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**Use of Hard and Soft Models of
HRM to illustrate the gap between
Rhetoric and Reality in Workforce
Management**

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illustrate the gap between rhetoric and
reality in workforce management**

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Abstract

At the rhetorical level many organisations espouse the "soft" version of Human Resource Management (HRM) that focuses on treating employees as valued assets and a source of competitive advantage. However, organisational reality appears "hard" with an emphasis on the quantitative, calculative and strategic aspects of managing a "head count". The dichotomy of soft and hard HRM (termed Developmental Humanism and Utilitarian Instrumentalism) has been identified by Legge (1989) in her critique of the normative model of HRM. Noon (1994) suggests that this dichotomy in HRM manifests itself as a gap between rhetoric and reality. Truss et al.'s (1997) study involving eight in depth case studies confirms this gap. Whilst this study found that there were no pure examples of soft or hard HRM, "the rhetoric adopted by the companies frequently embraces the tenets of the soft, commitment model, while the reality experienced by employees is more concerned with strategic control, similar to the hard model". It is necessary to expose the gap between rhetoric and reality so that organisations can clearly review the effectiveness of their human resource strategies, human resource functions can clearly identify their role and the pluralist needs of employees be met. This study uses hard and soft concepts of HRM to explore the gap between rhetoric and reality in Australian organisations using annual reports to assess rhetoric and existing workforce surveys to assess reality. The outcomes of this study support the findings of Truss et al. that organisational rhetoric is soft and reality is hard. Frequently organisation initiatives initially appear soft, however, when they are examined closely they are hard, with practices of empowerment, involvement, communication and training generally restricted to the improvement of bottom-line performance. Further research is required to examine the antecedents and consequences of this gap for organisations and employees.

Introduction

This paper examines the nature of the gap between rhetoric and reality in workforce management using hard and soft models of Human Resource Management (HRM). It firstly explores the dichotomy of hard and soft HRM by examining the inherent contradictions in the widely accepted normative model of HRM. Then it examines the gap between rhetoric and reality, reviewing literature that indicates that organisation rhetoric is associated with soft HRM, whilst reality reflects hard HRM. This study extends existing research in this area by operationalising hard and soft models of HRM to explore the gap between rhetoric and reality in Australian organisations. This will contribute to the debate on the validity of normative HRM and on the efficacy of current organisational HRM practices.

Literature Review

The dichotomy of hard and soft HRM

The dichotomy of hard and soft HRM originated in the United States but has been most debated in the British Literature since the development of a normative model of HRM by Guest and others in the mid 1980s.

It was Peter and Waterman's (1982) publication of *In Search of Excellence* that rediscovered the importance of the human side of enterprise. In this was the discovery of competitive advantage through "excellence syndrome", or the idea that personnel policy must be linked to strategy and people are an asset (Keenoy, 1990). These concepts combined tight controls on results with autonomy in priorities, decisions and actions (Legge, 1995)

These propositions were academically developed by Harvard University in its MBA program by Beer and others in 1985 and Michigan University by Fombrun and others in 1984. The ideas have been critically reworked since the late 1980s by Guest and Storey and Sisson (Drucker, White, Hegewisch & Mayne, 1996).

The Harvard model, drawing on human relations school, emphasised communications, team work and the utilisation of individual talents (Poole & Mansfield, 1994). The Michigan school is a more strategic approach with a unitarist outlook, which endorses management's views (Hendry and Pettigrew, 1994).

Guest draws on the Harvard model, associated with soft HRM and the Michigan model, which proposes the hard HRM approach. Whilst acknowledging the differences between these approaches he incorporates both in to the all embracing normative HRM (Noon, 1994).

The concept of normative HRM has been adopted by many organisations and has two common themes.

1. HR policies should be integrated with strategic business planning and used to reinforce or change an appropriate organisational culture
2. Human resources are valuable and a source of competitive advantage and are tapped most effectively through policies that promote commitment (Legge, 1995).

Some authors have suggested that there are inherent contradictions within this normative theory of HRM.

Firstly, Normative HRM proposes that there is a simple, linear relationship between strategy and HRM. However, there are problems in the integration of HRM policy with business strategy and evidence indicates that HRM is more ad hoc than strategic. Whilst employment practices are changing there is doubt about the strategic focus of these changes. Current developments do not have a great deal of coherence and logic and initiatives are piecemeal (Blyton & Turnbull, 1994; Drucker et al., 1996; Storey, 1987). Ironically, Legge (1995, p. 40) explains that it is "the contradictions embedded in HRM that have facilitated the development of a rhetoric that may simultaneously render strategic action problematic".

Secondly, the unitary framework of normative HRM which elicits that what is good for the organisation is good for employees is problematic as the needs of the business do not always coincide with the best interests of the workforce (Keenoy, 1990). Legge (1995) points out that treating employees as valued assets is not to the advantage of every organisation, especially those competing on cost. On this basis the theory should not be put forward as normative.

Thirdly, within this single concept of normative HRM are embedded two models of HRM that communicate the two opposite sets of assumptions of hard HRM and soft HRM (Legge, 1995).

Hard HRM stresses the "resource" aspect of HRM, Legge refers to this as "Utilitarian Instrumentalism". This hard model stresses HRM's focus on the crucial importance of the close integration of human resource policies, systems and activities with business strategy. From this perspective human resources are largely a factor of production, an expense of doing business rather than the only resource capable of turning inanimate factors of production into wealth. Human Resources are viewed as passive, to be provided and deployed as numbers and skills at the right price, rather than the source of creative energy (Legge, 1995, p.66-67).

Hard HRM is as calculative and tough minded as any other branch of management, communicating through the tough language of business and economics. This emphasis on the quantitative, calculative and business-strategic aspects of managing the "headcount" has been termed human asset accounting (Storey, 1987). The hard HRM approach has some kinship with scientific management as people are reduced to passive objects that are not cherished as a whole people but assessed on whether they possess the skills/attributes the organisation requires (Legge, 1995; Vaughan, 1994; Storey, 1987; Drucker et al, 1996; Keenoy, 1990).

In contrast, soft HRM places an emphasis on "human" and is associated with the human relations school of Herzberg and McGregor (Storey, 1987). Legge refers to this as "Developmental Humanism" (Legge, 1995, p.66-67). Whilst emphasising the importance of integrating HR policies with Business objectives, the soft model focuses on treating employees as valued assets and a source of competitive advantage through their commitment, adaptability and high quality skill and performance. Employees are proactive rather than passive inputs into productive processes, capable of development, worthy of trust and collaboration which is achieved through participation (Legge, 1995, pp 66-67).

The soft version is seen as a method of releasing untapped reserves of human resourcefulness by increasing employee commitment, participation and involvement. Employee commitment is sought with the expectation that effectiveness will follow as second-order consequences. Walton (1985, p. 79) suggests that "a model that assumes low employee commitment and that is designed to produce reliable if not outstanding performance simply cannot match the standards of excellence set by

world-class competitors" and discusses the choice that managers have between a strategy based on imposing control and a strategy based on eliciting commitment.

It is evident that HRM does not provide a consistent set of policies and procedures, the distinction between hard and soft forms of HRM offer management two sharply contrasting alternatives within a supposedly single approach. Whilst hard and soft HRM both give weight to a link with strategy and the importance of people, different meanings are attributed to these components and different assumptions of human nature underlie each. This dichotomy is reminiscent of McGregor's views on managerial control strategies. In 1960, he suggested that theory X managers believe that employees do not like work, whilst theory Y managers believe that "man will exercise self direction and self-control in the service of objectives to which he is committed" (Truss, Gratton, Hope-Hailey, McGovern & Stiles, 1997, p. 55). In a similar vein, Sullivan comments on Western Management theory that depicts two views of human nature. Modern man, who is law bound and must endure work in an exchange of value, whilst self bound hermeneutical man creates organisational reality and structures (rather than responds to them) in an exchange of meaning. Noon suggests that the dichotomy of hard and soft HRM manifests itself as a gap between rhetoric and reality (Noon, 1994).

