strategic management;
- assess the context in which ER is conducted, and the changing world of work and organisations;
- understand the changing business environment and its impact on ER, with particular reference to globalisation, ICT, and workforce diversity;
- analyse the case of ER change in China as an example of ER in its context;
- analyse ER in Mauritius as a way of understanding ER in its cross-cultural context;
- appreciate the distinctiveness of ER in international organisations;
- analyse the role of ER in developing international capabilities and diversity;
- appreciate the importance of managing diversity and equal opportunity, and their implications for ER;
- devise a strategy for increasing employee diversity and managing diversity effectively.

1.1 Introduction: The Scope of ER

Employee resourcing or ER or what is now termed by the Chartered Institute for Personnel and Development (CIPD) in the UK **people resourcing**, as many people who

carry out work for organisations are no longer employees) is ‘that part of personnel and development which focuses on the recruitment and release of individuals from organisations, as well as the management of their performance and potential while employed by the organisation’ (Pilbeam and Corbridge, 2002). Taylor (2002: 1) argues that ‘effective hiring and firing, attracting the best candidates, reducing staff turnover and improving employee performance are fundamental management functions. They are as relevant for a small family business as they are for a major international plc’.

ER therefore involves ‘the range of methods and approaches used by employers in resourcing their organisations in such a way as to enable them to meet their key goals’ (Taylor, 1998: 2). Employee resourcing therefore involves **staffing** (i.e. Recruitment, selection, retention and dismissal), **performance** (i.e. Appraisal and management of performance), **administration** (policy development, procedural development, documentation) and **change management** (the importance of the resourcing function as a change agent).

However, while there is general agreement on what constitutes the areas of ‘recruitment and release’, there is less agreement over the boundaries of the ‘management of performance’ dimension of ER. Leopold *et al.* (2005) include equal opportunities and diversity management, assessment, selection and evaluation and performance management, and exit management in ER, but also include a discussion of reward management, often treated separately, as in this course.

Pilbeam and Corbridge (2002) include, in addition, such topics as HRD and organisation development (OD), as well as employment relations and conflict resolution, which most authors, including those involved in this course, would see as ‘belonging’ to employee development and employee relations respectively. They also include various areas that are not always treated in texts on ER, such as health and safety, employee assistance, and the required ‘competencies’ in people resourcing. The topic of ER in international organisations and absence management as a core area of ER, as well as managing turnover and retention, are also included.

Here we shall explore turnover and retention in Module 4 on human resource planning, and employee resourcing in international organisations will be discussed in Module 8 on the changing context of ER.

Employee resourcing, however it is understood, has played a key role in many influential models of HRM: for instance, it is seen as a crucial area of ‘policy choice’ in the early but still influential **Harvard model** of HRM, first proposed by Beer *et al.* (1984). Here the ER ‘policy choices’ are seen revolving around **human resource flows**: that is, the way people enter/move into, are placed in/move around, and exit/move out of the organisation. How the organisation chooses to design and implement its ER/HR flow policies is seen as dependent on how it assesses the interests of its various stakeholders (and the weighting it gives to each), and on various **situational characteristics** such as the nature of its workforce, its chosen business strategy, its management philosophy (e.g. ‘family firm’ ethos, ‘up or out’ culture), its technology, the presence/agendas of trade unions, the state of the labour market, and the legal regulations and societal values prevalent in the

various arenas in which it operates. We shall explore some of these issues and their implications for ER in later modules, and in particular in Module 2 on the strategic significance of employee resourcing.

Exercise 1.1

What ER activities, according to the view of ER outlined here, does your organisation, or one with which you are familiar, carry out regularly?

1.2 Our Focus on ER

In this course we shall focus primarily on the 'core' areas of ER, as defined above, but we shall also focus on various emerging issues, including ER in an international context and debates about the future of work, with particular reference to knowledge management, talent management and ER outsourcing. We shall use the CIPD standards of 'people resourcing', as they are based on widely recognised standards in this area. We shall continue to call the area ER, but we shall recognise that many people who work for an organisation are not necessarily employees of it. This is a point not stressed in the above activity, which focused on employees, but such developments as outsourcing, offshoring, subcontracting, and employing consultants, to be discussed later, all show how much work is now carried out for the organisation by people who are not direct employees of it.

The CIPD standards are guided by the recognition that organisations are increasingly affected by the pace of change, impacting on managerial perceptions of employee attitudes and behaviour. Managerial performance pressures, the employability potential and aspirations of entrants to the labour market, and the criteria of success applied to those engaged in ER – all imply that ER professionals must be aware of their organisation's strategic direction. They must be able to show that ER policies, systems and procedures contribute to the achievement of strategic goals. ER professionals also need to be aware that their competencies need to address the future needs of organisations: not just administering ER in line with legal and professional standards of fairness and good practice, but 'adding value' to the organisation, as well as acting ethically.

In this course we shall use Figure 1.1 as a framework, showing the areas that we feel are important in the study of ER in contemporary organisations in different parts of the world. Module 1 will explore the context of ER. In particular, we shall explore how globalisation and global competition and increasing employee diversity, in conjunction with informatisation (see section 1.4 for definition) and information and communication technologies (ICT), are driving changes to organisational structures and labour markets (and, in particular, changes towards flexible working practices and outsourcing). These changes are associated with an increasing emphasis on knowledge, skill and talent management as key assets of the organisation and sources of competitive advantage, as well as an increasing emphasis on organisational and individual performance and changes to employee contracts (both formal contracts and so-called 'psychological contracts') to secure and maintain high performance.

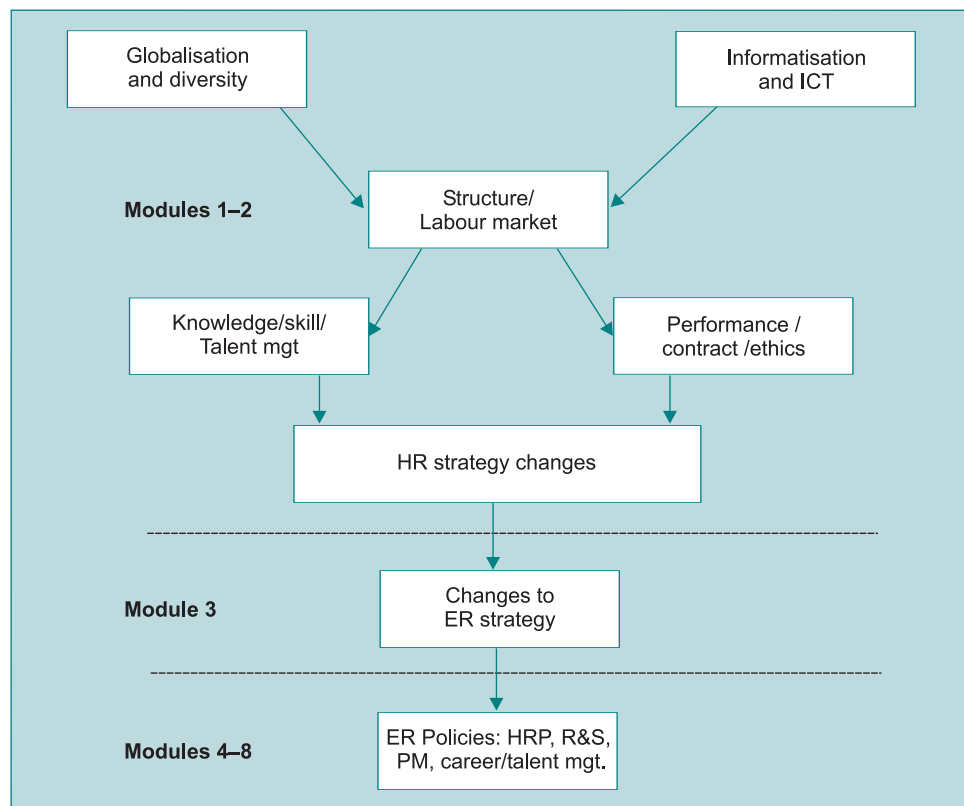


Figure 1.1 Changes in ER in context, and the course framework

These changes raise ethical issues, and these concerns and agendas for ER will be explored in Module 2 on the strategic significance of ER and in Module 8 on the changing context of ER. In Module 3, on approaches to ER, we shall look at different approaches to these issues, and at different models of ER: in particular, at matching or best-fit models that seek, in a contingent way, to integrate ER with corporate strategy, and which look to ER to deliver the necessary **competencies** to achieve strategic objectives. So-called **one-best-way**, universalist or **best practice** models argue that ‘high road’ or high-commitment/high-performance models of HRM (in which ER plays a key role) deliver enhanced organisational performance. These will also be explored, as well as the **resource-based view** of the firm, and its implications for ER. These drivers and agendas have implications for an organisation’s overall HR strategy, for its ER strategy, and for its ER policy choices.

The next four modules explore issues and concerns associated with four ER policy areas: HR planning or HRP (Module 4); recruitment and selection, or R&S (Module 5); performance management, or PM (Module 6); and career and talent management (Module 7). Choices in each of these areas have ethical and diversity implications, so these themes will recur in each module. In addition, ICT is changing the way organisations go about recruitment and selection, HRP, performance management, and career and talent management, so again we shall consider the

implications of changing technology for ER in each of these areas. Finally, in Module 8, on the changing context of ER, we shall explore some emerging issues, and especially the implications of knowledge management for ER, and ER in particular scenarios and sectors (e.g. In mergers and acquisitions, joint ventures and alliances, in international organisations, and in different sectors).

Exercise 1.2

How can ER meet the challenges of globalisation, diversity and informatisation, and help organisations to achieve competitive advantage?

Exercise 1.3

To what extent is your organisation, or one with which you are familiar, experiencing ER difficulties and challenges?

How is it dealing with them, and what actions might you recommend to improve the effectiveness of ER?

What factors might inhibit your organisation, or one with which you are familiar, from achieving success in this area?

1.3 ER in Context: The Changing World of Work and Organisations

In this course we shall explore a selection of contextual themes relevant to an understanding of the changing nature of ER, such as:

- globalisation
- privatisation
- the growing interest in environmental and ecological concerns
- the changing nature of customer expectations
- increasing competitiveness
- changing customer expectations
- the impact of demographic change on ER

We shall also explore the corporate perspective in terms of expectations about employee behaviour, values and attitudes, and new forms of work contract and organisational forms and structures. Issues of changing employee perspectives on work ethics and commitment, career choice, work-life balance and changing concepts of 'employability' will also be addressed. We shall not attempt in this module to review all the factors in the business environment that may impact on ER, as some of this is dealt with elsewhere in the course, but we shall return to some of these themes when we look more closely at ER policies and operations in later modules.

