DIPLOMA IN
HUMAN RESOURCE MANAGEMENT

COURSEBOOK

IQN International Qualifications Network

This page intentionally left blank

HUMAN RESOURCE MANAGEMENT

HRM COURSEBOOK

This page intentionally left blank

TABLE OF CONTENTS

CHAPTER I
THE PRACTICE OF HRM

It can be argued that people are an organisation's most important resource: after all, organisations are made up of people, and the way money, technology, information and other resources are used depends on human decisions. So it is generally recognised that the success of any business is greatly influenced by the calibre and attitude of the people who work for it.

It is therefore also commonly recognised that *someone* in every organisation will need to be responsible for the many matters that arise in connection with the recruitment, selection, training, motivation, payment and movement of staff through the organisation, as well as compliance with the various laws relating to employment. This is traditionally the role of the personnel function.

However, as the pace of social and technological change has quickened, there has been a growing recognition that thought must be given to managing the vital human resource at an earlier stage and at a higher level of organisational planning than has previously been the case. This has encouraged a longer-term, more proactive and strategic approach to people management, known as 'Human Resource Management' or HRM.

In this opening chapter, we are going to discuss the fundamental concepts surrounding the practice of HRM. First section will have the definition, characteristics and aims of HRM. The second section will elaborate different functions and roles that modern day HR practitioners have to perform. In third section, we will discuss selected 'models' used to understand the practice and scope of human resource functions. In the final section, we will introduce the concept of Strategic Human Resource Management (SHRM).

1   INTRODUCTION TO HRM

> **Human Resource Management (HRM)** may be seen as activities related to the management of people in organisational setup. HRM may be defined as: 'a strategic approach to managing employment relations which emphasises that leveraging people's capabilities is critical to achieving sustainable competitive advantage, this being achieved through a distinctive set of integrated employment policies, programmes and practices.' (Bratton & Gold, 2007)

As this definition suggests, the term HRM is often associated with both:

    (a) An orientation towards **personnel management**, viewing its role as proactive, system-wide interventions, linking HRM with strategic planning and cultural change; *and*

    (b) An orientation towards the **employment relationship**, embracing distinctive people-centred values such as trust, commitment, involvement and collaboration.

1.1   The development of the HRM concept

The term HRM has largely taken over that of 'personnel management'. Personnel management has its roots in four traditions: the welfare tradition, the industrial relations tradition, the control of labour tradition and the professional tradition. Welfare tradition was based on concern for improved working condition for workers. The industrial relations tradition arose in response to the growing power of trade unions through to the 1960s and '70s. The 'control of labour' tradition of personnel management arose in response to the increasing pace of organisational growth and change. Later, personnel management became recognised as a professional discipline in its own right, broadly applicable to all fields of employment.

The term Human Resource Management (HRM) gained recognition in the USA in early 1980s as a label for the way certain blue-chip companies such as IBM, Xerox and Hewlett Packard were managing their people. The terms and its implications were subsequently explored by UK writers including David Guest, Karen Legge and John Storey, in the late 1980s and early 1990s. Despite heated debate about the nature, impact and morality of HRM, the term has had widespread adoption in the last few dacades, and many of its underlying assumptions are now being incorporated into personnel management policy and practice.

1.2   Characteristics of HRM

The main features of HRM may be summed up as follows (Armstrong, 2009).

    (a) The attempt to achieve **strategic 'fit'** or integration between HR and business planning: HR policy should be formulated at the strategic level, and directly related to the

organisation's competitive and value-adding objectives. (This may be called '*vertical*' integration.)

(b) The development of coherent, mutually-supporting **HR policies and practices**: the strategic management of people will be reflected in all areas and systems of HRM. (This may be called '*horizontal*' integration.)

(c) An orientation towards **commitment**: securing employee identification with the organisation's goals and values, not mere compliance with directives. This is often associated with management practices such as flexibility, teambuilding, empowerment, involvement and the creation of strong cultural values.

(d) The **treatment of people as assets** rather than costs: regarding employees 'as a source of competitive advantage and as **human capital** to be invested in through the provision of learning and development opportunities'. This is often associated with a strong emphasis on the delivery of quality and customer satisfaction, and on rewarding performance, competence, contribution and added value.

(e) A **unitarist approach to employee relations,** which assumes that there need be no inherent conflict of interest between employers and employees. This is often reflected in a shift from collective/representative to more individual employee relations.

(f) The responsibility of **line management** for delivery of HRM objectives.

1.3   Goals of HRM

In his influential work, Guest (1989) defined the four key policy goals of HRM as follows.

(a) **Strategic integration** – 'the ability of organisations to integrate HRM issues into their strategic plans, to ensure that the various aspects of HRM cohere and for line managers to incorporate an HRM perspective into their decision-making.' This can be depicted as shown in Figure 1.1:

(b) **High commitment** – people must be managed in a way that ensures both their genuine 'behavioural' commitment to pursuing the goals of the organisation and their 'attitudinal' commitment, reflected in strong identification with the enterprise.

Flexibility – HRM policies must be structured to allow maximum flexibility for the organisation, so it can respond to ever-changing business needs: for example, by encouraging functional versatility in employees and by creating 'an adaptable organisational structure with the capacity to manage innovation'. The need for flexibility underpins three working practices: (a) increasing managerial ability to adapt the size and deployment of the workforce in line with changing demand and supply, (b) increasing scope for flexible working for individual employees and (c) raising the quality and/or quantity of workforce output.

(c) **High quality –** the notion of quality must run through everything the organisation does, 'including the management of employees and investment in high-quality employees, which in turn will bear directly on the quality of the goods and services provided.'
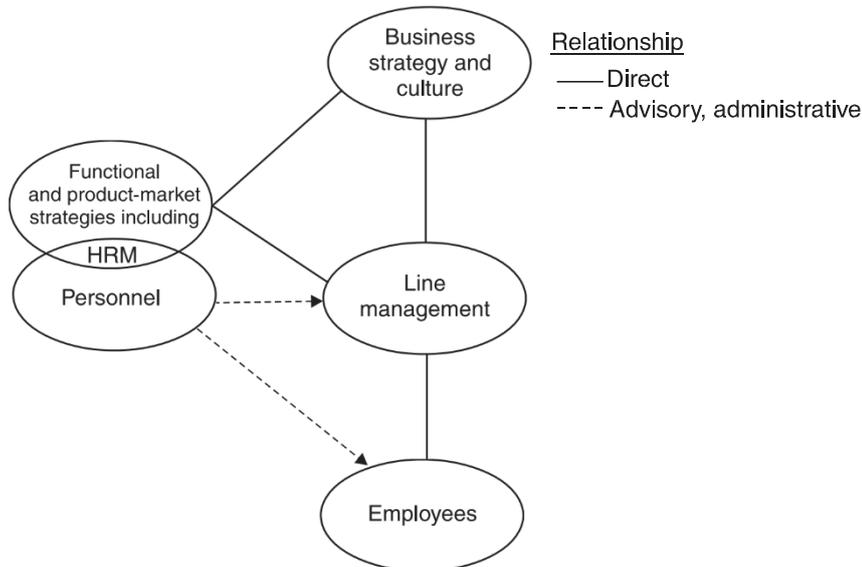
FIGURE 1.1 HRM: the strategic integration of personnel management

1.4   HRM and Personnel Management

The main conceptual difference between HRM and personnel management is, arguably, its focus on strategic integration.

Personnel Management was criticised for being reactive and defensive approach to people management. In contrast, HRM introduced many new management concepts such as equal opportunity. However, there are more similarities than differences between personnel management and HRM – and that HRM should perhaps been seen rather as a particular orientation to personnel management than as an alternative approach.

2 THE ROLE & STRUCTURE OF THE HRM FUNCTION

2.1 Operational tasks and activities

The range of tasks and activities commonly carried out by human resource practitioners include the following.

Organisation	❑ *Organisational design:* structuring the organisation, by grouping activities, assigning accountabilities and establishing communication and authority relationships
	❑ *Organisational development:* planning and implementing interventions in the organisation's social processes to improve effectiveness through techniques such as structural change, teambuilding, process consultancy, interpersonal skill development and role negotiation
	❑ *Job/role design and definition:* structuring the content and size of jobs (for efficient task performance, flexibility and worker satisfaction) and defining their component tasks, conditions and competency requirements (for recruitment, appraisal, reward and a number of other HR processes)
	❑ *Flexible working:* planning and implementing flexible structures and procedures to maximise the efficiency and adaptability of the organisation
People resourcing	❑ *Human resource planning:* forecasting the organisation's future resource requirements for labour, skills and competence, and to meet them through subsidiary plans for recruitment, deployment, resourcing development, retention and talent management.
	❑ *Recruitment:* Attracting employment applications from the number, type and calibre of people required by the HR plan
	❑ *Selection:* Assessing and selecting suitable employees from applicants
	❑ *Retention:* Planning rewards and incentives to control labour turnover and retain high quality staff
	❑ *Exit management:* managing the termination of contracts, retirements, resignations, dismissals and redundancies, in such a way as to comply with legal requirements and minimise human and financial costs
Performance management	❑ *Objective and competence requirement setting*: developing and agreeing frameworks of organisational, unit and individual goals to direct and motivate performance
	❑ *Performance monitoring and appraisal*: on-going monitoring and periodic assessment of performance within agreed requirements
	❑ *Discipline handling*: managing informal and formal processes to confront employee behaviour or performance which falls below organisational rules and standards
	❑ *Grievance handling:* managing informal and formal processes to address individual employee grievances or complaints
	❑ *Identifying learning and development needs*: as part of continuous improvement of performance
Reward Management	❑ *Pay systems*: developing and managing salary structures, systems and scales that are equitable, fair and compliant with equal pay legislation

	❑	*Performance pay systems*: developing and managing ways of relating pay progression or bonuses to results, attainments (eg competence or skill), effort and other measures of performance
	❑	*Benefit schemes*: developing and managing employee entitlements (eg pensions, maternity and sick pay, annual leave) and 'fringe' benefits (eg allowances and services)
	❑	*Non-financial rewards*: building non-monetary rewards (such as recognition, challenge, personal development) into job design and management style, as part of a 'total reward' package
Learning & Development	❑	*Learning organisation*: creating a culture and systems to support individual and organisational learning, information gathering and sharing and so on
	❑	*Education and training*: planning, implementing and evaluating on- and off-the-job learning opportunities and programmes to meet identified gaps in the skills required by the HR plan
	❑	*Personal development*: facilitating individual learning plans and opportunities, beyond the immediate job (eg for general employability)
	❑	*Career management*: identifying potential and planning career development opportunities; succession and promotion planning; guiding and mentoring individuals in career planning
	❑	*Managerial development*: providing education, training and opportunities to develop managerial competencies and support enhanced contribution
Health, safety and welfare	❑	*Occupational health and safety*: monitoring and managing work environments, practices and culture to ensure that employees are protected from health hazards and accidents; complying with relevant legislation; actively promoting health, fitness and 'worklife balance' to improve the well being and performance of staff
	❑	*Welfare services*: providing services such as catering or recreational facilities, individual counselling and support (eg for illness, forthcoming redundancy or retirement, personal health problems)
Employee relations	❑	*Industrial relations*: managing informal and formal relationships with employee representatives (trade unions and staff associations); collective bargaining on terms and conditions; resolving collective disputes; implementing consultative committees and partnership agreements
	❑	*Employee communication*: informing employees about matters relevant to their work or of interest or concern to them
	❑	Employee voice: creating consultation opportunities for employees to contribute to decision-making in matters affecting them and their work

HR services	❑ *HR policies and procedures*: developing and administering guidelines and systems for all the above, to guide line managers and employees
	❑ *HR information systems*: developing and operating integrated systems for preparation of employee record-keeping, management reporting, statistical reports and returns and so on
	❑ *Compliance*: ensuring that all HR policies and practices are compliant with relevant law, regulation and codes of practice (and ideally, best practice) in areas such as employment protection (including dealing with employment tribunals), health and safety, equal opportunity and diversity, data protection and so on.

2.2 HR processes

Another way of thinking about what HR practitioners do is to consider the various processes that are involved in performing the various activities and tasks listede.

A **process** is a sequence of activities (often crossing functional and organisational boundaries) involved in achieving goals, delivering services or adding value.

Armstrong (2009), identifies following broad set of processes underpinning HRM approach.

(a) **Strategic HRM** – 'defining intentions and plans for the development of HRM practices, and ensuring that HR strategies are integrated with the business strategy and one another'

(b) **Policy making** – formulating and implementing HR policies which set guidelines on how personnel issues should be handled

(c) **Competency, job and role analysis** – developing content and competency frameworks to support various activities such as organisation and job design, recruitment, appraisal, training and reward

(d) **Change management** – advising on and facilitating the process of change in organisational structures and systems

(e) **Knowledge management** – developing systems for obtaining and sharing knowledge, to foster organisational learning, innovation and performance.

2.3 Roles of HR management

HR practitioners may fulfil a range of roles, depending on the organisational context. Much of this work will be undertaken in partnership with line managers.

(a) **Guidance role** – offering specialist recommendations and policy frameworks to guide line management decisions: for example, in regard to emerging HR issues, and the consistent and effective implementation of HR procedures.

(b) **Advisory role** – offering specialist information and perspectives to line managers (and individual employees) on employment matters. Managers, for example, may be advised on training options, legislative provisions or how to handle specific people problems. Employees may be advised on their legal rights or development options, or counselled in relation to work or personal problems.

(c) **Service role** – providing services to a range of internal customers. This includes administrative services (in areas such as payroll administration, employee records, reports and returns) and delivery of HRM programmes (recruitment and selection, training, health and welfare and so on).

(d) **Control/auditing role** – analysing personnel indices (such as wage costs or labour turnover), monitoring performance, carrying out benchmarking or a local government review. This role has traditionally caused conflict with line managers, who felt they were being 'policed' – but line managers' discretion must be balanced with the need for consistency in applying HR policy, compliance with legal obligations, and ensuring that the strategic aims of HRM are being met.

(e) **Planning/organising role** – for example, in human resource forecasting and planning, developing flexible working methods and so on.

At a more strategic level of HRM, HR practitioners may also take on additional roles as:

(a) **Strategists**: helping to fulfil the business objectives of the organisation through strategic management of the human resource *and* influencing business planning by highlighting the human resource implications of objectives and strategies

(b) **Business partners**: sharing responsibility with senior and line management for the success of the enterprise, through the identification and exploitation of opportunities and the seeking of competitive advantage

(c) **Internal management consultants**: working alongside line managers in analysing business processes and systems, diagnosing and exploring problems, recommending solutions that the 'client' can own and implement, or implementing solutions and delivering services.

2.4 Shared responsibility for HRM

Centralisation and **decentralisation** refer to the degree to which the authority to make decisions is held centrally by a particular group of people *or* delegated and spread to a number of individuals and groups within the organisation.

Centralised control over human resource management generally implies the existence of an HR officer or department with authority over (or advisory input to) all personnel management tasks in the organisation.

De-centralised control over human resource management generally implies the delegation to line managers and team leaders of the authority for personnel management tasks affecting their own staff and activities.

In practice, there is a need for a mix of both, in order to gain the benefits of coordination and consistency as well as flair and flexibility.

As the role of the HR function has become more strategic/proactive, rather than welfare/administrative/reactive, the following areas have commonly been retained as the responsibility of a centralised HR function.

(a) **Strategic issues**, such as change management programmes and human resources planning, and all aspects of HR at the strategic level, including the formulating and communication of organisational policy. This ensures that the impact of human factors on strategic plans (and vice versa) is taken into account.

(b) **Organisation-wide** communication and employee relations management. Centralisation has the advantage both of special expertise and a wider organisational viewpoint.

(c) Provision of **specialist services** and **advice/consultancy**, where up-to-date specialist knowledge or input, or extra-departmental perspective, is required.

(d) **Researching and auditing** of HR systems. This helps to co-ordinate and control HR functions across the organisation, to ensure that line departments are complying with policy and that policies are effective and relevant to the needs of line departments.

Such centralised functions create a coherent and integrated framework of policies, plans, systems and rules, developed by HR specialists, which help to maintain consistent practice and minimise redundant problem-solving and 're-inventing the wheel' by line managers. Within such a framework, a number of aspects of personnel management could be devolved to line departments.

2.5   The role and responsibilities of line managers in human resource practices

Most commentators observe a trend toward greater **decentralisation** of personnel management roles, in line with 'slimmer' head office staffs, flatter management structures and the fostering of flexibility by giving greater autonomy to local business units.

The increase in the white-collar 'knowledge-based' workforce, with its mobility and higher expectations, has also supported a move toward individualism in career development, reward

negotiation and other areas, which may be more flexibly managed by line managers and team leaders than by centralised personnel departments.

Meanwhile, integrated business processes and HR information systems have facilitated HR decision-making, on a day-to-day basis, by line managers.

The responsibility of line managers for delivering HR outcomes is a distinctive feature of the HRM approach, but even in a traditional personnel management model, line managers would often have responsibility for activities immediately concerned with the manager-team relationship: team selection, interviewing, and time keeping management, performance appraisal, team motivation and so on.

2.6   A shared services approach

Shared services are support functions that are used by many different line departments or units in an organisation. A **shared service unit (SSU)** is a centralised, dedicated provider of such services to internal customers – on a quasi-'outsourced' basis. Functions such as HR (like procurement and IT) may be 'outsourced' by business units (such as regional divisions of a company) to the SSU, which:

(a) Employs its own dedicated resources,

(b) Is responsible for managing the costs/quality of its services (like any external service provider), and

(c) Is often bound by contractual agreements with its internal customers, to provide guaranteed or target levels of service (via service level agreements or consultancy contracts).

Advantages claimed for the SSU approach include:

(a) Consistency of practice and standards across the organisation

(b) Strengthening of core competences

(c) Significant cost savings (since there may be economies of scale and a reduction in the cost of back-office processes through centralisation eliminating duplication in individual units).

As with any form of centralisation, however, care must be taken to avoid the SSU's becoming isolated from end users and 'local' demands. Service level agreements must also be flexible enough to avoid the tendency to stifle innovation, initiative and above specified performance.

2.7   Outsourcing HR tasks

The need for organisational flexibility has supported the concept of the core organisation: focusing in-house resources and expertise on the distinctive value-adding and competitive advantage-

gaining competences and functions of the organisation, and purchasing non-core support services and functions from a range of 'peripheral' sources.

A number of HR activities may be regarded as 'peripheral' or complementary to the primary functions of the business, and outsourced to external consultants or service providers.

The main areas identified as amenable to effective outsourcing include:

(a) Training and development

(b) Recruitment (and some aspects of selection, such as screening or testing)

(c) Health and safety monitoring and advice (and related health and fitness promotion and services, if provided)

(d) Employee welfare and counselling

(e) Payroll management (and related benefit schemes, pensions administration and so on)

(f) Legal advice on compliance.

In addition, the HR function may have de facto responsibility for a range of ancillary activities – such as on-site catering, security, office/facility management, child care, company care fleet management and so on – which could be more effectively outsourced to external specialists.

2.8   Summary

As we have suggested, HRM is perhaps most helpfully seen as a broadly distributed organisational competence or orientation, rather than a 'function' in the sense of a department of specialists. The HR function may be thought of as the integration of people management systems throughout the organisation, rather than a particular set of roles and activities.

The diagram in next page (Figure 1.2), loosely based on the work of Shuler *et al* (1995), may be read from the bottom up (following the classical planning hierarchy) or from the top down (from a functional perspective).

CONTEXTS,
INFLUENCES

INTERNAL ENVIRONMENT
Organisation size
Organisation structure(s)
Organisation culture
Technology
Senior management goals
and values
Mission, purpose and
strategy
Internal stakeholders

EXTERNAL ENVIRONMENT
Political/legal factors
Economic/market factors
Social/demographic/cultural
factors
Technology/infrastructure
External stakeholders
(including competitors)

HRM
FUNCTIONS

| HUMAN RESOURCE PLANNING | HUMAN RESOURCING | PERFORMANCE MANAGEMENT AND MOTIVATION | PERFORMANCE IMPROVEMENT | MAINTAINING WORKING RELATIONSHIPS |

HRM
ACTIVITIES

• HR forecasting and planning
• Job analysis
• Skills audit
• Workforce audit
• Productivity systems audit

• Recruitment
• Selection
• Transfer/promotion
• Retention
• Flexible working

• Objective-setting
• Monitoring
• Appraisal
• Feedback
• Job evaluation
• Payment systems
• Incentive systems

• Employee training
• Career development
• Work methods
• Job design
• Quality
• Health and safety

• Researching HRM issues/practices
• Compliance
• Employee rights and expectations
• Employee relations
• Discipline and grievance
• Culture

Who is responsible?

STRUCTURAL
ISSUES

Senior management?   Line management?   HRM department?   Employees?

Staffing   Organisation   Management   Authority

At what level?

Strategic   Managerial   Operational

HRM POLICY
CHOICES

HRM
OBJECTIVES

ATTRACT   RETAIN   MOTIVATE   ENABLE

HRM
AIMS/
PURPOSES

PERFORMANCE
(Productivity, quality
added value, efficiency)

QUALITY OF
WORKING LIFE

LEGAL
COMPLIANCE

HRM
MISSION

'THE BOTTOM LINE'
(Survival, growth, competitive gain,
profitability, innovation, flexibility)

Figure 1.2: HRM in context

3   MODELS OF HRM

The most familiar models defining what HRM is and how it operates are as follows.