The gap between rhetoric and reality

Blyton and Turnbull (1994, p.62) quote Storey and Sisson to illustrate the adoption of soft HRM as organisational rhetoric suggesting that "even the most unsophisticated organisation has issued its statement of 'mission'; has declared commitment to direct communication with its 'most valued asset' - its employees; has experimented with quality circles; looked to performance related pay; brushed down its appraisal system; reconsidered its selection procedures and declared its commitment to training".

However, the ideals of HRM fall short of reality. Organisational behaviour and surveys of practice do not match HRM rhetoric.

Guest quotes Kochran et al. who on the basis of their research in the United States put the following proposition. "We do not, in fact, believe that participative management styles and sophisticated human resource management policies are the dominant pattern, we believe aggressive resistance to unions and harsh personnel policies are

also part of the story, we are convinced that progressive personnel practices have not diffused broadly across employment settings" (Guest, 1990, p. 52)

Various commentators have been scathing in their review of the gap between HRM rhetoric and reality. Blyton and Turnbull (1994, p. 4) quote Skinner who observed that "human resources management seems to be mostly good intentions and whistling in the dark" and that HRM is "Big Hat, No Cattle". Vaughan (1994, p. 26) suggests that "HRM rhetoric communicates an attractive image of people trusting each other, sharing risks and rewards, and united by a strong feeling of identity, but it gives little sense of the impersonal economic rationalism that characterises management thinking in the real world". Argyris (1998, p. 98) suggests that empowerment remains much like the emperor's new clothes, "it is praised loudly in public, but privately we ask ourselves why we cannot see it". Finally, Armstrong says HRM is a case of a wolf in sheep's clothing which, unlike Skinner's assertion that HRM is powerless, implies that HRM is manipulative. It seems that the vocabulary of HRM has surpassed both its conceptual and empirical foundations and that rhetoric has outstripped the reality (Blyton and Turnbull, 1994).

Vaughan (1994) suggests that the rhetoric of HRM does not make sense when judged against a background of the casualisation and reorganisation of work that re asserts management authority in a way that resembles Fordism of an earlier industrial era.

Truss and others (1997) comment on their study, which involved eight in depth case studies. They began with the premise that linking people management to business objectives is indicative of the hard model because of the emphasis in this model on strategic direction, integration and performance management techniques, such as appraisal. In examining use of the soft model of HRM, they focus on the assumption that commitment is generated when employees are trained and developed and allowed to have control over their work.

Whilst they found that there were no pure examples of soft or hard HRM in rhetoric or reality, the rhetoric adopted by the companies frequently incorporated the characteristics of the soft, commitment model, while the reality experienced by employees was more concerned with strategic control, similar to the hard model. It was found that even when the soft version was embraced at the rhetorical level, "the underlying principle was invariably restricted to improvement of bottom-line

performance" with the interests of the organisation prevailing over the individual (p. 69). In this way the contradictions identified at the abstract level in the normative model are mirrored at the empirical level.

Other studies are consistent with Truss et al.'s findings. Firstly that rhetoric is soft and reality hard and secondly that even when soft HRM variables appear to be adopted, they seem to be within the limitations of a hard framework. Delbridge and Turnbull (1994) quote a study by Sewell and Wilkinson who contrasted the rhetoric of mutual commitment and trust espoused by HRM with the actual work experience in an excellent Japanese company in the UK where workers are subject to the closest scrutiny. Despite the rhetoric of empowerment, Japanese style HRM appears more closely aligned with hard versions of HRM and involves the intensification of the work process and a diminution of worker autonomy and employee influence through close surveillance. Noon (1994, p.28) proposes that whilst HRM uses a language of individual self fulfilment and self creation, it sets boundaries to both, striving for a post modern interpretation of human nature, that is "lived experiences through meanings constructed by others".

Similarly, Ryan and Macky (1998) suggest that it is ironic that companies instituting programs to nurture employee commitment are often the same as those adopting downsizing and delayering as a way of life. Legge (1995) proposes that HRM uses rhetoric to obfuscate mass redundancies. Downsizing is described as out placing, rightsizing, manpower transfer, headcount reduction, workforce re-profiling and put forward as a positive. However, for survivors, downsizing may mean changed tasks and responsibilities, longer working hours, more stress, feelings of guilt and anxiety, an intensification of work and a pronounced sense of job insecurity in the internal labour market. This results in reductions in employee morale, trust, productivity and commitment. Whilst there is evidence that the hidden costs of downsizing negate any productivity gains, it appears that downsizing is a 'strategy of choice' in American organisations in the 1990s. Ryan and Macky (1998) speculate that the motive is to increase the numerical flexibility of the workforce, a hard HRM strategy, as opposed to using functional flexibility through training and development, which is more aligned with a soft HRM strategy. Vaughan (1994) concurs suggesting that all changes do not reflect the need to rationalise operations and reduce labour costs in an economic recession. They have been occurring over a longer period and have been

associated with a strategy to increase the flexibility of the labour market as much as with pressures to down size in response to falling demand.

Surveys indicate that industry regards the function of HRM as important and may reflect what managers feel they ought to do if they had the time and resources (Guest, 1990). This is consistent with Purcell and Gray (1986) who found that policy is often more rational and optimistic than practice and Thurley and Wood (1983) who suggest that where espoused policy and operational policy are different, line management will follow the operational policy.

We find then, like Argyris (1990, p.10) in his research on organisational defensive routines, "that managements, at all levels, in many organisations, create, by their own choice, a world that is contrary to what they say they prefer and contrary to the managerial stewardship they espouse"

Rhetoric disguises an unpleasant reality and increases management power

Vaughan(1994) suggests sceptical or cynical reactions to HRM are to be expected if assurances have little effect on what is actually practiced. There is a serious threat to credibility and reputation of HRM when rhetoric is contrasted with the changes that have actually been occurring in organisations with a heavy cost on employees. If HRM were to adopt hard HRM rhetoric they would not have a credibility problem. This section is devoted to examining why HRM might use soft HRM rhetoric when they practice hard HRM reality.

Guest (1990. p. 393) remarks on the close similarity between the values of HRM and the American Dream that portrays America as a land of freedom and opportunity. He suggests that HRM presents the benevolent face of American management; and its practitioner is the James Stewart of the new industrial frontier. Legge (1995, p. 87 & 393) when discussing the decline of the union movement in the US, suggests the marrying together of the soft HRM model with the American Dream has "converted 'legends' of HRM practice that serve to reinforce an ideal into myths that serve to obscure the less than pleasant reality". This is like the myths of the cowboy and the wild west, which served to obscure the reality of the massacre of the Native Americans.

Guest (1990) proposes that the main impact of HRM in the US may have been to provide a smokescreen behind which management can introduce non-unionism or obtain significant concessions from trade unions. Similarly Keenoy & Anthony (1994) propose that far from indicating a new era of humane, people-oriented employment management, the primary purpose of the rhetoric of HRM might be to provide a legitimate managerial ideology to facilitate an intensification of work and an increase in the commodification of labour.

