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Towards HRM? A Case Study from Banking

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ABSTRACT

HRM has been much talked about and written about in recent years. For some, it heralds a new age where human resource issues at last become significant in the consideration of business strategy, and HR practitioners at last attain a place in the sun. However, much of the debate has been conducted in purely theoretical terms covering HRM definitions and meanings. But, what is happening on the ground? Are HRM ideas changing policies? Are policies translated into practice? This case study seeks to critically examine the development of HR strategy in a bank. The experience suggests that whilst HR type policies are being implemented, the outcomes can by no means be taken for granted.

INTRODUCTION

This paper sets out to explore the development of Human Resource Management (HRM) in the Co-operative Bank. It briefly discusses the literature on management strategy and employee relations and the rise of Human Resource Management. An overview of employee relations in banking is given to set the scene for the developments in the Co-operative Bank. The case of the Co-operative Bank shows how the combination of product market change, and increasing recognition of the inadequacy of the old style approach to the management of labour led to the embracing of a more pro-active role to managing human resources. But HRM is not a once and for all matter of selecting an 'appropriate fit' from a 'menu' of HR strategies. It is more a continual process of shifting priorities and policies as the organisation adjusts to the stormy waves of the market environment. Like a ship setting a course, but adapting to the weather, organisations have to continually adjust to changing conditions.

This research draws on a three year ESRC funded project. The researcher adopted a top-down, qualitative approach to the research, which allowed for the "capture" of strategic change, as this way was deemed the most appropriate method for examining the relationship between business strategy and the management of labour. Following the concept of methodological triangulation, interviews, documentary analysis and participant observation were combined to provide a fuller and more accurate picture than that provided by a single research method. The sponsorship of the research by the organisation enabled a high access to be achieved. While a case study is not capable of statistical generalisation, the prospective generalisation of a case study lies in analytical generalisation. As Yin puts it:

" Case studies , like experiments, are generalisable to theoretical propositions and not

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to populations or universes. In this sense the case study, like the experiment, does not represent a "sample" and the investigator's goal is to expand and generalise those theories (analytic generalisation) and not to enumerate frequencies (statistical generalisation)." (1984, p.21)

Longitudinal data over this period provides insight into the process of change.

MANAGEMENT STRATEGY AND EMPLOYEE RELATIONS

The research is focused on the response of the Bank to changes in the financial sector which has been experiencing deregulation, increasing competition, technological innovation and an increasingly discriminating public (Morris, 1986). It examines both changing business and employee relations strategies and the links between the two. As greater diversity begins to exist amongst the retail banks the study explores the Bank's attempt to find itself a niche or adopt a focus strategy (Porter, 1985). This paper is primarily concerned with Human Resource issues. Changes in the nature of banking clearly have a knock-on effect on employee relations (defined broadly to include industrial relations, communications, training, remuneration policy, etc.) as banks move towards being more market driven organisations with a culture consistent with that, and with staff being regarded more as a resource than a cost (Wilkinson, 1990).

Historically, it has been the case that employee relations have been regarded as a 'second order' strategy, purely facilitative and not fully integrated into overall business strategy (e.g. Timperley, 1980; Purcell, 1983; Wilkinson, 1990). Hence, there was little consideration of employee relations at the top corporate level implications unless the level of unrest was such that labour was seen as a problem, as for instance in the car industry (e.g. Willman and Winch, 1985). Although there has been a gradual rise in the number of personnel professionals at Board level, these are still a minority. Lack of serious consideration of employee relations has also been said to owe something to the dominance of financial control at this level (Batstone, 1984, pp.70-2) and the lack of union influence (partly because bargaining tended to focus on the plant.) Research in the 1970s discovered an 'avoidance strategy' whereby industrial relations were regarded as somehow 'external to the enterprise' (Winkler, 1974). Certainly many would argue that while senior management do think about human resource issues, the degree of unpredictability in this area pushes it fairly well downstream in corporate planning. However, there are dangers of looking at HR issues in this way. The importance of ensuring the active co-operation of employees in industry has been emphasised for example by Walton (1985), who examined the shift away from emphasising control to one of commitment, and this can be even more significant for the service sector. Thus, in retail banking, the banks do not yet provide significantly different products and hence consumer choice is heavily influenced by convenience and image, the latter partly created by contact with staff, and there is thus a clear strategic link with quality of service and staff quality. Yet, in banking traditionally staff have not been recruited or developed for customer contact skills but for technical and administrative ability. 'Most banks wanting to move away from being regarded merely as providers of a money transmission service to the selling of a range of financial products and services with "tellers" becoming "sellers", the organisation will, need to become more organic and less mechanistic, (Burns and Stalker, 1961) which will require far greater commitment and co-operation rather than mere compliance from staff.