In 1994 the IPD, as it then was, published a position paper on the changing frontiers of managing people entitled 'People make the difference' (IPD, 1994) which outlined a number of **driving forces** that are seen as affecting the way organisations are responding, how this is affecting the way people are organised

and managed, and what this means for employees and managers. These are seen as:

- increasing demand for customised products and services;
- customer satisfaction standards increasingly established by global competition;
- reductions in international trade barriers;
- industrialisation of the Pacific Rim;
- slow growth in mature economies;
- new overseas competitors in production and service sectors;
- rapidly changing, easily transferable technology;
- public-sector constraints – higher value, finance, privatisation, market testing;
- increasing concern for the environment and social well-being.

Exercise 1.4

How many of these remain current concerns and challenges today, and in the near future?

What new challenges would you add to this list?

In this module we shall look in particular at the impact of globalisation, diversity, and what we shall term **informatisation** on ER. Other modules will explore the impact of technology on HR planning (Module 4) and on outsourcing of ER (Module 2 and Module 3) and knowledge management and its implications for ER (Module 2, Module 3 and Module 8), as well as the increasing concern with equity, fairness and ethical behaviour (Module 2 on strategic significance, Module 5 on recruitment and selection, and Module 8 on the changing context of ER).

1.4 The Business Environment

Two major trends shaping the contemporary business environment are **globalisation** and the impact of information and communication technologies, which we shall refer to as **informatisation**. These have increased the unpredictability and dynamism of the business environment, and many organisations have sought to transform their HR practices, and ER practices in particular, to respond to these challenges. Organisations throughout the world are passing through a process of social and cultural change that is transforming not only their traditional values and beliefs, but also the way that they make decisions, including ER decisions, and the way they create and distribute products. Such changes include globalisation and internationalisation, as well as the impact of information and communication technologies (ICT), as Figure 1.2 shows.

1.4.1 The Impact of Globalisation

Globalisation is shown in Figure 1.2 as affecting organisational viability through its impacts on organisational fitness. Globalisation can refer to many different economic, political and social phenomena. When organisations are exposed to

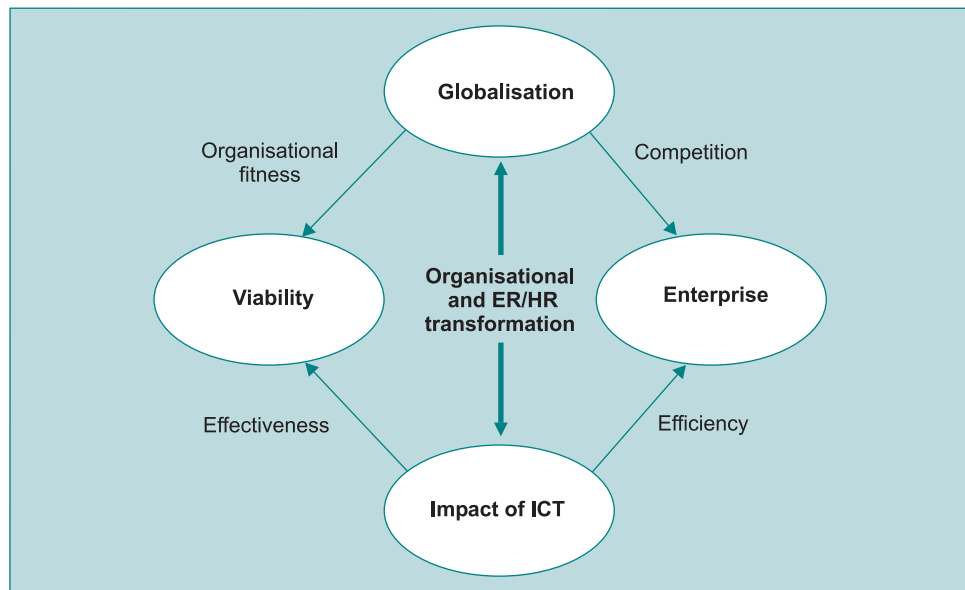


Figure 1.2 The impact of globalisation and ICT on ER

global competition, their survival and viability are brought into question. With globalisation, enterprises can begin to gain access to global markets, which may, if the enterprises are transformed, lead to enhanced viability. Globalisation also acts directly on enterprises by pushing them towards restructuring in the face of increasing competitive pressures. However, ICT can also impact on organisational viability by potentially enhancing their effectiveness. It can also help restructure enterprises by enabling them to improve their efficiency. If organisations are to respond to these twin challenges that globalisation and ICT pose, they will need to transform their management and HRM processes, including their ER processes. If they do this successfully, they may, as Figure 1.2 shows, improve their ability to manage the impacts of globalisation and ICT through enhanced efficiency and effectiveness, and therefore enhanced viability.

Globalisation also affects organisational fitness as organisations attempt to change their paradigms (their ways of doing things, their success recipes) to meet new demands as the rules that condition and facilitate their operations change. We shall explore this in particular with the case of changes in the ER paradigms adopted by Chinese organisations as they have opened up to increased Western and Japanese investment, altered ownership rules, and gained access to the World Trade Organisation (WTO).

ER practices, and HRM practices in general, are shaped by specific institutional features in their country of origin. In the 1980s and 1990s deregulation, privatisation and the 'contract culture' in the UK enhanced product market competition and changes in HR/ER practice. We shall explore these impacts in later modules, primarily in terms of the UK and USA; here, we shall use the case of China, and changes to Chinese ER.

However, globalisation has also affected ER practice in other ways: foreign direct investment (FDI) has been encouraged in both the UK and China, increasing the internationalisation of the economy. Japanese investors and their associated HR practices have played a key role in both countries (Bach, 2005).

In recent years, the increasing international integration of global economies, the global power of multinational companies, and increasingly diverse workforces as a result of increased labour migration have also had major effects. For example, an Ernst & Young ITEM Club report (reported in Stewart, 2006) argues that around 300 000 migrants from Eastern Europe have brought significant benefits to the UK since 10 new countries joined the EU in 2004, lowering interest rates and boosting economic growth by 0.2% (0.4% in 2007). Treasury coffers have been increased by £300 million in 2006, and skill gaps in hospitality and catering, and in agriculture, have been plugged. Employment has become more dynamic as companies have become more sensitive to institutional shareholders, and globalisation is especially associated with the growth of ICT as it facilitates the global production and distribution of goods and services, enabling both greater integration and the decentralisation of production. ICT has reduced the requirements for manual skills while increasing the demand for higher-level skills and softer, customer-oriented skills (e.g. In call centres, which may be 'offshored' to India, just as manufacturing is 'offshored' to China and other low-wage economies).

Box 1.1 illustrates some of these changes, and Box 1.2 discusses the impact of ICT (seen here in terms of 'informatisation'). In Module 4 we shall explore the use of ICT in HR planning, and we explore the impact of greater workforce diversity later in section 1.7.

◇ Box 1.1: What Is Globalisation?

Globalisation involves:

- a **stretching** of social, political and economic activities across frontiers, regions and continents;
- an **intensification**, or the growing magnitude, of interconnectedness and flows of trade, investment, finance, migration, culture, etc.;
- a **speeding up** of global interactions and processes, as the development of world-wide systems of transport and communication increases the velocity of the diffusion of ideas, goods, information, capital and people;
- a growing **extensity, intensity and velocity** of global interactions that can be associated with their deepening **impact** such that the effects of distant events can be highly significant elsewhere, and specific local developments can come to have considerable global consequences; in this sense, the boundaries between domestic matters and global affairs become increasingly fluid.

So globalisation can be thought of as the widening, intensifying, speeding up and growing impact of worldwide interconnectedness.

Source: adapted from Held *et al.*, 1999.



◇ Box 1.2: What Is Informatisation? _____

This may be seen as the process through which information technologies (e.g. communication technologies and the World Wide Web) have transformed economic and social relations such that cultural and economic barriers are reduced.

- The technological innovations will provoke radical cultural and social changes, which will be fundamentally different from the status quo.
- In the post-industrial, information-based society, knowledge, or the production of information values, will be the driving force of society, rather than industrial technologies.
- The convergence of technologies will precipitate further changes that promise to fundamentally alter the human landscape.

It is a process of change that features the use of informatisation and IT to such an extent that they become the dominant forces in commanding economic, political, social and cultural development: a means through which there is accelerating growth in the speed, quantity, and popularity of information production and distribution.

Informatisation is therefore the process whereby information and communication technologies shape cultural and civic discourse. This includes not just computers and the Internet, but other related technologies that involve the transfer of information, including more traditional media technologies such as film, satellite television, and telecommunications. As societies and economies re-orient themselves around technologies, there are inevitable consequences for ER.



1.5 Globalisation and Changing ER Practices

One example of the impact of globalisation on ER is provided by China, and by the way in which its HR policies, and its ER strategies in particular, have been affected both by the impact of ICT and by its accession to the World Trade Organisation (WTO). Box 1.3 discusses the impact of WTO accession on Chinese organisations.

◇ Box 1.3: What is the Impact of WTO Accession in China? _____

- It helps to encourage effective competition in organisations.
- It brings challenges: companies will have to transform themselves to enable them to deal with them. This will involve not only a change in management approach, but also much more fundamental changes.
- It encourages international cooperation, to help develop companies.
- It requires that organisations pass through a transition owing to the new set of international regulations and practices that the WTO will bring (*China Daily*, 2002).
- It will bring trade liberalisation.
- There will be more privatisation, and reduced state trading.
- There will be changes in economic and regulatory behaviour.
- It will mean internationalisation of product standards.
- It will confer rights for international import/export trading, leading to new product markets.
- There will be rights to invest in and establish subsidiaries.
- Companies will have the right to choose their own joint venture partners.

- Cultural conflicts will appear as China's enterprises balance the use of political connections with that of commercial ones.
- There will be changes in the effectiveness and efficiencies of companies.
- There will be a greater failure rate for enterprises that do not understand the meaning and implication of the new regulations.

Source: adapted from Iles and Yolles (2006).