HRM has acted to obscure many of the core issues surrounding the question of control. Blyton & Turnbull (1994) suggest that the vocabulary and practice of HRM may be viewed as an attempt to relegitimate managerial authority, redefine worker rights and redraw the frontier of control through a language of individualism, reciprocity and shared commitment.

An environment of neo liberalism facilitated these changes. The government's desire to allow market forces to reign supreme has increased management power and reduced employee protection (Blyton & Turnbull, 1994).

Soft and hard HRM rhetoric are espoused simultaneously

In embracing HRM, managers may have to relinquish any claim to being the guardians of "humane" human resource management. People will only come first when it is economically advantageous to pursue such a strategy (Keenoy, 1990).

Keenoy (1990) suggests HRM are "managers of discontent". As regulators of the employment relationship the role of HRM has frequently been seen as a one of managing the inherent tension and conflict between the imperatives of the market, the organisational demands for control of employees and the individual needs of people in work. Vaughan (1994) purports that HRM is as driven by the contradictions of controlling workers whilst generating consent.

HRM has been closely involved in implementing these decisions on change and must explain how the decisions they have implemented are consistent with their assurance of management's greater commitment and loyalty to employees. This means HRM is unable to disassociate itself from negative workforce changes and it is reluctant to give up the romantic rhetoric that makes HRM attractive. Consequently, HRM has sought to re establish its credibility by substituting the conflict between HRM rhetoric

and external reality with internal conflict between two opposing rhetorics, romanticism, reminiscent of soft HRM and rationalism, reminiscent of hard HRM (Vaughan, 1994).

Legge (1995) explains that there is not one language of HRM, but two, "soft" HRM and "hard" HRM. These are reconciled through the language of 'tough love', which seeks to coopt the assent of both those who may suffer as well as those who may benefit from its effects. Consequently downsizing is described as a strategy that sacrifices a few to save the majority and employability disguises a loss of employment security. Argyris and Kaplan (1994) suggest mixed messages such as this are a dysfunctional defensive routine used to protect from embarrassment and inhibit the discussion of the underlying causes of embarrassment. They also protect individuals from feeling responsible for the consequences. This behaviour controls others, avoids confrontation and maximises safety. However, they also lead to ineffective decision and policy making.

In conclusion, there is evidence to indicate that there is a gap between rhetoric and reality in workforce management. Research has shown that HRM rhetoric is generally soft and reality predominantly hard. Even when implementation appears soft, such initiatives are often constrained by a hard framework. Consequently we see that Total Quality Management whilst espousing empowerment delivers increased management control and job related training can increase without considering the development needs of employees required by the concept of 'employability' which has replaced organisational career paths. These dilemmas mirror the contradictions with normative HRM itself, which is unable to deliver its dual promise of maximising the contribution of human resources to achieve business strategy.

In this environment the function of HRM must obviously struggle with its role as its credibility diminishes. Its pragmatic use of a combination of hard and soft rhetoric has been a useful, if short term, solution. Such rhetoric may render the gap between rhetoric and reality opaque for a while, so that employees and even HRM practitioners themselves live in a virtual reality. However, as this gap becomes exposed by academic commentators and others, there is speculation on the Machiavellian agendas of management as power shifts to management at the obvious expense of workers. Ironically, we find that not only do organisations fall far short of their rhetoric but that

this rhetoric undermines itself by creating an environment of cynicism and distrust that must surely undermine employee commitment.

Further research must expose this gap and gather evidence on its nature and application. Only then can organisations clearly review the effectiveness of their human resource strategies, human resource functions identify their role, and workers turn hushed murmuring of discontent into a working through of pluralist needs within the current enterprise bargaining environment.

This research proposes a rare review of rhetoric and reality in Australian organisations. Studies examining the dichotomy of soft and hard models within HRM have generally focussed on case study research in a limited number of organisations in Britain or the US. This study proposes to examine the nature of the gap between rhetoric and reality using the conceptual framework of hard and soft HRM. Annual reports are used to examine organisational rhetoric and existing surveys will illuminate organisation reality in Australia. Based on the findings of previous research it is proposed that rhetoric will align more with soft HRM and reality will align more with hard HRM. This study also operationalises the concepts of Soft and Hard HRM so that the relationships between them and the hypotheses developed can be tested.

Method

This study identified the rhetoric of Australian organisations through an analysis of annual reports of organisations on the Australian Stock Exchange. Organisational reality was assessed through a review of recent Australian Workforce Surveys. This meant a review of workplace practices through collating employee and management perceptions of their workplace practices. The results of these two analyses were subsequently combined to explore the gap between rhetoric and reality.

The following table defines the constructs used in this research to study hard and soft models of HRM and rhetoric and reality.

Definition of constructs used in research

| Constructs | Variables | Definitions from Literature |
|------------|--------------------------------|--|
| Rhetoric | Espoused theory | The values, beliefs, and attitudes individuals express when questioned (Argyris & Kaplan, 1994) |
| Reality | Theory in use | The rules that individuals actually follow when they design and implement their actions questioned (Argyris & Kaplan, 1994) |
| Soft HRM | Developmental Humanism | Whilst emphasising the importance of integrating HR policies with business objectives, the focus is on treating employees as valued assets and a source of competitive advantage through their commitment, adaptability and high quality skill and performance. Employees are proactive rather than passive inputs in to productive processes, capable of development, worthy of trust and collaboration which is achieved through participation. The stress is on generating commitment via communication, motivation and leadership. The focus is on the "human" in HRM (Legge, 1995). |
| Hard HRM | Utilitarian Instrumentalism | Stresses HRM's focus on the crucial importance of the close integration of human resource policies, systems and activities with business strategy. From this perspective human resources are largely a factor of production, an expense of doing business rather than the only resource capable of turning inanimate factors of production in to wealth. Human Resources are viewed as passive, to be provided and deployed as numbers and skills at the right price, rather than the source of creative energy. The focus is on the "resource" in HRM (Legge, 1995). |

Truss et al. (1997) examined the following factors to determine whether organisations were using soft or hard models of HRM.

1. training received by employees and employee's perception of training and promotion opportunities (soft)
2. communication and trust between management and staff (soft)
3. integration of HR and business strategy including performance management techniques such as appraisal (hard)
4. control over setting work targets (hard)
5. organisational flexibility (hard)

Building on Argyris' and Legge's definitions and Truss and others' work, the following table shows how the variables defining soft and hard HRM were operationalised to analyse espoused theory in the annual reports and theory in use through the Australian workforce surveys. The focus was on direct references in annual reports which describe the espoused theory of organisations and actions or behaviours in the survey, which imply the theory in use.

Operational measures used to analyse annual reports and workforce surveys

| | Soft HRM | Hard HRM |
|-------------------|--|---|
| Annual Reports | <p>Direct references to values of and practices to encourage:</p> <ul style="list-style-type: none"> ✍ Employees as valued “<u>human</u>” assets and a source of competitive advantage ✍ Employee involvement, participation and communication to derive commitment ✍ Training and Development to meet the needs of the individual and the organisation | <p>Direct references to values of and practices to encourage:</p> <ul style="list-style-type: none"> ✍ Close integration of human “<u>resources</u>” with business strategy ✍ Employees as a cost ✍ Employees as factors in the production process |
| Workforce Surveys | <p>Actions which promote:</p> <ul style="list-style-type: none"> ✍ Employees as valued “human” assets and a source of competitive advantage ✍ Employee involvement, participation and communication to derive commitment ✍ Training and Development to meet the needs of the individual and the organisation <p>View the employee as a valued “human”</p> | <p>Actions which promote:</p> <ul style="list-style-type: none"> ✍ Close integration of human “<u>resources</u>” with business strategy ✍ Employees as a cost ✍ Employees as factors in the production process |

The above table identifies two scales: hard and soft. During the content analysis organisations can be high, low or mixed on either scale. An overall judgement is made about the status of rhetoric and reality by examining whether organisations have a consistent status on both scales. Consequently, if an organisation is high on the hard scale and also low on the soft scale, it is viewed as having a hard overall rhetoric.