The recent emphasis on human resource management, e.g. Storey (1992), Torrington and Tan Chee Huat (1994), suggests that not only is the management of labour being given more attention, but that the issues discussed are broader and more strategic as well as tactical (see also Wilkinson & Marchington, 1994). Miller (borrowing from Porter (1985)) defines strategic human resource management as 'those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage' (1987, p.352). Thus, unlike the traditional peripheral function of many personnel managers, the newer style of human resource managers attempts to:

' relate personnel practices to beliefs, to link each and every process of the recruitment, induction, training, appraisal rewarding of individuals to an overall set of articulated beliefs of organisation' (Hunt, 1984, p.16)

Human resource management is seen as part of the movement away from concentration on unions and collective bargaining, to an emphasis on staff as individuals. Behind all this is a belief that it will release greater commitment from employees although one has to be careful to examine the extent to which ' human resource management is genuinely concerned with creating a new equal partnership between employer and employed, or are they really offering a convert form of employee manipulation dressed up as mutuality' (Fowler, 1987, p.3). Hence it is significant that human resource management was, particularly in the USA, initially associated with non-union companies.

Guest (1987) highlights the different between personnel management and human resource management inherent in the literature so as to form criteria for the measurement of change (see Table 1). However, one must be wary of evaluating HRM simply by the range of activity being undertaken. HRM is about both new processes new outcomes. The existence of the former does not guarantee the latter. Many initiatives may be no more than ' flavour of the month' changes; others may be opportunistic rather than strategic, taking advantage of slack labour markets; in many uses the gap between the rhetoric and the reality may be wide.

Table 1
Stereotypes of personnel management and human resource management

	PERSONNEL MANAGEMENT	HUMAN RESOURCE MANAGEMENT
Time and Planning Perspective	Short-term reactive adhoc marginal	Long-term proactive strategic integrated
Psychological Contract	Compliance	Commitment
Control Systems	External controls	Self-control
Employee Relations Perspective	Pluralist collective low trust	Unitarist individual high trust
Preferred Structures/Systems	Bureaucratic/mechanistic centralized formal defined roles	Organic devolved flexible role
Roles	Specialist/professional	Largely integrated into line management
Evaluation Criteria	Cost-minimization	Maximum utilization (human asset accounting)

Source: Guest, 1987

EMPLOYEE RELATIONS IN BANKING

The banking sector has been characterised by apparently harmonious industrial relations and has not suffered from the " British diseases" of industrial action and demarcation issues associated with parts of manufacturing industry (e.g. Batstone, 1984). Banks have promoted unitarism (Fox, 1966) encouraging an ethos of teamwork, shared interest and loyalty, wanting commitment beyond the cash nexus. While banks are generally seen as having a passive approach to employee relations, paternalism did underpin the system and particularly important was the system of internal promotion supported by an unwritten agreement between the major UK banks on no poaching. The internal labour market created two categories of employees: career and non-career which equated to a male/female divide.

Retail banking is a highly labour intensive industry with labour costs forming 70% of total operating expenditure and " involvement in funds transmission meant that the majority of clerical staff have not been used as a means of marketing the bank' s products nor directly for increasing

business but to process existing accounts. They have accordingly been regarded as an overhead rather than a resource" (Morris, 1986, p.22). Until the 1980s competition between banks has been limited, banks operating as an oligopoly and Government's concern with maintaining economic stability with limits to lending, and control over interest rates facilitated this. The oligopoly fed through to the management of staff as national wage bargaining minimised competition for labour. However, deregulation led to the collapse of the national system and a questioning of old employment practices.

THE CASE OF THE CO-OPERATIVE BANK

Background

The Co-operative Bank is a wholly owned subsidiary of the Co-operative Wholesale Society (CWS). The bank has a network of 90 branches and some 4,000 in-store banking points in co-operative stores. It has seen itself as an alternative force in UK banking and has a reputation for innovation, in banking products. While the history of the bank shows development away from the CWS (25 years ago 90% of deposits came from Movement and 10% from other sources: the reverse is now the case) it remains the banker to the Co-operative movement and as its Chief Executive stated in the 1986 Annual Report, "our co-operative philosophy dictates that we approach the bank market in a fundamentally different way" . (See Wilkinson, 1991).

The development of the bank's policy on the management of people illustrates the move from the narrower reactive function towards broader, more proactive human resource management. Certainly, in its early years as a clearing bank, labour was seen more as a cost than a resource to be developed. For instance, there was no formal succession planning process, and training tended to be limited to providing technical skills for clerical staff, much of which was "on the job" . With its rapid expansion in the 1970s, a greater emphasis was placed on recruiting staff from other banks.