The changes listed in Box 1.3 will have significant impacts for ER, by:

- enhancing competition and efficiency in Chinese companies;
- putting pressure on companies to recruit and select highly skilled staff, and encouraging the growth of performance management and the sacking of less productive workers;
- putting a greater premium on talent management and career development;
- allowing inefficient companies to go to the wall, increasing pressures on welfare systems;
- encouraging greater foreign direct investment and joint ventures in China, and encouraging Chinese companies to acquire Western companies and invest abroad (e.g. The acquisition of Rover by car companies from Nanjing and Shanghai, and the attempts to buy US oil companies).

Recent enterprise, property and ownership reforms in China have affected state-owned enterprises (SOEs), but despite greater autonomy they are still subject to intervention by an array of local, regional and national state agencies. Not all pressures are pushing them in the direction of corporatising and marketising reform, as they are still expected to play a social role in avoiding unrest over rising unemployment by promoting stability and employment.

Therefore Chinese organisations, and SOEs in particular, are likely to experience some turmoil because, transformational change, by its very nature leads to a new, uncharted future, and hence to uncertainty about how to deal with the new complexity. This includes models of HRM and ER. Even where an industry knows how to respond, it may lack the structured approaches that it needs in order to develop strategies for change, especially those that are appropriate to Chinese culture.

There have been several recent studies of aspects of HRM and ER in China, including a recent special issue of the *International Journal of Human Resource Management* (Warner, 2004). Our interest here is not to review such studies, but to focus on the area of ER in China, and in particular on the capacity of ER to respond to the challenges of transformational change.

Despite their geographical and cultural proximity, there is little evidence that China, Japan and South Korea are converging to an 'East Asian' model of HRM/ER in terms of employee relations, flexible resourcing, performance-based reward and employee development. Indeed China, in terms of a more market-based system (alongside the persistence of *guanxi*, or 'connections') has moved more quickly to a Western-type system, especially in international joint ventures (IJVs), foreign-invested enterprises (FIEs) and larger SOEs. WTO entry is likely to lead to greater downsizing and restructuring, especially in SOEs and in manufacturing.

MNCs in the developed East Asian countries are often engaged in transferring production to China and Malaysia, based on a common HRM/ER model of Taylorist work organisation and low-trust, low-commitment, low-investment relationships (though on the ground the picture may be more nuanced, as shown by the toy factory studied by Cooke, 2004, where HR practices, including ER practices, showed a mix of Western MNC and Chinese domestic influences). This process of transfer is driven in part by parent control and in part by low host-country HRM capability. With the recruitment of young, female, less educated workers and the avoidance of ex-SOE employees, firms are often characterised by low skill levels, insecure employment, automation, mass production, and considerable constraints on local HRM and ER, with only rudimentary training offered to employees (Gamble *et al.*, 2004).

1.5.1 Changing Patterns of ER in China

Before the 'open door' policy of 1979, China's model of ER was associated with heavy state-owned industry in a command economy with a centrally planned system of public ownership and limited autonomy granted to enterprises: the **Iron Rice Bowl** of life-time employment and lack of enterprise control over hiring and firing. Warner (e.g. Goodall and Warner, 1997; Warner, 2004) argues that HRM and ER in China have moved from the Iron Rice Bowl to hybrid models where the old model of HRM/ER predominates (as in many SOEs), to situations where Western HRM/ER predominates, with some aspects of the old model remaining (as in many multinational companies, MNCs) to pure Western HRM/ER models (rare, but found in some IJVs or FIEs).

Before 1982, the traditional Chinese model of personnel and labour administration in SOEs emphasised heavy industry and a command economy, with a centralised planning system and public ownership structure. Government was heavily involved in enterprise management, in the provision of a lifetime employment and welfare system, and in the central fixing of wages and salaries. Since 1982 there have been increasing moves to a market-oriented system, involving ownership reform and a 'modern enterprise' system. ER activities such as recruitment, selection and staffing have only recently become significant issues with the growth of an external labour market and the move away from state-approved recruitment, allocation, transfer and dismissal (Zhu and Dowling, 2001).

In 1986 employment contracts were introduced to increase labour flexibility, with extensions in the 1994 Labour Law and the 2007 Labour Contract Law, but over-staffing is still evident, as well as low labour turnover. The introduction of labour contracts is perhaps the most significant change in China's employment relations (Shen, 2007), not only ending guaranteed state employment but also allowing changes of employer and moves into self-employed status. 'Informal' recruiting, and priority given to children and relatives, are common, and managerial recruitment is often internal. Interviews predominate over other methods of assessment, and political loyalty, harmonious relationships, and good moral practice may figure as selection criteria. Employee dismissal, though made easier by the labour laws post economic reform, remains rare, perhaps because of concerns about its negative

impacts on welfare provision. Pay differences between professions and levels have historically been minimised, with pay determined primarily by seniority, nepotism and political orientation. Welfare benefits such as accommodation, meals, child-care and medical assistance have often been provided, as well as contributions to public pension and insurance funds (Lewis, 2003). Table 1.1 shows some of these changes in ER in China.

Table 1.1 Changing paradigms of ER in China

HRM/ER practice	HRM/ER in traditional SOE	HRM/ER emerging model
Recruitment, selection and firing	Central government quota Education, examination, connections, interviews Firing difficult	More autonomy; internal and external labour market Education, examination, connections, testing, interviews Easier to fire
Appraisal and promotion	Slow promotion; seniority Political criteria, connections, character	Faster promotion Bureaucratic/technical criteria Connections
Training	Initial training Moral and political education	More extensive career training More job- and business-related training
Pay and benefits	Fixed pay rates Low differentials Fringe benefits	Performance-related pay Higher differentials Fewer fringe benefits
Communication	Secretive communication Few briefings Hierarchical relations	More extensive communication and briefings
Welfare provision	Extensive: housing, social, meals, travel	Declining
HR planning	Command and control from Beijing ministry	Market economy: more local

In two surveys of the emergence of strategic HRM in China between 1994 and 2002, Zhu and Dowling (2001, 2002) argue that it is premature to declare that HR/ER practices in China have definitely moved closer to a Western model. Accompanying the shift from SOEs to FIEs, private ownership and hybrid public/private forms of organisation, there has been a marked shift in HRM policies and practices away from centrally planned personnel administration, but with widespread variations in the pace of change between localities and ownership forms. SOEs have been slower to implement change owing to historical legacies, organisational inertia and continued interference by central, regional and local government (Hassard *et al.*, 2002, 2004).

Chow (2004), in a comparison of HR practices in China, Taiwan and Hong Kong, found that the HR function in China is underdeveloped, reactive and operationally oriented. Though employee skill levels in China are problematic, Western, individualistic models of HRD may not be appropriate; the Chinese context needs to be taken into account. Career development in China reveals the continuing importance of such cultural features as *guanxi* ('connections'), as well as a concern with status and 'face'. Managers, having been allocated to SOEs, and having started their managerial careers late owing to the Cultural Revolution, often acknowledge

their lack of management skills and training, and seek further education and training, while still recognising the importance of guanxi to their career development (e.g. Communist Party membership giving privileged opportunities to set up new SOEs).

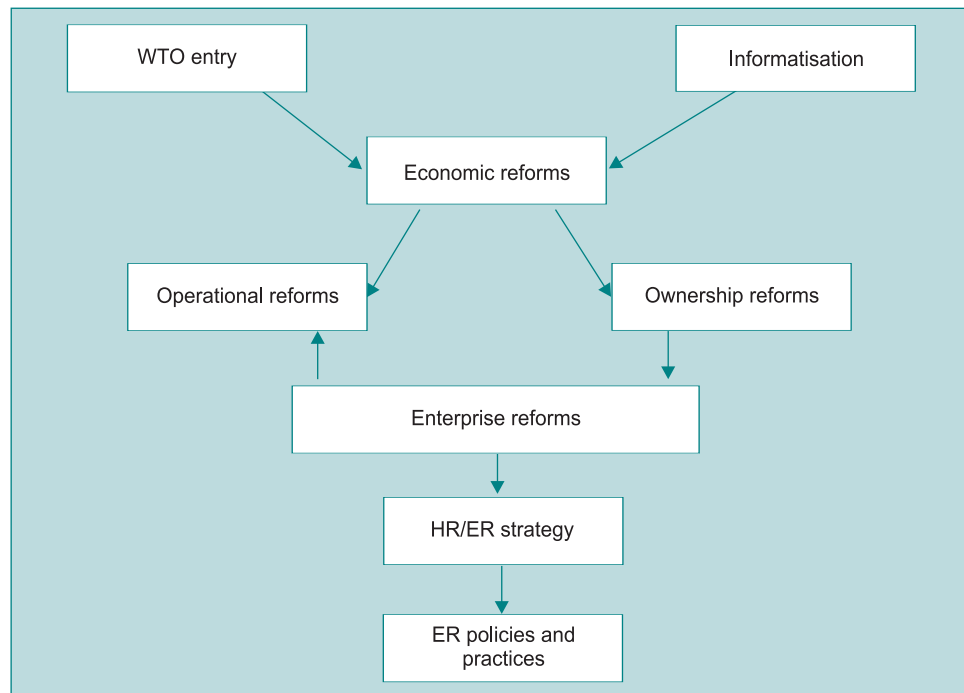
Chang (2001) argues that WTO accession, together with a possible war with Taiwan, rising peasant/working-class anger, and internal party feuds, will lead to China's 'coming collapse'. (Story, 2004, takes a less apocalyptic view.) There is some empirical evidence for this: globalisation has already impacted on the labour market and employment experience in China, and in the Asia Pacific region as a whole. Warner *et al.* (2002: 380) point out that 'while opportunities have been made more abundant for workers with highly prized skills, for the vast majority of employees the conditions of work have tilted towards increasing job insecurity, greater intensity and benefit erosion'. For Warner (2002: 386), 'China's vast population and vast labour force... puts human resources high on the agenda as far as WTO entry is concerned'.

Warner (2002) argues that total unemployment may be over 10% in many large cities in China, and over 20% in the north-east of the country. Although China's entry into the WTO could create more job opportunities, and enliven the labour market, those in the state economy are likely to suffer, especially as the welfare system is being marketised and privatised to reduce the state welfare burden.

Zhu and Nyland (2004) argue that many employers, especially in the private sector, are evading their social protection responsibilities as the WTO 'seeks to shape the rules of the game' to facilitate globalisation (Warner, 2002: 368). This has been interpreted by many as subjecting the economy and society to market disciplines. They argue that the state is being compelled to adopt regulations to restrain employer avoidance of social protection responsibilities, such as age discrimination by the private sector.