Annual Report Analysis

A population of 896 large (500+ employees), Australian organisations was identified through Business Who's Who. A 10% random sample was taken from this population. Of the 90 organisations in the sample only 17 organisations were registered with the Australian Stock Exchange, the remainder being listed (not public) organisations or having overseas ownership. An electronic version of these annual reports was obtained from the Australian Stock Exchange package for the year 1998.

A content analysis was applied to the annual reports to identify direct references made to the variables defining soft and hard HRM.

Survey Analysis

The following Australian Workforce Surveys were identified.

1. The 1995 Australian Workplace Industrial Relations Survey
2. Stress at Work: A Report on the ACTU 1997 National OHS Survey on Stress

In addition to this information, information based on Australian Bureau of Statistics survey data, was obtained from:

1. Australia at Work (ACIRRT 1999)
2. Future Labour Market Issues for Australia (EPAC, 1996)

Drawing on the definitions of soft and hard HRM (Legge,1995) and the variables used by Truss and others (1997), this study clusters survey items into research variables in the following table.

The relationship between workforce survey content and research variables.

| Variable | Workforce Survey Items | Rationale |
|--|--|---|
| Soft HRM - Developmental Humanism | | |
| Employees as valued "human" assets and a source of competitive advantage | OHS EEO Work and Family | Indicate focus of organisation on "human" - the total person with a family, gender and need for psychological health. |
| Employee involvement, participation and communication to derive commitment | Worker Autonomy Employee Involvement Decision Making Communication Strategies Grievance Procedures Organisational Change Share Ownership | Initiatives to elicit employee involvement, participation and communication to derive commitment. |
| Training and Development to meet the needs of the individual | Training | Exact match |

| | | |
|---|---|--|
| and the organisation | | |
| Hard HRM - Utilitarian Instrumentalism | | |
| Close integration of human “resources” with business strategy | Casuals and non employees Downsizing | Indicators that employees are treated as a resource. An input that can be discarded in line with business cycles. It has been suggested that numerical flexibility undermines employee commitment (Blyton & Turnbull, 1994). |
| Employees as a cost | Working Hours Work Intensification | When employees are regarded as a cost and increase in working hours or output minimises the cost |
| Employees as factors in the production process | Performance related pay Performance management | When employees are factors in the production process they are managed as for any other input in the production process. The employee output "performance" is managed. The employment relationship is based on economic exchange. It has been suggested that performance related pay and individual reward systems undermine employee commitment (Blyton & Turnbull, 1994). |
| Employee Relations Indicators | Workplace Relationship Industrial Action Turnover Satisfaction Stress Productivity | Employee Relations Indicators have been included to assess the current status of employee relations. |

A comparison was made between the Annual Report Analysis and Australian Workforce Survey Analysis to use the concepts of soft and hard HRM to review the gap between rhetoric and reality.

Methodology Limitations

The Annual Report analysis is based on population of Australian organisations with 500+ employees (890 organisations from Business Who's Who). Whilst a 10% random sample of 90 organisations was taken, the annual report analysis could only use organisations listed on the Australian Stock Exchange (17 organisations) because Australian data was required.

This Annual Report analysis was compared to existing workforce surveys. These surveys were based on all size workplaces, not always an organisational unit, in Australia. In addition to this, survey responses were obtained from individual employees and managers, although a distinction could be made between the two. The unit of analysis was not always the same at this level of analysis. However, the data from both data sources was aggregated to create a societal level analysis.

The time frame for the annual reports was 1998, whilst the surveys spanned 1990 to 1997, with a heavy reliance on the Australian Workplace Industrial Relations Survey (AWIRS 1995) conducted in 1995. A single period of time was used for the annual reports whilst trends over time often formed the analysis of surveys.

It should also be noted that the AWIRS 1995 did not encapsulate the introduction of the 1996 Workplace Relations Act, consequently inferences made from this data exclude factors resulting from the introduction of this Act.

Despite these problems, a comparison between the annual reports and surveys was made to assess the rhetoric/reality gap as a precursor to further research. This research is important to initially test the propositions of academic writers in this area whose conclusions were drawn mainly from anecdotal, action and case study research outside of Australia.

Whilst a comparison has been made between rhetoric and reality, no conclusion can be made about the rhetoric and reality within any single organisation listed in this paper. The rhetoric was aggregated from data drawn from specific organisations but

the reality is an aggregate of many workplaces and organisations that cannot be individually identified. Consequently, it is not the intent of this paper to operate at the organisational level rather to draw conclusions at the societal level that will be subsequently explored at the organisational level in anticipated survey research intended to apply the findings of this study for specific organisations.

Results

Annual Report Analysis

In the Annual Report analysis references made to variables were direct and did not need translation as with the workplace surveys. Where interpretations were made these have been mentioned.

In the results table a "yes" means that direct reference was made to the variable and a "no" that no direct reference was made. No indication of organisational practice has been made, this information was not available to the researcher. Consequently organisations may have practices reflecting any of the variables and have chosen not to espouse these in their annual reports. Similarly, organisations may espouse information on these variables in other written or oral communications but this information was not included in this research. Consequently the "yes" responses are much more important than the "no", as more assumptions can be made from what was said rather than what was not said. The clear audience for Annual Reports is the shareholder and it is likely that organisations would have been influenced by the needs and desires of this specific group, communications with other groups may be different. The core variable in this research is shown in the first column. The mention of employees as valued human assets and a source of competitive advantage is critical to defining organisations as "soft rhetoric" organisations.

Organisations made direct references to the variables based on the table on the following page.

Direct references to hard and soft variables made in Annual Reports

| Organisation | Soft HRM | | | Hard HRM | | |
|--------------------|--|--|---|---|---------------------|--|
| | Employees as valued human assets and a source of competitive advantage | Employee involvement, participation and communication to derive commitment | Training and Development to meet the needs of the individual and the organisation | Close integration of human resources with business strategy | Employees as a cost | Employees as factors in the production process |
| AV Jennings | Yes | Yes | Yes | No | No | No |
| Aristocrat | Yes | No | Yes | Yes | No | No |
| Boral | Yes | No | Yes | Yes | No | Yes |
| BHP | Yes | Yes | Yes | Yes | No | No |
| Brazin | Yes | No | No | No | No | No |
| Cadbury Schweppes | Yes | Yes | Yes | Yes | No | No |
| Clough Engineering | Yes | No | Yes | No | No | No |
| Colonial | Yes | No | No | No | No | No |
| Crown Ltd | Yes | Yes | No | Yes | No | No |
| CSR | No | No | No | Yes | Yes | Yes |
| Email Ltd. | No | No | No | No | Yes | Yes |
| Finemore | Yes | Yes | Yes | Yes | No | Yes |
| IAMA Ltd. | Yes | Yes | No | No | No | Yes |
| Stockland | Yes | No | No | No | No | No |
| Ticor | No | No | No | No | No | No |
| Westfarmers | Yes | Yes | No | No | No | Yes |
| Westfield | Yes | No | No | Yes | No | No |
| Assessment | Soft | Mixed | Mixed | Mixed | Soft | Mixed |

Employees are valued human assets and a source of competitive advantage

Most organisations in the sample made one or more direct references to their human resources as being valuable and a source of competitive advantage through their commitment, adaptability and high quality skills and performance. This is the defining variable for hard or soft rhetoric. The remaining variables are useful to confirm the rhetoric as hard or soft. Based on the results of this we can say that organisational rhetoric for the sample is soft based on the variable with the greatest weighting which is a definitive statement about the organisations attitude to people.