Over the 1970s the Personnel Department was largely concerned with the administration of salaries and negotiations over pay with a significant input from the CWS. In the later 1970s, with the rapid expansion of staff in the bank and in the context of changing legislation and incomes policies, there was a move to greater specialisation and professionalism. As in other banks, the personnel department had been staffed by generalists, which tended to prevent the development of a strong autonomous function; furthermore the highly centralised nature of management, controlling both procedural and substantive matters (to the extent that each clerical member of staff appointed would be seen by Head Office) limited discretion at local level.

However, the Co-operative Bank differed from the major banks because of its historical roots and the influence of the movement was reflected in various agreements with the union, most notably the New Technology Agreement, The Job Mobility and Job Security Agreement and the Union Membership Agreement which exercised more of a constraint on the management of labour than that faced by other banks.

Changing Strategies

By the mid 1980s, it became increasingly clear to some senior managers in the Bank that there was a need to re-examine its entire policy towards managing staff. There was little point in producing corporate plans with major strategic changes envisaged unless the staff were committed to achieving these. As one senior manager put it:

" It was beginning to register amongst management that unless the staff were got up to scratch and on board with change, the bank was not going to get there" .

It was felt that the entire bank culture needed to be changed to a more performance orientated culture, a view which fitted in with the popular trend towards emphasising the so-called "soft" aspects of management exemplified by "In Search of Excellence" (Peters and Waterman, 1982). With increasing competitive pressure in the sector, and with stagnant profits and accounts and only a small percentage of the current account market, there was a clear need to grow the customer

account base by adopting a new " focus strategy" (Porter, 1985). Furthermore, it was recognised that any significant differentiation in products was short-lived especially for small banks with limited resources and to create sustained differentiation it was necessary to create a favourable perception of the Bank by its customers. The Bank would emphasise a " caring, sharing" image, and employee goodwill as well as technical competence was required to project this.

There were several other reasons for the new approach to the management of staff. Firstly, infrastructural problems - growth in the Bank had taken place in the relatively " soft" markets of the 1970s and had to some extent hidden rising costs associated with the clearing centre and Head Office which were widely regarded as being overstuffed. Secondly, the increasing competitive pressure in banking had led to greater attention to controlling labour costs and increasing labour productivity. Thirdly, as we have noted, the nature of change had moved the emphasis towards being a market driven rather than an administratively driven organisation and the importance of staff quality was being emphasized.

Hence, the need to manage human resources more effectively was formally recognised in the Corporate plan of 1986 and in particular it was seen as necessary to change the attitude of staff towards customers, create profit awareness and to encourage a greater identification with the organisation. As a senior manager put it:

" The staff had to see that it was the customer not the pieces of paper which the bank were concerned with."

However, the Corporate Plan, while recognising the need for changes in the personnel area, did not explore in any detail what such changes would be, or how they were to be brought about. Thus references were made to operating with " maximum flexibility" and " maximum efficiency on optimum numbers of staff" but only broad indication as to how this was to be achieved. Thus a sales culture was required, but what did this mean in terms of personnel policies and practices?

Rothwell writes that:

The starting point of a company employment policy must be corporate policy: The employment policy must stem from the business policy and be an integral part of it' s implementation. (1984, p.31)

However, the links between business strategy and employment policy are by no means clear cut: one is not simply able to read off from company objectives a set of corporate employee relations policies.

Towards HRM: New Policies

As a sign of the new emphasis on the human resource function, a human resources manager was recruited from outside the Bank and appointed in 1987 to design and implement changes in this area. Furthermore there was to be a human resources committee to oversee such developments and discuss human resource issues (which was one level below the main policy making body of the Bank). It was highly significant that the Chief Executive recognised that a specialist was required to make the necessary changes, The Human Resources Manager undertook a comprehensive review of the employment practices and procedures of the bank and warned that:

Success can only be achieved however, if staff feel they are being treated correctly by the Bank and fully understand the Bank' s objective' s and rationale for their achievement. It is essential, therefore, that we develop an employee relations climate which facilitates these attitudes without reducing management' s ability to manage the business. The key human resources objectives are therefore:

- A motivated and well trained staff geared to performance.
- Control and authority of staff by line managers with Personnel support.

(Source: Employee Relations Strategy Paper.)

What did this actually mean in practice? There were a number of key areas which needed to be addressed in order to meet the overall strategic objectives. Firstly, a new remuneration policy relating more to performance, and in the longer term a new pay bargaining strategy stressing affordability. Secondly, it was necessary for "good" union relationships although the union should not be in a position to obstruct change. Thirdly, it was necessary to have cultural change, a new management style with greater line management authority and accountability for staff. Fourthly, greater cost control and headcount reduction was required.