3.1 The 5 - P model of HRM

As formulated by Schuler (1992) the 5-P model of HRM describes how HRM operates under the five headings of:

1. HR philosophy – a statement of how the organisation regards its human resources, the role they play in the overall success of the business, and how they should be treated and managed.

2. HR policies – these provide guidelines for action on people-related business issues and for the development of HR programmes and practices based on strategic needs.

3. HR programmes – these are shaped by HR policies and consist of coordinated HR efforts intended to initiate and manage organisational change efforts prompted by strategic business needs.

4. HR practices – these are the activities carried out in implementing HR policies and programmes. They include resourcing, learning and development, performance and reward management, employee relations and administration.

5. HR processes – these are the formal procedures and methods used to put HR strategic plans and policies into effect.

3.2   The hard and soft HRM models

Storey (1989) distinguished between the 'hard' and 'soft' versions of HRM. 'The hard one emphasises the quantitative, calculative and business-strategic aspects of managing human resources in as "rational" a way as for any other economic factor. By contrast, the soft version traces its roots to the human-relations school. Emphasis is now placed on the need for HR to be strategic and businesslike and to add value, ie to generate extra value (benefit to the business) by the expenditure of effort, time and money on HRM activities. There have been plenty of new interests, concepts and developments, including human capital management, engagement, talent management, competency-based HRM, e-HRM, high performance work systems, and performance and reward management. But these have not been introduced under the banner of the HRM concept as originally defined. However, it was pointed out by Keenoy (1997) that 'hard and soft HRM are complementary rather than mutually exclusive practices'.

3.3 Theory X and Theory Y

The distinction between hard/tight and soft/loose management control was suggested by **Douglas McGregor**. He identified two extreme sets of assumptions (Theory X and Theory Y) and explored how management style differs according to which set of assumptions is adopted (McGregor, 1987).

(a) **Theory X** holds that human beings have an inherent dislike of work and will avoid it if they can. People prefer to be directed, wishing to avoid responsibility. They have relatively little ambition and want security above all, resisting change. They are self-interested, and make little effort to identify with the organisation's goals. They must be coerced, controlled, directed, offered rewards or threatened with punishments in order to get them to put adequate effort into the achievement of organisation objectives: this is management's responsibility.

(b) According to **Theory Y**, however, the expenditure of physical and mental effort in work is as natural as play or rest. The ordinary person does not inherently dislike work: according to the conditions, it may be a source of satisfaction or deprivation. A person will exercise self-direction and selfcontrol in the service of objectives to which (s)he is committed. Management's responsibility is to create conditions and methods that will enable individuals to integrate their own and the organisation's goals.

You will have your own viewpoints on the validity of Theory X and Theory Y. In fact, McGregor intentionally polarised his theories as the extremes of a continuum along which most managers' attitudes fall at some point.

If people are treated according to Theory X (or Theory Y) assumptions, they will begin to act accordingly – thus confirming management in its beliefs and practices. Essentially, Theory X embodies the 'hard-tight' **control theory of management**, while Theory Y embodies the 'soft-loose' **commitment theory of management**.

3.4 The Four Cs ('Harvard Model')

The Four Cs model was developed by researchers at the Harvard Business School as a means of investigating HRM issues (Beer et al, 1984). It suggests that the effectiveness of the outcomes of HRM should be evaluated under four headings.

(a) **Commitment** – that is, employees' identification with the organisation, loyalty and personal motivation in their work. This, may be assessed through methods such as attitude surveys, exit interviews and analysis of presumed effects (such as absenteeism and labour turnover).

(b) **Competence** – that is, employees' skills and abilities, training needs and potential for performance improvement and career development. This may be measured through skill audits, competency testing and performance appraisal systems.

(c) **Congruence** – that is, the harmonisation of the goals, values and efforts of management and employees (or at least the perception by employees that they have a mutual vision and purpose, to mutual benefit). This may be estimated by the quality of employee relations, the incidence of grievance and disciplinary action, conflict and communication and so on.

(d) **Cost-effectiveness** – that is, efficiency, whereby HRM objectives are met and benefits obtained at the lowest input cost.

The Harvard model does not solve the problems of the accurate measurement of qualitative criteria; nor of the incompatibility of varying criteria (cost-effectiveness achieved by downsizing, for example, might not encourage commitment or congruence); nor of the sheer variety of HR activity and contexts (since there are organisations and areas of organisational activity in which low-skilled monotonous jobs and authoritarian management styles, for example, are still possible and indeed appropriate). However, it does offer a simple framework for thinking about HR effectiveness.

3.5   The matching model of HRM

Fombrun et al (1984) proposed the 'matching model', which indicated that HR systems and the organisation structure should be managed in a way that is congruent with organisational strategy. The critical management task is to align the formal structure and human resource systems so that they drive the strategic objectives of the organisation. Thus they took the first steps towards the concept of strategic HRM.

4   STRATEGIC HRM

Strategic human resource management (strategic HRM or SHRM) is an approach to the development and implementation of HR strategies that are integrated with business strategies and support their achievement. SHRM has been described by Boxall (1996) as the interface between HRM and strategic management.

4.1 The nature of strategic HRM

Strategic HRM is an approach that defines how the organisation's goals will be achieved through people by means of HR strategies and integrated HR policies and practices.

SHRM can be regarded as a mindset underpinned by certain concepts rather than a set of techniques. It provides the foundation for strategic reviews in which analysis of the organisational context and existing HR practices lead to decisions on strategic plans for the development of overall or specific HR strategies.

As modelled in figure below, SHRM is about both HR strategies and the strategic management activities of HR professionals.

FIGURE 1.3: Strategic HRM model
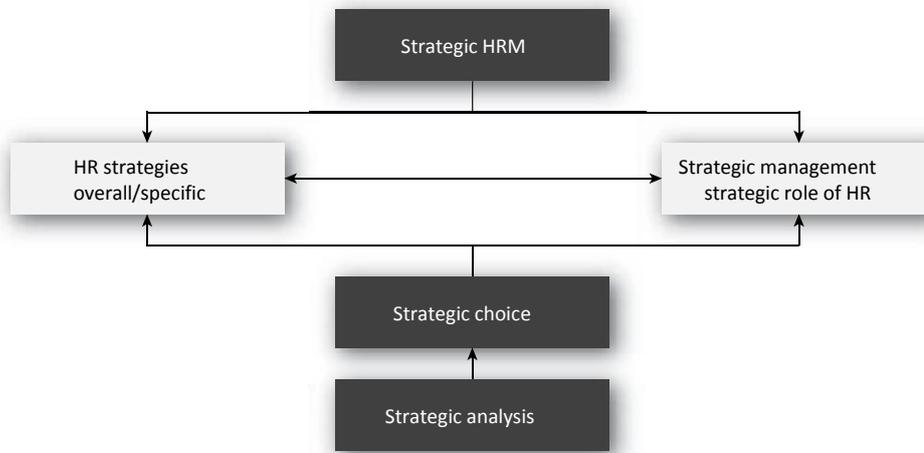
4.2   Aims of SHRM

The fundamental aim of strategic HRM is to generate organisational capability by ensuring that the organisation has the skilled, engaged, committed and well-motivated employees it needs to achieve sustained competitive advantage. SHRM has three main objectives: first to achieve integration – the vertical alignment of HR strategies with business strategies and the horizontal integration of HR strategies. The second objective is to provide a sense of direction in an often turbulent environment so that the business needs of the organisation and the individual and the collective needs of its employees can be met by the development and implementation of coherent and practical HR policies and programmes. The third objective is to contribute to the formulation of business strategy by drawing attention to ways in which the business can capitalize on the advantages provided by the strengths of its human resources.

5   EVALUATING HR OUTCOMES

If HRM is to be taken seriously at a strategic level as a contributor to bottom line business performance, it must be subject to evaluation. While some performance-based criteria (profitability, productivity, error reduction, compliance and so on) are relatively easy to measure and compare, having to do with units and monetary values, others are not (for example, innovation or flexibility). This final section of this chapter discusses few methods to evaluate human resource management practices within an organisation.

5.1 Cost-benefit analysis

There are certain criteria, both quantitative and qualitative, which allow HR managers to demonstrate their effectiveness in the way that other managers do: by cost-benefit analysis. Assessing the costs of their activities against the benefits resulting from them, HR managers can determine:

(a) Whether the costs are justified by equal or greater benefits

(b) Whether costs and/or benefits are increasing or decreasing over time

(c) How the costs and/or benefits compare to competitor or benchmark organisations.

Benefit criteria – such as 'legal compliance' or 'improved productivity' – may apply to all HRM activities, while costs tend to be more specific to each activity: the cost of training, for example, which might include training resources, teacher payroll, coaches' and trainees' time in lost production and so on. Costs are more easily measurable, because they have a monetary value attached, but benefit criteria can usually be given a monetary value, if required: 'reduced accidents and illness', for example, can be expressed as a saving of the potential costs of lost production, benefits and compensation payments, training of replacement workers and so on.

5.2 Quantitative measures

Quantitative or statistical indices of the HR function's activities may be available in relation to areas such as the following.

(a) Staff turnover/labour wastage (or labour stability) ratios

(b) Absenteeism rates

(c) Unit labour costs (useful in comparison to previous periods and/or competing businesses)

(d) Incidences of grievance procedures, disciplinary procedures, appeals to employment tribunals, compensation claims, proceedings for non-compliance and so on

(e) Number of days production (and associated costs) lost through accidents, sickness, industrial disputes and so on

(f) Number of applications attracted by recruitment methods and/or lead time to recruit an employee

(g) Number of selected recruits remaining in the job, achieving performance targets, achieving promotion and so on

(h) Number of staff (including HR staff) achieving professional or other qualifications, or undertaking training programmes

(i) Success of training (and other) programmes in achieving their objectives

(j) Number of requests for information handled by the HR department, lead time in responding to requests, ability to answer technical personnel questions on demand and so on

(k) The costs of any and all of the above.

5.3 Qualitative measures

Qualitative, or subjective, criteria may be harder to measure, but may be equally important in the field of HRM. Examples include the following.

(a) Employee motivation, team spirit, job satisfaction, acceptance of change and so on – as gauged by attitude surveys, interviews, psychological testing and other tools of behavioural science, as well as presumed observed effects on productivity, communication, absenteeism and so on

(b) The extent to which HR proposals, policies, documentation and so on are accepted by line managers – as suggested by implementation rates, questions and objections

(c) The perception of the HR function's value, service, expertise, quality of advice, professionalism and so on by its internal customers: senior management, line managers and employees.

5.4 Internal service and consultancy agreements

The effectiveness of HR projects and services may also be measured more explicitly against defined **performance indicators** and service standards set out in contractual agreements with internal customers.

Service agreements may be used by HR departments (or external providers) which provide day-to-day HR administration and operations to business units. They establish clear agreement on the nature and level of service to be provided – acting as an incentive to HR performance and as a way of managing user expectations! Service-level issues may include: how often the service is to be provided; during what hours it is to be available; what number and grade of staff will be available; how far the service does (and does not extend); and what speed of response can be guaranteed.

Consultancy agreements may be appropriate where an HR practitioner or project team acts in an internal consultancy capacity to a line department or business unit. An **internal consultant** works inside one part of an organisation to help another part. Although this is a complex role – since the consultant is working within the same system and culture as the client – they both have the same external customers and shared goals; the increased effectiveness of the organisation.

Internal (and external) consultants may be called in to propose or design something, or solve a problem, outside the expertise of the client unit, or to introduce and manage change in the client

unit. (Examples of potential consultancy projects in HR include reorganisation, training, introduction of flexible working or performance management, or employee relations problem-solving.)

A consultancy agreement may therefore include matters such as:

(a) The clients' expectation, needs and wants

(b) An agreed definition of the problem

(c) Specific objectives, outcomes or deliverables

(d) A working approach that will suit both parties (what will be reported back, how, how often and to whom? What co-operation and access to information will be supplied by the client? and so on)

(e) A preliminary time (and where appropriate, cost) schedule for the process.

The HR function can only establish credibility by systematic evaluation of its activities in the light of business objectives, and any internal service or consultancy agreements drawn up with internal customers/clients.

This page intentionally left blank
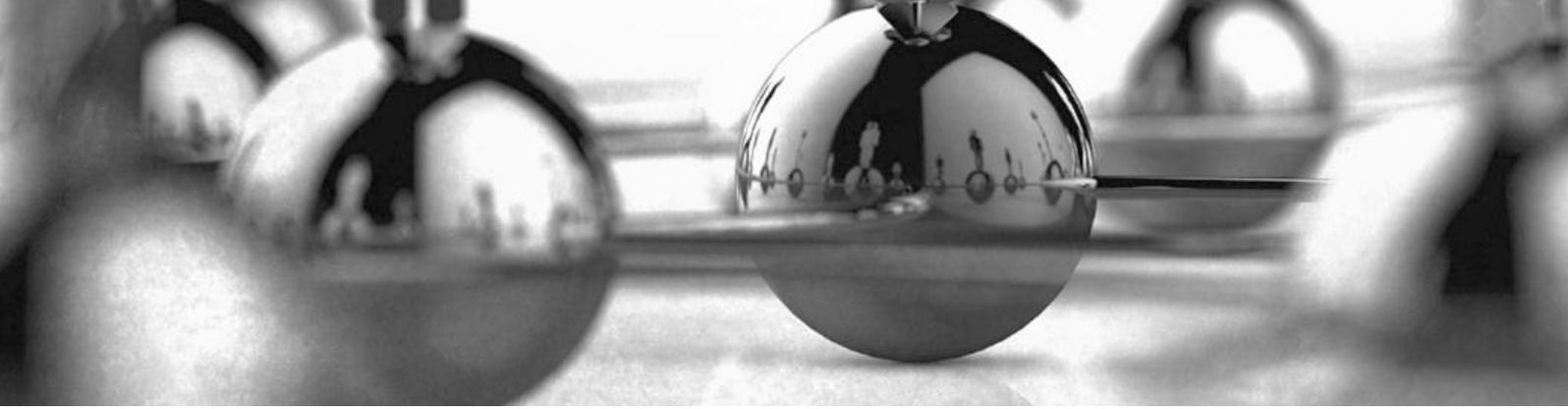
CHAPTER II

ORGANISATION

In previous chapter, we discussed different practices of HRM. We introduced the concepts of HRM, HR functions, Strategic HRM and different models to understand HR practices. However, HR practices need to be based on an understanding of the factors that affect the behaviour of people in organisations. In other words, in order to understand people we need to under the factors that impact the activities of people within organisational set-up. Hence, the purpose of this chapter is to outline a basic set of concepts and analytical tools that will enable HR practitioners to diagnose organisational behaviour and to take appropriate actions. Without understanding organisational behaviour, we cannot understand people. And without understanding people, we cannot become a successful HR practitioner.

The first section of this chapter starts with a general analysis of the concept of organisational behaviour, the term used to describe: 1) how organisations function with regard to their structure, processes and culture; 2) the characteristics of people and how they act in organisations, individually or in groups. Organisational behaviour theory is based on the main behavioural science theories, which have been proved by research. Like all proven theories it provides insights into good practice. Thus it provides guidance on the design of work systems, organisations and jobs, and approaches to organisation development. The second section of this chapter discusses the work, organisation and job design issues. And final section covers the issues surrounding Organisation Development (OD).

1   ORGANISATIONAL BEHAVIOUR (OB)

An understanding of how organisations function and how people behave in them is important to HR professionals, indeed to all managers. Organisational behaviour was defined as the term used to describe the study of the structure, functioning, and performance of organisations and the behaviour of groups and individuals within them.

1.1   How organisations function

An organisation is an entity that exists to achieve a purpose through the collective efforts of the people who work in or for it. Organising is the process of making arrangements in the form of defined or understood responsibilities and relationships to enable those people to work cooperatively together.

Organisation structures are frameworks for getting things done. But to varying extents organisations operate informally as well as formally by means of a network of roles and relationships that cut across formal organisational boundaries and lines of command. Organisation structures can evolve almost spontaneously as circumstances change and new activities have to be carried out. A traditional organisation based on the military model in which a hierarchy of 'line managers' carry out the fundamental operations such as manufacturing, sales or customer service while the 'staff' functions such as finance and HR provides them with services, advice and support.

1.2   Organisational culture

Organisational culture offers a shared system of meanings which is the basis for communications and mutual understanding. If these functions are not fulfilled in a satisfactory way, culture may significantly reduce the effectiveness of an organisation. This is why it is important for HR specialists to understand the concept of organisational culture and how it affects organisations.

Organisational or corporate culture is the pattern of values, norms, beliefs, attitudes and assumptions that may not have been articulated but shape the ways in which people in organisations behave and things get done. **'Values'** refer to what is believed to be important about how people and organisations behave. **'Norms'** are the unwritten rules of behaviour.

1.3   Organisational climate

The term '**organisational climate**' is sometimes confused with 'organisational culture' and there has been much debate on what distinguishes them from one another. Culture refers to the deep structure of organisations, which is rooted in the values, beliefs and assumptions held by

organisational members. In contrast, 'climate' refers to those aspects of the environment that are consciously perceived by organisational members.

1.4   Organisational processes

A number of social processes take place in organisations that affect how they function. These are: interaction and networking, communication, group behaviour, leadership, power, politics and conflict.

Interactions between people crisscross the organisation, creating networks for getting things done and exchanging information that is not catered for in the formal structure. **'Networking'** is an increasingly important process in flexible and delayered organisations where more fluid interactions across the structure are required between individuals and teams.

The **communications** processes used in organisations have a marked effect on how it functions, especially if they take place through the network, which can then turn into the **'grapevine'**. E-mails encourage the instant flow of information (and sometimes produce information overload) but may inhibit face-to-face interactions, which are often the best ways of doing things.

Organisations consist of groups or teams of people working together. They may be set up formally as part of the structure or they may be informal gatherings. **A group** can be a permanent or a temporary feature in an organisation. Interactions take place within and between groups and the degree to which these processes are formalized varies according to the organisational context.

Organisations largely function by means of managers and supervisors who exercise **leadership** in order to get their teams into action and ensure that they achieve the results expected of them.

Organisations exist to get things done; in the process of doing this, people or groups exercise **power**. Directly or indirectly, the use of power in influencing behaviour is a pervading feature of organisations, whether it is exerted by managers, specialists, informal groups or trade union officials.

Political behaviour is an inevitable feature of organisational life. The aim of organisational politicians is to get their own way by influencing people to accept their point of view without going through the usual channels or relying on their authority.

Conflict is also inevitable in organisations because they function by means of adjustments and compromises among competitive elements in their structure and membership.

1.5   Characteristics of people

To manage people effectively, it is necessary to take into account the factors that affect how they behave at work. The development of HR processes and the design of organisations are often

predicated on the belief that everyone is the same and that they will behave rationally when faced with change or other demands. But the behaviour of people differs because of their characteristics and individual differences and it is not always rational.

The personal characteristics that affect people's behaviour at work, as discussed below, are their ability, intelligence, personality, attitudes, emotions and emotional intelligence.

Ability is the quality possessed by people that makes an action possible. Abilities can be classified into two major groups: (a) – verbal, numerical, memory and reasoning abilities; and (b) – spatial and mechanical abilities, as well as perceptual (memory) and motor skills relating to physical operations such as eye/hand coordination and mental dexterity.

Intelligence has been defined as: the capacity to solve problems, apply principles, make inferences and perceive relationships.

Personality has been defined as the psychological qualities that influence an individual's characteristic behaviour patterns in a stable and distinctive manner. Personality appears to be organised into patterns that are, to some degree, observable and measurable and involves both common and unique characteristics – every person is different from every other person in some respects but similar to other people in other respects. Personality is a product of both nature (hereditary) and nurture (the pattern of life experience). Personality can be described in terms of traits or types.

An **attitude** can broadly be defined as a settled mode of thinking. Attitudes are evaluative. They are developed through experience but they are less stable than traits and can change as new experiences are gained or influences absorbed. Within organisations they are affected by cultural factors (values and norms); the behaviour of management (management style); policies such as those concerned with pay, recognition, promotion and the quality of working life; and the influence of the 'reference group' (the group with whom people identify).

Emotions are feelings that arouse people and therefore influence their behaviour such as anger, fear, sadness, joy, anticipation and acceptance. The mildest forms of emotions are called 'moods', which are low intensity, long-lasting emotional states.

The notion of **emotional intelligence** was first defined by Salovey and Mayer (1990), who proposed that it involves the capacity to perceive emotion, integrate emotion in thought, understand emotion and manage emotions effectively. Emotional intelligence was also defined as the capacity for recognising our own feelings and that of others, for motivating ourselves, for managing emotions well in ourselves as well as others.

2 WORK, ORGANISATION AND JOB DESIGN

Work, organisation, and job design are three distinct but closely associated processes that establish what work is done in organisations and how it is done. **Work design** deals with the ways in which things are done in the work system of a business by teams and individuals. **Organisation design** is concerned with deciding how organisations should be structured. **Job design** is about establishing what people in individual jobs or roles are there to do. Although these three activities are dealt with separately in this section they share one purpose – to ensure that the organisation's work systems and structure operate effectively, make the best use of people in their jobs and roles and take account of the needs of people at work.