The essence of this variable is encapsulated in the archetypal statement below:

"The real strength of the organisation is its energetic, experienced and qualified staff who give such dedicated service to the Company. The staff are our most valuable asset and listing has allowed us to reward them more appropriately. My sincere thanks to all of them. They are the people who have made the Company's success possible and are the key to its continued prosperity in the future" (Clough Engineering)

Employee involvement, participation and communication to derive commitment

Truss and her colleagues (1997) focussed on the soft versions' assumption that commitment will be generated if employees are allowed to work autonomously and have control over their work and that individuals are worthy of trust and discretion. The soft model also suggests extensive use of communication with employees as a mechanism to maximise commitment. Consequently this variable has been operationalised by looking for any references made to employee involvement, autonomy, decision making and communication. Share ownership was also included as it is an initiative to involve employees in the business.

Many organisations referred to strategies that elicited commitment from workers. References were made to the empowerment of employees via decision making devolvement, however, particular reference was made to share scheme participation. The extract below illustrates a direct reference made to this variable.

"Employees are encouraged to develop their contribution to the business both in the context of their particular job roles and wherever they work. In many

areas ongoing programs, focusing on quality and customer service, provide an opportunity for all employees to be involved in making improvements. Financial participation is further encouraged through a variety of share schemes that provide employees with a direct stake in the growth and prosperity of the business. In addition the Group communicates with its employees about its activities through a variety of channels" (Cadbury Schweppes).

However, as found in the study by Truss et al., whilst at a rhetorical level, many organisations embrace the tenets of the soft version of HRM, they have the dual aim of improved competitive advantage. This is illustrated in the extract above by the explicit reference made to "contribution to the business".

Training and Development to meet the needs of the individual and the organisation

The soft perspective implies that individuals are viewed as a resource worthy of training and development whereas the hard perspective implies that individuals are a cost to be minimised. Therefore it is expected that minimal training would take place within organisations adopting a hard perspective with greater emphasis on training under soft HRM (Truss et al, 1997). However they also found that whilst there might be extensive training and development, individual development was not an explicit goal in its own right, as is suggested by the developmental-humanist stance of the soft model. The aim of much of the training was not the development of the individual as an end in itself but in ensuring that individuals had the skills necessary to carry out their jobs in such a way as to improve organisational performance. They found that there was a short term technical bias in the training programs and where there was a tension between individual aspirations and company needs, it was at the expense of the individual, as the hard model would suggest. They conclude that the primary purpose of training was to improve organisational performance. In addition to this, people were increasingly expected to manage their own careers, but their options were severely limited compared with a few years ago. Whilst this could be interpreted as the soft model's emphasis on individual empowerment, it is more likely that organisations are adopting a more instrumental approach by adopting the rhetoric of

soft HRM in circumstances that do not permit its use, given it is accompanied by a curtailing of career opportunities.

The following statements compare the soft and hard HRM perspectives on training.

Soft Training Statement

"The Group's ability to sustain a competitive advantage over the long term will depend in large part on the continuous development of the Group's employees. For this reason the Group is committed to providing an environment which values continuous learning and which provides learning and development opportunities both within business units and across the group" (Cadbury Schweppes)

Hard Training Statement

"Our people must have the skills and knowledge needed to provide better results for CSR" (CSR)

Close Integration of human resources with business strategy

Truss and her colleagues (1997) only looked at one hard variable, suggesting that linking people management to business objectives is indicative of the hard model. They found no evidence of integrative linkage between business and HR strategies. In this Annual Report analysis there were frequent references made to HR policies and practices being linked to business needs but few mentioned conscious HRM/Business strategy links.

The following is an example of one such strategy of integrative linkage.

"The Finmore's 2000 program was implemented last year to direct our drive towards becoming the best in all we do. It focuses on seven key areas in which we must work as a team in order to achieve this goal. These are: shareholder return, information technology, customer service, leadership and teamwork, staff development and responsibility, waste elimination and community responsibility".

Employees as a cost

This study looked for instances where employees were treated as a cost in their study. This variable has been operationalised from the hard HRM definition by looking for any references made to employees as a cost or the need to increase output or minimise cost through changing employment arrangements. Truss and her colleagues (1997) did not include this variable in their study. The quotation below shows an emphasis on the quantitative, calculative and business-strategic aspects of managing the "headcount" as used in human asset accounting (Storey, 1987).

"Productivity and efficiency improvements were emphasised in these agreements in return for industry competitive wage and salary increases" (Email).

Employees as factors in the production process

As with the previous variable, this variable has been operationalised by examining the definition. This study looked for any references made to performance pay and performance management and indicators that the employment relationship may be based on economic exchange.

This is consistent with and extends the framework used by Truss and her colleagues (1997) who worked with the hard model's emphasis on strategic direction and integration, including performance management techniques such as appraisal. Linking people management to business objectives is indicative of the hard model

As opposed to the self-control advocated by the commitment strategy, the hard model assumes external control over workers. Only two organisations made direct reference to control strategies and these were usually through payment for results, although all organisations appeared to favour a pay for performance approach.

Below is a statement from a hard rhetoric organisation that linked performance management to business objectives through performance management.

"We must create in CSR a strong performance way of doing things..the drive on costs and doing things better will be unremitting..fewer people working more effectively...we aim to motivate people better by directly linking their rewards to achieving results... a larger part of employee's total pay will reflect their contribution towards CSR's business goals" (CSR)

The next statement illustrates a relationship based on economic exchange indicative of the hard model of HRM.

"Productivity and efficiency improvements were emphasised in these agreements in return for industry competitive wage and salary increases" (Email).

In summary, organisations mainly espoused that employees were valued human assets and a source of competitive advantage (soft rhetoric organisations). Soft rhetoric organisations were unlikely to refer to employees as a cost, which would be in contradiction to the former statement. There was only one organisation that maintained a consistently "soft" rhetoric throughout all the variables.

The remaining results were mixed and there appears to be no pattern between the results. Organisations did not always espouse policies and practices that treated employees as valued assets ie. communication, participation, involvement. Whilst many organisations mentioned training and development, this training and development was sometimes exclusively about meeting the organisations needs. Some organisations referred to the close integration of human resources with business strategy and others that employees were factors in the production process mainly through a focus on performance and performance pay. Organisations who did not espouse employees as valued human assets and a source of competitive advantage (hard rhetoric organisations) tended to be hard on all other variables and were consequently more consistent in their rhetoric than soft rhetoric organisations.

Workforce Survey Analysis

The following table describes the surveys used in this analysis. The results of these surveys were combined to develop an overall view of reality.

Surveys used in Analysis

| Survey | Author | Year of research | Subjects |
|---|---|---|--|
| Changes at work (1995) | Morehead, Steele, Alexander, Stephen & Duffin (1995) (AWIRS, 1995) | 1995 Looking at survey data for 1995 and trends since previous survey conducted in 1990. | Managers and employees of workplaces 20+ employees. Focus is mainly on trends between the two surveys or snapshots in time 4 years apart |
| Stress at Work: A report on the ACTU 1997 National OHS Survey on Stress | ACTU OH&S Unit (1997) (ACTU, 1997) | 1997 | Union members. Most sectors. Survey questionnaire was distributed to national secretaries and OHS officers of unions affiliated to the ACTU and a request for organisers and delegates to circulate it in workplaces. |
| Future labour market issues for Australia. Commission paper no. 12 | Economic Planning and Advisory Commission (1996) (EPAC, 1996) | Data up to 1996 | Collection of statistics - mainly from ABS. |
| Australia at work | ACIRRT (1999) | Data up to 1999 | Collection of statistics |

Evidence collected from the surveys above is reported in the next section under soft and hard HRM variables.