The collapse of the national Federation of London Clearing Banking Employees (FLCBE) in 1987 caused by competition for staff and disagreement over the London allowance payment, acted as a catalyst in encouraging the Co-operative Bank to develop its own employee relations policies more in line with business objectives. At the centre of the new employee relations strategy was the remuneration review, which involved replacing both the points based job evaluation system for managers and the clerical grade structure. There was agreement that the effective life of both structures had ended and distortions had set in. Management identified a more flexible system especially at the higher level which would reflect a more market driven approach: this was to take the form of a single integrated structure. Performance related pay was also part of the review and the Bank also wished to remove top management from the collective bargaining procedure. It was thought that this issue in itself would not be controversial, although personnel managers were concerned lest it be interpreted as part of a wider process of reducing union influence.

Another new element in the remuneration package was profit sharing. There was a mix of motives in this. Partly, it was a response to market conditions: the absence of such a scheme meant that the Bank had to "buy out" such schemes when recruiting staff, and this led to pay imbalances. There was also the attraction of introducing an element of variable cost in the pay package. However, the main argument related to motivation. While profit sharing went against the ethos of the movement and doubts were expressed as to the link between general profit sharing and the motivation of the staff, those in favour argued that it should be seen as part of a package of new personnel policies; one senior manager said that he regarded it as the only way to get staff to see the importance of profit.

The relationship of the Bank with the Union was also to be reviewed. The union membership agreement (UMA) was of particular concern in the context of recent UK legislation (1982) on legal action for unfair dismissal, with regard to the closed shop. Furthermore, the Bank wished to remove senior managers from the pay bargaining procedure as part of a move to performance related pay. Finally, the Job Security Agreement which embodied the principle of no compulsory redundancy was a potential obstruction given the Bank's wish to cut staff costs.

Hence the new human resources manager stated in an internal Strategy Paper that:

We must amend or cease current agreements with BIFU which inhibit our ability to manage the business effectively; particularly the Job Security Agreement, the Mobility of Labour Agreement and the UMA. We must however maintain strong links with the union which is a principle of the co-operative movement.

In terms of the personnel function itself, the Bank aimed to give the Head Office Personnel function the major strategic role, but to devolve operational issues and responsibilities to line managers. The Bank introduced team briefing and a new disciplinary code, both of which were designed to increase the authority and accountability of line management. This in line with developments in other industries and reflects the view that many key issues, e.g. performance and productivity, are best handled at the operational level (Purcell, 1985) and that the old style personnel specialists were too distant from line management. The personnel department would have a strong role in developing and implementing new structures and procedures, but would then

become internal consultants, having an advisory and supportive rather than " fire-fighting" role. However, in banking, staff motivation and development have not generally been regarded as important aspects of managers jobs and there was certainly suspicion in the Bank that this was simply another personnel initiative destined for a short life.

The need for cultural change was recognised in the Corporate Plan which noted that:

" In common with others in the industry, the Bank has traditionally recruited and trained for a single career structure, with a strong technical (or professional) bias. However, in the changed circumstances not only the recruitment and training, but the whole " culture" of the Bank will have to change radically."

However, it was rather ironic that, just when the Bank wished to emphasise the development of labour as a resource, the reduction of staff costs was one of the major tasks in the late 1980s. Low profits in 1985 following on from a poor year in 1984 provided the context, but the catalyst was the pattern of pay settlements in 1987, particularly the increase in the London allowance from £2,000 to £3,000 after the collapse of the FLCBE which affected nearly a quarter of the Bank's staff. The Bank decided it required savings of some 4.5 million which was translated into the need to achieve a gross reduction of around 500 staff, which as far as possible would be achieved by natural wastage, concentrating on Head Office and support functions (the so-called indirect staff).

Towards HRM?: — new practices

a) Industrial Relations

A number of initiatives were introduced to re-shape the Union more in line with the Bank's view of its role. Firstly, the union role at Head Office was diminished by reducing the number of Bank funded union representatives. Secondly, the status of the Negotiating Committee was amended so as to ensure it dealt only with major items such as pay negotiations, while minor items were to be dealt with by the grievance procedure, and it was agreed that much of the day to day relationship with the union would be conducted by less senior personnel. Thirdly, and this also reflected the new management style, responsibility for personnel issues was devolved to line managers who would be encouraged to have regular local discussions with union representatives as part of the consultative process and this would also prevent them being by-passed with issues going directly to Head Office. A reduced union role was also apparent in the new remuneration policy, (see below).