In theory, to achieve that purpose, work, organisation and job design function sequentially. The **work system** is designed to meet the specific needs of the business and to deliver value to its customers or clients. An **organisation structure or system** (not all organisations are rigidly structured) has to be developed to enable the work system to operate. The structure is made up of jobs or roles that have to be designed in ways that will maximize the extent to which they can be carried out effectively and provide intrinsic motivation, that is, motivation from the work itself.

2.1 Work design

Work design is the creation of systems of work and a working environment that enhance organisational effectiveness and productivity, ensure that the organisation becomes 'a great place in which to work' and are conducive to the health, safety and well-being of employees. **Work** involves the exertion of effort and the application of knowledge and skills to achieve a purpose. **Systems of work** are the combined processes, methods and techniques used to get work done. **The work environment** comprises the design of jobs, working conditions and the ways in which people are treated at work by their managers and co-workers as well as the work system. Work design is closely associated with organisation and job design in that the latter is conducted within the context of the system of work and the work environment.

A system is a set of practices or activities that fit together and interact to achieve a purpose. **Work system design** is concerned with how the various processes required to make a product or provide a service should operate. It deals with the set of related activities that combine to give a result that customers want. The structure of the system describes the relations between different operations.

A work system may be centred on activities such as manufacturing, chemical processing, information processing, supply, distribution, transport, the provision of public services or customer service. There is usually a choice between different processes within the work system. As the design

of the work system affects costs, quality and productivity it is important to provide the best match between the product or service and the process used to make or deliver it.

2.2   Organisation design

Organisation design is the process of deciding how organisations should be structured in terms of the ways in which the responsibility for carrying out the overall task is allocated to individuals and groups of people and how the relationships between them function. The aim is to ensure that people work effectively together to achieve the overall purpose of the organisation. The basic question of 'Who does what?' is answered by line managers but HR specialists are also involved in their capacity of helping the business to make the best use of its people. HR professionals can contribute to organisation design or redesign activities by using their understanding of the factors affecting organisational behaviour and their knowledge of the business as a whole.

2.3   Job design

Job design specifies the contents of jobs in order to satisfy work requirements and meet the personal needs of the job holder, thus increasing levels of employee engagement.

A distinction can be made between jobs and roles. **A job** is an organisational unit consisting of a group of defined tasks or activities to be carried out or duties to be performed. **A role** is the part played by individuals and the patterns of behaviour expected of them in fulfilling their work requirements. Jobs are about tasks, roles are about people. This distinction means that while jobs may be designed to fit work requirements, roles are developed as people work flexibly, demonstrate that they can do more and take on different responsibilities. Role development happens informally, in contrast to the more formal approaches to job design.

Job design starts with an analysis of task requirements, using the job analysis techniques. These requirements will be a function of the system of work and the organisation structure. Job rotation, job enlargement and job enrichment are common and popular approaches to job design.

Job rotation: This is the movement of employees from one task to another to reduce monotony by increasing variety.

Job enlargement: This means combining previously fragmented tasks into one job, again to increase the variety and meaning of repetitive work.

Job enrichment: This goes beyond job enlargement to add greater autonomy and responsibility to a job. Job enrichment aims to maximize the interest and challenge of work by providing the employee with a job that has these characteristics:

❑ it is a complete piece of work in the sense that the worker can identify a series of tasks or activities that end in a recognizable and definable product;

❑ it affords the employee as much variety, decision-making responsibility and control as possible in carrying out the work;

❑ it provides direct feedback through the work itself on how well the employee is doing his or her job.

3 ORGANISATION DEVELOPMENT

Work, organisation and job design provide the basic ingredients for operating a business. But it is necessary to see that these processes work well, which is the aim of organisation development.

Organisation development is a systematic approach to improving **organisational capability**, which is concerned with process – how things get done. 'OD' operates as: 'a system wide process of data collection, diagnosis, action planning, intervention and evaluation.

3.1 The nature of organisation development

Organisation development used to be the province of specialised consultants who tended to practise it as a mystery, with HR playing a supporting role if it played any role at all. But there is a close relationship between HR and organisation development.

To remain competitive in today's global marketplace, organisations must change. One of the most effective tools to promote successful change is organisation development (OD). As HR increasingly focuses on building organisational learning, skills and workforce productivity, the effective use of OD to help achieve company business goals and strategies is becoming a broad HR competency as well as a key strategic HR tool. While there are variations regarding the definition of OD, the basic purpose of organisation development is to increase an organisation's effectiveness through planned interventions related to the organisation's processes (often companywide), resulting in improvements in productivity, return on investment and employee satisfaction.

3.2 Organisation development strategy

Organisation development strategy is founded on the aspiration to improve organisational capability, which is broadly the capacity of an organisation to function effectively in order to achieve desired results. It has been defined more specifically as 'the ability to manage people for competitive advantage'.

3.3   Organisational diagnosis

The practice of organisation development is based on an analysis and diagnosis of the circumstances of the organisation, the strategic, operational or process issues that are affecting the organisation and its ability to perform well.

An organisational diagnosis is a systematic process of gathering data about a business organisation – its problems, challenges, strengths and limitations – and analysing how such factors influence its ability to interact effectively and profitably with its business environment.

3.4   Organisation development activities

The choice is from activities such as those set out in Table 2.1.

TABLE 2.1: Organisation development activities

Organisation development activity	Brief description	Objective
Engagement	The development of improved levels of job and organisational engagement.	To ensure that people are committed to their work and the organisation and motivated to achieve high levels of performance.
High-performance working	Developing work system processes, practices and policies to enable employees to perform to their full potential.	To impact on the performance of the organisation through its people in such areas as productivity, quality, levels of customer service, growth and profits.
Knowledge management	Storing and sharing the wisdom, understanding and expertise accumulated in an organisation about its processes, techniques and operations.	To get knowledge from those who have it to those who need it in order to improve organisational effectiveness.
Organisational learning	The acquisition and development of knowledge, understanding, insights, techniques and practices.	To facilitate performance improvement and major changes in strategic direction.
Organisation design	The process of deciding how organisations should be structured in terms of the ways in which the responsibility for carrying out the overall task is allocated to individuals and groups of people	To ensure that people work effectively together to achieve the overall purpose of the organisation.

	and how the relationships between them function.	
Performance management	A systematic process involving the agreement of performance expectations and the review of how those expectations have been met.	To improve organisational performance by developing the performance of individuals and teams.
Smart working	An approach to organising work that through a combination of flexibility, autonomy and collaboration, in parallel with optimizing tools and working environments for employees.	To drive greater efficiency and effectiveness in achieving job outcomes.
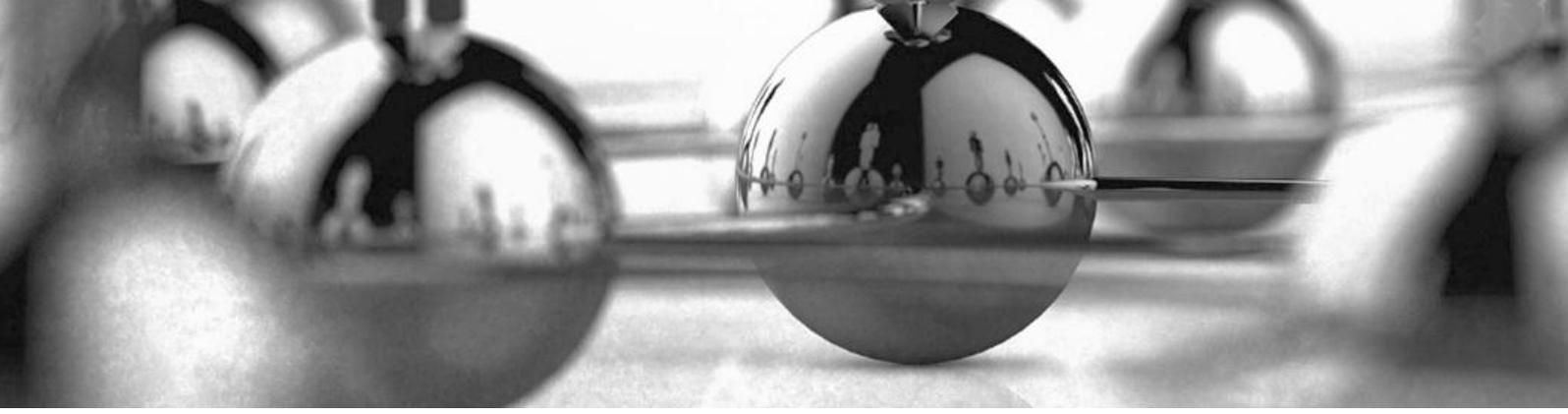
CHAPTER III

FACTORS AFFECTING EMPLOYEE BEHAVIOUR

In previous chapter, we discussed about the organisational behaviour. The discussions helped us to understand the people and organisations. In this chapter, we are going to extend our effort to understanding people within organisational set up. The purpose of this chapter is to outline the key factors affecting employee behaviour.

A concern shared by all those involved in managing people is how to get the best out of them. Getting the best out of people is primarily the responsibility of managers and team leaders by exercising effective leadership. But it is also the concern of HR specialists who can help to create a work environment conducive to high performance and can introduce policies and practices that encourage people to do everything expected of them if not more.

To do this, managers and HR specialists need to take into account the general factors (discussed earlier) that affect how people behave at work, namely, ability, intelligence, personality, attitudes, emotions and emotional intelligence. But they should also be aware of three specific factors that influence behaviour and therefore performance. The factors are (1) motivation (2) commitment and (3) engagement. First section of this chapter will discuss the concepts of motivation. Second section of the chapter will cover 'commitment'. And final section of the chapter will discuss 'Engagement', which is a situation in which people are committed to their work and the organisation and are motivated to achieve high levels of performance.

1 MOTIVATION

1.1 What is motivation?

The word 'motivation' is commonly used in different contexts to mean:

(a) The **mental process** of choosing desired outcomes, deciding how to go about them, assessing whether the likelihood of success warrants the amount of effort that will be necessary, and setting in motion the required behaviours. This is sometimes called '**intrinsic motivation**', as it arises from factors and processes within the individual.

(b) The **social process** by which the behaviour of an individual is influenced by others. 'Motivation' in this sense usually applies to the attempts of organisations to maintain or increase workers' effort and commitment by using rewards and punishments. This is sometimes called '**extrinsic motivation**', as it arises from actions done to or for the individual by others.

Theories of motivation are often categorised as 'content theories' and 'process theories'

Content theories assume that human beings have an innate package of motives (needs or desired outcomes) which they take action to pursue. They ask: 'What motivates people?' Maslow's need theory and Herzberg's two-factor theory are two of the most important approaches of this type. McClelland's work on high achievers offers an interesting sidelight on pay and motivation.

Process theories explore the psychological process through which outcomes become desirable and are pursued by individuals. They ask: 'How are people motivated?' This approach assumes that people are able to select their goals and choose the paths towards them, by a conscious or unconscious process of calculation. Expectancy theory is a key example.

Need theories of motivation (Maslow, Herzberg) suggest that intrinsic rewards (as well as extrinsic rewards) must be included in reward strategy. According to content theory, motivational drive is inborn among human beings. Process theory assumes that there is a psychological process that creates motivation

1.2 Need theory

Need theories suggest that individuals have certain innate needs. When a need is unsatisfied, the individual experiences tension – and acts in pursuit of goals that will satisfy the need. Abraham Maslow (1954) developed the original and most famous need theory. He argued that human beings have five innate needs, which he suggested could be arranged in a 'hierarchy of relative pre-potency': Figure 3.1.

```
                  Self-
              actualisation        - for growth and fulfilment of
                                     personal potential

              Esteem needs         - for independence, recognition,
                                     status, respect from others

            Love/social needs      - for relationships, affection,
                                     belonging

              Safety needs         - for security, order, predictability,
                                     freedom from threat

           Physiological needs       - for food, shelter, sleep
```
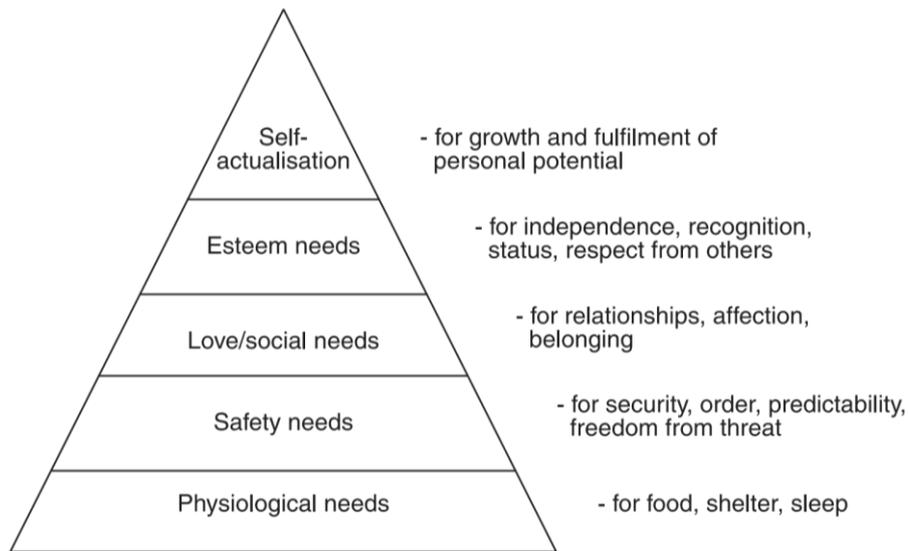
FIGURE 3.1: Maslows' Hierarchy of Needs

Each level of need is dominant until satisfied: only then does the next level of need become a motivating factor. Maslow regarded self-actualisation as the ultimate human goal: 'the desire to become more and more what one is, to become everything that one is capable of becoming'. It can never be satisfied in full.

Maslow's hierarchy is simple and intuitively attractive: you are unlikely to worry about respect if you are starving! However, it is only a theory, and not derived specifically from work psychology. Empirical verification of the hierarchy is hard to come by. Individuals may select any number of specific goals to satisfy their needs: for example, esteem needs may be satisfied by promotion, or a pay increase – or neither, depending on the individual's values and vocation. Research has also suggested that the hierarchy reflects UK and US cultural values, which may not transfer to other contexts.

Nevertheless, the hierarchy underpins a recognition that people can be motivated at work by rewards which offer satisfaction of their 'higher order needs': social belonging (relationships, teamwork, collaboration), esteem (competence, achievement, independence, confidence and their reflection in the perception of others: recognition, appreciation, status, respect) and self-actualisation (challenge, personal development, fulfilment).

1.3   Two-factor theory

Frederick Herzberg (1966) interviewed Pittsburgh engineers and accountants about 'critical incidents' which made them feel good or bad about their work. He identified two basic need categories of individuals at work.

(a)   The need to avoid unpleasantness, associated with fair treatment in compensation, supervision, working conditions and administrative practices. These needs are satisfied by what Herzberg called **'hygiene'** factors: they may minimise dissatisfaction and poor job performance, but have little ability to motivate the individual to higher levels of job satisfaction or extra performance. Hygiene factors are essentially **extrinsic rewards**, deriving from factors in the environment or context of work, and offering satisfaction of lower-level needs.

(b)   The need to develop in one's occupation, as a source of personal growth, associated with factors such as advancement, recognition, responsibility, challenge and achievement. These needs are satisfied by what Herzberg called **'motivator'** factors, which are seen to be effective in motivating the individual to more positive attitudes, and greater effort and performance. Motivator factors are essentially **intrinsic rewards**, deriving from factors inherent in the content of the work itself, and offering psychological satisfaction of higher-level needs.

The two-factor model has been criticised as being based on an inadequately small sample size and a limited cultural context. In particular, the impact of job satisfaction on work performance has proved difficult to verify and measure: 'A satisfied worker is not necessarily a high producer, and a high producer is not necessarily a satisfied worker.' (Armstrong, 2003)

However, Herzberg's key assertion that 'dissatisfaction arises from environment factors: satisfaction can only arise from the job' confirmed the growing recognition of the value of intrinsic rewards – as opposed to extrinsic rewards – as motivating factors. Herzberg's work focused on job design, as a means of building challenge, scope and interest into jobs: his concept of job enrichment ('the planned process of up-grading the responsibility, challenge and content of the work') became a cornerstone of the quality of working life and employee empowerment movements.

1.4   McClelland - achievement motivation theory

David McClelland identified four main needs-based motives.

❑   Achievement

❑   Power

❑   Affiliation

❑   Avoidance

The first three correspond, roughly, to Maslow's self-actualisation, esteem and love needs. People who have a high need for achievement are motivated far more by challenging opportunities than

they are by money; however, these high achievers also have a strong need for feedback on their performance and monetary rewards are valued as a means of keeping score. Such people are unlikely to remain in jobs that do not pay them well for their high achievement, which reinforces the view that pay is a hygiene factor.

1.5   Vroom - expectancy theory

The expectancy theory of motivation basically states that the strength of an individual's motivation to do something will be influenced by:

(a) The perceived link between individual effort, performance and particular outcomes (Will reward follow effort?) and

(b) The importance of those outcomes to the individual (Will the reward make the effort worthwhile?)

Vroom (1964) suggested a formula by which motivation could be assessed and measured, based on an expectancy theory model. In its simplest form it may be expressed as:

Force or strength of motivation to do x	=	**V**alence (Strength of the individual's preference for outcome y)	x	**E**xpectancy (Individual's perception of the likelihood that doing x will result in outcome y)
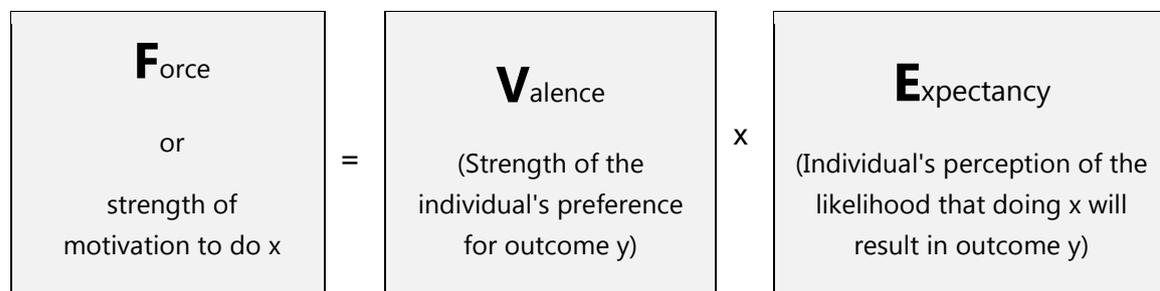
Valence is represented as a positive or negative number, or zero – since outcomes (or rewards) may be desired, avoided or considered with indifference. **Expectancy** is expressed as a probability (in the perception of the individual): any number between 0 (no chance) and 1 (certainty).

So, for example, an employee may have a high expectation that behaviour x (say, increased productivity) will result in outcome y (say, promotion) – because of a performance contract, perhaps – so E = 1. However, if she is indifferent to that outcome (say, because she doesn't want the responsibility), V = 0 (or less) and she will not be motivated to increase her productivity. Similarly, if the employee has a great desire for promotion – but doesn't believe that more productive behaviour will secure it for her (say, because she has been passed over previously), E = 0 and she will still not be highly motivated.

This model helps to explain why performance incentives and rewards work most effectively when:

(a) **The link between effort and reward is clear**.
(b) **Intended results and goals are made clear**.
(c) **The reward is perceived to be worth the effort**.

1.6   Participation and involvement

Need theories, such as those of Maslow and Taylor, emphasise the intrinsic rewards of work. The concepts of self-actualisation and the need to develop in one's work lead naturally to the idea that an increased level of autonomy in the work situation will enhance motivation. In particular, it is suggested that workforce motivation will be enhanced by involvement in decisions affecting worker and work. This concept runs alongside and complements political ideas about industrial democracy and the role of trade unions.

1.7   Pay as a motivator

Monetary reward has a central, but ambiguous, role in motivation theory.

Pay is not mentioned explicitly in any need list, but clearly it can allow or support the satisfaction of various needs. According to Herzberg, it is the most important of the hygiene factors: valuable not only in its power to be converted into a wide range of other satisfactions, but also as a consistent measure of worth or value, allowing employees to compare themselves with other individuals or occupational groups. However, it is still only a hygiene factor: it gets taken for granted, and often becomes a source of dissatisfaction (particularly by comparison with others) rather than satisfaction.

Pay should be seen as only one of several intrinsic and extrinsic rewards offered by work. If it is used to motivate, it can only do so in a wider context of the job and other rewards. The significance in motivation theory of high-order needs, intrinsic rewards and subjective factors (such as expectancy and valance) suggests that HR managers need to develop reward systems which offer both financial and non-financial rewards, rather than relying on simplistic assumptions of instrumentality.

2   COMMITMENT

One of the main traits of modern HRM policy would be inspiring employee commitment. Commitment represents the strength of an individual's identification with, and involvement in, an organisation. It is a concept that has played an important part in HRM philosophy. **Commitment** refers to attachment and loyalty. Mowday (1998) stated that it is characterised by an emotional attachment to one's organisation that results from shared values and interests. The three characteristics of commitment identified by Mowday et al (1982) are:

1. A strong desire to remain a member of the organisation.

2. A strong belief in and acceptance of the values and goals of the organisation.

3. A readiness to exert considerable effort on behalf of the organisation.

2.1   Factors affecting commitment

Kochan and Dyer (1993) indicated that the factors affecting the level of commitment in what they called **'mutual commitment firms'** were as follows:

- ❑ **Strategic level**: supportive business strategies, top management value commitment and effective voice for HR in strategy making and governance.