We can therefore see that changes in ER in Chinese enterprises cannot be understood without understanding the global context in which their enterprises have operated. Under the impact of such drivers as globalisation, marketisation, WTO entry and informatisation, Chinese enterprises have undergone significant economic reforms (such as the 'Open Door' policy, which has led to significant foreign investment) ownership reforms (e.g. growth of private, independently owned companies, joint ventures, town and village enterprises, and foreign direct-invested forms) and enterprise reforms (e.g. marketisation). These have led to pressures to introduce operational and managerial reforms, including ER reforms (see Table 1.1), as Figure 1.3 shows.

In our discussion of the impacts of globalisation and ICT on enterprises in China, and their effects on ER, we introduced the notion that ER in China cannot simply be 'transferred' from Western models, because it needs to be sensitive to the cultural context (e.g. The continuing importance of guanxi to career development). In the next section, we discuss recent trends in ER in another country, Mauritius, which also show the need for ER to be culturally appropriate. Again, Figure 1.2 and Figure 1.3 are relevant here, as many changes associated with globalisation and technological change are pushing Mauritius to change its ER policies and practices.



Source: adapted from Zhu and Dowling (2001), Figure 1.2

Figure 1.3 Changes in Chinese ER in context

1.5.2 ER in a cross-Cultural Context: The Case of Mauritius

Mauritius is a small island and one-time UK colony in the Indian Ocean off Southern Africa. It presents a particularly interesting case study of ER in a cross-cultural context, especially in terms of the 'transfer' of Western knowledge of ER policies and practices. It is a country with a growing industrial export sector, especially in textiles and clothing, and with a growing financial services and tourism sector. Along with the presence of Western multinationals and joint ventures, this exposes it to global influences on its management and HRM practices (Iles *et al.*, 2004).

In addition, though Mauritius is conventionally included with the developing countries of Southern Africa, where it is an active player in various regional political and economic groupings, its status as an upper middle income, recently industrialised country links it more closely with the newly industrialised countries of South and East Asia (McCourt and Ramguttty-Wong, 2003).

This position is reinforced by its geographical position, and in particular by its population mix. As an ex-colony of the Netherlands, France and latterly Britain, it retains a small but economically still important Francophone community from the 'sugar plantocracy', alongside large numbers of people drawn from Africa (Creoles) and Asia, especially India and China. These communities have recently begun to exploit their geographical, religious, family and ancestral ties to Asia to develop

trading and other economic relationships, including the importation of Chinese and other workers into the textile, tourism and financial services sectors.

Though the largest group is Hindu, there are substantial Muslim, Confucian, Buddhist and Christian communities, and a complex linguistic picture. English is the 'official' language of government, business and education, but French is the primary language of the media, and a French-based Creole is also widely used, but without the official recognition that it enjoys in the Seychelles, for example. Many Mauritians also speak an Asian language at home (e.g. Bhojpuri, Cantonese), though Asian languages are taught in schools in their officially 'prestigious' versions (I.e. Hindi, Mandarin and Urdu).

Despite relative harmony between the various groups, they are primarily endogamous, and ethnicity remains an issue in Mauritian politics, with recent ethnic riots and tensions, and a belief that ethnic-based nepotism is widespread, mostly favouring the dominant population group. Since independence, all Mauritian prime ministers had been drawn from the Hindu majority, though a politician from the Francophone minority is currently prime minister (the first non-Hindu to occupy this role). There is a commitment to Westminster-style parliamentary democracy, with a tendency to coalition governments and to an official ideology that deplores 'communalism' or appeals to sectional 'ethnic' interests.

In terms of management and HRM/ER practice, the civil service in Mauritius, for example, is officially committed to a merit-based, bureaucratic system, though there is a belief that ethnic-based nepotism, client-based patronage and political favouritism are pervasive. Various reports have advocated 'reform' in the management of the civil service, and task forces have been set up to evaluate such issues as performance-related pay, but it appears from a review of documentation and a series of interviews and focus groups held with civil servants at all levels that the service remains largely unreformed, and that ER as practised is largely non-strategic, with many features that persist from the colonial era (McCourt and Ramguttty-Wong, 2003).

Strategic HRM, as we shall see in Module 2, is often seen in terms of HR policies and practices that are strategically integrated horizontally and vertically with corporate strategy, with a substantial degree of devolution of responsibility for HRM to line managers. However, in the Mauritian civil service salaries are determined primarily by the Pay Research Bureau, ER matters by the Public Service Commission, and training by the Mauritian Institute for Public Administration and Management. Line ministries, let alone line managers, have little role to play in ER. In addition, in two other areas often cited as essential to strategic ER – staffing and performance management – there is little evidence of reform. There appears to be a lack of transparency in recruitment and selection, an absence of clear criteria, and a lack of scrutiny of selection decisions.

There was still the general use of annual 'confidential reports' for promotion, and the use of seniority as the basis for promotion decisions (indeed, the Public Service Commission demands a written explanation if an official is recommended for promotion 'over the head' of a more experienced colleague). Performance-related pay systems are also absent, and there is a feeling that ethnic and political

patronage remain pervasive in all areas of ER (alluded to in the phrase 'Mauritian specificities').

1.5.3 What Are the ER Implications of this Case?

The case raises the question of the limits to successful transfer of ER practice in a cross-cultural context. It is difficult to see how strategic ER could be adopted in Mauritius without the political will to bring about structural reforms and constitutional amendments to the role of the Public Services Commission. It may be that 'Mauritian specificities', and especially the ethnically based and clientelistic nature of current Mauritian politics, means that any devolution of responsibility in ER to line managers will result in their discretionary powers being abused to favour their own ethnic group. The Public Service Commission, while playing a problematic role, may act positively to contain or reduce nepotism and patronage, and line managers may not currently have the skills or training needed to operate a devolved system successfully. The 'transfer' of knowledge and technology in HRM and ER may not only not be feasible, it may also be undesirable in the Mauritian context; 'Mauritian specificities' may require HRM responses that take the specific needs of the Mauritian context into account, rather than the wholesale importation of a model of managing people designed in other socio-cultural contexts to address other problems.

As we saw in Figure 1.3, globalisation impacts on enterprise reforms and ER policies. Mauritius, as an upper-middle-income country, is now no longer able to enjoy preferential treatment in international trade, and the liberalisation of global markets promises diminishing protection in the form of generous trade agreements. Therefore new avenues for wealth and employment creation must urgently be found in order to keep the dynamic economy buoyant. The spectre of a protection-free, highly competitive global economy has forced Mauritius to find innovative ways of maintaining its competitive position and sustaining its people's quality of life. The government has made the 'Cyber Island' its Trojan horse, and is now pressing for concomitant innovations and improvements in skills and knowledge (Ramguttty-Wong, 2004) as it moves into a knowledge-based economic environment, both locally and internationally, as declared in the new HRD Act of 2003. The National Productivity and Competitiveness Council (NPCC) is also evidence of government's determination to improve productivity and innovation and to integrate its strategies with an ambitious national vision for world-class excellence.

However, are the ER skills of Mauritian HR practitioners and their managers up to this challenge? In a nationwide survey of HRM practices in Mauritius, Ramguttty-Wong (2004: 58–59) found that

The critical mass of HRM-trained individuals is not yet reached, such that changes in workplace policies and practices are going to be difficult. Worse, many postgraduate learners at university, employed at middle management level, explicitly doubt the applicability of academic models, theories and practices, on the grounds that transfer of such learning is impossible in organisations whose senior managers are unexcited about any such changes, or simply because

political and other types of interference block individual initiative with regard to improving personnel practices.

A survey of HRM alumni of the University of Mauritius showed them reporting low levels of competence in many areas of HRM. Key areas considered either 'poor' or 'average' in terms of their own competency included:

- the use of IT;
- establishing credibility as HR professionals;
- the ability to speak confidently before an audience;
- the ability to link the HR function to the bottom line of the organisation;
- financial acumen;
- knowledge of how to improve inter-group relations;
- knowledge of how to manage restructurings and downsizings;
- knowledge of how to set up an international HRM programme.

In addition, a supposed impoverishment of the HR function may actually not stem from the calibre of the trained professionals themselves, but may be indicative of other ills, both structural and cultural. One respondent blamed boards of directors and CEOs who 'unfortunately have [a] limited view of the use of a HR strategy that would help meet business objectives and employee well-being'.

So, though the government may have recognised the challenges that globalisation, ICT and the knowledge economy may bring, company bosses and HR practitioners may not have the vision or skills to respond to these challenges for ER.

1.6 The Implications of Globalisation for Employee Resourcing in Multinational Companies

The increasingly global nature of business activities has placed new demands on organisational performance and ER, and international assignments are now being used for staffing, control and representational purposes, as vehicles to develop managers' skills and knowledge, and as ways of enhancing organisational learning and capabilities. Many managers are involved in managing transnational joint ventures, mergers and acquisitions, and are operating in increasingly diverse environments with multicultural teams. Senior managers are often called upon to manage geographically and culturally diverse businesses, balancing the demands of global integration and centralisation with those of local sensitivity and responsiveness (Bartlett and Ghoshal, 1989; 1991).

HR/ER strategies have a key role to play in ensuring that:

- organisational structures and systems enhance international effectiveness, enabling organisations to achieve both global integration and local responsiveness;
- organisational cultures are fostered that value diversity and difference while creating a sense of unified mission, and acting as the 'corporate glue';
- HR/ER systems (recruitment, selection, training and development, appraisal, career development and reward management) are installed to attract, place,

retain and develop managers with the knowledge, skills and attitudes required to perform effectively in a global business environment.

In Module 8 we shall look more closely at international employee resourcing, and especially at the recruitment and selection of expatriates and other kinds of international manager and employee. Here we shall focus on the implications of globalisation for resourcing strategies in multinational organisations, and in particular on the implications of globalisation and international diversity for ER. This will lead us into a discussion of the implications of diversity more generally for ER.

1.6.1 Globalisation, Diversity and Changing Traditional Mindsets at IBC

In 1987, after 10 years of loss-making, Bedford Commercial Vehicles (part of the Vauxhall operation at Luton in the UK) was facing closure (Iles and Mabey, 1994). Poor labour relations and intense foreign competition had plagued the company, resulting in losses of £500 000 per week. In September 1987 General Motors undertook a radical international joint venture with Isuzu of Japan, which took a 40% share of the business and appointed one of its Japanese executives, Hisoami Sasaki, as president and chief executive officer of the Luton operation. With Isuzu's existing annual export quota to Europe of only 20 000 units allowed by the Japanese government, and the single European market of 1992 beckoning, the alliance gave Isuzu a valuable strategic foothold in a market highly suited to its light commercial and four-wheel recreational vehicle products.