Nevertheless, while significant change could be achieved this is not to say that the union could simply be steamrollered. Partly, this related to the CWS who while not being involved in Bank personnel policy on day to day business, did exert pressure to ensure agreements which linked the Bank to the rest of the movement were not broken. Perhaps even more importantly, the scope and degree of change which the Bank was attempting to achieve was deemed to require union co-operation rather than sullen acquiescence or confrontation.

However, the events described do show how the relationship was being reshaped, albeit in an incremental fashion. Top managers no longer had to belong to the union; other managers had a separate bargaining unit; the process of job evaluation confined the union largely to discussing issues relating to clerical workers. By devolving responsibility to the line, issues were removed from the union head office function to the shopfloor where the unions were very weak. Team briefings (see below) were partially designed to cut out the union monopoly on information. Furthermore, management prerogative was being re-asserted and on issues like job security the union interpretation over agreements was challenged.

One Personnel Manager admitted that three quarters of the communication was concerned with passing information, rather than consultation, but maintained [paradoxically] that there was the " full involvement of the union" . Of course the paradox could be explained by the Bank's perception of the legitimate role of the union. The same Personnel Manager admitted that by-passing took place on a daily basis. It is of course not a new discovery that unions have little detailed information as to long term strategy, and a limited influence in strategic decision making.

The re-shaping of the union was also facilitated by the collapse of national bargaining which removed a barrier to enterprise unionism, to which the banks are by nature of their closed culture, quite susceptible.

However, the union did not turn out to be a major obstacle to change. On some issues it proved difficult to persuade representatives, as for instance over the closed shop and job security agreements, but neither of these were major obstacles to the new Human Resource policies. We saw in the previous section, concern regarding the cost-resource dichotomy, the attempt to achieve major change on both sides of the equation. In practice these difficulties did not prove insurmountable. The communications strategy seemed to do the trick of persuading staff of the logic and inevitability of management action. Furthermore, at the time of the research there was little evidence of the fear factor which characterises declining industries. The Bank was in an industry which had high profits, growth and relatively good pay. Only on an issue such as job security as arose occasionally, was there strong enough feeling for the union to bring to bear on management. Undoubtedly also there was a degree of "attitudinal structuring" (Walton and McKersie 1965) with regard to the union.

b) Cost Control

Attention focused on the reduction of unit labour costs. Unit labour costs can be reduced in two main ways: firstly, an increase in labour productivity, secondly, a reduction in total labour costs. The first method could be achieved by measures like better recruitment and training, a new payment system, an improved organisational structure, a different management style and culture. However, these are essentially long-term measures and the more obvious and immediately effective method to reduce unit costs is simply reducing the size of the workforce.

It was appreciated that the squeeze on labour costs would lead to problems with the union and possible detrimental effects on staff morale, and hence as far as possible the reduction in staff numbers would be achieved in an unobtrusive manner. Natural wastage was one method, as the Bank had a turnover of some 500 people per year. Early retirement was another relatively non-contentious option. However, if the targets could not be achieved by these measures, the introduction of a new disciplinary code would provide the Bank with another means to reduce staff numbers by targeting ineffective performers. The fact that this was being considered was itself indicative of a new more performance-orientated management style. The case of the Bank bears out the prediction of Hunt that the "management of exit" would be an increasingly important function for the personnel function" (1984, p17). The Bank was successful in reducing its numbers and hence costs. This was to be the first step of a longer term examination of cost structures with work continuing on removing duplication, moving staff out of the branches into the new administration centres and introducing a model branch exercise to ensure full efficiency.

However, some of the manoeuvrings of the Bank came under fire from the Union. The major source of contention was the status and interpretation of the 1983 Job Security Agreement. The Union regarded the issues as under the control of the Staffing Review Committee, which had been established under the Job Security Agreement. However, management argued that this related purely to redundancy rather than merely reorganisation and redeployment, and it was not the intention of the Bank to force people into redundancy. It became apparent that the managers concerned, because they were not party to the original agreement did not feel themselves bound by it; indeed one manager threatened to give notice to cancel the agreement.

c) Remuneration - Relating Pay to Performance?

A comprehensive review of policy and practice was also being undertaken in the remuneration area. There were a number of aims: firstly, to reflect organisational change and remove outdated remuneration practices, secondly, to safeguard the Bank from equal value claims and grading issues; thirdly, to integrate the Bank's salary structure into a single continuous evaluated structure to ensure stability and cost control; and finally to move away from automatic increases, award key objectives and place a greater emphasis on line management contributions rather than the central functions.