- ❑ **Functional** (human resource policy) level: staffing based on employment stabilisation, investment in training and development and contingent compensation that reinforces cooperation, participation and contribution.

- ❑ **Workplace level**: selection based on high standards, broad task design and teamwork, employee involvement in problem solving and a climate of cooperation and trust.

2.2   Developing a commitment strategy

HR department should play a major part in developing **a high-commitment organisation**. The 10 steps it can take are:

1. Advise on methods of **communicating** the values and aims of management and the achievements of the organisation so that employees are more likely to identify with the organisation as one they are proud to work for.

2. Emphasise to management that commitment is a **two-way process**; employees cannot be expected to be committed to the organisation unless management demonstrates that it is committed to them and recognises their contribution as stakeholders.

3. Impress on management the need to develop **a climate of trust** by being honest with people, treating them fairly, justly and consistently, keeping its word, and showing willingness to listen to the comments and suggestions made by employees during processes of consultation and participation.

4. Develop **a positive psychological contract** (the set of reciprocal but unwritten expectations that exist between individual employees and their employers) by treating people as stakeholders, relying on consensus and cooperation rather than control and coercion, and focusing on the provision of opportunities for learning, development and career progression.

5. Advise on the establishment of **partnership agreements** with trade unions that emphasize unity of purpose, common approaches to working together and the importance of giving employees a voice in matters that concern them.

6. Recommend and take part in the achievement of **single status** for all employees (often included in a partnership agreement) so that there is no longer an 'us and them' culture.

7. Encourage management to declare a policy of **employment security** and ensure that steps are taken to avoid involuntary redundancies.

8. Develop **performance management processes** that provide for the alignment of organisational and individual objectives.

9. Advise on means of increasing employee identification with the company through **rewards** related to organisational performance (profit sharing or gain sharing) or employee share ownership schemes.

10. Enhance employee job **engagement**, ie identification of employees with the job they are doing, through job design processes that aim to create higher levels of job satisfaction (job enrichment).

3 EMPLOYEE ENGAGEMENT

Engagement takes place when people are committed to their work and the organisation and are motivated to achieve high levels of performance. Managers are attracted to the concept because they like the idea of having **engaged** employees and dislike the prospect of having **disengaged** employees.

3.1 The meaning of employee engagement

Alfes et al (2010) saw engagement as having three core facets:

1. intellectual engagement – thinking hard about the job and how to do it better;

2. affective engagement – feeling positively about doing a good job;

3. social engagement – actively taking opportunities to discuss work-related improvements with others at work.

The term 'engagement' can be used in a specific job-related way to describe what takes place when people are interested in and positive even excited about their jobs, exercise discretionary behavior and are motivated to achieve high levels of performance. It is described as **job or work engagement**.

The engaged employee is the passionate employee, the employee who is totally immersed in his or her work, energetic, committed and completely dedicated. **Organisational engagement** focuses on attachment to or identification with the organisation as a whole.

Robinson et al (2004) emphasised the organisational aspect of engagement when they referred to it as 'a positive attitude held by the employee towards the organisation and its values'. This definition of organisational engagement resembles the traditional notion of commitment.

Perhaps the most illuminating and helpful approach to the definition of engagement is to recognise that it involves both job and organisational engagement.

3.2   The components of employee engagement

Engagement can be regarded as having three overlapping components: motivation, commitment and organisational citizenship behaviour (OCB). A model of engagement containing these components is given below.

FIGURE 3.2: IES model of employee engagement

Source: Armstrong et al (2000)

3.3   Drivers of employee engagement

To be able to do anything about engagement it is necessary to understand the factors that affect this:

❑   **Job challenge** – this takes place when the scope of jobs is broad, job responsibility is high and there is a high work load. It enhances engagement because it creates potential for accomplishment and personal growth.

- **Autonomy** – the freedom, independence and discretion allowed to employees in scheduling their work and determining the procedures for carrying it out. It provides a sense of ownership and control over work outcomes.

- **Variety** – jobs which allow individuals to perform many different activities or use many different skills.

- **Feedback** – providing employees with direst and clear information about the effectiveness of their performance.

- **Fit** – the existence of compatibility between an individual and a work environment (eg, job, organisation, manager, co-workers) which allows individuals to behave in a manner consistent with how they see or want to see themselves.

- **Opportunities for development** – these make work meaningful because they provide pathways for employee growth and fulfilment.

- **Rewards and recognition** – these represent both direct and indirect returns on the personal investment of one's time in acting out a work role.

3.5 Burnout

There is a negative side to engagement – **burnout**, defined by Maslach and Jackson (1981) as 'a syndrome of emotional exhaustion and cynicism'. Burnout can take place when individuals are placed under too much pressure to perform. It is sometimes called disengagement. Workaholics who put themselves under too much pressure can suffer burnout.
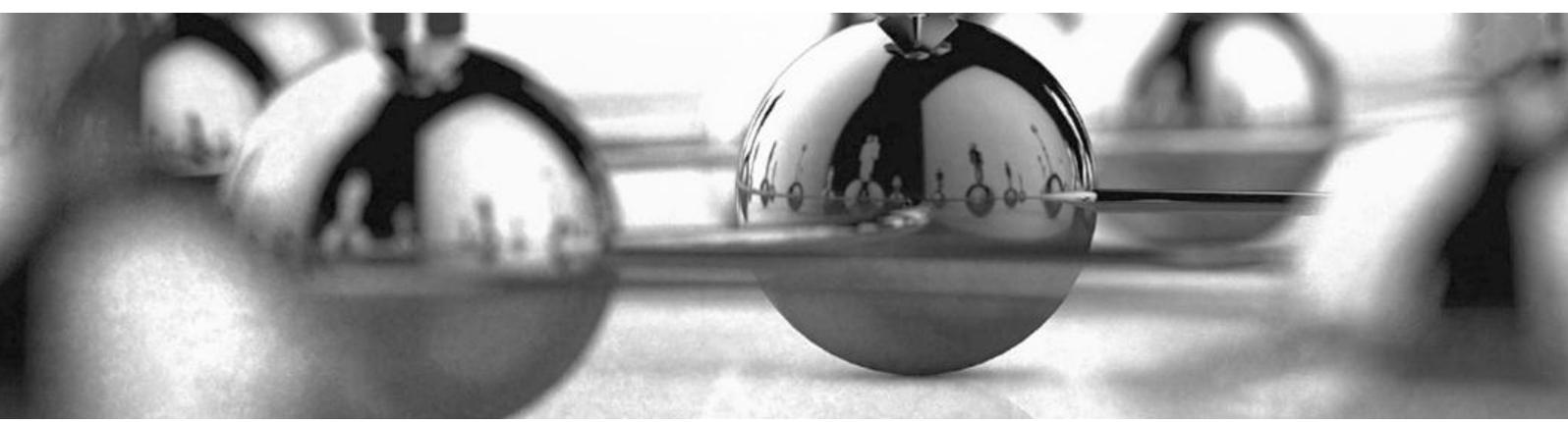
CHAPTER IV
LEARNING & DEVELOPMENT

In previous chapter, we discussed about the factors affecting the employee behaviour. We discussed the concepts of motivation, commitment and engagement. Employees become more motivated if they are given development opportunities. Employees become more committed if they are given right learning opportunities. Employees become more engaged if they are given right training. Hence, every organisation needs plans and actions for learning and development. Learning and development strategies and practices aim to ensure that people in the organisation acquire and develop the knowledge, skills and competencies they need to carry out their work effectively and advance their careers to their own benefit and that of the organisation. The term 'learning and development' (L&D) has largely replaced that of 'human resource development' (HRD), at least for practitioners.

The purpose of this chapter of PGDHRM course is to outline all key aspects related to learning and development. First section will introduce the concept of 'strategic learning and development'. The section shows how learning and development to be aligned to the business strategy. Second section will discuss the process of learning and development - how people and organisations learn. Final section will discuss the practice of learning and development - identifying L&D needs, encouraging and supporting workplace learning, planning and implementing learning programmes and events, evaluating L&D.

1 STRATEGIC LEARNING & DEVELOPMENT

Organisations need people with high and appropriate levels of knowledge, skills and abilities. But organisations also need to take account of the personal needs of those they employ for development and growth. Stragetic L&D considers HR has a strategic role in success both parties. **Strategic L&D** is an approach to helping people to learn and develop that is concerned with how the organisation's goals will be achieved through its human resources by means of integrated L&D strategies, policies and practices. Like strategic HRM, it is based on the fundamental proposition that the human resources of an organisation play a strategic role in its success.

1.1 Learning and development defined

Learning and development is defined as the process of ensuring that the organisation has the knowledgeable, skilled and engaged workforce it needs. It involves facilitating the acquisition by individuals and teams of knowledge and skills through experience, learning events and programmes provided by the organisation, guidance and coaching provided by line managers and others, and self-directed learning activities carried out by individuals.

The components of L&D are:

❑ **Learning** – the process by which a person acquires and develops knowledge, skills, capabilities, behaviours and attitudes. It involves the modification of behaviour through experience as well as more formal methods of helping people to learn within or outside the workplace.

❑ **Development** – the growth or realization of a person's ability and potential through the provision of learning and educational experiences.

❑ **Training** – the systematic application of formal processes to impart knowledge and help people to acquire the skills necessary for them to perform their jobs satisfactorily.

❑ **Education** – the development of the knowledge, values and understanding required in all aspects of life rather than the knowledge and skills relating to particular areas of activity.

❑ **Management development** is concerned with improving the performance of managers in their present roles, preparing them to take on greater responsibilities in the future and also developing their leadership skills.

❑ **Learning Organisation** is one that continually improves by rapidly creating and refining the capabilities required for future success,

Learning should be distinguished from training. Learning is the process by which a person constructs new knowledge, skills and capabilities, whereas training is one of several responses an organisation can undertake to promote learning. Learning is what individuals do; training is what organisations do to individuals. The components of L&D are shown in following figure.
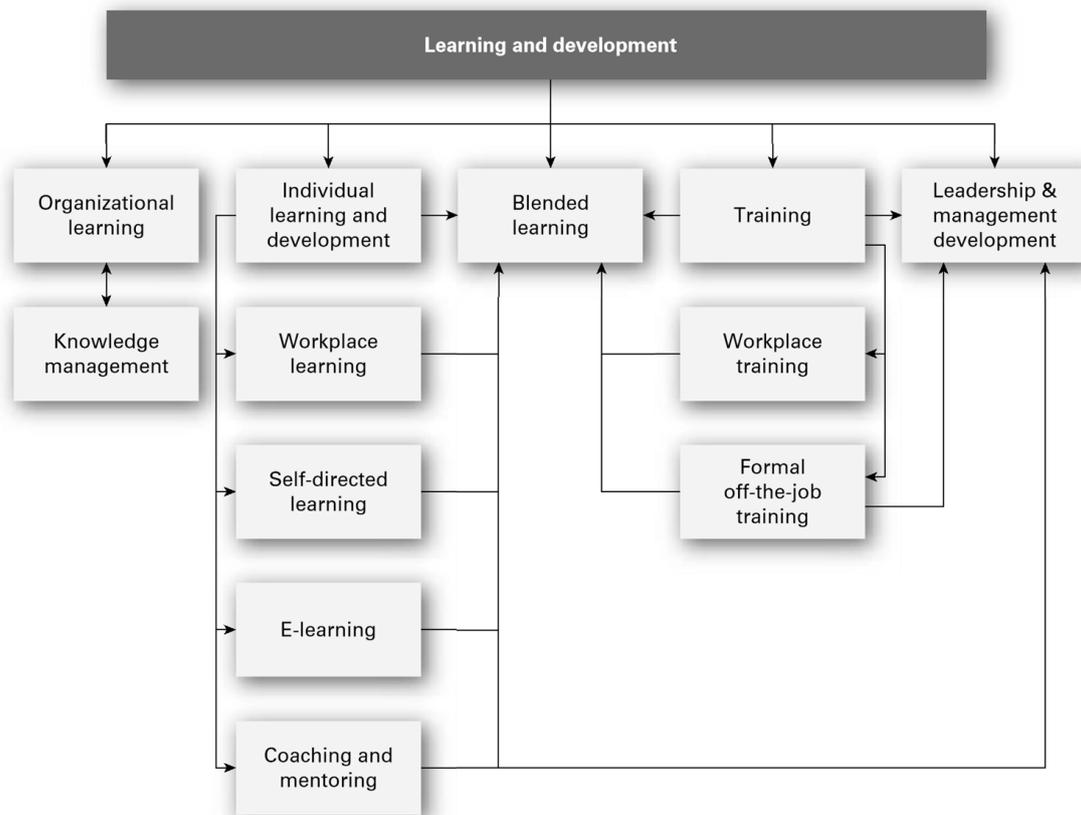
FIGURE 4.1: Components of learning and development

1.2   Strategies for learning culture

A learning culture is one in which learning is recognised by top management, line managers and employees generally as an essential organisational process to which they are committed and in which they engage continuously.

Organisational learning strategies aim to improve organisational effectiveness through the acquisition and development of knowledge, understanding, insights, techniques and practices. This is in accordance with one of the basic principles of HRM, namely that it is necessary to invest in people in order to develop the human capital required by the organisation and to increase its stock of knowledge and skills.

Individual learning comprises the processes and programmes used to increase the capabilities of individual employees. Strategies for individual learning are driven by the organisation's human resource requirements, which are expressed in terms of the skills and behaviours required to achieve business goals.

2   THE PROCESS OF LEARNING & DEVELOPMENT

The practice of learning and development should be based on an understanding of learning theory and the processes involved in learning and development. These processes are complex and varied.

2.1   How people learn: Learning Theory

The key learning theories are:

❑ **Reinforcement theory** – based on the work of Skinner (1974) this expresses the belief that changes in behaviour take place as a result of an individual's response to events or stimuli and the ensuing consequences (rewards or punishments). Individuals can be 'conditioned' to repeat the behaviour by positive reinforcement in the form of feedback and knowledge of results. This is known as 'operant conditioning'.

❑ **Cognitive learning theory** – learning involves gaining knowledge and understanding by absorbing information in the form of principles, concepts and facts and then internalising it. Learners can be regarded as powerful information-processing machines.

❑ **Experiential learning theory** – experiential learning takes place when people learn from their experience by absorbing and reflecting on it so that it can be understood and applied. Thus people become active agents of their own learning.

❑ **Social learning theory** – this states that effective learning requires social interaction. Wenger (1998) suggested that we all participate in 'communities of practice' (groups of people with shared expertise who work together) and that these are our primary sources of learning.

Learning theories describe in general terms how people learn, but individual learners will have different styles – a preference for a particular approach to learning. The two most familiar classifications of learning styles are those produced by Kolb et al (1974) and by Honey and Mumford (1996).

2.2   Kolb's learning style inventory

Kolb et al (1974) identified a **learning cycle** consisting of four stages, as shown in Figure 4.2. These stages were defined as follows:

1. **Concrete experience** – this can be planned or accidental.

2. **Reflective observation** – this involves actively thinking about the experience and its significance.

3. **Abstract conceptualisation** (theorising) – generalising from experience to develop various concepts and ideas that can be applied when similar situations are encountered.

4. **Active experimentation** – testing the concepts or ideas in new situations. This gives rise to a new concrete experience and the cycle begins again.

The key to this model is that it is a simple description of how experience is translated into concepts that are then used to guide the choice of new experiences.

FIGURE 4.2: The Kolb learning cycle
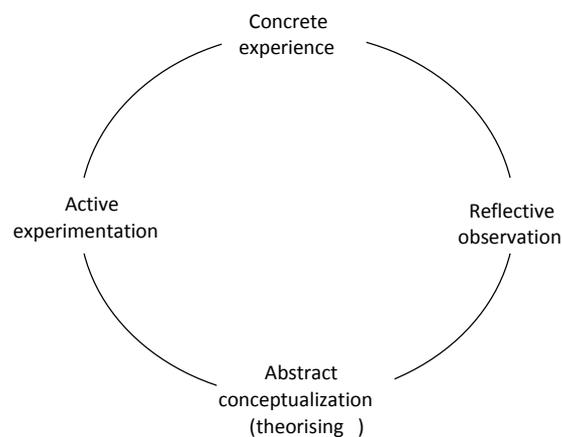
To learn effectively, individuals must shift from being observers to participants, from direct involvement to a more objective analytical detachment. Every person has his or her own learning style; one of the most important arts that trainers have to develop is to adjust their approaches to the learning styles of trainees. Trainers must acknowledge these learning styles rather than their own preferred approach.

2.3 The Honey and Mumford learning styles

Another analysis of learning styles was made by Honey and Mumford (1996). They identified the following four styles:

1. **Activists** – who involve themselves fully without bias in new experiences and revel in new challenges.

2. **Reflectors** – who stand back and observe new experiences from different angles. They collect data, reflect on it and then come to a conclusion.

3. **Theorists** – who adapt and apply their observations in the form of logical theories. They tend to be perfectionists.

4. **Pragmatists** – who are keen to try out new ideas, approaches and concepts to see if they work.

However, none of these four learning styles is exclusive. It is quite possible that one person could be both a reflector and a theorist and someone else could be an activist/pragmatist, a reflector/pragmatist or even a theorist/pragmatist.

2.4   Use of learning style theory

Learning style theory can be used in the design and conduct of learning events or personal development programmes. Learning situations can be set up to fit the learning style of participant. The problem is that people do not necessarily have a single learning style and there certainly will be a large range of styles in any learning group. It may therefore be difficult to fit the approach to the style.

3   THE PRACTICE OF LEARNING & DEVELOPMENT

This section deals with the conduct of learning and development (L&D) activities in organisations. It covers how learning needs are identified, the basic approaches of workplace learning and self-directed learning, how workshop learning can be enhanced through activities such as coaching and mentoring, training techniques and programmes, the concept of blended learning and how learning can be evaluated.

3.1   Identifying learning needs

So far as possible, evidence should be collected on learning needs through **gap analysis** and a review of corporate, collective and individual needs. These three areas are interconnected, as shown in figure below. The analysis of **corporate needs** will lead to the identification of **collective learning needs** in different departments, functions or occupations, while these in turn will indicate what individual employees need to learn. The process operates in reverse. As the **needs of individual** employees are analysed separately, common needs emerge, which can be dealt with on a group basis. The sum of group and individual needs will help to define corporate needs, although there may be some overarching learning requirements that can be related only to the company as a whole to attain its business goals. These areas of analysis are discussed below.
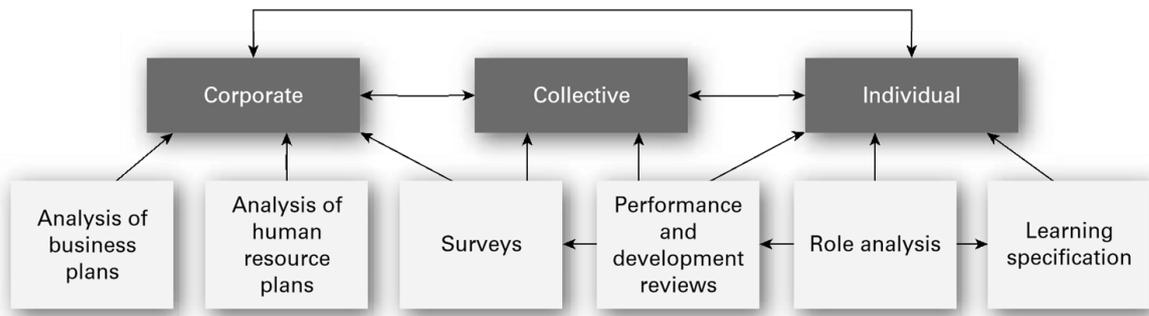
FIGURE 4.3: Learning Needs analysis – areas and methods

Gap analysis

Learning needs analysis is often described as the process of identifying the learning gap – the gap between what is and what should be, as illustrated in figure below. **Gap analysis** involves identifying the gap between what people know and can do and what they should know and be able to do, so that the learning needed to fill the gap can be specified. Information on the nature of the gap may be obtained by one or more of the methods described below. But this 'deficiency model' of training – only putting things right that have gone wrong – is limited. Learning is much more positive than that. It should be concerned with identifying and satisfying development needs – fitting people to take on extra responsibilities, acquire new skills to deal with changing work demands, or develop a range of skills to facilitate multi-tasking.

FIGURE 4.4: The learning gap
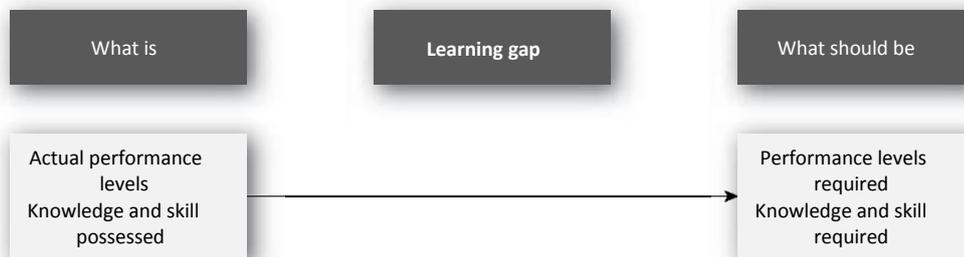
Analysis of business and workforce plans

Business and workforce plans should indicate in general terms the types of skills and competencies that may be required in the future and the numbers of people with those skills and

competencies who will be needed. An analysis should also be made of any areas where future changes in work processes, methods or job responsibilities are planned and any additional knowledge or skills that may be required.