Several years on the company – renamed IBC – was sufficiently profitable to enable significant plant reinvestment at Luton and the launch of new models such as the highly successful Frontera. So what commercial and cultural adaptations were made to allow an Anglo-Japanese joint venture with American parents to expand its European and global markets?

Essentially, the strategic changes revolved around several **structural initiatives**, which were supported by training and development activities. Over time – it seems – the resulting combined impact was to bring about an unprecedented change of culture in one of the traditional heartlands of British motor manufacturing. The turnaround strategy consisted of:

- a new employee agreement (which established a company joint council where the five unions elected a single spokesperson, introduced single-status working where the workforce are all on same terms and conditions, and guaranteed uninterrupted production);
- a new inventory production system (an adaptation of Japanese working methods designed to eliminate waste and usher in one-piece flow production);
- the organisation of the entire workforce into 129 teams of about 12 people in order to devolve decision making to the lowest possible level;
- the setting up of skills training and development opportunities to facilitate the above changes.

This training included providing skills and confidence for those taking on the team leader role, and on-site workshops to experiment with enhanced assembly layouts.

At the start of the joint venture there was considerable suspicion of Japanese working practices. Peter Blanking, the union spokesperson, recalled that

very few of our members in the trade unions themselves had got much knowledge of the Japanese. It was about what you had read, what you had heard in respect of working practices, and we thought that it was not going to be good for the employees. (interview with Iles and Mabey, 1990)

It was for this reason that the Isuzu production system was renamed the Inventory Production System (IPS). The company also organised visits to the Isuzu plant in Japan for various union delegates from the Luton plant. These activities made some progress towards allaying fears of Japanese 'takeover'.

George Chalmers, the general manufacturing director, foresaw the difficulties of transplanting a Japanese culture into a brown field site, and was well aware of the 'sweatshop' perception amongst British workers:

so we decided ...to take the best elements and what we required of their (Japanese) cultural background and management and production system background, bring it to IBC, but we Westernised it slightly to ensure that the people in the plant would have an understanding. For example ...why refer to 'kaizen' when 'continuous improvement' adequately describes the expectation and the requirement? (interview with Iles and Mabey, 1990).

During visits and interviews in 1990 and again in late 1991 there was impressive evidence that these initial fears had been allayed, and that significantly different attitudes had formed throughout the workforce. George Chalmers summarised this well:

Five years ago it was come to work and, as you come through the gate you can adjust your brain, and you can adjust it again when you go out. Now it's come to work: you have a valuable talent, we want to explore that talent, and we want to use it. Therefore [we now have] flexibility, ability and a teamworking concept which creates openness, and the opportunity to respond to feedback is good ...it's developing all the time.

Certainly, effective team meetings took place at the end of shifts, with operators taking responsibility for rectifying faults, and team leaders encouraging their teams to get involved in all aspects of production, including the means of production. Despite all these positive indicators, some features of the workplace remained untouched. For instance, it could be argued that the elimination of walking time when improving parts layout around assembly line operations actually represents greater managerial control! Giving operators greater discretion over their immediate workspace and the opportunity to solve workflow problems collectively could in fact be misleading indices of shifting culture, when the broader structural constraints and the power nexus of workplace relations (e.g. The chance to contribute to strategic changes and to influence the pace of the assembly line) remain unchanged.

Exercise 1.5

What are the ER implications of this case?

1.6.2 Managing Diversity in Multicultural Teams

The development of multicultural teams is likely to be of growing importance to international enterprises, as

the central operating mode for a global enterprise is the creation, organisation and management of multicultural teams – groups that represent diversity in functional capabilities, experience levels and cultural backgrounds . . . effective efficient multicultural teams are the key to future global competitiveness. . . (Rhinesmith, 1993: 106–107)

Workplace teams are becoming increasingly multinational and multicultural, and a variety of other multicultural teams are likely to be developed in an international enterprise, ranging from project teams through task forces to multinational headquarters teams.

Many organisations, especially parochial and ethnocentric ones (Adler, 1991), have attempted either to ignore or to suppress the cultural differences presented by multicultural teams. Initially, at least, such teams do seem to present difficulties of communication, comfort and comprehension, perhaps leading to tensions and confusion. However, if cultural differences are actively managed, they can be an asset and a resource, especially where the organisation needs to devise new ideas, entertain new perspectives, and expand on existing plans. Diversity in teams can lead to greater flexibility and openness, and to the avoidance of ‘groupthink’ (Janis, 1977).

Homogeneous, cohesive teams may come to suppress new or challenging ideas through self-censorship, or through self-appointed ‘mind guards’ who label any challenge as disloyalty or treachery. If cultural differences are recognised, valued, and used to the organisation’s advantage, then greater synergy can result. For this to be realised, team members need to display both cultural self-awareness and cross-cultural awareness.

Though diverse teams may initially experience difficulties, they can generate more novel and higher-quality ideas. Top management team diversity is more likely to lead to changes in corporate strategy (Wiersma and Bantel, 1992). Top team diversity in international organisations may be more likely to lead to greater innovation. Cultural diversity at all levels of an international organisation may also lead to greater understanding of diverse markets and customer preferences, as well as to greater understanding of employee and supplier values, aspirations and preferences. More culturally appropriate marketing and human resource practices are likely to result, especially in the areas of leadership style, communications, training, appraisal and recruitment. Employees are more likely to be attracted to an organisation, and more likely to be retained, if they see their cultural background valued, rather than ignored or disparaged. Many international organisations have

recognised that valuing cultural diversity and incorporating it into the business is likely to be a source of competitive advantage.

Several organisations have introduced initiatives to develop more effective multicultural teams as a result of greater international activity.

For example, at the Hong Kong and Shanghai Bank managers from all over the world have attended two-day cultural awareness and team-building workshops before participating in a 10-day outdoor development exercise focusing on such areas as trust, conflict and intercultural relationships. These programmes are followed up with a week-long interpersonal skills course and an international assignment (Hawthorne *et al.*, 1990).

Within BP, a new multinational venture (BP Finance Europe, based in Brussels) has used multicultural teamworking activities to examine cultural differences, team roles and effective communication. Group discussions, simulations, real issues and guided negotiations were used to develop cross-cultural understanding and appreciation of other ways of doing things. The intervention concluded with a shared vision of how the team wanted to work together, the development of guidelines and multicultural action points, and the establishment of a cultural awareness team to organise seminars and assist in the induction of new members (Neale and Mindel, 1992).

1.6.3 The Case of Diversity in BA in 1992

One example of the importance of diversity, and of working in multicultural teams in international organisations, is given by British Airways (BA), 'privatised' in 1982 after regularly receiving large government subsidies (Iles and Mabey, 1994). Responding to this political environment, and to the deregulation of international air traffic, BA made sustained attempts throughout the 1980s to change its bureaucratic culture to a more service-oriented and market-driven one, alongside dramatically increased revenues and the acquisition of its chief domestic competitor, British Caledonian.

BA made many diverse attempts to facilitate this process of cultural change at the individual, structural and interpersonal levels. In terms of Lewin's model of change, **unfreezing** – i.e. increasing receptivity to change – was precipitated by downsizing, by a massive reduction in the workforce, by devolution of autonomy to operating units, and by the appointment of a new top management team, and in particular a CEO (Sir Colin Marshall) from a marketing rather than an aviation background.

With the adoption of the slogan 'The World's Favourite Airline', a range of training and development programmes was introduced, including a customer-contact programme called 'Putting People First', a management development programme called 'Managing People First', and an executive development programme termed 'Leading the Service Business'. All were aimed at identifying dysfunctional management styles, providing individual feedback, and developing a more open, participative style.

Accompanying these initiatives aimed at encouraging 'movement' were structural changes such as the use of cross-functional, multilevel diagonal task forces (a slice across different levels of the workforce), and a more bottom-up, less centralised budgeting process. At the climate/culture level, redefining the business as service rather than transportation focused attention on the need for openness, good interpersonal skills and teamwork, developed through off-site team-building meetings and continuous top management support. Providing staff with support mechanisms, encouraging peer support groups, and retraining personnel staff as internal change agents also helped in this respect, alongside a new bonus system and a more user-friendly management information system.

Refreezing – i.e. embedding, or institutionalising change – was achieved through continued top management commitment and the promotion of staff who demonstrated commitment to the new corporate values, as well as through new development initiatives such as open learning programmes and 'Top Flight Academies', one linked to an MBA degree in partnership with a business school. Performance-related pay, task forces and performance appraisal systems linked to customer service and staff development were also introduced, alongside team-based staffing and data feedback initiatives.

The transition phase (helped by a transition management team, the use of multiple interventions, and the deployment of signs and rituals such as new logos and ceremonial events) was by and large successfully negotiated, in part with the help of process consultation. Despite problems (the encroachment of American Airlines, the slippage of customer service levels, the poaching of experienced managers, fuel costs, the recession, the Gulf War, the unfavourable publicity associated with the 'poaching' of Virgin customers and the associated court cases), British Airways has consistently registered as one of the world's most profitable airlines. In particular, it has attempted to become the world's first truly 'global' airline.

Following the lead of other airlines such as SAS, **customer service** was seen by the BA of the 1980s as a critical factor that could give a competitive edge but could not be easily duplicated. The BA of the 1990s retained an emphasis on customer service and on the social linkages between producer and consumer, and a focus on training and development in promoting an image of helpfulness, but globalisation has become of increasing importance.

As the CEO put it in 1992:

... we wanted to change the whole attitude, the whole focus of this company from one of being operations-led to one of being market-led ... the one constant in life is change for the future ... our mission statement is to be the best and most successful airline in the industry, and we have seven goals behind that, but I guess the principal one in terms of strategy is to be a global leader. That really means that we want to have a major presence in all of the major markets around the world.