Hence there were a number of processes that took place in the Bank. There was the job evaluation exercise for managers and appointed staff upon which trade unions were consulted, and the clerical and technical scheme where the unions were involved in the design of the scheme, up to the point where agreement was reached on the format of the grading structure. With each job in every branch being highly individual, the task was a long one.

The remuneration review took place separately from the pay round already discussed; this enabled the Bank to set the scene for change and maintain the initiative. The Bank insisted upon a separate bargaining unit for managers and then extended this to the whole management group including assistant managers and branch administrators in order to keep the whole management team together. By mid 1988 senior managers had been removed altogether from the negotiating sphere. The Bank also insisted on freezing salaries for staff whose jobs fell above the grade boundaries, and no increases of salary for those operating below an acceptable performance level. It was only then that the Bank would enter into negotiation on the composition of the scheme including salary ranges to apply to each grade. The new structures were introduced in 1989.

Profit sharing was also introduced in this period. As one senior manager said about staff:

“ if that doesn’ t crystallise their minds and make things easier for them to see how to help customers, I don’ t know what will!”

The third leg of the new remuneration policy was getting staff to accept a “ pay what the Bank can afford” principle in annual negotiations. The Human Resources Committee agreed that it was necessary to show that the Bank had to pay less than other clearing banks because of the difference in its profitability along with the fact that possibly the skills in the fields in which it operated were not required to be the same as the others.

Furthermore, the Bank stressed that if a reasonable settlement was not reached, head count reduction might be necessary. The eventual settlement of 6% in 1988 was seen as a clear sign of the success of its new HRM policy. Firstly, the settlement was reached speedily. Secondly, the Bank’ s new open pro-active communications policy had been seen to deliver the goods. The day after the settlement a terminal message was sent across the network and faxed to London and Skelmersdale (the major employing centres). The Personnel newsletter was hand delivered to managers in Manchester and staff were consequently briefed within 24 hours, and importantly, before the union had been able to give its message. Hence, management had taken the initiative. Thirdly, there seemed to be evidence that something of the argument that the Bank had been trying to put across concerning profit/head and the dangers of being priced out of the market had been taken and there was positive feedback from the staff, with regard to the early receipt of information.

d) Changing Culture

There was little detailed consideration in the HRM strategy papers of issues like career patterns, recruitment, training etc. This was related partly to little immediate attention being required, and secondly, to uncertainty as to what was required. Hence it was not until after the HRM strategy had been adopted and was being implemented that attention was given to these issues.

In recent years, there had been an increasing belief that the development of human resources is no longer a luxury to be achieved when other objectives have been met, but an essential part of the management of strategic change. Hence, the development of human resources was worthy of a higher priority. This was reflected in the development of manpower planning and a greater emphasis on management development and training in a systematic and integrated manner. The Bank looked to become more pro-active in this area rather than merely respond to problems. However, much depended on a settled business strategy for the Bank and each division, so as to identify staffing requirements. Hence a manpower plan took time to develop given the state of flux in the Bank. One area which needed examining was recruitment where it was felt that there was a need to have a tiered policy. In addition, the qualities and personalities of the staff recruited needed to be examined. There was a move to look firstly to older, non mobile married women as

"workhorses" and secondly to look for more customer relations skills and sales ability.

These changes were reflected in the training function and management development programmes. There was a trend in the former towards programmes stressing social skills and customer service training and sales and marketing training, all designed to educate staff in the new sales culture. Previously, the training emphasis had been on technical training and supervisory skills for clerical appointed and junior management staff; the training also reflected a trend in banking to train for greater productivity rather than preparation for future jobs (Mosson, 1986).

A new communications strategy was also part of the attempt to change culture. A paper by the Human Resources Manager emphasised that some of the measures outlined may be "unpalatable" (particularly head-count reduction and relocation) and hence there needed to be a much more pro-active communications strategy. It was important that this was in place before the 1988 pay round and before many new initiatives were undertaken. The Human Resources Manager made this clear. If the Bank was to achieve their Human Resource Strategy goals,

"It is essential that we communicate directly with our staff to ensure they are made aware by the Bank of our position and intentions, and not by any other source. This is a major employee relations objective for achievement by the Bank to enable management to communicate directly the rationale for change, thus ensuring that it is pro-active in managing the business.

We must develop mechanisms which ensure that communications are simple, consistent and effective. The Bank must communicate to staff on a regular basis, stating both good and bad news. Inconsistent or sporadic communications are more harmful than no communications and must be avoided at all costs. The Bank must not leave communications to BIFU. The Union's role is to negotiate with the Bank on behalf of its members, not to act as the channel for communication." (Employee Relations Strategy, 1987).