Soft HRM - Developmental Humanism

Employees as valued "human " assets and a source of competitive advantage

OH&S

There was an increase in written OH&S policies from 71% (1990) to 82% (1995). Stress was a commonly reported illness but employees suffering from it took fewer than the average number of days off and were unlikely to have received workers compensation (AWIRS, 1995)

EEO

In 1994 67% of workplaces covering 82% of employees had written policies on Equal Employment Opportunity or Affirmative Action. This had increased from 58% in 1990. 63% of workplaces said they had a formal grievance procedure that covered complaints about racial and sexual harassment (AWIRS, 1995).

Work and Family

29% of workplaces had specific family or carers leave. Managers said employees generally took annual, unpaid or long service leave to care for their families. This is consistent with reports from employees who said they were using sick leave (43%) or paid holiday leave (43%). Only 4% said they couldn't take any leave for this purpose. 34% of workplaces had paid maternity leave and paternity leave was available in 18% of workplaces. Most employees could use a phone at work for family reasons (76%) and were satisfied (83%) with this (AWIRS, 1995).

Only 10% of workplace agreements had a family friendly provision such as a referral service, career break or child care at workplace (ACCIRT,1999).

Satisfaction with the balance between family and work life had reduced by 27% (AWIRS, 1995).

Employee involvement, participation and communication to derive commitment

Worker Autonomy

Workplace autonomy had only improved slightly despite a range of employee involvement initiatives (AWIRS, 1995).

Employee Involvement

There has been an increase in employee involvement schemes. These have mainly been introduced at the initiative of workplace management. The major reason for this introduction was to improve workplace productivity and they have mainly been set up to deal with work organisation. Management believes these schemes have delivered productivity improvements (AWIRS, 1995)

Decision Making

Restructuring often occurs without consultation with employees and adds to feelings of distrust and insecurity (ACTU, 1997). Managers beyond the workplace tended to make the decision about workplace change in 50% of workplaces. The involvement of employees likely to be affected by the change was minimal. Only 2% made the decision, 18% had significant input, 29% were consulted, 41% were informed and 10% were not informed (AWIRS, 1995).

Communication Strategies

The most common communication mechanism was the daily walk around and regular, formal meetings between managers, supervisors and employees. The type of information communicated was mainly about workplace performance, product or service quality, customer satisfaction and OH&S (AWIRS, 1995). However, poor management and communication was ranked amongst the three most stressful conditions at work. Management practices were deemed authoritarian, uncaring and incompetent (ACTU, 1997)

Grievance Procedures

Since 1990 there has been an increased emphasis on establishing formal grievance handling procedures in many industries. An increase from 49% in 1990 to 71% in

1995. The prime reasons for introducing written grievance procedures was award requirements (AWIRS, 1995).

Organisational Change

Change has been extensive, 81% reported the workplace had at least one organisational change in the two years prior to the survey (AWIRS, 1995)

The most significant change reported by GMs in the two years prior to the survey was major reorganisation of the workplace structure (51%), introduction of new office technology (47%) and major changes to how non-managerial employees do their work (43%) (AWIRS, 1995)

The main reason for introducing organisational change, that had the most significant effect on employees, was to improve productivity and efficiency (53%) followed by reduce costs (24%) and improve customer service (24%) and product/service quality (24%) (AWIRS, 1995).

The change that had the most significant impact on employees was reorganisation of the workplace structure (40%) and change to how non-managerial employees did their work (24%) (AWIRS, 1995).

The second top rated condition affecting the workplace in the ACTU survey was organisational change and restructuring (68.2%) (ACTU 1997).

72% of managers were mainly in favour of reorganising the workplace structure but employees in only 48% of workplaces were in favour with employees in 31% workplaces being strongly resistant.

75% managers were in favour of making changes to the work of non managerial employees but employees were resistant in 28% of workplaces and in favour in 55% of workplaces.

After the changes had been made 25% of employees thought they were worse off, 32% better off and 44% the same.

If employees affected were informed they were less resistant to the change. If informed 22% resistant and 61% in favour. If not informed 35% were resistant and 46% in favour (AWIRS, 1995).

Share Ownership

Share ownership schemes increased from 16% to 20% in the survey period (AWIRS, 1995).

Training and Development to meet the needs of the individual and the organisation

Training for all occupations had increased in 1994 as opposed to 1990 and more employees were satisfied than dissatisfied with job-related training.

The main reasons reported by employers for formally training their employees was to improve employee's work performance (80%) (AWIRS, 1995).

Hard HRM - Utilitarian Instrumentalism

Close integration of human "resources" with business strategy

Casuals and Non employees

Casual employees had increased over the survey period (from 14% to 17% of the workforce). They were present in 70% of workplaces (up from 64% in 1990).

Non employees (outworkers, contractors, agency workers and volunteers) had also increased by nearly 40% (from 4.7% to 6.5%) (AWIRS, 1995).

The EPAC (1996) found increasing casualisation jumping from under 10% in 1984 to 20% in 1997. Of all new jobs created over this period 60% were casual. Australia outstripped all other OECD countries except Spain in use of temporary employment.

Casuals miss out on training and consultation about workplace change and a chance to have a fair say. However, they are more content than the non casuals (EPAC, 1996)

Part-time work has grown from 11% in 1970 to 25% in 1995, Self employment grew from 9% to 13% over the same period (EPAC, 1996)

Traditionally job insecurity has been tied to business cycles but in the 1980's and 1990's it was associated with de-industrialisation and organisational restructuring. It

appears that organisations took advantage of down turns to implement their strategies for change and improve their numerical flexibility (EPAC, 1996).

AWIRS data found that the most popular forms of change are reorganisation of the workplace structure and changes to the work performed by non managerial employees (AWIRS, 1995)

Downsizing

In 1994, 27% of workplaces intentionally reduced their workforce. The main reason for this was restructuring. In 1990, 60% of managers reduced the workforce through natural attrition, by 1995 this had fallen to 51% and more proactive measures such as redundancy had risen. Compulsory redundancies rose from 30% to 37% and voluntary redundancies rose from 19% to 37% (AWIRS, 1995).

In the 12 years between 1986 and 1997, 3.3 million full-time workers were retrenched, of these, 2 million were blue-collar male jobs. Between 1990 and 1995 55,000 jobs were lost in just 20 large corporations, who cut between 17 and 82% of their workforce (ACIRRT, 1999). Blue Collar workers have born the brunt of economic restructuring, whilst white collar workers have fared worse since the recession.

44% of organisations had delayed between 1995 and 1997 (Littler et al, 1997). Major job losses have been most severe in manufacturing. Even though the labour force grew by 17%, the manufacturing workforce declined by 6%.

30% of respondents to the ACTU survey on stress suggested that improving staffing and resources would be an answer to stress at work (ACTU, 1997)

Littler et al (1998) suggests that the objectives related to downsizing and organisational restructuring were contradictory with costs of downsizing which minimised productivity gains from workforce reform.