BA saw the global airline concept arising

because of the increasing levels of deregulation taking place in our industry around the world ... we see a consolidation of our industry taking place. So

we want to make sure we are right out there, perhaps even leading the change towards the globalisation of our industry. (interview with CEO, 1992)

In part the company has been prompted to respond in this way to the waves of deregulation taking place in the airline industry, first in the US domestic market, then the UK, and then in the EU with the emergence of the single market. In order to build integrated world transport systems offering consistency throughout the company has engaged in a series of mergers, strategic alliances and partnerships with other airlines of various kinds (with TAT in France, Dan Air in the UK, Air Russia, US Air, Deutsche BA in Germany, and Qantas in Australia) to form the 'world's first global airline alliance'. The vision of the future was to bring about a world air transport network unhampered by the competitive constraints of political discrimination, and able to serve varied global markets with a customised but complementary range of services under the guarantee of one brand.

A more protracted, but perhaps ultimately more productive, approach is to use the dimension of **valuing difference**, building on the gender issues involved in equal opportunity work to include all forms of diversity. Workshops were held to explore the business imperatives involved and open the door to valuing cultural differences as well as gender differences. Instead of changing attitudes, the aim has been to encourage exploration of the advantages and risks to BA of equal opportunity and diversity, leading to practical initiatives in recruitment, promotion and training, such as the recruitment of more European graduates, mentoring schemes, the use of European business schools, the use of flexible employment contracts, and attempts to influence EU legislation.

In particular, BA has recognised that valuing cultural diversity and incorporating it into the business is likely to be a source of competitive advantage. For example, on its London–Cairo routes BA sought to reflect Egyptian culture in its cabin services and products, offering Arabic music, dates, and Arabic coffee served by a multinational cabin staff. The reasoning behind this was partly that high-quality Egyptian staff would be more likely to be attracted to work for BA and more likely to be motivated to continue working at a high level if they saw the airline valuing and incorporating their culture. In addition, Egyptian customers (the predominant group represented in first class) would in turn be more likely to choose BA over rival carriers.

Unfortunately, at a joint meeting of European and Egyptian BA staff observed in Cairo this strategy, while applauded in principle, seemed in practice to have encountered some difficulties. Several of the senior Egyptian managers complained that it was not Egyptian culture that was being represented but a somewhat stereotyped 'Middle Eastern/Arab' one: the music was not in fact Egyptian, and Egyptians preferred mint tea to Arabic coffee! This example illustrates the point that the culture being represented may need to be very specific, and that in any case listening to and consulting with actual representatives of the target culture is necessary to avoid 'getting it wrong' and appearing patronising and ill-informed.

1.6.4 BA in 2008

From an ER perspective, the BA case is instructive in illustrating how HR and ER models and paradigms in companies can change under the impact of competitive pressures and corporate strategic decisions. After its attempts to move to a more 'strategic HRM' soft/developmental approach as part of its 'customer care' strategy in the late 1980s and early 1990s, following privatisation in 1987, BA then sought to regroup and move back to a more traditional 'personnel management' approach, fused with aspects of HRM, in the 1990s and 2000s (Beardwell *et al.*, 2004; Torrington *et al.*, 2005).

This change was associated with attempts to restructure BA's operations at Gatwick, including its Dan-Air operations, as industrial relations problems arose with cabin staff over wage levels and conditions. The company faced pilot strike threats in 1996 and expensive, global cabin staff strikes in 1997 (with staff split into two unions with different positions on the strikes). Issues of declining industrial relations, issues of perceived 'tough', bullying management seeking automated recording of work time and greater workforce flexibility, overstaffing, excess bureaucracy and declining customer service led to lowered reputation, declining share prices and moves to reduce staff numbers and put new staff onto cheaper contracts in its new low-cost, no-frills airline Go, launched in 1998 (later sold to a management buyout and acquired by a rival no-frills airline, Easyjet, in 2002). In 2002 BA introduced a 'future shape and size' strategy that sought to focus on first and business class passengers, with flat beds in the Club World long-haul cabin and a fourth cabin, World Traveller Plus, for those wishing to upgrade.

It also entered into the Oneworld Alliance in 1999 with American Airlines, Aer Lingus, Cathay Pacific, Qantas, Iberia and others. BA was also badly affected by 9/11 and the entry of low-cost carriers, and continued problems over employee relations, such as a strike by ground staff in 2003. In 2005 it was hit by a strike by the airline's caterers, Gate Gourmet, which resulted in cancellations, confusion, chaos and a lack of information at the terminals, with reports of around 100 000 stranded passengers. By 2005 it had become the world's most profitable airline, but still faced rising wage bills and fuel prices and falling fare prices, as well as perceived overstaffing and archaic restrictive practices and job demarcation within a highly unionised Heathrow, and an ageing fleet.

Its new CEO, Willie Walsh, had been credited with saving Aer Lingus by a ruthless programme of cost-cutting. BA also planned to reform employment practices when it moved to Terminal 5 in 2008 (initially, disastrously). Every employee underwent a 'Fit for Five' training programme explaining the new technology, aiming to allow online checking-in and eliminate queues, following a compulsory training programme for managers and shop stewards in industrial relations (including the new CEO).

Planned withdrawals from some regional airports (e.g. Belfast, Leeds-Bradford, Cardiff) under its previous CEO formally acknowledged BA's failure to compete with no-frills carriers for these passenger markets (low-cost, economy, short-haul flights). In 2005 the 60th low-cost operator was launched in Europe, putting renewed pressure on the short-haul market.

In Module 2, we shall look at an example of such a carrier, the US-based Southwest Air, and in particular at the ER strategies that have supported its corporate strategy and search for competitive advantage. (One of the leading no-frills carriers, Ryanair, does not recognise union negotiating rights, for example, and employs many fewer staff than BA.)

However, in 2006 BA launched a radical overhaul of its regional network. BA Regional was formed in 2001/2, with 2000 staff and 50 aircraft flying to 32 European destinations from 14 regional airports. Fares to Europe were to be cut significantly to increase passenger volumes and compete directly with the 'no-frills' airlines, as well as with increasingly expensive rail routes, as part of the rebranding of its loss-making BA CitiExpress brand (losing around £30 million per year). This was now to be known as BA Connect, and took to the air in March 2006, offering flights at low cost, but with such frills as in-flight meals and free carriage of golf clubs and skis. Having lost £244 million in 2001/2, the European network edged back into profit in 2006 (Osborne, 2006). The Club Europe cabin for business travellers was to be axed for short-haul flights in favour of a single-class cabin. Only Heathrow and Gatwick flights were to retain the Club Europe cabin, though BA would continue to serve meals on all flights, and no route closures or job losses were anticipated, though 600 management jobs were planned to be axed in a separate move to increase competitiveness (*Daily Telegraph*, 2006; *Observer*, 2006; www.ba.com).

Having looked at 'international diversity' and its implications for ER, we next turn to 'domestic diversity' and explore its implications for ER policy and practice.

1.7 Managing Diversity and Its Implications for ER

Diversity in organisational workforces and customer bases is growing in the United Kingdom and other countries as the demographic changes in the population of Britain are increasingly mirrored in demographic changes in the workforce. It is increasingly asserted that organisations need to appreciate the potential benefits of diversity for themselves, and for their customers and clients. In order for this to happen it is often proposed that organisational climates will need to change, so that a **positive climate for diversity** is created and maintained. The module here discusses issues of human resource diversity, diversity climates in organisations, and their implications for ER.

1.7.1 Managing Diversity and Equal Opportunity

In the UK the equal opportunities (EO) paradigm as a way of addressing issues of diversity and equity in organisations originated in the legal and social frameworks developed in the 1970s and 1980s, and was embodied in employment legislation. It is in part derived from US experience, but diverged in some important respects, such as age discrimination and affirmative action (Liff, 1997).

Rules to outlaw age discrimination in the UK took effect on 1 October 2006, but it appears that many companies were ill prepared for the change. Though nearly half of the organisations surveyed by the Department for Work and Pensions

had 'monitored' their workforce, recruitment and pay in respect of age, only 5% had taken subsequent action, as reported in Miller (2006). The use of degrees as a minimum qualification might be seen as potentially discriminatory against employees over 50 or under 21, for example. In Ireland age was now the basis of 19% of all employment cases, but only 19% of UK companies surveyed carried out EO training addressing age issues, and 49% had a 'maximum' recruitment age. A new Commission for Equality and Human Rights was established in 2007 to cover all equality issues.

The EO paradigm tended to be seen in terms of two perspectives: the liberal and the radical. The **liberal** approach tended to see inequality with regard to race and gender as a distortion of an otherwise rational labour market, to be corrected by constructing equal access to a 'level playing field' through consistent, rational ER procedures and positive action in recruitment and training, leading to **procedural justice** in the form of fair procedures (but not US-style **affirmative action** or positive discrimination at the point of selection in favour of under-represented groups).

More **radical** critics saw the liberal approach as clearly ineffective in promoting significant change, with formal procedures sometimes used as a facade to conceal ongoing discrimination (especially as line managers often controlled the ER process). For example, the concept that formalisation of recruitment and selection procedures will result in the eradication of discrimination is seen as resting on the spurious assumption that there is a 'best person' for the job, and that rational, unbiased procedures can detect who that person is. Critics pointed to continuing imbalances in power, and the continuing oppression of women and minority groups, seeking to politicise the debate and initiate a contest for influence. The use of quotas and preferential selection was also called for, with the aim being to secure **distributive justice** in terms of equal outcomes for different groups. However, a concern over **favouritism** and **reverse discrimination**, and accusations that such an approach promotes divisive competition between groups, ensured that more radical approaches did not become mainstream.

Freeman (2003) showed how male and female graduates differed in terms of their choice of employer: male graduates seemed attracted by a very high starting salary, women by a wider range of factors (Table 1.2).

Table 1.2 Graduates' choice of employer

Women	Men
Employ people with whom you feel you have things in common	Offer a very high starting salary
Provide internationally diverse mix	
Provide internationally diverse mix of colleagues	
Use your degree skill	
Care about employees as individuals	
Offer variety in daily work	
Standard working hours only	
Relatively stress free	

Source: Freeman (2003).

EO, in both its liberal and radical forms, came to be seen by some practitioners and researchers in the 1990s, especially in the USA, to be outdated (e.g. Thomas, 1990, 1991). A newer paradigm, **managing** feel you have things in common, has been promoted by many, such as the Chartered Institute of Personnel and Development (CIPD) in the UK, as a way of getting the best performance out of individuals, regardless of race, gender or disability (e.g. Kandola and Fullerton, 1994, 1998). Managing diversity (MD) is seen as a way of achieving the most from a workforce by regarding employees not just as members of a particular group (and therefore perhaps deficient in some way, as compared with a white male norm), but as individuals with particular needs (Thomas, 1990, 1991; Cox, 1993; Kandola and Fullerton, 1994).