The old system was largely based on a number of newsletters, and an internal Bank magazine. It was largely left to the discretion of the managers, some of whom explained the contents of the newsletters, others merely leaving staff to read it on the noticeboard. There were also managers meetings but information disseminated here was not necessarily trickled down.

The Bank introduced a system of team briefings into the existing structure of employee involvement based on meetings, newspapers and publications. Team briefings were designed to facilitate a consistent, continuous flow of information (including feedback), so as to avoid the union or even the "grapevine" being the main source of information. The main aim of such involvement appeared to comprise of persuading staff to accept the benefits of change expressed in terms of market logic. Hence it was an endorsement of management policies which is sought, not some form of co-determination. (Roberts and Wilkinson, 1991).

However, there were a number of problems with implementation. Branch managers showed some cynicism as to the alleged benefits of team briefing and many regarded it as yet another flavour of the month dreamed up by Personnel. Some failed to see briefing in terms of ensuring that the union would not be the main vehicle of communication, and that "he who communicates leads". Thus the Personnel Department felt it was important that the benefits accruing to staff (including those negotiated with the union) should be announced by managers. However, in a number of cases, managers were content to let the office (union) representative handle it, perhaps in itself a reflection of branch managers' unitary perception of employment and/or lack of awareness of personnel considerations. Secondly, there were practical problems relating to how briefings were to be transmitted from head office to branches; thirdly, the mechanism for feedback was regarded as being inadequate and hence team briefings were seen as merely representing the "party line".

e) Changing Role of Personnel and Line Managers

There were a number of methods by which the Personnel Department attempted to devolve

responsibility. We have already noted that team briefings were thought to reinforce the line role as the chief disseminator of information. Secondly, the new disciplinary code put authority and accountability in the hands of the line (although initially Personnel would take a slightly more active advisory role until the system was "bedded in"). Thirdly, managers were given accountability within their budget to replace staff who left rather than leaving it to the Personnel Department to provide the skilled replacements. As evidence of a more integrated human resource approach such policies were reinforced by a new performance appraisal system which took greater account of human resources. Previously, financial targets were paramount and in the words of the training manager:

" If they met financial targets, managers weren't criticised even if the staff were close to mutiny"

A series of training courses on human resource management issues were designed to reinforce this priority.

However, many of the initiatives met with apathy, cynicism or obstruction. Changes in the disciplinary code were regarded as cosmetic: as one manager said, " Personnel can't bring itself to let hold of the reins" .

In so far as staff reflect the values of top management, this was a major cause for concern (Brewster et al , 1981) One of the key complaints to come out of the courses being run was the absence of top management. More direct difficulties also became apparent. One of the themes in the human resource management courses was reflective of the new management style. This was designed to discuss the relationship of staff with their managers, and in particular the need for staff to question their boss in an informal and constructive manner. The course was aptly entitled " How to Manage Your Boss" . However, it became apparent that it was unfortunate that managers had not taken a course on how to accept constructive criticism!

CONCLUSION

The case of the Co-operative Bank sheds light on the issues of human resource management discussed in the management literature. It was suggested that a shift from an administrative to a market driven organisation would lead to a greater priority for the management of human resources. The Bank case provides examples of greater attention to this subject at top level management, including the appointment of a specialist human resources manager and shows a broader range of issues being considered with an emphasis on management-employee relations rather than management-trade unions relations and a more pro-active and strategic role for the Personnel department with operational issues being devolved to line management. These are in line with the alleged change from personnel management to human resource management (see Table 1).

Of course, the definition of what HRM involves is itself a matter of debate. As Guest rightly points out it is a term " now widely used but very loosely defined" (1987, p.503). In the Bank we have seen much more than a re-titling of roles which Guest suggests characterises much of the alleged HRM adoption. We saw earlier that the policies officially embraced showed many of the characteristics of HRM but were cautious in our assessment, since the gap between policy and practice is often a large one. However, we have seen that a great deal of the new policy was in fact implemented over a relatively short period. If we refer back to the Guest typology (Table 1) we see that the Bank has moved somewhat towards HRM but this is by no means clear cut. While policies introduced appear to be in line with HRM ideals, this does not necessarily translate into desired outcomes. Thus one consequence of the Bank's HRM policies was probably worsened employee relations, even if bottom-line performance improved. However, one needs to bear in mind that the ultimate aim of HRM is better business performance rather than improved relations with the workforce. This may be something Personnel and HR managers, whether in the UK or the Pacific need to come to terms with.