Surveys

Special surveys or an interviewing programme can obtain the views of managers and other employees on what they need to learn. However, the material gathered from a survey may be unspecific and, when interviewed, people may find it difficult to articulate what they want. In the latter case it is best to lead with a discussion of the work they do and identify any areas where they believe that their performance and potential could be developed.

Performance and development reviews

Performance management processes should be a prime source of information about individual learning and development needs. Reviews should include an analysis of role requirements in the shape of knowledge, skills and abilities (KSAs) and the behavioural competencies needed to perform effectively, taking into account any new demands that will be made on the role holder. A joint assessment can then be made of development needs and what sort of development programme is required.

Role analysis

Role analysis is the basis for preparing role profiles that provide a framework for analysing and identifying learning needs. Role profiles set out the key result areas of the role but, importantly, also define the competencies required to perform it.

The output of role analysis could be a learning specification, as illustrated in Figure 4.5. This method of assessing individual learning needs can generate information on common learning needs. The information can be related to the organisation's competency framework and used to inform the design of competency-based learning events.

Skills analysis

Skills analysis determines the skills required to achieve an acceptable standard of performance. It is mainly used for technical, craft, manual and office jobs to provide the basis for devising learning and training programmes.

FIGURE 4.5: A learning specification

LEARNING SPECIFICATION	
Role: Product Manager	**Department:** Marketing
What the role holder must understand	
Learning outcomes	***Learning methods***
❑ The product market ❑ The product specification ❑ Market research availability ❑ Interpretation of marketing data ❑ Customer service requirements ❑ Techniques of product management	❑ Coaching: Marketing Manager and Advertising ❑ Manager ❑ Coaching: Operations Manager ❑ Coaching: Market Research Manager ❑ Coaching: Market Research Manager ❑ Coaching: Customer Service Manager ❑ Institute of Marketing courses
What the role holder must be able to do	
Learning outcomes	***Learning methods***
❑ Prepare product budget ❑ Prepare marketing plans ❑ Conduct market reviews ❑ Prepare marketing campaigns ❑ Specify requirements for advertisements and promotional material ❑ Liaise with advertising agents and creative supplier ❑ Analyse results of advertising campaigns ❑ Prepare marketing reports	❑ Coaching: Budget Accountant ❑ Coaching: Mentor ❑ Coaching: Market Research Department ❑ Read: Product Manager's Manual ❑ Read: Product Manager's Manual ❑ Attachment to agency ❑ Coaching: Mentor, read: analyses ❑ Read: previous reports; observe: ❑ marketing review meetings

3.2   Approaches to learning and development

Workplace learning

Workplace learning is experiential learning. It is learning by doing and by reflecting on experience so that it can be understood and applied. Workplace learning is largely an informal process, although line managers have an important part to play in facilitating it. It involves self-directed learning and is enhanced by coaching, mentoring, e-learning and more formal planned experience. It can be supplemented by training interventions, but more formal approaches are there simply to extend experiential learning.

Learning on-the-job was once anathematised as 'sitting by Nellie' (this was when Nellie was a fairly common name), meaning that trainees were left to their own devices to pick up bad habits from their neighbours. It can be argued that formal training has its limits but at least it is planned and systematic. A further difficulty is that workplace learning depends largely on the willingness and ability of line managers to take responsibility for it. Some will, many won't. This crucial aspect of learning may therefore be neglected unless the HR or L&D function does something about it.

Self-directed learning

Self-directed learning is based on a process of recording achievement and action planning, which means that individuals review what they have learnt, what they have achieved, what their goals are, how they are going to achieve those goals and what new learning they need to acquire. The learning programme can be 'self-paced' in the sense that learners can decide for themselves, up to a point, the rate at which they learn, and are encouraged to measure their own progress and adjust the programme accordingly.

Blended learning

Blended learning is the use of a combination of learning methods to increase the overall effectiveness of the learning process by providing for different parts of the learning mix to complement and support one another. A blended learning programme might be planned for an individual using a mix of planned experience, self-directed learning activities defined in a personal development plan, e-learning facilities, group action learning activities, coaching or mentoring, and instruction provided in an in-company or external course.

3.3   Enhancing workplace learning

Experiential learning in the workplace is important but it should not be left to chance. It needs to be enhanced by such means as induction learning, planned experience, coaching, mentoring, e-learning and personal development planning.

Induction training is provided to new employees. Most new starters other than those on formal training schemes will learn on-the-job, although this may be supplemented with special off-the-job courses to develop particular skills or knowledge.

Planned experience is the process of deciding on a sequence of experience that will enable people to obtain the knowledge and skills required in their jobs and prepare them to take on increased responsibilities.

Coaching is a personal (usually one-to-one) approach to helping people develop their skills and knowledge and improve their performance. The need for coaching may arise from formal or informal performance reviews, but opportunities for coaching will emerge during everyday activities.

Mentoring is the process of using specially selected and trained individuals to provide guidance, pragmatic advice and continuing support that will help the person or persons allocated to them to learn and develop. Mentors prepare people to perform better in the future and groom them for higher and greater things, ie career advancement.

E-learning involves the use of computer, networked and web-based technology to provide learning material and guidance to individual employees. It can be delivered through a firm's intranet system.

Performance and development management processes enable managers and individual members of their teams to work together to identify L&D needs.

Personal development planning is carried out by individuals with guidance, encouragement and help from their managers, usually on the basis of performance and development reviews. A personal development plan sets out the actions people propose to take to learn and to develop themselves. They take responsibility for formulating and implementing the plan but they receive support from the organisation and their managers in doing so. The purpose is to provide **'self-organised learning framework'**.

3.4   Training

Training is the use of systematic and planned instruction activities to promote learning. The approach can be summarised in the phrase **'learner-based training'**. It is one of several responses an organisation can undertake to promote learning.

Training has a complementary role to play in accelerating learning: It should be reserved for situations that justify a more directed, expert-led approach rather than viewing it as a comprehensive and all-pervasive people development solution. The conventional training model has a tendency to 'emphasise subject-specific knowledge, rather than trying to build core learning abilities.

Transferring training

Training can sometimes seem to be remote from reality and the skills and knowledge acquired can appear to be irrelevant. **Transfer of learning** problems often occur after management or supervisory training, but even the manual skills learnt in a training centre can be difficult to transfer.

To tackle this problem it is necessary to make the training as relevant and realistic as possible, anticipating and dealing with any potential transfer difficulties. Individuals are more likely to apply learning when they do not find it too difficult; believe what they learnt is relevant, useful and transferable; are supported by line managers; have job autonomy; believe in themselves; and are committed and engaged. Transfer is also more likely **if systematic training** and **'just-in-time training'** approaches are used, as described below.

Systematic training

Training should be systematic in that it is specifically designed, planned and implemented to meet defined needs. It is provided by people who know how to train and the impact of training is carefully evaluated. The concept was originally developed for the industrial training boards in the 1960s consists of a simple four-stage model:

1. Identify training needs.

2. Decide what sort of training is required to satisfy these needs.

3. Use experienced and trained trainers to implement training.

4. Follow up and evaluate training to ensure that it is effective.
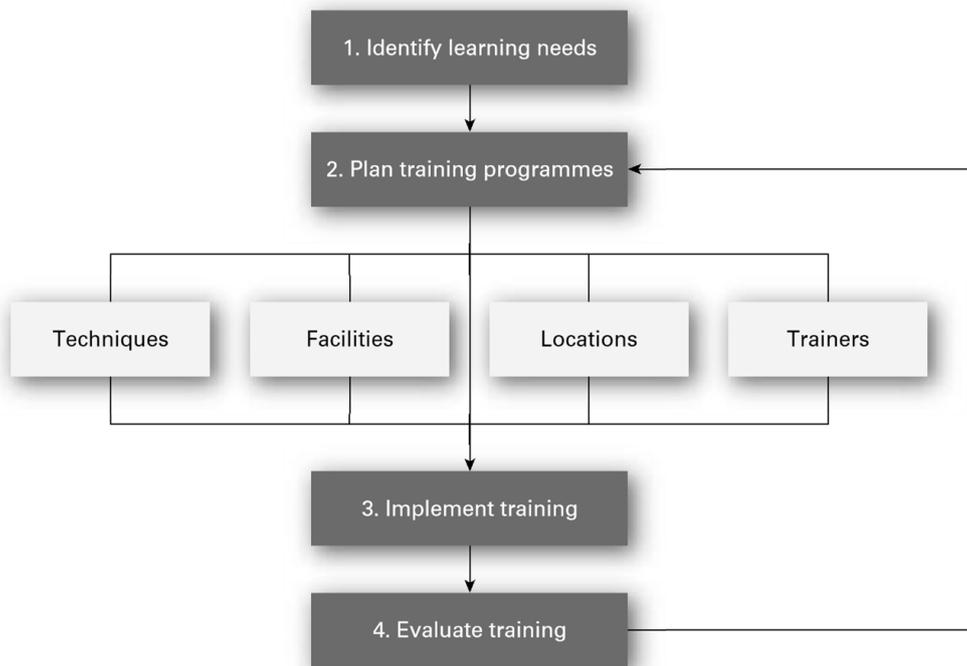
FIGURE: 4.6 Systematic training model

Just-in-time training

Just-in-time training is training that is closely linked to the pressing and relevant needs of people by its association with immediate or imminent work activities. It is delivered as close as possible to the time when the activity is taking place. The training will be based on an identification of the latest requirements, priorities and plans of the participants, who will be briefed on the live situations in which their learning has to be applied. The training programme will take account of any transfer issues and aim to ensure that what is taught is seen to be applicable in the current work situation.

Bite-sized training

Bite-sized training involves the provision of opportunities to acquire a specific skill or a particular piece of knowledge in a short training session focused on one activity, such as using a particular piece of software, giving feedback, or handling an enquiry about a product or service of the company. It is sometimes carried out through e-learning. It can be means of developing a skill or understanding through a concentrated session or learning activity without diversions, which is readily put to use in the workplace. But it can be weak in expanding individuals' intellectual capacity and holistic (or 'whole view') understanding of the business – essential qualities to enable employees to respond creatively to the challenges of today's knowledge economy.

Types of training programmes

Training programmes or events can be concerned with any of the following:

- ❑ manual skills, including apprenticeships;
- ❑ IT skills;
- ❑ team leader or supervisory training;
- ❑ management training;
- ❑ interpersonal skills, eg leadership, team building, group dynamics, neurolinguistic programming;
- ❑ personal skills, eg assertiveness, coaching, communicating, time management;
- ❑ training in organisational procedures or practices, e.g. induction, health and safety, performance management, equal opportunity or managing diversity policy and practice.

3.5 Planning and delivering learning events

The process of planning and delivering learning events and programmes is described by the ADDIE model, which has five phases: analysis, design, development, implementation and evaluation.

Analysis phase

In the analysis phase the learning goals and objectives are established and the learning environment and learner's existing knowledge and skills are identified.

Design phase

The design phase deals with subject matter analysis, the programme outline and the use of learning aids and assessment instruments.

Development phase

In the development phase the detailed programme is constructed as conceived in the design phase. This covers the session plan, the outline content and learning outcomes of each session, methods of delivery, preparation of visual aids, handouts, supporting material and exercises, the arrangements for administering the programme (main lecture room, syndicate rooms, projectors, flip charts, etc) and the final printed version of the programme for distribution to nominating managers and, later, to delegates. This will set out the objectives and benefits of the programme and how these will be achieved. The costs of the programme will be calculated to ensure that they are within budget. Those conducting the programme prepare the detailed contents of their sessions, decide on their method of delivery, rehearse their sessions and work out how the exercises will fit in. The programme director ensures that the efforts of all those involved are coordinated.

Implementation phase

The programme is implemented as planned.

Evaluation phase

Each session is evaluated by the programme director and, at the end, by participants. The impact of the programme on performance is measured and the degree to which it met expectations assessed.

3.6   Evaluation of learning

Evaluation is an integral feature of learning activities. In essence, it is the comparison of objectives with outcomes to answer the question of how far the event has achieved its purpose. The setting of objectives and the establishment of methods of measuring results are, or should be, an essential part of the planning stage of any L&D programme. Evaluation provides guidance on what needs to be done to ensure that learning activities are effective.

Evaluation can take place at different levels, starting with immediate reactions to the learning event and completed with an assessment of the impact it has had on organisational performance. The best known and most used system of levels was developed by Kirkpatrick (1994).

The Kirkpatrick Model is the worldwide standard for evaluating the effectiveness of training. It considers the value of any type of training, formal or informal, across four levels. Level 1 Reaction evaluates how participants respond to the training. Level 2 Learning measures if they actually learned the material. Level 3 Behavior considers if they are using what they learned on the job, and Level 4 Results evaluates if the training positively impacted the organisation.

The Kirkpatrick Model

Level 1: Reaction

The degree to which participants find the training favorable, engaging and relevant to their jobs

Level 2: Learning

The degree to which participants acquire the intended knowledge, skills, attitude, confidence and commitment based on their participation in the training

Level 3: Behaviour

The degree to which participants apply what they learned during training when they are back on the job

Level 4: Results

The degree to which targeted outcomes occur as a result of the training and the support and accountability package

This page intentionally left blank
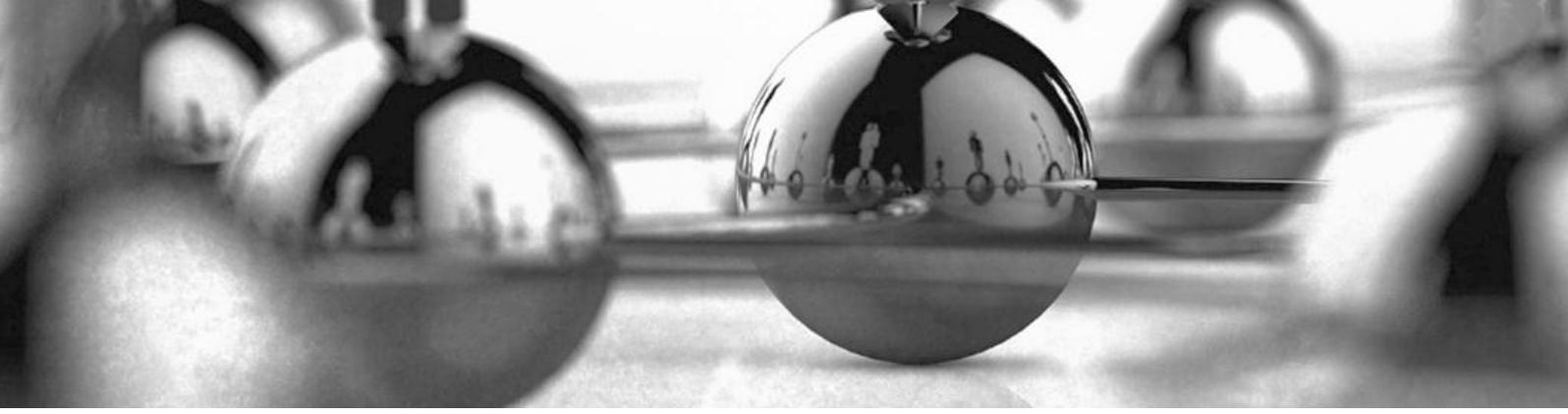
CHAPTER V
HUMAN RESOURCE PLANNING

In previous chapter, we discussed about the key issues surrounding learning and development activities of organisations. This chapter will discuss another key responsibility of the HR practitioners, namely, human resource planning.

Human beings are one of the resources that a business must obtain and manage in pursuit of its objectives. Human resource (previously 'manpower') planning is the task of assessing and anticipating the skill, knowledge and labour time requirements of the organisation, and initiating action to fulfill or 'source' those requirements. If the organisation (or a particular area of its activity) is declining, it may need to plan a reduction or redeployment of the labour force. If it is growing, or moving into new areas of activity, it will need to find and tap into a source of suitably skilled labour.

In the modern Human Resource Planning (HRP) practices, focus has been shifted towards skills and development, rather than just academic degrees of the employees. Cultural shift, technological advancement and changes in labour law are increasing the urgency and flexibility of HRP.In first section of this chapter, we will define HRP, link HRP with corporate planning, outline aims and approaches to HRP. In second section, we will discuss the systematic process of HRP. If anything, as we shall see, the uncertainties of human resource planning make it even more important – and certainly, it becomes more important to approach it systematically. In third section, the issues of labour turnover and retention planning will be discussed. In fourth section, we will outline tools or techniques to evaluate the HRP function of the organisations. In short final section, we will list down different elements of a typical human resource plan.

1 CONTEXT OF HRP

1.1 'Manpower planning' and HRP

Human resource planning may be defined as 'a strategy for the acquisition, utilisation, improvement and retention of the human resources required by the enterprise in pursuit of its objectives.'

The traditional 'manpower planning' model may be broadly outlined as follows.

(a) Forecast **demand** for specific skills, competences or grades of employee.

(b) Forecast **supply** of these skills, competences or grades, both within and outside the organisation.

(c) Plan to remove any **discrepancy** between demand and supply. If there is a shortage of labour, for example, you would need to reduce demand (say, through improved productivity), or improve supply (through training and retention of current staff, or recruitment from outside, for example).

Liff (2000) notes that 'there has been a shift from reconciling numbers of employees available with predictable, stable jobs, towards a greater concern with skills, their development and deployment'. Emphasis is now given on following aspects:

(a) **Recruiting** the required number and type/quality of staff

(b) **Retaining** the required number and type/quality of staff – and therefore letting go those who are not required (by natural labour turnover and/or by planned downsizing)

(c) **Utilising** staff in the most efficient and effective manner: increasing productivity, introducing multi-skilling and other forms of flexibility and so on

(d) **Improving** the skills, capabilities and motivation of staff, so that they become a more flexible resource, capable of fulfilling emerging requirements.

Human resource planning (HRP) is a form of **risk management**. It involves realistically appraising the present and anticipating the future (as far as possible) in order to get the right people into the right jobs at the right time and managing employee behaviour, organisational culture and systems in order to maximise the human resource in response to anticipated opportunities and threats.

1.2 HRP and corporate planning

Human resources are an important input into the overall corporate strategy, and the two are mutually inter-dependent. If **the corporate plan** envisages a cut in output, for example, or the closure of a particular plant, then **the human resource plan** will need to consider redeployment of

staff, redundancies and so on. If the corporate plan specifies a move into a new product market, the human resource plan will have to source the required labour from outside or within the organisation, through recruitment, training or sub-contracting.

In turn, the availability of labour resources can act as a constraint on, or spur to, the achievement of corporate goals. If there are skill shortages and employees cannot be recruited or developed cost-effectively, plans for expansion or diversification may have to be curtailed. The availability of multi-skilled or expert teams, on the other hand, may inspire innovative strategies for growth and change.

Lam and Schaubroeck (2002) argue that HR planning is critical to organisation strategy, because it is able to identify:

(a) **Shortfalls in organisational capability** (skills, knowledge, people) which would *prevent* the corporate plan from being implemented successfully

(b) **Surpluses in organisational capability** which might *shape* the corporate plan by suggesting opportunities to capitalise on currently under-utilised resources

(c) **Poor utilisation of people** in the organisation, which would highlight the need to add value through *revised HR practices*.

The strategic impact of HRM in general and HRP in particular is such that we should expect to see a senior HR manager at the organisation's strategic apex, alongside the heads of other major functions such as finance and marketing.

1.3   Aims of HRP

Armstrong (2009) sums up the aims of HRP as follows.

(a) To attract and retain the number of people required, with the skills, expertise and competences required.

(b) To anticipate potential surpluses or shortfalls which will need to be adjusted.

(c) To develop a well-trained and flexible workforce which will support organisational adaptation to external changes and demands.

(d) To reduce dependence on external recruitment to meet key skill shortages (by formulating retention and development strategies).

(e) To improve the utilisation of people (most notably by developing flexible working systems).

1.4   A contingency approach to HRP

In uncertain environments, a different, less prescriptive approach to HRP may be required. Kane and Stanton (1994) suggest three broad approaches that respond to these uncertainties.

(a) **The staff replacement approach**. Staff are recruited or promoted to fill a vacancy as and when it occurs – if it is still required – with little formal planning. While this is essentially reactive, and does not provide for much change in the knowledge and skill base of the organisation, it allows a degree of flexibility on an *ad hoc* basis. Organisations or units with relatively stable environments may have little difficulty filling vacancies as they arise, while in volatile environments and organisations with high staff mobility and turnover, it may be recognised that longer-range projections of labour requirements are in any case meaningless.

(b) **Short-term Human Resource Strategy.** In environments where long-term forecasting of future requirements is quickly rendered obsolete by change and uncertainty, yet the ability to adapt the skills and knowledge of the workforce is required, a short-term strategic model may be more suitable. This approach has a 'key issues' orientation: HR and line managers collaborate to determine what the organisation's **key HR issues** are in the short term, emphasising flexibility and speed of response to emerging threats and opportunities. HR plans are thus more likely to be focused on short-term action planning and implementation.

(c) **Vision-driven Human Resource Development.** This approach is long term in its orientation and is appropriate when the nature of the future environment is uncertain. It is driven by organisational vision, mission and core values, rather than detailed staffing forecasts and targets. Such an approach is often employed where a major cultural shift is required, calling for corresponding shifts in employee attitudes, skills and behaviours.