Managing diversity has come into particular prominence because it is often argued that adopting it will confer **business benefits**, as compared with the common perception that equal opportunities cost money. In some ways the importation of MD into the UK parallels the importation of HRM as a new vocabulary from the USA in the late 1980s (e.g. Storey, 1995). Just as HRM, in contrast to personnel management, was seen as a strategic, proactive, long-term, corporate-wide approach to managing people, involving questions of culture and values, so MD was seen as signifying a more strategic, proactive, long-term and corporate-wide approach to difference than EO. EO was typically perceived as involving tactical, piecemeal reactions to external triggers such as legislation, and as focusing on numbers rather than culture or values (e.g. Wilson and Iles, 1999).

Table 1.3 Managing diversity: its nature

Equal opportunities	Managing diversity
Externally driven	Internally driven
Moral/legal argument	Business advantage
Perceived as cost	Perceived as investment
Operational	Strategic
Concerned with process	Concerned with outcomes
'Difference' a problem	'Difference' an asset
'Deficit' model, ethnocentric, assimilationist	Appreciation of need for change to organisation culture and climate
Group focus	Individual focus

Source: Wilson and Iles (1999).

However, just as HRM may make less cultural sense in countries that do not see people as 'resources', unlike the USA, MD may also not be culturally appropriate in all societies. Prasad *et al.* (1997), arguing from a Canadian perspective, point out the positivist, managerialist and unitarist assumptions and neglect of power differences that underlie the MD position. MD may focus our attention away from racism, oppression and the specificity of discrimination and disadvantage in its focus on individual differences and multicultural aspirations and values so that 'everyone will benefit' (Thomas, 1991, p 168). Such a view of EO, put forward by many MD proponents, also fails to acknowledge the various approaches within EO developed in the UK, such as liberal versus radical approaches (Jewson and Mason, 1986), or long versus short agendas (e.g. Cockburn, 1991). The 'business

case' has often been argued by some EO proponents in the 1990s in Britain and the EU, and especially the focus on **mainstreaming** EO within organisational culture and policies (e.g. Lawrence, 2000). This suggests that the business case for both MD and EO needs to be explored further.

Others have argued that there is a danger that the social justice and ethical arguments in favour of equity may be ignored by MD, and that MD may be driven by senior white men as a way of **de-grouping** people and individualising initiatives in a way that dilutes the aims, philosophy and objectives of EO.

Exercise 1.6

What do you understand by the term 'diversity'?

What diversity 'dimensions' does your organisation, or one with which you are familiar, recognise in terms of its ER policies and practices?

1.7.2 The Business Case for Managing Diversity

The ethical or political arguments often used by organisations to implement equal opportunities can also be applied to MD: **fairness** and **equity** might be regarded as reason enough for organisations to implement policies that reflect such concerns. However, such arguments, on their own, often do not appear to be enough to endear such a concept to organisations and managers concerned with financial performance. Wilson and Iles (1999) argue that MD's apparent strength comes from its **business case**. For example, many employees of organisations will soon be from currently under-represented groups, especially at managerial levels, for example ethnic minorities, women, and people with disabilities. As greater economic independence has been gained by women, and more financial security has been gained by ethnic groups, they also have become more important customers and clients. Such employees often wish to have the same opportunities as white men, but may wish to be able to do things in their own way, and not necessarily to have to conform to organisational rules created by white men.

Harisis and Kleiner (1993) argue that if diversity is not managed effectively, then the costs can be high in terms of lost productivity, higher turnover, higher absenteeism, strikes and industrial conflict. MD initiatives may help generate a positive climate for diversity. Cox and Blake (1991) report that when child day care is introduced into an organisation, absenteeism is reduced.

Cox and Blake (1991) contend that if diversity is managed effectively, then labour turnover and absenteeism can be reduced, and therefore the costs associated with such outcomes can also be reduced. They outline five other reasons why well-managed diversity is an asset to any organisation:

- It becomes easier to recruit people with the qualities that the organisation requires.
- As ethnic and minority markets grow, minorities will be keener to buy from organisations seen as diverse and supporting diversity.
- Diversity will lead to the organisation's becoming more creative and innovative.

- This may in turn improve organisational problem-solving.
- The effective management of diversity will enhance organisational flexibility.

Archival studies in the US financial sector have shown positive relationships between top-team heterogeneity and strategic change, especially in the adoption of innovative strategies (e.g. Wiersma and Bantel, 1992). However, heterogeneity has typically been defined in terms of age, education and functional experience, rather than in terms of race, gender, or nationality (given the predominance of white males in financial services' top teams).

In addition to the arguments from social psychology for the ways in which team diversity may inhibit groupthink and promote innovation, there are other theoretical approaches that suggest that diversity may have positive impacts on performance. Women employees in management may bring skills such as listening, empowerment, coaching, team building and development, in line with changing business requirements for example. There are theoretical arguments to support the contention that diversity can confer business benefits on organisations, including gender diversity, if diversity is effectively managed.

The resource-based view of the firm suggests that utilising critical but previously poorly tapped human resources effectively in non-traditional skill pools may confer competitive advantage (e.g. Grant, 1991). Requisite variety perspectives derived from systems theory suggest that, as organisational environments grow more diverse and complex, then internal environments need also to become more diverse. Stakeholder theory (e.g. Freeman, 1984) suggests that, as stakeholders become more diverse, then organisations able to manage such stakeholders by allocating resources in a manner consistent with stakeholder concerns may be more effective; internally diverse organisations may serve diverse stakeholder groups better.

However, despite these theoretical arguments, there is little empirical evidence for the proposition that managerial diversity and/or its effective management impact positively on job or organisational performance. Shroder *et al.* (1997), in a study of the relationship between gender diversity and firm performance in US firms, showed that the percentages of women in management were associated with such measures of financial performance as return on investment, return on equity, return on assets and profitability. More longitudinal research is needed, using other diversity dimensions and in other social contexts, to assess whether the supposed business benefits of diversity are realisable.

Wentling (2004) has examined how diversity initiatives in eight multinational corporations headquartered in the USA have been evaluated. All the companies were attempting to evaluate their initiatives, using different methods while recognising the difficulties of measurement. Employee surveys and employment data were most commonly used, followed by performance reviews, 360 degree feedback, focus groups, benchmarking, diversity-specific surveys and customer feedback. Less frequent measures employed included informal employee feedback, attitude surveys and peer reviews. The success of diversity initiatives was measured mostly through leadership commitment, diversity representation at all

levels, measurement against stated goals and strategic plans, and promotion, hiring, turnover, retention and absenteeism rates. Performance ratings, attitude and behavioural change, employee satisfaction, complaints, work group performance and external recognition and awards were less frequently used as success measures. Most companies considered that their diversity initiatives had been very effective, and that they had had a positive impact on the organisation. However, most also felt that some components of such initiatives were hard to evaluate, such as their impact on the bottom line, on profitability, on productivity, on return on investment, on behaviour, on attitudes, and on internal readiness to launch such initiatives as part of the organisational culture. Table 1.4 lists some of the business benefits of managing diversity.

Table 1.4 Benefits of managing diversity: claimed or real?

Claimed	Proven
Cost	Easier to recruit scarce talent
Resource acquisition	Reduced costs associated with turnover/absenteeism
Marketing	Flexibility
Creativity	Perception of organisational justice and commitment
Problem-solving	
Organisational flexibility	

Source: Kandola and Fullerton (1994).

MD has been seen by some (e.g. Thomas, 1990, 1991) as a way of changing organisational rules from those based on white men alone (an exclusive concept) to a more heterogeneous organisational culture (an inclusive concept). However, at the apex of organisations white men currently still tend to make the rules and decisions that affect everyone else in the organisation. Therefore MD is often supported by much emphasis on the merits of the business case, whereas EO in contrast has often been seen as an add-on to the organisation's culture, and not as an integral part of it. Littlefield's (1995) research shows that organisations that practise MD often see the business case as the reason for using it, whereas equal opportunities organisations often see only that practising EO costs the organisation money.

Kandola and Fullerton (1994, 1998) surveyed UK organisations in order to discover why companies were changing to MD (see Table 1.5).

Table 1.5 Driving forces behind initiatives

Good personnel practice	72%
Legislation	66.1%
Business sense	46%
Organisational commitment to EO	40.5%
Moral obligation	28.4%
Company image/PR	25.2%
CEO personality/commitment	23.7%
Organisational commitment to diversity	10.5%

Source: Kandola and Fullerton (1998: 66).

They found that most organisations who adopted MD did so because they believed it made good business sense, while MacLachlan (1995) quotes the Commission for Racial Equality's report *Large Companies and Racial Equality* as arguing that organisations chose effective management of diversity in terms of ethnic minorities so that high-quality minority employees could be attracted to, and retained by, the organisation. MD was seen both as an effective method of recruiting good-calibre staff and as not offputting to potential high-calibre employees from traditional groups.

Exercise 1.7

What in your view characterises a 'positive diversity climate' in ER?

To what extent does your organisation, or one with which you are familiar, display a 'positive climate for diversity' in respect of ER?

What steps would you recommend that your selected organisation takes to enhance its 'climate for diversity', and to manage diversity more effectively?

In the retail sector, though 60% of the workforce is female, only 41% of managers are (though prospects for women are greater in this sector; Maxwell *et al.*, 2005). The case study in Box 1.4 looks at one leading UK organisation (here called RC) and its implications for ER.

◇ Box 1.4: Diversity Management in a Retail Company

During the mid 1980s the retail company discussed here, termed RC, a leading high street group focusing on clothing and food, had to change some of its product mix, as one part of its major income was declining. It also extended a product line dropped by many other similar retailers, namely food. Another initiative was the introduction of its own charge card, and during the 1990s it tried to ensure that manufacturers supplied high-quality goods in order to maintain a high reputation. Strategically, RC had moved many of its shops out of town, though in some cases it kept a smaller shop in town with a larger one out of town as a way of ensuring that a greater range of products could be sold, while still keeping its original town-based customers. Known as a paternalistic or caring company right from its beginnings in the last century, RC had a reputation for looking after its staff, and saw this reputation as a commercial benefit and business advantage, as staff tended to stay with the organisation. Good human resource management was seen as important in the organisation, increasing staff loyalty, adaptability and productivity, and generating lower labour turnover. Five branches of the company in the North West of England were studied – 29 managers in total.