Of course it is too early to evaluate the success of introducing HRM. Skinner (1986) talks of needing a 7-10 year horizon for changes in the human resources area. However, we can make an assessment of the problems in the short term which had to be faced. What was striking about this case is the enormous amount of change which had taken place: some union agreements were re-written; managerial prerogative was re-established, there was some success in cutting labour costs without causing disruption; a new pay strategy was implemented; the new communications strategy was also bedded in and devolvement to line management was also undertaken. One of the themes of the previous section was the extent to which stated intent (espoused policy) was reflected in practice (operational policy), for as Brewster et al (1981, p6) found,

“ The espoused policies ... may be no more than pious aims or statements, breached with impunity and unrewarded where followed.”

Hence it was necessary for policies to be consistently reinforced; if the Bank targeted managers on financial objectives and performance appraisal reflected this and with little emphasis on the achievement of human resource objectives, managers would realise that the official policy (HR is important) was in practice given far lower priority. The Bank did attempt to tackle such difficulties with revised appraisal systems incorporating a broader range of objectives.

One of the values of case study research is that it is able to illustrate how key actors are crucial to change processes. The crucial role of the CE has been acknowledged. Furthermore, the appointment of someone from outside the personnel department as the HR manager was also vital in that such a person began with credibility, being seen as an expert and in many ways performed the role of an internal consultant. For several reasons it was unlikely that an insider could have performed the role. Firstly, the Personnel Department lacked strategic power partly because the role of general managers in the Bank had inhibited specialist functions; linked to this was the fact that “ labour” had not been seen as a problem so it had never attained a high priority; thirdly, the department, albeit partly as a result of the above two factors and partly because of perceived inadequacies in what it did do, was a Cinderella department of little status. Hence it would be unlikely even with C.E. backing that the department without a champion would have the clout to make the necessary changes. So key changes in personnel were clearly important in facilitating change.

The attitude of line managers was problematic. The paradox of HRM is that it raises the status of personnel but gives away responsibility (Guest 1988) and hence much depends on the attitude of line managers:

“ Although the personnel department may be responsible for the design of valuable personnel “ programmes” or systems (e.g. job evaluation, management appraisal, wage and salary structure), their implementation must not only take place within other management systems, but largely involve the managers of those systems. Hence, the success or failure of a personnel programme, even within its own terms, is often removed from the direct control of the personnel specialists themselves.”
(Legge 1978, p.6.5)

While we saw both greater attention being accorded to the management of staff and a review of employment policies, one of the concerns was the extent to which this retained priority overtime, for long term commitment is essential to the development of human resources. As Rothwell points out,

“ People cannot be acquired, shed or developed as quickly or as easily as other assets.” (1984, p..31)

Hence senior management must be responsible for driving change forward rather than merely recognising the need for change. Official recognition and practical neglect is an all too common

experience with regard to management attitudes to human resources. We saw, for instance, that senior management tended to regard developments in this area as a " job for personnel." and failed to relate it to their own actions. In the long term the key question would be the extent to which the management of human resources retained its priority. To a large extent human resources was seen as a problem to be " fixed" . It is open to question whether it would continue to receive the same attention and resources over a longer period of time.

Perhaps the key to managing change over the period was the balancing of conflicting priorities of cost control and staff development. Morris writes that:

" there has consistently been a dichotomy in management policies stemming from the efforts to control labour costs on the one hand and the desire to sustain commitment and motivation on the other" (1986, p.12).

Such a dichotomy faced the Co-operative Bank, While the Bank emphasised a more positive approach-to managing employees, with employees as a-resource, and attempted to increase co-operation, commitment and identification with the Bank, the policy of reducing staff numbers and assertion of the " right to manage" gives the impression of being a more traditional approach to managing labour as a cost.

Some would argue that external shock is crucial in triggering off a reconsideration of existing strategy but this itself presents a paradox in that firms in competitive difficulty may not have time, resources or goodwill to effect a change in relationship between management and employees, yet companies with profits and the resources may not appreciate the need to move to HRM. The attempt to cut labour costs at the Bank certainly seemed to threaten the opportunity to create high trust industrial relations with fear of redundancy and relocation, working against the Bank' s attempt to create greater employee commitment and identification. Trust itself is seen to be a pre-condition for successful change although trust is generally accepted as being a very fragile concept (Purcell, 1981). In our case, the competitive environment put pressure on costs and hence clashed with the longer term HRM emphasis. One school of thought would regard crisis as a catalyst for a refashioned relationship, but it seems highly likely that in such conditions there will be unilateral management action and although unions and employees may co-operate in the interests of survival, and change for instance in working practices may well be achieved, it seems questionable whether attitudes will also change. In other words when smoother waters are reached the relationship may return to its previous character.

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