Workplaces which had experienced job losses were 1.5 times more likely to have employees feeling insecure and those with change in the last 12months were 1.3 times more so. Workers who felt they had been given a fair chance to have a say about changes in their workplaces were less insecure about their jobs (Littler et al, 1997)

Employees as a cost

Working Hours

Average hours have gone up from 40 hrs in 1978 to 44 hours in 1995. In 1978 22% of employed person worked over 40 hours, whilst in 1995 31% worked 40+ hours (EPAC, 1996).

Standard working hours are diminishing and very long hours (49+) are increasing. Half of all managers work very long hours, one quarter of professionals work very long hours (ACIRRT, 1999)

16% of employees would have preferred fewer hours and 31% felt they were not fairly paid (AWIRS, 1995) and 38% of respondents felt that long hours was a stressful condition in their workplace (ACTU, 1997)

Work Intensification

28% of employees had a high score on the work intensification index (AWIRS, 1995). 58% said their work effort was higher than it had been 12 months previously and 49% said stress had increased.

The ACTU survey (1997) confirmed this and found that the pace and stress at work had increased dramatically and increased workload was the top rated condition affecting the workplace (ACTU, 1997).

Employees as factors in the production process

Performance Related Pay

The incidence of performance related pay was unchanged between the survey periods. 33% of workplaces have it, it is more prevalent in the private sector than the public sector (41% to 12%) and less prevalent in non unionised workplaces.

Performance pay was mainly based on individual performance (79%) rather than group performance (23%) or organisational performance (15%).

Performance Management

68% of managers said KPIs were used at their workplace, however, those most likely to be involved in data collection were only involved in KPI design in approximately 35% of the time. 75% of managers said productivity was higher and only 5% said it was lower than two years ago (AWIRS, 1995). However the ACTU survey on stress found that 30% of respondents suggested that improving staffing and resources would be an answer to stress at work. 16% said lighter workloads and less performance monitoring would reduce stress (ACTU, 1997).

Employee Relations Indicators

Workplace Relationship

Most managers rated their relationship with their employees as good or very good (43 and 49%) with only 1% rating it as poor or very poor (AWIRS, 1995), however, the ACTU survey (1997) suggested that the relationship with managers is poor.

Industrial Action

Industrial disputation has fallen dramatically (industrial action in million person days lost was 2.4 days in 1970 and reduced to .5 days in 1995). Union membership has declined in all developed countries. In Australia union members as a % of employees was 50 in 1970 and 39 in 1995 (EPAC, 1996)

Turnover

Voluntary labour turnover rate was 19% in 1995, down from 29% in 1990. This can probably be explained by a weaker labour market, which peaked in the early 1990s at 12% dropping in 1995 to 8% (AWIRS, 1995). However, job insecurity has increased and closely tracked unemployment which has been around 8% since 1991 (7.2% in September, 1999) (EPAC, 1996).

Satisfaction

63% of employees were satisfied with their job overall and 59% felt that this was a good place to work, however, 30% agreed with the statement "I often think of leaving this job" and 28% were dissatisfied with the way management treated workers. Of the comments made during focus groups, 26% were negative about management which was the most commented on category (AWIRS, 1995).

Stress

The most stressful condition at work was increased workload (19.3% of respondents). Insufficient rest breaks were identified by 24% of respondents. Long hours were rated as stressful by 38% of respondents.

Organisational change and restructuring was the second most stressful condition (10.4%)

Respondents felt that better management (including more communication and consultation) would be a solution to stress (52.6%), more staff and resources (30%) and lighter work load and less performance monitoring (16.4%).

Some respondents felt that there should be less focus on a narrow economic view of productivity and management should value and support their staff more (ACTU, 1997)

This is consistent with a Hay Management Consultant survey (1998) that found that two thirds of their respondents believed that change was partially successful in assisting the organisation with competition. In addition to this, studies by Harvard, INSEAD and the London School of Business show that the high failure rate (70%) of change is attributable to lack of attention to people factors (Hay Management Consultants, 1998, p. 5).

Productivity

Australia's labour costs per hour worked are amongst the lowest in the OECD (position 16). Australia's productivity performance improve in the early 1990's and GDP per hour worked had increased from 100 in 1970 to 156 in 1995 (EPAC, 1996).

The following table summarises the data derived from the surveys indicating where the evidence points to the use of hard, soft or mixed HRM models on each variable.

Summary of Workforce Surveys

| Survey Item | Hard | Soft | Mixed | Evidence |
|--------------------------|------|------|-------|--|
| Soft HRM Items | | | | |
| OHS | | | ✓ | Whilst there was an increase in OH&S written policies, workplace stress was escalating but it was neglected by management. |
| EEO | | | ✓ | Whilst there was an increase in EEO written policies, career opportunities had declined and work hours and intensification for management in particular prohibit work and family balance. |
| Work & Family | ✓ | | | 29% of workplaces had specific family or carers leave, only 10% workplace agreements had a family friendly provision. Satisfaction with work/family balance had gone down. |
| Worker Autonomy | ✓ | | | Workplace Autonomy had only improved slightly despite a range of employee involvement initiatives. |
| Employee Involvement | | | ✓ | Whilst there had been an increase in employee involvement schemes, the major reason for their introduction was to improve workplace productivity and work organisation. Employees were not involved in changes that would directly affect them. |
| Decision Making | ✓ | | | Decision making in employee involvement schemes had been limited to workplace organisation and productivity improvements and employees were not involved in decisions about change that would affect them. |
| Communication Strategies | ✓ | | | Poor communication was ranked amongst the three most stressful conditions at work. Most communication was on workplace performance. |
| Grievance Procedures | | | ✓ | Whilst more grievance procedures were in place due to award requirements, employee's workplace conditions had declined. |
| Organisational Change | ✓ | | | Change was extensive and mainly introduced to improve productivity, efficiency and reduce costs. Changes with the most significant impact on employees often occurred without consultation. Approximately one third of employees were resistant to change. |
| Share Ownership | | ✓ | | Share participation schemes had increased. |
| Training | | | ✓ | Whilst training had increased, the main reason for training was to improve employee work performance rather than individual development. |
| Hard HRM Items | | | | |
| Casuals and non | ✓ | | | Casual employees and non employees had increased. Australia |

| | | | | |
|--------------------------------------|---|---|---|--|
| employees | | | | was a leader amongst OECD in use of temporary employment. |
| Downsizing | ✓ | | | Downsizing had increased and lack of staff was a major source of stress for surviving workers. |
| Working Hours | ✓ | | | Working hours had increased and employees were unhappy with the hours they worked and perceived it as a source of stress. |
| Work Intensification | ✓ | | | Work intensification was increasing and employee's believed the pace of work was stressful. |
| Performance Related Pay | ✓ | | | One third of work places had performance pay based on individual rather than team and organisational performance. |
| Performance Management | ✓ | | | Performance monitoring had increased. Many workplaces were using key performance indicators but those involved in data collections were not always involved in KPI design. |
| Workplace Relationship | | | ✓ | Whilst management believed their relationship with employees was good, employees believed management practices were poor. |
| Employee Relations Indicators | | | | |
| Industrial Action | | ✓ | | Industrial disputation had fallen dramatically and union membership had declined. |
| Turnover | | ✓ | | Voluntary labour turnover rate was down, however job insecurity was high. |
| Satisfaction | ✓ | | | Approximately one third of employees were dissatisfied with their job, treatment and work place. |
| Stress | ✓ | | | Stress was a commonly reported illness in the surveys but was hidden at work. |
| Productivity | ✓ | | | Productivity had improved and was a major management focus, however, the increase in productivity had been at the expense of working hours, work intensification and downsizing. |

In summary, an analysis of Australian workforce surveys indicates that reality is "hard". That is organisations are using an Instrumentalist Utilitarian model of workforce management with a focus on the close integration of human resources policies, systems and activities with business strategy. Specifically the following points support this proposition:-

- Organisations are focussed on productivity improvement, working hours are longer and work has been intensified. Workforce productivity has improved.
- The workforce is involved only in workplace productivity improvements, they are not involved in decisions about workplace change or performance

measurement. Communication strategies are also focussed on productivity improvements

- Organisations are focussed on numerical flexibility and restructuring. This has resulted in proactive downsizing activities as work is casualised and outsourced to non employees.
- Workers are stressed and dissatisfied but unable for environmental reasons to express this through turnover or industrial disputation
- Management in these surveys seemed to align their views with the soft rhetoric rather than the hard reality. In particular they rated the employment relationship in a way that was consistent with soft rhetoric, whilst employee ratings were consistent with hard reality.