The process of choosing the appropriate approach may be shown as follows:
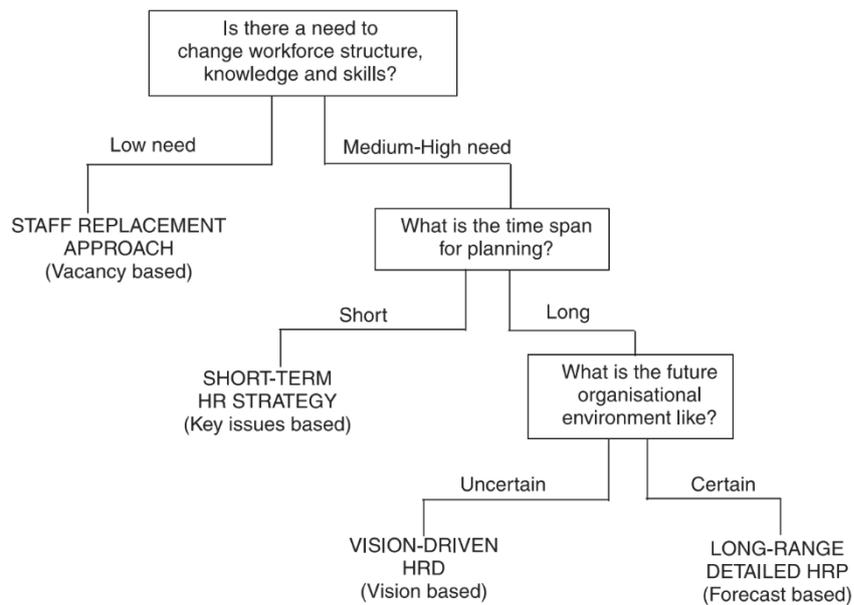
Figure: 5.1 Approaches to human resource planning

2 THE PROCESS OF HRP

When the future environment can be described with some certainty, traditional long range HRP remains a useable approach.

2.1 Forecasting demand

Forecasts of the **demand** for labour, competences and productivity levels will be affected by both internal and external factors.

Internal factors

(a) **Organisational objectives**. Organisational objectives will drive requirements for resources and the long and short-term plans in operation to achieve them. Where plans are changed, the effect of the changes must be estimated: proposed expansion, contraction, innovation or diversification of the organisation's activities will affect the demand for labour in general or for particular skills. Typical changes include the following.

  - Changed levels of demand

  - Introduction of new products and services

  - Entry into new markets

  - Technological change of all kinds

  - Changes to geographical locations

(b) **Staff characteristics and utilisation**. Labour requirements will depend in part on the expected productivity or work rate of different types of employee and the expected volume of business activity. Productivity in turn will depend on a range of factors, such as capital expenditure, technology, work organisation, employee motivation, management style and negotiated productivity deals. Employee characteristics to be considered include age, gender, ethnicity, abilities and skills.

(c) **The cost of labour** – including overtime, training, benefits and so on – and therefore what financial constraints there are on the organisation's labour or skill levels.

External factors

(a) **Demand in the relevant labour markets**. In recent years, economic recession and developments in ICT, for example have encouraged downsizing and delayering, thus reducing demand for labour generally in advanced economies. At the same time, ICT developments have created new markets, products and business processes creating demand for new skills (such as network management or website design).

(b) **Government policy**. Government economic policy can have a significant influence on the demand for labour, both by influencing the availability of credit and by the expansion or reduction of staff numbers in government departments and related bodies.

(c) **Technological developments**. Quite apart from the impact of ICT, technological developments are likely to continue to have significant effect   in a number of areas.

- Improvements in productivity

- Emergence of new industries

- Requirements for training

- Reduced requirements for maintenance

2.2   Forecasting supply

The available **supply** of labour, competences and productivity levels may be forecast by considering internal and external factors.

Internal factors

(a) The competences, skills, trainability, flexibility and current productivity level of the existing work force.

(b) The structure of the existing workforce in terms of age distribution, skills, hours of work, rates of pay and so on.

(c) The likelihood of changes to the productivity, size and structure of the workforce. Such changes may come through:

(i) Wastage (turnover through resignations and retirements), promotions and transfers, absenteeism and other staff movements. This will require information on:

- The age structure of staff (forthcoming retirement or family start-up)

- Labour turnover for a comparable period

- The promotion potential and ambitions of staff

(ii) Employee trainability, morale and motivation, which may influence productivity and flexibility

(iii) Organisational, technological, cultural, managerial and other changes which may positively or negatively affect employee productivity, loyalty and so on.

External factors

The present and potential future supply of relevant skilled labour in the external labour market will be influenced by a range of factors, including some already discussed under the heading of demand. These certainly include economic conditions generally, government policy and actions and the changing nature of work. In addition, the HR planner will have to assess and monitor factors such as those given below.

(a) **Skill availability**: locally, nationally and also internationally: labour mobility within the EU had a major influence on the UK work force, for example.

(b) **Changes in skill availability**, due to education and training trends, resources and initiatives (or lack of these), and rising unemployment (worker availability) due to economic recession.

(c) **Competitor activity**, which may absorb more (or less) of the available skill pool.

(d) **Demographic changes**: areas of population growth and decline, the proportion of younger or older people in the workforce in a particular region, the number of women in the workforce and so on.

(e) **Wage and salary rates** in the market for particular jobs. ('Supply' implies *availability:* labour resources may become more or less affordable by the organisation).

2.3   Closing the gap between demand and supply

Shortfalls or surpluses of labour/skills/productivity which emerge may be dealt with in various ways, in accordance with the organisation's specific HR and business objectives and policies (for example, equal opportunities), cultural values (for example about encouraging commitment, quality focus or developing people within the organisation) and available structures and technologies. Detailed action programmes may be drawn up for the following strategies.

Shortfalls may be met by:	Surplus may be met by:
Internal transfers and promotions, training and development (including individual career management and succession/promotion planning)	Running down manning levels by natural wastage or 'accelerated wastage' (encouraging labour turnover by withholding incentives to loyalty: eg pay freezes or barriers to promotion)
External recruitment or improvement of recruitment methods (eg diversity programmes to encourage more applicants)	Redundancies (voluntary and/or compulsory)
The extension of temporary contracts, or the contracts of those about to retire	Early retirement incentives
Reducing labour turnover, by reviewing possible causes (including pay and conditions), improving induction/ socialisation measures The use of freelance/temporary/agency staff to cover fluctuating demand	Short-contract and flexible-hours (eg annual hours contracts) to cover fluctuating demand
Outsourcing appropriate activities to external contractors	Eliminating overtime and 'peripheral' workforce groups (freelance and temporary workers)
The development of flexible (or otherwise more productive) working methods and structures: multi-skilling, project structures, delayering	Retraining and/or redeployment of staff to other areas of skill/productivity shortage. This may involve diversification by the organisation, to utilise existing skills/knowledge; retraining of employees in newly-needed skill areas; and/or multi-skilling, so that the workforce can be flexibly deployed in areas of labour shortage as and when they emerge
Productivity bargaining encouraging overtime working or offering bonuses and incentives to increase productivity	
Review and adjustment of corporate culture, management style and organisation to increase productivity	
New technology (increasing productivity, and/or reducing the need for human labour)	
Adjustment of corporate objectives: contracting in recognition of the constraints	

Effective HRP will try to create a balance in supply and demand of labour. However, introduction of ICT, globalisation and adverse trading conditions are increasing the level of redundancy and thus creating challenges in HRP process. To cope with such challenges, HRP process is being supported by information technology. Technology has allowed increased supervision of HRP process by top management. Different software and cloud-based Human Resource Information System (HRIS) has resulted in increased efficiency of HRP processes.

3   LABOUR TURNOVER AND RETENTION

3.1   Measuring labour turnover

Labour turnover is the number of employees leaving an organisation and being replaced. The rate of turnover is often expressed as the number of people leaving, as a percentage of the average number of people employed, in a given period. The term 'natural wastage' is used to describe a 'normal' flow of people out of an organisation through retirement, career or job change, relocation, illness and so on.

There are different ways of measuring labour turnover. Most simply, actual gross numbers of people leaving may provide a basis for recruitment/replacement – but this statistic does not say anything about whether or not these people need replacing! To measure labour turnover in a more systematic and useful way, an index such as the following may be used.

(a) Crude labour turnover rate

Here we express turnover as a percentage of the number of people employed.

$$\frac{Number\ of\ leavers\ in\ period}{Average\ Number\ of\ people\ employed\ in\ the\ period}\ X\ 100 = \%\ turnover$$

This is normally quoted as an annual rate and may be used to measure turnover per organisation, department or group of employees. The advantage of this index is that it can alert HR planners to unusually high percentages of the workforce leaving – compared with the HR plan, or with the industry average, say – which would suggest that something is wrong, or that more effort is needed to retain employees.

(b) Labour stability

Here we try to eliminate short-term employees from our analysis, thus obtaining a better picture of the significant movements in the workforce.

$$\frac{Number\ of\ employeed\ one\ or\ more\ years'\ service}{Number\ of\ employee\ employed\ at\ the\ begining\ of\ the\ year} \times 100\% = \%\ turnover$$

Particularly in times of rapid expansion, organisations should keep an eye on stability, as a meaningful measure.

3.2   Causes of labour turnover

Some reasons for leaving will be largely unavoidable, or unforeseeable. **'Natural wastage'** occurs through:

(a) Illness or accident (although transfer to lighter duties, excusing the employee from shiftwork or other accommodations might be possible)

(b) A move from the locality for domestic, social or logistical reasons

(c) Changes to the family situation: for example, when an individual changes job or gives up work to accommodate parental responsibilities

(d) Retirement

(e) Career change.

Other causes of labour turnover, however, may be to do with the organisation, management, terms and conditions and so on: in other words, **job dissatisfaction**.

Labour turnover is also influenced by the following factors.

(a) **The economic climate and the state of the job market.** When unemployment is high and jobs are hard to find, labour turnover will be much lower.

(b) **The age structure and length of service of the work force.** An ageing workforce will have many people approaching retirement. However, it has been found in most companies that labour turnover is highest among:

(i) Young people, especially unmarried people with no family responsibilities

(ii) People who have been in the employment of the company for only a short time.

The employment life cycle usually shows a decision point shortly after joining, when things are still new and perhaps difficult. This is called the **'first induction crisis'**. There is then a period of mutual accommodation and adjustment between employer and employee (called the **'differential transit'** period): in the settling of areas of conflict, there may be further turnover. A **second** (less significant) **induction crisis** occurs as both parties come to terms with the new status quo. Finally, the period of **'settled connection'** begins, and the likelihood of leaving is much less.

3.3   Is turnover a 'bad thing'?

The following table puts labour turnover in perspective.

Potential advantages of labour turnover	*Potential disadvantages of labour turnover*
Opportunities to inject 'new blood' into the organisation: new people bringing new ideas and outlooks, new skills and experience in different situations	Broken continuity of knowledge, relationships, culture and succession, where continuity could offer stability and predictability
Balance in the age structure of the workforce. Absence of labour turnover would create an increasingly aged workforce, often accompanied by an increasing wage/salary cost	Lead time and lost performance while a replacement is found and brought 'on line' to the level of expertise of the previous job-holder
The creation of opportunities for promotion and succession which offers an important incentive to more junior employees	Morale problems. Turnover may be perceived by other employees as a symptom of job dissatisfaction, causing the problem to escalate
The creation of opportunities for promotion and succession which offers an important incentive to more junior employees	The costs of turnover, including: Replacement costs: recruiting, selecting and training; loss of output or efficiency Preventive costs: the cost of retaining staff, through pay, benefits and welfare provisions, maintaining working conditions

So, if an organisation does decide that it needs to control or reduce its labour turnover rate, what can it do? It needs to do retention planning.

3.4   Retention planning

A systematic investigation into the causes of unusually or undesirably high turnover will have to be made, using various methods.

(a) Information given in **exit interviews** with leaving staff, which should be the first step after an employee announces his/her intention to leave. (It must be recognised, however, that the reasons given for leaving may not be complete, true, or those that would be most useful to the organisation. People may say they are 'going to a better job', for example while the real reason for the move is dissatisfaction with the level of interest in the current job.)

(b) **Attitude surveys**, to gauge the general climate of the organisation, and the response of the workforce as a whole to working conditions, management style and so on.

(c) Information gathered on the number of (interrelated) **variables** which can be assumed to **correlate** with labour turnover – such as an ageing workforce, higher rates of pay outside the organisation and so on.

The causes of turnover should be addressed by HR planning, where it is practical and cost-effective to do so.

(a) If particular managers' practices or styles are creating significant dissatisfaction, performance improvement measures may be implemented.

(b) Coherent policies may be introduced (or more consistently applied) with regard to training and development and promotion from within the organisation.

(c) Induction or orientation programmes for new recruits should address the issues that cause problems at the 'first induction crisis' stage.

(d) Selection programmes should be reviewed to ensure that future recruits are made aware of (and ideally are compatible with) the demands of the job and culture of the organisation.

(e) Problems with working conditions should be solved – especially if they also concern health and safety.

(f) Pay levels and structures may be reviewed in the light of perceived fairness and/or market rates.

The apparently simple 'supply and demand' equation discussed above makes HRP look scientific – but there are so many 'messy' human factors involved that its feasibility and reliability have been questioned. This raises the further question of how the success and value of HRP can be measured by the organisation. We will look at some of these issues next.

4   EVALUATING HRP

4.1   How reliable is HRP?

Human resource planning is regarded as a scientific, statistical exercise, but it is important to remember that statistics in themselves are limited in value.

Statistical methods can be used to create a more accurate model of the future than simple subjective estimates. Computerisation has greatly enhanced the speed, ease and accuracy with which they can be applied, and many PC-based HR software packages are now available. Even so, there are a number of assumptions involved, and the results are purely **quantitative** – for example, numbers of staff required – where **qualitative** information may be required for meaningful

decision-making: the effects of change, restaffing or management style on the culture of the organisation and individual/group behaviour and so on.

4.2   Is HRP working?

A **human resource audit** is an investigation designed to:

❑   Give a picture of the current structure, size and productivity of the organisation's labour force

❑   Check that HR plans, systems, policies and procedures have been and are being carried out

The best test of the accuracy and effectiveness of HRP is to check whether the reality has in fact conformed to the forecasts and plans: a basic system of control.

a)   **Actual staffing levels and trends** should be checked against budgets.

   (i)   If HR planners have allowed for reductions in staffing levels through natural wastage, it is important to ensure that such wastage is allowed to happen. (It is a natural tendency for managers to seek replacements for any staff losses, even those which have been budgeted for.)

   (ii)   The budgets themselves may be (or may have become) inappropriate. The HR plan must constantly be reviewed and revised in the light of changes and actual (unanticipated) events.

b)   **HR records** should be checked to identify that any change (promotion, transfer, redundancy, recruitment, etc) has been properly approved, in line with the HR plan.

   This process may uncover:

   (i)   Inadequate authorisation of particular types of change; for example, it may be common to transfer employees within the same department without proper approval or reference to the overall staffing plan.

   (ii)   Unauthorised or unnecessary use of agency or temporary personnel.

c)   **Staff utilisation** should be reviewed: how efficiently is the human resource employed? This process may uncover a need for fundamental change (such as a complete restructure or automation of work). Under-utilisation of a skill category is an inefficient use of the organisation's resources, as well as a common source of personal dissatisfaction among staff.

4.3   Is HRP cost-effective?

Although labour costs in many manufacturing companies are falling as a proportion of total costs, as processes are increasingly automated, HR costs are still significant and may form a large proportion of total costs in labour-intensive sectors such as services.

An organisation should therefore assess the **cost** effect of any HR plan – recruitment drive, training initiative or downsizing exercise – in proportion to the **expected benefits** to be derived from it.

A **cost-benefit analysis** is a comparison of the cost of an actual or proposed measure with an evaluation or estimate of the benefits gained from it. This will indicate whether the measure has been, or is likely to be, cost-effective – or 'worthwhile'.

There are a number of reasons why a cost-benefit analysis of the HR plan might be useful.

(a) It emphasises the **total cost** of the plan, including wages and related costs, in relation to gains in efficiency or effectiveness.

(b) It allows costs of the plan to be **compared** with other options. For example, once the cost of recruitment has been evaluated, the organisation can assess the merits of alternative plans such as:

  (i) Outsourcing the activity

  (ii) Developing and multi-skilling existing staff

  (iii) Buying capital equipment or altering work processes in other ways to enhance productivity.

(c) It emphasises that **cost-effectiveness** – not cost-minimisation – is the aim. For example, temporary or part-time workers may be 'cheaper' for the organisation – but if long-term gains in stability, expertise, management succession, business relationships, knowledge preservation and motivated output are lost (compared with employing full-time, permanent staff), this would be a false economy.

It should be clear that HRP, at the stage of closing the gap between supply and demand, actually involves planning in a number of areas of HRM. We will end this chapter with a summary of the Human Resource Plan.

5   ELEMENTS OF HRP

Once the analysis of human resource requirements has been carried out, and the various options for fulfilling them considered, the **human resource plan** will be drawn up. This may be done at a strategic level (and indeed, as we saw in section 1.2 above, it will have strategic impact). It will also involve tactical plans and action plans for various measures, according to the strategy that has been chosen. Typical elements might include the following.

(a) **The resourcing plan**: approaches to obtaining skills/people within the organisation, and by external recruitment

(b) **Internal resource plan**: availability of skills within the organisation; plans to promote/redeploy/develop

(c) **The recruitment plan:** numbers and types of people, and when required; sources of candidates; the recruitment programme; desired 'employer brand' and/or recruitment incentives

(d) **The training plan:** numbers of trainees required and/or existing staff who need training; training programme

(e) **The re-development plan:** programmes for transferring or retraining employees

(f) **The flexibility plan**: plans to use part-time workers, jobsharing, homeworking, outsourcing, flexible hour arrangements and so on.

(g) **The productivity plan:** programmes for improving productivity, or reducing manpower costs; setting productivity targets

(h) **The downsizing plan:** natural wastage forecasts; where and when redundancies are to occur; policies for selection and declaration of redundancies; redevelopment, retraining or relocation of employees; policy on redundancy payments, union consultation and so on

(i) **The retention plan:** actions to reduce avoidable labour wastage.

The plan should include budgets, targets and standards. It should allocate responsibilities for implementation and control (reporting, monitoring achievement against plan).