Retail branches 4 and 5 are hereafter analysed together, as Branch 5 was a sub-branch of Branch 4 and therefore included as part of Branch 4 by the organisation itself.

Interviews were arranged within the sample organisation as a supplement to a postal questionnaire study. Most people pointed out that there was (at the time of the interview) a woman on the board. This they tempered with the impression they had of the then chairman as sexist (a particular perception of female interviewees). In terms of disability, most individuals interviewed mentioned access to and in the store as being or having once been a problem for those with disabilities. However, most interviewees were positive about those with disabilities being able to do the job if qualifications and physical ability allowed. Many interviewees also mentioned a member of staff who

worked in head office and was in a wheelchair. This was put forward as an example of an individual who, despite disabilities, had achieved high status.

However, this person was a professional (a lawyer) and not employed in store. In discussing ethnic minorities, many argued that the store did not have many job applications from ethnic minorities, and that this affected their employment rate.

Some felt that those who had the ability should do well because of their ability, and should need no extra support; others believed that minorities in all forms should be given extra support and encouragement to help them progress, and indeed to join the organisation in the first place. It was mentioned by some interviewees that the image of RC might be too white, and that it might need to let people in the outside community see that it welcomed all with ability, not just white applicants. This indicates that aspects of the 'business case for diversity' were accepted by this organisation in terms of increasing its appeal to a broader, diverse customer base or broadening its skill mix. However, there was some resistance to anything perceived as 'extra support' for this group.

In terms of women's progression, most interviewees saw nationwide mobility as the main stumbling block. Most interviewees were aware that women made up the large majority of sales staff in the organisation. They generally progressed upwards, but often stopped before making it to store manager, or took sideways career development in terms of moving into support roles, such as personnel. Most argued that women were often not able to be as fully mobile throughout the country as men were. However, other male interviewees also mentioned that they had limited or would limit mobility in order to have a stable family base, but that progression had not been limited for them. In order to progress in management, or indeed be accepted onto the management track in the first place, staff had to agree to be fully mobile within the UK.

The general feeling within the organisational sample interviewed seemed to be that EO was in place in theory, but that, again in common with other organisations surveyed, it was not really present in practice. The point was made that, although all managerial positions were in theory available for full-time and part-time workers, in practice only full-timers got the jobs (although one respondent said that she did know part-time managers, but felt their progression had been affected). Job-sharing and increased paternity leave were also areas where respondents felt there could be an improvement. It was also noted that most middle managers in the organisation were female, whereas most senior managers were male. This seemed curious, as by weight of numbers one would expect women to progress, unless the policies and procedures such as full mobility were in effect discriminating against them. It was also mentioned that women who wanted to do well in the organisation did not have children, so they could progress their careers.

The then chairman was considered by all the respondents as sexist. His comments on there being too many women graduates joining the company were also picked up. This shows the importance of top management supporting diversity. Another point made by three of the respondents was that there was only one woman on the board. Opinions on whether she was a token or not were split, but this also appeared to show the importance to the climate of having females in high positions. This does not appeal to some individuals, as they saw her as a token. Little mention was made of ethnic minorities. Respondent I believed that they could do well, but did not apply for jobs in the organisation. Other respondents, such as S, knew of one black manager, and felt that women and ethnic minority managers were good for business, as the customer would see the organisation as an EO organisation. P was aware of only three black managers in the whole organisation. She saw it as positive for the organisation

to have higher levels of ethnic minorities in management positions. Mention was made by respondent I of the fact that there were now some disabled staff, but not disabled managers. Interestingly, P stated that married men with children did well in the organisation. This was countered by married women with children not doing well. Interesting points raised were the problems experienced by part-time managers, such as being passed over for jobs. Paternity leave was also mentioned as needing improvement. Once more, the chairman's attitude was considered, and thought of as different from the rest of the board's view of women. Respondent M felt it was good to have a woman on the board. Diversity was thought of as useful at management level, but not identified as currently a reality. M, a female respondent, stated that her career had been helped by not having a family, and by being able to work full-time. R did work part-time for a while after her children were born: this affected her career. Male respondent G had some concerns over having to be fully mobile for his career to develop, as he had a house. In this branch, the organisation was seen as more 'caring' as compared with the other branches. However, it was noted that it had changed in recent years, and had become less caring. Paternity leave was mentioned again, and in particular the point that a recent focus group had just agreed that it should be seven days. F, a female middle manager, mentioned that some individuals were 'groomed for success'. In terms of diversity climate, this may not be positive, as it may create bias and tend to mean that managers groom managers very much like themselves: in top management, this will mean male managers. A formal mentoring system was in place, but this 'grooming' appeared to be informal ('if your face fits').

Once more the board was seen as sexist, and the managing director was seen as having lost touch with the real world. It was pointed out that it was difficult to get ethnic minorities to join the organisation. However, there was a network for black employees to offer support. Generally, three respondents felt that there was a distinct need for more ethnic minorities and disabled people in the organisation, to expand the customer base and skill mix.

Interestingly, F, a female manager, decided not to have children in order to progress within the organisation. M, a male manager, was not now fully mobile, as his family had settled in one area, but he felt that this had not affected his career.

Both respondents were female in Branch 4. R thought that the climate was very competitive between managers in the organisation, and that promotion and career development was a case of 'who you know, not what you know'. This again fits earlier descriptions of the organisation, and does not appear to depict a positive climate for diversity in this organisation. Once again, mobility and part-time working were mentioned as problems for women's progression. R also felt that if one emulated white males, then progression was possible if you were female. The chairman's 'sexist' view was mentioned by R, who felt that it was this attitude shown by the chairman that stopped women from progressing. H, on the other hand, a junior manager, emphasised that there was now a female board member, and saw this as representing the opportunities that women now had in the organisation.

One respondent felt that increasing diversity in terms of ethnicity and disability in management would benefit the organisations. Family commitments for both women meant that they could not currently be fully mobile. Mobility seemed a problem for women in RC, which limited them. Having to gain extra qualifications might also limit women with families because of a lack of childcare. Lack of apparent support for and recognition of the need for diversity might also limit them. In RC the chairman's attitude seemed to limit them, leading to their feeling unsupported, although this was tempered by the belief that his attitude was not common among the other board

members. Some women saw the female board member as a positive statement and role model, showing that women with children could make it in the organisation. Others believed that her life was so different from their own that she was merely used as a token, with little effect, as she was showing a 'male' attitude, had a nanny, and spent no time with her children. Many felt that she had almost cut off her femininity to gain her position, so that she was sacrificing more than they, as 'normal' women, ever would.

Source: based on Hicks-Clarke and Iles (2000); Iles and Hicks-Clarke (2003).

Exercise 1.8

What do you see as the main ER implications of this case?



Learning Summary

In this module we began by discussing the scope of ER and the particular focus taken here. Though ER is defined in various ways, and different writers draw different boundaries around it, the core areas concern getting the right people (with appropriate experience, skills, knowledge and other attributes) in the right place at the right time. The core activities of ER involve HR planning, recruitment and selection, and performance management. These activities, whether conducted by large multinational companies, by small companies or by public service organisations, are conducted in a rapidly changing context: one to which Module 8 returns. Of particular importance is the impact of informatisation and globalisation, and the case of China illustrates how these processes have impacted on ER. The case of Mauritius also shows how ER varies according to cultural context.

We next discussed ER in multinational companies, with particular reference to the way globalisation has affected mindsets at IBC and BA. BA is particularly instructive in demonstrating the importance of international diversity to ER, especially in terms of the growth of multicultural teams. The case also shows how important it is to manage such diversity effectively, and that significant business benefits may accrue to organisations that manage to do this successfully. These include such ER benefits as more effective recruitment and retention of specific groups, and other more general benefits such as enhanced creativity. The module concludes with a discussion of diversity in a domestic context, with a particular focus on its role in equal opportunity and the 'business case'.

Review Questions

True/False Questions

- 1.1 Changes in the business environment in the 21st century mean that ER is now increasingly outmoded. T or F?

- 1.2 One aim of ER is to enable people's knowledge, skills and competencies to be assessed so that decisions can be made over staffing plans. T or F?
- 1.3 Globalisation has had no impact on how ER is practised in contemporary China. T or F?
- 1.4 ER is no different in transitional economies than it is in advanced industrial economies such as the UK. T or F?
- 1.5 Managing diversity and equal opportunity are just different names for the same anti-discriminatory practices in organisations. T or F?
- 1.6 There are no differences between different organisational forms such as state-owned enterprises, foreign invested enterprises and joint ventures in China in terms of how they go about recruiting, selecting and promoting people. T or F?
- 1.7 ER practices cannot be successfully transferred without modification to culturally different countries such as China and Mauritius. T or F?
- 1.8 ER practices have no role to play in helping organisations become globally effective. T or F?
- 1.9 Diversity does not give any benefits to organisations. T or F?
- 1.10 Managing diversity is simply a matter of identifying the density and distribution of traditionally disadvantaged groups in organisations through monitoring. T or F?

Multiple Choice Questions

- 1.11 The view that there are certain ER policies and practices that will universally help organisations achieve competitive advantage is
 - A. an ethical perspective on ER.
 - B. a resource-based perspective on ER.
 - C. a best-fit (matching) perspective on ER.
 - D. a best-practice perspective on ER.
- 1.12 Which one of the following practices would **not** be normally seen as part of ER as usually understood and described in this course?
 - A. Change management.
 - B. Performance management.
 - C. Recruitment and selection.
 - D. Human resource planning.
- 1.13 Interest in ER has not risen in recent years owing to which of the following?
 - A. Recognition of the growing importance of talent to organisations.
 - B. The increasing importance of skills to organisations.
 - C. The end of skills shortages.
 - D. An increasing demand for 'knowledge workers'.
- 1.14 Which of the following has **not** been a driver of recent changes to ER, as usually understood?
 - A. Informatisation.
 - B. Globalisation.

- C. Diversity.
- D. Growing trade union power.

1.15 Which of the following characterises globalisation?

- A. Growing interconnectedness across nations and organisations.
- B. Increases in the speed of diffusion of processes and information.
- C. Reduced flows of finance and trade across borders.
- D. Enhanced impact of distant events on local organisations.

1.16 Informatisation and the impact of information and communication technologies have acted to:

- A. shape political and business discourse.
- B. lead to a decline in recruitment standards.
- C. enhance the role of knowledge for organisations.
- D. transform economic and social relations.

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