There are contradictions within the survey data, which indicate that soft initiatives are implemented within a hard framework.

1. Whilst OH&S is a priority, workforce stress is escalating.
2. Whilst training is increasing it is focussed on productivity improvement.
3. Whilst there is an increased focus on employee involvement and communication the scope of these initiatives is limited to productivity improvement.

The gap between rhetoric (annual report analysis) and reality (workforce survey analysis)

The following table compares the results of the annual report analysis and workforce survey analysis against the variables for soft and hard HRM.

Summary of results for annual report and workforce survey analysis

| Variable | Analysis of Annual Reports RHETORIC | → | ← | Analysis of Workforce Surveys REALITY |
|---|--|---|---|---|
| Soft HRM | | | | |
| Employees as valued “human” assets and a source of competitive advantage | Nearly all organisations in the sample made a direct reference to human resources being valuable and a source of competitive advantage | S | M | Organisations had increased the policy work of OHS, EEO and work and family indicating that employees were viewed as "human". However employees are not satisfied with work/family balance and workplace stress is escalating. |
| Employee involvement, participation and communication to derive commitment | Many organisations referred to employee involvement, participation and communication. Particular reference was made to share scheme participation. Some references were qualified with a reference to the improvement of the bottom-line performance. | M | M | Employee Involvement Schemes have increased but are restricted to productivity improvements at the work place level.. Employees are not involved in communication or decision making on other issues such as workplace change and key performance indicators directly affecting them. |
| Training and Development to meet the needs of the individual and the organisation | Many organisations referred to training development. Some references indicated that training and development was provided "in those areas that will make a real difference to the companies performance" indicating the need to focus on the improvement of the bottom-line performance. | M | M | Training has increased but is restricted to areas that affect immediate productivity improvement. |
| Hard HRM | | | | |

| | | | | |
|---|--|---|---|---|
| Close integration of human “resources” with business strategy | Most organisations made reference to people policies being linked with organisational strategy. | M | H | Organisations are focussed on numerical flexibility and restructuring has resulted in proactive downsizing activities as work is casualised and outsourced to non employees. |
| Employees as a cost | Few organisations made direct references to employees as a cost | S | H | Organisations are focussed on productivity improvement, working hours are longer and work has been intensified. Workforce productivity has improved. |
| Employees as factors in the production process | Two organisations referred to employees as a factor in the production process stressing the need for productivity and efficiency improvements. | M | H | Performance monitoring has increased at the expense of employee dissatisfaction and stress. Performance pay is mainly based on individual rather than group or organisational performance. There is an increase in share ownership schemes. |
| Employee Relations | No indicators in Annual Reports | - | M | Satisfaction is down and from the employee's perspective the relationship with management is poor. Industrial action and Turnover are down but the weak labour market could be a factor. Productivity is up. |

Whilst the annual report analysis concluded that organisational rhetoric was "soft", the analysis of Australian workforce surveys indicates that reality is "hard" indicating a gap between rhetoric and reality in workforce management.

Conclusion

The results of this study support the main hypothesis that rhetoric would align most strongly with soft HRM and reality would align with hard HRM. This study found that organisational rhetoric is "soft" with a focus on treating employees as valued assets and a source of competitive advantage through their commitment, adaptability and high quality skill and performance. The "hard" model is not supported in the annual report rhetoric, employees are not consistently referred to as a factor of

production or an expense of doing business. This supports Storey and Sisson's (1990) assertion that most organisations have issued a statement of mission and declared commitment to direct communication with its most valued asset.

However, consistent with Truss et al's (1997) findings, no pure examples of soft HRM were found and even when the tenets of the soft version were embraced at the rhetorical level, the underlying principle was restricted to improving bottom line performance with the interests of the organisation prevailing over the individual. Whilst this study found that most organisations espoused that employees were valued human assets and a source of competitive advantage, these organisations did not always espouse policies and practices consistent with this. In particular, organisations were mixed on other soft variables, and indeed hard variables. Many did not espouse policies on employee involvement, participation, communication and training that met the needs of the individual and the organisation which would support the proposition of employees being valued assets. Some soft rhetoric organisations simultaneously espoused policies that closely integrated human resources with business strategies and factors in the production process, through performance related pay. This pattern was not repeated for the small number of hard rhetoric organisations who were consistently low on soft variables and high on hard variables and generated a more homogenous rhetoric. However, further research would be required to draw any conclusions from this.

Whilst an annual report analysis concluded that organisational rhetoric was "soft", an analysis of Australian workforce surveys indicates that reality is "hard". That is organisations are using an Instrumentalist Utilitarian model of workforce management. The model stresses HRM's focus on the close integration of human resources policies, systems and activities with business strategy. From this perspective the human resource is largely a factor of production and an expense of doing business and organisational practices are focussed on gaining control rather than eliciting commitment of workers. This study found that organisations are focussed on productivity improvement and to this end working hours are longer, work has been intensified and the casualisation of work has accelerated. Whilst this had resulted in productivity improvement, there is also escalated dissatisfaction and stress. This supports the proposition that HRM has facilitated the intensification of work and

commodification of labour that re asserts management authority (Blyton & Turnbull, 1994; Vaughan, 1994).

As with organisational rhetoric, reality is not consistently hard. There is some survey evidence that soft HRM variables are increasing, however, once again it is within the constraints of improvement in bottom line performance. Whilst training, employee involvement and communication is increasing it is always within the framework of productivity improvement.

Interestingly, management and employees in the surveys do not rate their relationship in the same way. Management tend to align their responses with the soft rhetoric and employees with the hard reality.

So like Thurley and Wood (1983) found in their research, policy is more rational and optimistic than practice. Clearly operational policy within organisations is based upon utilitarian instrumentalism. This may be the result of poor alignment of HRM with strategy or consistent with a hidden agenda to use organisational rhetoric to increase management control.

This supports Noon's (1994, p. 28) proposition that tensions are evident in the assumptions that underlay normative HRM and that normative HRM is founded on paradox. This evidence also gives efficacy to Legge's (1995, p. 40) proposal that it could be "the contradictions embedded in HRM that have facilitated the development of a rhetoric that may simultaneously render strategic action problematic".

Traditional Employee Relations indicators can give some insight in to the consequences of this rhetoric reality gap. Survey evidence indicates that satisfaction and stress have increased even though industrial relations and turnover have decreased which may be due to labour market issues. However, productivity has improved, whether this success is short term remains to be seen as we move in to an era of post industrial organisations that may require committed rather than compliant workers to deal with the challenges of globalisation.

Further research will be required to investigate the source of the rhetoric and reality gap and to examine the consequences of this gap for HRM and organisations.

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