A systematic approach to HRP would be as shown in the diagram below.
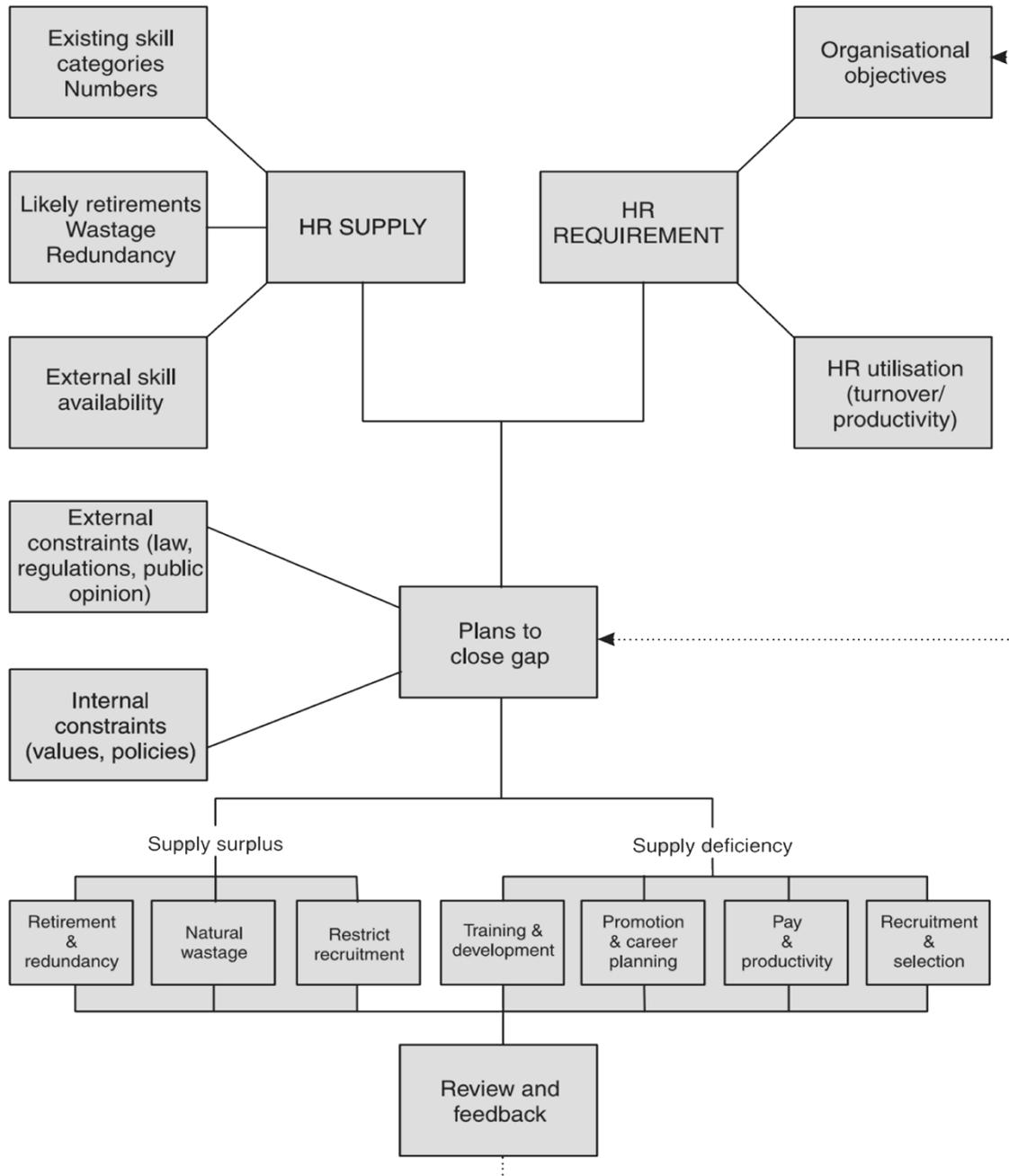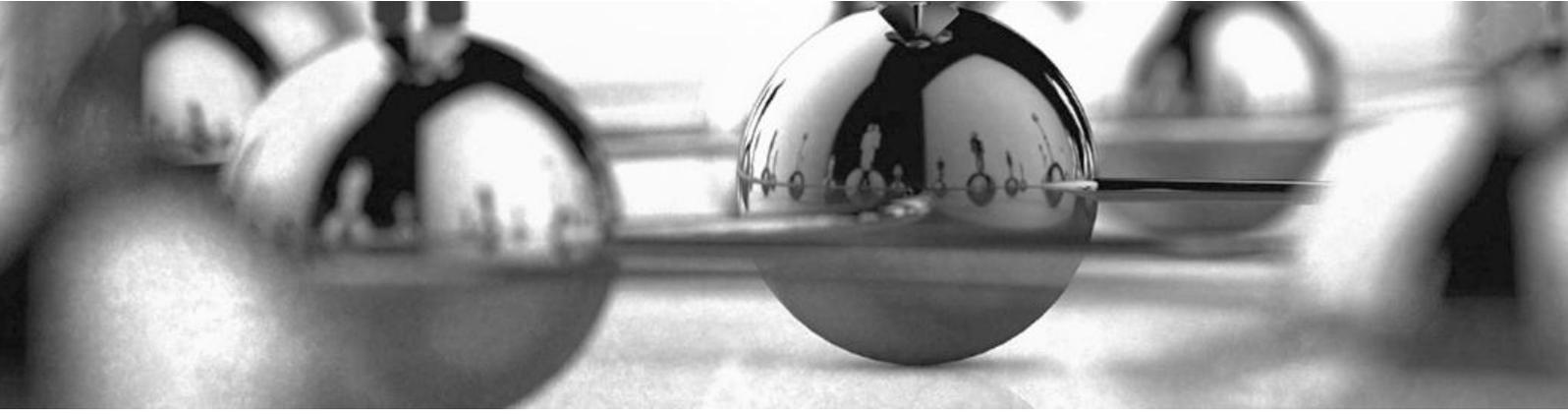
CHAPTER VI

RECRUITMENT

In previous chapter course, we noted that there were sources of labour supply both inside the organisation and in its environment. In this chapter, we will look briefly at the labour market (external and internal) and at some of the issues affecting the resourcing and recruitment plan.

Recruitment is the process whereby an organisation communicates opportunities and information to the labour market in order to attract the quantity and quality of potential employees it requires to fulfill its human resource plan. This chapter outlines a systematic approach to this task. Latter sections of this chapter will cover job analysis, job description and person specification. The chapter will discuss recruitment methods and media in great detail. The discussion will help us understand practical process related to internal/external recruitment, recruitment advertisement and application handing. In final section, we will outline techniques to evaluate the recruitments function of the organisations.

1 SOURCES OF HR

1.1 The Labour Market

The **labour market** is the sphere in which labour is 'bought' and 'sold', and in which market concepts such as supply, demand and price operate with regard to human resources.

The **labour market** has changed dramatically in the last few decades. The decline of manufacturing, the increase of women in employment, the globalisation of business (allowing offshoring of production and service provision to low-cost labour countries) and the more general application of technology, among other factors, have changed that situation. A 'buyer's market' for labour now gives employers considerable power, with a large pool of available labour created by unemployment and non-career (temporary, freelance) labour.

On the other hand, even in conditions of high overall employment, particular skill shortages still exist and may indeed be *more* acute because of economic pressures on education and training. Engineers and software designers, among other specialist and highly trained groups, are the target of fierce competition among employers, forcing a re-evaluation of recruitment and retention policies.

When forecasting the supply of labour and skills available to the organisation to meet the demands of its activities and objectives, the HR planner must take into account:

❑ *The current skill base, size and structure of its existing workforce*

❑ *The potential for change in that skill base, size and structure.*

This constitutes an internal labour market.

1.2 Internal sources of labour

If the organisation faces a demand for a particular skill, that demand may be satisfied from within the existing labour force by:

(a) **Retaining** skilled individuals, against the flow of labour turnover

(b) **Transferring** or deploying individuals with the relevant skills from their current job to the job where those skills can more effectively be utilised

(c) **Training and developing** individuals in the required skills and abilities

(d) **Exploiting contacts** with present employees, friends and family of employees, and former external applicants, who might be referred (and to an extent, pre-appraised) for vacancies.

If the organisation experiences **fluctuating** demand for a particular skill or for numbers of workers, it may need to approach the above strategies somewhat differently, in order to be able to deploy

labour flexibly. If a retail business requires extra sales people in the pre - Holiday period, for example, or a factory requires trained specialists in a particular field only at certain stages of a project – or in the event of problems – what do they do? Train, retain and transfer sufficient people for the busiest scenario? You should be able to see that this would be costly and inefficient – and unlikely to enhance the credibility of the HR planner! This is in essence what **labour flexibility** – in terms of numbers and skills deployed – is about.

1.3 Promotion and succession

Succession is the act, process or right by which one person 'succeeds to' or takes over the office or post of another person. In a business organisation, there may be a policy whereby a 'successor' is developed to replace a more senior manager who retires or leaves.

Promotion and succession policies are a vital part of the human resource plan, as a form of risk management associated with the internal supply of labour. The planned development of staff (not just skills training, but experience and growth in responsibility) is essential to ensure the continuity of performance in the organisation. This is particularly so for management **succession planning**: the departure of a senior manager with no planned or 'groomed' successor could leave a gap in the organisation structure and the lead time for developing a suitable replacement may be very long.

A comprehensive **promotion programme**, as part of the overall HR plan will include:

(a) Establishing the relative significance of jobs by analysis, description and classification, so that the line and consequences of promotion are made clear

(b) Establishing methods of assessing staff and their potential for fulfilling the requirements of more senior positions

(c) Planning in advance for training where necessary to enhance potential and develop specific skills

(d) Policy with regard to internal promotion or external recruitment and training.

A coherent **promotion policy** may vary to include provisions such as the following.

(a) All promotions, as far as possible, and all things being equal, are to be made from within the firm.

(b) Merit and ability (systematically appraised) should be the principal basis of promotion, rather than seniority (age or years of service) – although this may vary in cultures where seniority is a key value.

(c) Vacancies should be advertised and open to all employees.

(d) There should be full opportunities for all employees to be promoted to the highest grades.

(e) Training should be offered to encourage and develop employees of ability and ambition in advance of promotion.

(f) Scales of pay, areas of responsibility, duties and privileges of each post and so on should be clearly communicated so that employees know what promotion means – in other words, what they are being promoted *to*.

1.4   Internal or external recruitment?

Promotion is useful from the firm's point of view, in establishing a management succession, filling more senior positions with proven, experienced and loyal employees. It is also one of the main forms of reward the organisation can offer its employees.

The decision of whether to promote from within or fill a position from outside will hinge on many factors. If there is simply no-one available on the current staff with the expertise or ability required (say, if the organisation is venturing into new areas of activity, or changing its business processes), the recruitment manager may have to seek qualified people outside. If there is time, a person of particular potential in the organisation could be trained in the necessary skills, but that will require an analysis of the costs as compared to the possible (and often less quantifiable) benefits.

2   RECRUITMENT PROCESS

Recruitment is the part of the human resourcing process concerned with finding the applicants: it is a positive action by management, going into the labour market, communicating opportunities and information, and encouraging applications from suitable candidates.

The aims of the recruitment process may be analysed into three main areas.

The creation of a pool of suitable candidates. Recruitment is about attracting applications from sufficient candidates with the appropriate qualifications, skills, experience and personal qualities. The aim is to create a pool of candidates for each vacancy that arises so that the most suitable can be appointed.

The management of the recruitment process itself. Those responsible for recruitment will also be charged with the development and refinement of the procedures and practices in use. These must be clear, effective and applied consistently. All applicants must be treated fairly and equitably and, in particular, a satisfactory equal opportunities policy must be applied.

The basis of selection. The recruitment process feeds into selection and must support the requirement that selection is made on merit and in accordance with the stated requirements of each job to be filled.

2.1 A systematic approach

The overall aim of the recruitment process in an organisation is to obtain the quantity and quality of candidates required to fulfil the objectives of the organisation.

A systematic approach to recruitment will involve the following stages.

(a) Detailed **human resource planning** defining what resources the organisation needs to meet its objectives. (Discussed in previous chapter).

(b) **Job analysis** (or variants), so that for any given job or role there is a definition of the skills, knowledge and attributes required to perform the job.

   (i) A **job description**: a statement of the component tasks, duties, objectives and standards of the job

   (ii) A **person specification**: a reworking of the job description in terms of the kind of person needed to perform the job

   (iii) Some other appropriate definition of the requirement, such as a **competence or role definition**.

   If such documents already exist, they may need to be updated or confirmed.

(c) An identification of **vacancies**, from the requirements of the human resource plan or by a job requisition from a department, branch or office which has a vacancy, and subsequent approval or **authorisation** for engagement. Seeking authorisation to refill a vacancy is a means of ensuring that the need for recruitment, and the criteria for recruitment, are in line with departmental and organisational requirements, timely and cost effective. It may also provide an opportunity to review other options.

(d) Evaluation of the **sources of skills,** which again should be identified in the human resource plan. Internal and external sources, and media for reaching them (eg through **job advertisement** or e-recruitment, say) will be considered.

(e) Preparation and publication of recruitment **information**, which will:

   (i) Attract the attention and interest of potentially suitable candidates

   (ii) Give a favourable (but accurate) impression of the job and the organisation

   (iii) Equip interested candidates to make an application (how and to whom to apply, desired skills, qualifications and so on).

(f) **Processing applications** prior to the selection process. This may include:

   (i) Screening replies at the end of the specified period for application

   (ii) Short-listing candidates for initial consideration

   (iii) Advising applicants of the progress of their application

   (iv) Drawing up a programme for the selection process which follows.

Trends towards flexibility and multi-skilling have encouraged a slightly different approach, which is oriented more towards '**fitting the job to the person**' than 'fitting the person to the job'. In a highly innovative market, technological environment or organisational culture, for example, rigid job descriptions would not be suitable. In order to creatively exploit the opportunities or such environments, organisations should be able to look at the skills and attributes of the people they employ, and those of gifted outsiders, and ask: 'What needs doing, that this person would do best?'

In a relatively informal environment, where all-round knowledge/skills and experience are highly valued and suitable external labour resources are scarce (say, in management consultancy), this approach would give much-needed flexibility. The organisation would try to recruit excellent, flexible, motivated and multi-skilled personnel, without reference to any specific job, as defined by a job description. They would form an available resource for any task or requirement that arose on a project or 'virtual project team' basis.

However, the **'selection' approach** ('fitting the person to the job') is still by far the most common, and is suitable for most organisations with fairly defined goals and structures.

2.2   Recruitment policy and best practice

Detailed procedures for recruitment should only be devised and implemented within the context of a coherent policy, or code of conduct.

A typical recruitment policy might deal with:

(a) Internal advertisement of vacancies

(b) Efficient and courteous processing of applications

(c) Fair and accurate provision of information to potential recruits

(d) Selection of candidates on the basis of qualification, without discrimination on any grounds

(e) Recruitment of labour reflecting the composition of society as a whole, and perhaps local labour where possible (supporting diversity and social sustainability targets, eg in the public sector)

Detailed procedures should be devised in order to make recruitment activity systematic and consistent throughout the organisation (especially where it is devolved to line managers). Apart from the resourcing requirements, which need to be effectively and efficiently met, there is a marketing aspect to recruitment, as one 'interface' between the organisation and the outside world: applicants who feel they have been unfairly treated, or recruits who leave because they feel they have been misled, do not enhance the organisation's reputation in the labour market.

We will now discuss some of the recruitment procedures listed in paragraph 2.1 in more detail.

3   JOB ANALYSIS

Job analysis is 'the determination of the essential characteristics of a job', the process of examining a job to identify its component parts and the circumstances in which it is performed (British Standards Institute).

The product of the analysis is usually a **job specification** – a detailed statement of the activities (mental and physical) involved in the job, and other relevant factors in the social and physical environment.

3.1   Uses of job analysis

Job analysis, and the job specification resulting from it, may be used by managers:

(a) In **recruitment and selection** – for a detailed description of the vacant job to provide a source of information for the preparation of job descriptions and personnel specifications

(b) For **appraisal** – to assess how well an employee has fulfilled the requirements of the job

(c) In devising **training programmes** – to assess the knowledge and skills necessary in a job

(d) In establishing **rates of pay** – this will be discussed later in connection with job evaluation

(e) In eliminating **risks** – identifying hazards in the job

(f) In re-organisation of the **organisational structure** – by reappraising the purpose and necessity of jobs and their relationship to each other.

3.2   Content of job analysis

Information which should be elicited from a job is both task-oriented and worker-oriented, including:

(a) **Initial requirements of the employee:** aptitudes, qualifications, experience, training required; personality and attitudinal considerations

(b) **Duties and responsibilities of the job:** physical aspects; mental effort; routine or requiring initiative; difficult and/or disagreeable features; degree of independence of discretion; responsibilities for staff, materials, equipment or cash etc; component tasks (where, when, how frequently, how carried out); standards of output and/or accuracy required; relative value of tasks and how they fit together

(c) **Environment and conditions of the job:** physical surroundings, with notable features such as temperature or noise; hazards; remuneration; other conditions such as hours, shifts, benefits, holidays; career prospects; provision of employee services – canteens, protective clothing etc

(d) **Social factors of the job:** size of the department; teamwork or isolation; sort of people dealt with – senior management, the public; amount of supervision; job status.

3.3   Methods of job analysis

Opportunities for analyses occur when jobs fall vacant, when salaries are reviewed, or when targets are being set, and the HR department should take advantage of such opportunities to review and revise existing job specifications.

Job analysis can be carried out by:

(a) **Observation of working practice**, where jobs are relatively routine and repetitive. The analyst watches and records the job holder's activity, task times and performance standards, working conditions and so on. A proforma question sheet listing the factors to be recorded would normally be used, incorporating range statements (circumstances in which each task is carried out and standards to which competence is required) and rating scales.

(b) **Questionnaires and interviews**, for jobs with longer task cycles and invisible work (planning, problem-solving and so on). The job holder would be asked to explain, describe and quantify (as far as possible) the job. His or her manager, and other third parties, may be asked to complete the same exercise.

(c) **Diaries, time sheets and other self-recording techniques.** The job holder may be asked periodically to record activity, or may include **critical incidents** highlighting key aspects of the job.

4   JOB DESCRIPTION

A **job description** is a broad description of a job or position at a given time (since jobs are dynamic, subject to change and variation). 'It is a written statement of those facts which are important regarding the duties, responsibilities, and their organisational and operational interrelationships.' (Livy, 1988)

4.1   Purposes and uses of job descriptions

In **recruitment**, a job description can be used:

(a) To decide which skills (for example, technical, human, conceptual, design) and qualifications are required of the job holder. When formulating recruitment advertisements, and interviewing an applicant for the job, the interviewer can use the resulting job specification to match the candidate against the job.

(b) To assess whether the job will efficiently utilise the abilities and provide scope for the aspirations of the prospective job holder

(c) To determine a rate of pay which is fair for the job, if this has not already been decided by some other means.

4.2   The contents of a job description

A job description should be clear and to the point, and so ought not to be lengthy. A standard format for a job description would provide the information shown below.

(a) **Job title** and department and job code number; the person to whom the job holder is responsible; possibly, the grading of the job.

(b) **Job summary –** showing in a few paragraphs the major functions and any tools, machinery and special equipment used; possibly also a small organisation chart.

(c) **Job scope and content –** for manual work, a list of the sequence of operations that constitute the job, noting main levels of difficulty. In the case of management work there should be a list of the main duties and responsibilities of the job, indicating frequency of performance – typically between 5 and 15 main duties should be listed. This includes the degree of initiative involved, and the nature of responsibility (for other people, machinery and/or other resources).

(d) The extent (and limits) of the jobholder's **authority and responsibility**.

(e) Statement showing **relation of job** to other closely associated jobs, including superior and subordinate positions and liaison required with other departments.

(f) Working hours, basis of pay and benefits, and **conditions of employment**, including location, special pressures, social isolation, physical conditions, or health hazards.

(g) **Opportunities** for training, transfer and promotion.

(h) Possibly, also, objectives and **expected results**, which will be compared against actual performance during employee appraisal – although this may be done as a separate exercise, as part of the appraisal process.

(i) Any formal **qualifications** required.

4.3   Limitations of job descriptions

Townsend (1985) suggested that job descriptions are of limited use.

(a) They are only suited for jobs where the work is largely repetitive and therefore performed by low-grade employees.

(b) Jobs are likely to be constantly changing as turbulent business environments impact upon them, so a job description is constantly out of date or limiting.

(c) Job descriptions stifle flexibility and encourage demarcation disputes, where people adhere strictly to the contents of the job description, rather than responding flexibly to task or organisational requirements.

Where job descriptions are used, it should be remembered that:

(a) A job description is like a photograph, an image 'frozen' at one point in time

(b) A job description needs constant and negotiated revision

A job description should be secondary in importance to a customer requirement, quality improvement or problems solved.

EXAMPLE

ASIA ISLAMIC BANK PLC

1   *Job title*:   Clerk (Grade 2)

2   *Branch*:   All branches and administrative offices

3   *Job summary*:   To provide clerical support to activities within the bank

4   *Job content*:   Typical duties will include:

        (a)   Cashier's duties
        (b)   Processing of branch clearing
        (c)   Processing of standing orders
        (d)   Support to branch management

5   *Reporting structure*:

Administrative officer/assistant manager

Supervisor (Grade 3)

Clerk (Grade 2)

6   *Experience/Education*: Experience not required; minimum 3 GCSEs or equivalent.

7   *Training to be provided*: Initial on-the-job training plus regular formal courses and training.

8   *Hours*: 38 hours per week

9   *Objectives and appraisal*: Annual appraisal in line with objectives above.

10   *Salary*: Refer to separate standard salary structure.

Job description prepared by: Head office HR department

4.4   Alternatives to job description

It has been suggested that work requirements should be defined in terms of the contribution or outcomes expected of the job holder.

Some organisations are therefore moving towards:

(a) **Goal, competence or accountability profiles**, setting out the outputs and performance levels expected of the individual (or team). We will look at competence profiles a bit later.

(b) **Role definitions**, defining the part played by the job holder in meeting organisational and departmental objectives. A role definition is therefore wider than a job description, focusing less on 'content' than on how the job holder contributes to business processes and results through competent and flexible performances.

A role profile or definition will therefore specify: the overall purpose of the role; what role holders are expected to achieve (key results) and what they will be accountable for; and the behavioural/technical competences required to achieve the defined level of contribution.

5 PERSON SPECIFICATION

A person specification profiles the type of person the organisation should be trying to recruit for a given position: that is, the 'ideal' candidate.

Professor Alec Rodger was a pioneer of the systematic approach to recruitment and selection in the UK. He suggested that:

If matching *[ie of demands of the job and the person who is to perform it]* is to be done satisfactorily, the requirements of an occupation (or job) must be described in the same terms as the aptitudes of the people who are being considered for it.

This was the basis for the formulation of person specification as a way of matching people to jobs on the basis of comparative sets of data: defining job requirements and personal suitability along the same lines.

5.1 Models for person specification

Two influential models were adopted as the basis of person specification.

The Seven Point Plan (Rodger, 1970)	Five Point Pattern of Personality (Munro Fraser 1971)
1. Physical attributes (such as neat appearance, ability to speak clearly and without impediment) 2. Attainment (including educational qualifications) 3. General intelligence 4. Special aptitudes (such as neat work, speed and accuracy) 5. Interests (practical and social) 6. Disposition (or manner: friendly, helpful and so on) 7. Background circumstances	1. Impact on others, including physical attributes, speech and manner 2. Acquired knowledge or qualifications, including education, training and work experience 3. Innate ability, including mental agility, aptitude for learning 4. Motivation: individual goals, demonstrated effort and success at achieving them 5. Adjustment: emotional stability, tolerance of stress, human relations skills

Each feature in the specification may be classified as:

(a) **Essential –** for instance, honesty in a cashier is essential whilst a special aptitude for conceptual thought is not

(b) **Desirable** – for instance, a reasonably pleasant manner should ensure satisfactory standards in a person dealing with the public

(c) **Contra-indicated** – some features are actively disadvantageous, such as an inability to work in a team when acting as project leader.

5.2   Limitations of person specifications

As our example suggests, a wide number of variables may be included in a person specification. If it is not used flexibly, however, and the specification fails to evolve as business and employment conditions change, it may swiftly lose its relevance. For example: attainments are often focused on educational achievements, since there has traditionally been a strong correlation between management potential and higher education. However, this does not necessarily reflect the range of learning and experience available, nor the increasing diversity of educational backgrounds and qualification standards in a global labour market.

EXAMPLE

PERSON SPECIFICATION: CUSTOMER ACCOUNTS MANAGER

	ESSENTIAL	*DESIRABLE*	*CONTRA-INDICATED*
Physical attributes	Clear speech Well-groomed Good health		Chronic ill-health and absence
Attainments	2 'A' levels GCSE Maths and English Thorough knowledge of retail environment	Degree (any discipline) Marketing training 2 years' experience in supervisory post	No experience of supervision or retail environment
Intelligence	High verbal intelligence		
Aptitudes	Facility with numbers Attention to detail and accuracy Social skills for customer relations	Analytical abilities (problem solving) Understanding of systems and IT	No mathematical ability Low tolerance of technology
Interests	Social: team activity		Time-consuming hobbies 'Solo' interests only
Disposition	Team player Persuasive Tolerance of pressure and change	Initiative	Anti-social Low tolerance of responsibility
Circumstances	Able to work late, take work home	Located in area of office	

5.3   Competence profiles

Competence may be defined as 'the set of behaviour patterns that the incumbent needs to bring to a position in order to perform its tasks and functions with competence'. (Woodruffe, 1992)

Competence frameworks, definitions or profiles are based on **key success factors** in a given business or sector (through benchmarking exercises or definitions formulated by standard-setting lead bodies). They may also be developed within organisations, linked to their specific strategic objectives, cultural values and task requirements.

The advantage of competence-based profiles include the following.

(a) They can be linked directly to the strategic objectives of an organisation.

(b) They reflect best practice in the relevant occupation or profession (if defined by standard-setting bodies).

(c) They are flexible in the face of changing conditions and requirements, as they are menu-driven and non-prescriptive about job/organisational specifics.

(d) They can be applied at all levels of the organisation (although the behaviours expected will obviously vary), which helps to foster core values and consistent practice in the organisation.

(e) They directly relate candidates' attainments and attributes to the demands of the job, and should therefore be both accurate (in predicting job performance) and non-discriminatory.

6 RECRUITMENT METHODS AND MEDIA

6.1 External recruitment

A number of methods are available to organisations to contact (and attract) potential candidates. These can be summarised as follows.

Method	Evaluation		
Unsolicited requests: Write-ins or walk-ins (Media: word-of mouth, recommendation, previous recruitment advertising, general employer branding)	*Advantages:*	❑ ❑ ❑	Inexpensive Pre-selected for enthusiasm, initiative Open **walk-in** policy may encourage application where job difficult to fill
	Disadvantage:	❑	Needs control and systematic application handling
Existing contacts: Previous (re-employable) employees; retirees; career break; previous applicants of suitable general quality held on file	*Advantage:*	❑	Work behaviour/attributes known; may be amenable to part-time, temporary or flexible working
	Disadvantage:	❑	Needs systematic database management
Referrals: Registers of members seeking employment, kept eg by trade unions	*Advantage:*	❑	Pre-selection at low cost
	Disadvantage:	❑	Indirectly discriminative

and professional bodies		
Job centres: Network of agencies provided by government: particularly for manual and junior positions in admin/ clerical/retail	*Advantage:*	❑ Free ❑ Local and national ❑ Socially responsible (not-for-profit)
	Disadvantage:	❑ Register limited to unemployed ❑ Require relationship/selection management
Resettlement services: Finding civilian positions for armed forces personnel at end of service	*Advantage:*	❑ Can be highly trained/experienced
	Disadvantage:	❑ Inexperience in civilian culture?
Careers services: Placing graduates of schools and training institutions	*Advantages:*	❑ Potential for young unsocialised recruits ❑ Potential for preview through work placements ❑ Financial incentives ❑ Potential for strong relationship - selection preference, curriculum influence
	Disadvantages:	❑ Recruits may lack experience ❑ Administration of work-experience ❑ Possible indirect discrimination
Employment agencies: Wide range of specialising agencies; temporary agencies for one-off requirements and short-term cover	*Advantages:*	❑ May undertake pre-screening ❑ Temp agencies facilitate flexible working
	Disadvantages:	❑ Quality can vary ❑ Cost
Selection consultants: Recruit and select for positions; may cover clerical/admin staff, specialist staff (media, financial etc), or managerial	Advantages:	❑ Reduces administration for employer ❑ Specialist selection skills ❑ Wide-ranging contacts
	Disadvantages	❑ Cost ❑ May lack awareness of organisation's culture, values, detailed criteria

		❑	Excludes internal applicants
		❑	Lack of accountability
Outplacement consultants: Registers, retraining etc to help redundant and early-retired employees	*Advantages:*	❑ ❑	Perceived socially responsible Provide some training
	Disadvantage:	❑	Quality varies
Search consultants: 'Head hunters'. Networking to track highly employable individuals: candidates proactively approached	*Advantage:*	❑	Selects for high employability networking, exploration opportunity
	Disadvantages:	❑ ❑ ❑	Cost Limited range Organisation may be victim as well as beneficiary!
Direct to source: Schools, colleges, universities (Media: advertisement, 'milkround' presentation)	Advantages:	❑ ❑ ❑	Networking relationships Opportunities to preview via work placement, 'gap' year etc Access to graduates in desirable (scarce) disciplines
	Disadvantages:	❑ ❑ ❑ ❑	Local catchment area Tends to be annual 'season' Recruits lack experience Potential for indirect discrimination
The Internet: Wide range of recruitment databases, plus web advertising/ application	Advantages:	❑ ❑ ❑	IT-literate users Pre-selection by database, low cost World-wide catchmen
	Disadvantages:	❑ ❑	Difficulty of verification Competition

6.2   E-recruitment

E- (or Internet) recruiting has exploded in recent years, having been used mainly for IT jobs in the early stages of Internet adoption. The Internet is a useful tool in a number of ways.

(a) To post or advertise vacancies, either on the employer's own website (or intranet, for internal advertising) or on specialist online recruitment sites.

(b) To provide information about the employer, recruitment policies and jobs (often available on the employer's own website, as well as recruiter databases).

(c) To allow database searches, matching employers' requirements and job seekers' CVs.

(d) To facilitate communication (via e-mail) between enquirers/applicants and employers.

(e) To complete recruitment applications electronically (online application forms, computerised screening of essential matching criteria, online psychometric tests and so on).

6.3 The recruitment advertisement

The object of recruitment advertising is to home in on the target market of labour, and to attract interest in the organisation and the job. In a way, it is already part of the **selection** process. The advertisement will be placed where suitable people are likely to see it (say, internally only – immediately pre-selecting members of the organisation – or in a specialist journal, pre-selecting those specialists). It will be worded in a way that further weeds out people who would not be suitable for the job (or for whom the job would not be suitable). The way in which a job is advertised will depend on the type of organisation and the type of job.

The **advertisement,** based on information set out in the job description, (or variants) and recruitment policy, should contain the following **information**.

(a) **The organisation**: its main business and location (at least)

(b) **The job**: title, main duties and responsibilities and special features

(c) **Conditions**: special factors affecting the job

(d) **Qualifications and experience** (required, and preferred); other attributes, aptitudes and/or knowledge required

(e) **Rewards**: salary and benefits (negotiable, if appropriate), opportunities for training and career development, and so on

(f) **Application**: how to apply, to whom, and by what date.

The advertisement should encourage a degree of **self-selection**, so that the target population begins to narrow itself down. (The information contained in the advertisement should deter unsuitable applicants as well as encourage potentially suitable ones.) It should also reflect the desired image of the organisation in the outside world: its employer brand.

AT MILTON KEYNES
'NO' ISN'T A WORD WE LIKE TO USE

We'd much rather give the thumbs up to new ideas and new innovations. And in our forward-thinking HR department, that's exactly what we're doing.

It's all part of the Council's wider aims to change the way local government operates. Embracing new legislation and bringing our services closer to internal and external clients alike, we're adopting a real business focus - and shaping some bold plans for the future. If you're MCIPD qualified, have a record of continued professional development and you're aware of the wider issues confronting a Council like ours, they're plans you could share in.

HUMAN RESOURCES OFFICER
- OPERATIONS

£22,194 - £26,091 REF: R01331

You'll be part of our central HR operation, ensuring that all our services run smoothly and effectively - as well as contributing to the overall development of the department. We'll also look to you to provide Council-wide advice on everything from employment legislation to HR procedure, calling on at least 3 years' generalist human resources experience, a background in trade union liaison and proven communication skills. Requests for full/part-time or term-time only are welcome.

HUMAN RESOURCES OFFICER
- EMPLOYEE RELATIONS

£22,194 - £26,091 REF: R01332

You'll be reviewing, developing and undertaking briefings on HR policies; advising managers and HR colleagues on policies and employment legislation; trade union consultation; reviewing and monitoring the Occupational Health contract. You will have at least 3 years' human resources experience.

CLOSING DATE: 16 OCTOBER 2000.

Further information and application forms are available by telephoning (01908) 253344 or 253462 (answerphone service available 24 hours per day) or by writing to HR Recruitment Team, Milton Keynes Council, Saxon Court, 502 Avebury Boulevard, Milton Keynes MK9 3HS. Minicom (01908) 252727 (office hours only) or e-mail: Helen.Davey@milton-keynes.gov.uk

PLEASE QUOTE THE APPROPRIATE REFERENCE.

The Council is an Equal Opportunities Employer. Applications are invited from candidates with the necessary attributes regardless of gender, colour, ethnic origin, nationality, creed, disability or sexual orientation. Many Council jobs are suitable for job sharing.

MILTON KEYNES
COUNCIL

The aim of the recruitment process is applications *by suitably qualified candidates. What form might an application take, in order for it to be fed into the selection process?*

6.4   Applications

Applications for a particular advertised (or unadvertised) vacancy, or for employment in the organisation as and when vacancies arise, may be received in various forms.

(a) **Unsolicited letter, e-mail, 'walk-in' or other enquiry**. This would normally be responded to with a request for the following.

(b) **Application form**

(i) For lower-level, relatively standardised jobs, for which a high volume of applicants is expected, this may be a brief, directly targeted form (focusing on qualifications and experience considered essential to the job) in order to facilitate ruthless weeding out of unsuitable applicants, and requiring minimal discretion, self-expression and time in both completion and interpretation.

(ii) For managerial, specialist or culturally-driven jobs, a more complex application form or package may be used, in order to elicit more complex responses: biographical/psychological ('biodata') questionnaires, guided self-expression, samples for hand-writing analysis, preliminary testing (description of previous work-related problem-solving, or response to case-study scenarios, say) and so on. Such in-depth tools for pre-selection save time and effort at the interview stage, but are time-consuming to prepare and analyse, and should be subjected to cost-benefit considerations.

(c) **Curriculum vitae (CV)** or **résumé**, usually accompanied by a **covering letter** drawing the recruiter's attention to specific aspects of the applicants' CV which are relevant to the vacancy or organisation. The CV is essentially a brief, systematic summary of the applicant's qualifications, previous work experience and relevant skills/interests/requirements, plus details of individuals willing to vouch for his or her performance, character and employability (**referees)**.

The application form or CV will be used to find out relevant information about the applicant, in order to decide, at the initial sifting stage:

(a) Whether the applicant is obviously unsuitable for the job, or

(b) Whether the applicant might be of the right calibre, and worth inviting to interview.

The application form will be designed by the organisation (or recruitment agency) fulfil the following criteria.

(a) It should elicit information about the applicant which can be directly compared with the requirements of the job.

(b) For managerial, interpersonal and culturally-driven jobs – requiring particular values, orientations and attributes – it should give applicants the opportunity to describe (briefly) their career ambitions, why they want the job, perceived strengths and weaknesses and so on.

(c) It should convey a professional, accurate and favourable impression of the organisation, a public relations and employer branding tool.

(d) It should elicit any information required to enable the organisation subsequently to monitor and evaluate the success of its recruitment procedures (in regard to numbers of female, minority and disabled applicants, number of applications per source and so on).

6.5   Internal recruitment

Internal advertising of vacancies may be a requirement for some organisations, under agreements negotiated with trade unions. Advertising media include noticeboards (paper and electronic – for example via corporate intranet), in-house journals, memoranda to supervisors/managers soliciting recommendations and observation and word-of-mouth (the **grapevine**).

Methods of **internal recruitment** include:

(a) Advertising for self-applicants

(b) Soliciting recommendations from supervisors/managers and training officers

(c) Soliciting referrals by existing employees to family, friends and contacts

(d) Formal succession, promotion and transfer planning.

Most of these methods incur little extra cost, being based on existing or easily accessible information about the candidate's abilities, attitudes and so on.

An example of a basic application form is given here.

AOK PLC	Page 1
APPLICATION FORM	

Post applied for . . . .

PERSONAL DETAILS

Surname Mr/ Mrs/ Miss/Ms

First name

Address

Post code

Telephone   (Daytime)   (Mobile)

Date of birth   Nationality

Marital status   Dependents

Education (latest first)

Date		Institution	Exams passed/qualifications
From	To		

TRAINING AND OTHER SKILLS

Please give details of any specialised training courses you have attended.

Please note down other skills such as languages (and degree of fluency), driving licence (with endorsements if any), keyboard skills (familiarity with software package).

EMPLOYMENT

Dates		Employer	Title
From	To	name and address	and duties

Current salary and benefits ...

INTERESTS

Please describe your leisure/hobby/sporting interests.

YOUR COMMENTS

Why do you think you are suitable for the job advertised?

ADDITIONAL INFORMATION

Do you have any permanent health problems? If so, please give details.

When would you be able to start work?

REFERENCES

Please give two references. One should be a former employer.

Name   Name

Address   Address

Position   Position

Signed   Date

7   EVALUATING RECRUITMENT

An evaluation of recruitment (and selection) procedures will aim to determine whether the procedures succeeded in getting a *suitable* person into a job, at the *time* when the person was required and at an acceptable *cost*. At a more strategic level, it determines whether recruitment is succeeding in achieving the organisation's overall HR plan.

Connock (1991) suggests that the recruitment process can be audited at four levels.

(a) **Performance indicators** should be established and measured at each stage of the process including:

- Total numbers of applications received

- Time taken to locate applicants

- Cost per applicant

- Time taken to process applications/per application

- Number of female/minority/disabled/mature-age applicants

- Number of qualified applicants (matching advertised criteria)

- Number of qualified female/minority/disabled/mature-age applicants

These metrics basically assess the effectiveness and cost-efficiency of recruitment advertising, equal opportunities policy and recruitment administration. Post-entry criteria – such as number of offers extended per source/method or in relation to applications received, cost and time of training recruits, subsequent job performance and length of service of recruits and so on – may only be applied after the selection process, but still reflect on recruitment.

(b) **Cost-effectiveness** of the various methods used should be measured. It may be that a certain advertising medium is too costly for the number of worthwhile responses it generates, for example.

(c) **Monitoring the make up of the workforce** and the impact of new recruits is essential as part of an equal opportunities policy to identify areas where certain groups are under-represented.

(d) An **attitude survey** may be conducted amongst recruits to measure satisfaction and gather feedback: did the job advertisement give a fair idea of the job, were they frustrated by the length of time they had to wait for a decision and so on? and so on.

Other methods of evaluating recruitment and selection include **'benchmarking':** comparing the organisation's systems with known example of good practice used in other organisations. Where the HR department has adopted the concept of the **'internal customer'**, it can also gather feedback from internal customers (line managers) and users (job applicants and recruits).

Recruitment Process

```
                    ┌─────────────────────┐
                    │   Job requisition    │
                    │                      │
                    │   (replacement or    │
                    │    new position)     │
                    └──────────┬──────────┘
                               │
                    ┌──────────▼──────────┐
                    │   Check need for     │
                    │    replacement -     │          ┌──────────────────────┐
                    │  is the engagement   │   No     │  Obtain authority or  │
                    │     authorised?      ├─────────►│   adopt alternative   │
                    └──────────┬──────────┘           │  (such as overtime,   │
                               │ Yes                  │    reorganisation)    │
                    ┌──────────▼──────────┐           └──────────┬───────────┘
                    │  Does a job descrip- │                     │
                    │   tion and personnel │◄────────────────────┘
                    │  specification exist?│
   ┌─────────────┐  └──────────┬──────────┘           ┌──────────────────────┐
   │ Review and  │◄──── Yes               No  ────────►│     Analyse job:      │
   │   update    │                                     │   prepare descrip-    │
   └──────┬──────┘                                     │  tion/ specification  │
          │         ┌─────────────────────┐           └──────────┬───────────┘
          └────────►│  Are the terms/cond- │◄─────────────────────┘
                    │  itions of employment│
                    │       agreed?        │
                    └──────────┬──────────┘           ┌──────────────────────┐
                               │          No ────────►│    Agree terms        │
                               │ Yes                  │   and conditions      │
                    ┌──────────▼──────────┐           └──────────┬───────────┘
                    │    Is there a        │◄─────────────────────┘
                    │  suitable supply of  │
   ┌─────────────┐  │  internal candidates?│           ┌──────────────────────┐
   │   Place      │◄──── Yes          No  ────────────►│     Evaluate          │
   │  internal    │                                    │    alternative        │
   │advertisement │                                    │      media            │
   └──────┬──────┘                                     └──────────┬───────────┘
          │                                            ┌──────────▼───────────┐
          │                                            │  Preparation and      │
          │                                            │  publication of       │
          │         ┌─────────────────────┐            │   information         │
          └────────►│    Determine         │◄───────────┴──────────────────────┘
                    │    selection         │
                    │    methods           │
                    └──────────┬──────────┘
                    ┌──────────▼──────────┐
                    │     Select           │
                    │   candidate          │
                    └─────────────────────┘
```

CHAPTER VII

SELECTION

Previous chapter introduced the discussion of selection: the part of the employee resourcing process which leads naturally on from recruitment. Selection involves identifying the most suitable of the candidates attracted by recruitment efforts. (In practice, this may be a negative process of weeding out people who are unsuitable for the job or organisation – or people for whom the job or organisation may be unsuitable.)

The selection of the right candidate(s) is of vital importance. No organisation would like to find a 'star' employee for a competing organisation on its rejection list, any more than it wants an employee who can't do the job and doesn't 'fit in' – however perfect they may have seemed in the interview! Various selection methods are used to try to reduce the risks of either event by gathering as much relevant information about the candidate as possible. In this chapter we look at how this can be done.

First section of the chapter will outline the selection process in detail. Next, specific attention will be given to selection interviews, selection testing and group selection methods. The chapter will outline follow up procedures related to selection. In final section, we will outline techniques to evaluate the selection function of the organisations.

1 THE SELECTION PROCESS

1.1 The aims and objectives of selection

The overall aim of the selection process is to identify candidates who are suitable for the vacancy or wider requirements of the HR plan (eg in regard to workforce diversity).

Within this aim, there may be a number of subsidiary goals.

(a) **To predict**, as accurately as possible, the future or potential job performance of candidates.

(b) **To compare**, as validly as possible, one candidate with another, to find 'best fit' between applicants and the organisation's needs.

(c) **To inform** candidates, as accurately and attractively as possible, about the organisation, the job, the psychological contract of employment and likely future prospects, in order to:

   (i) Facilitate self-selection by the candidates

   (ii) Facilitate subsequent adjustment by the successful candidate, minimising disappointment and induction crisis and supporting retention.

(d) **To give the best possible impression** of the organisation as a potential employer: creating a brand as 'employer of choice' in an industry or sector, or in competition with other potential employers.

(e) **To comply with legislation**, policy and organisational values in regard to equal opportunity, fair treatment and professionalism in dealing with candidates.

(f) **To provide information for other HRM processes**, such as employee induction and development, or the evaluation of the selection process itself.

1.2 A systematic approach to selection

A typical selection system will include the following basic procedures.

(a) **Take any initial steps required**. If the decision to interview or reject cannot be made immediately, a standard letter of acknowledgement might be sent, as a courtesy, to each applicant. It may be that the job advertisement required applicants to write to the personnel manager with personal details and to request an application form: this would then be sent to applicants for completion and return.

(b) **Set each application** against key criteria in the job advertisement and specification. Critical factors may include qualifications, experience or competencies.

(c) **Sort applications** into 'possible', 'unsuitable' and 'marginal'.

(d) 'Possibles' will then be more closely scrutinised, and a shortlist for interview drawn up. Ideally, this should be done by both the HR specialist and the prospective manager of the successful candidate, who will have more immediate knowledge of the type of person that will fit into the culture and activities of the department.

(e) Invite candidates for **interviews** (requiring them to complete an application form, if this has not been done at an earlier stage).

(f) Interview potentially qualified candidates.

(g) Reinforce interviews with **selection testing** and other mechanisms where required.

(h) **Check the references** of short-listed candidates.

(i) Institute **follow-up procedures** for successful applicants.

    (i) Make an offer of employment, negotiating terms and conditions if appropriate.

    (ii) Draw up a contract or written particulars of employment.

    (iii) Arrange work permits and related issues of residency, if required by cross-border recruitment.

    (iv) Plan initial induction into the organisation and provide preparatory information.

(j) Review un-interviewed 'possibles', and 'marginals', and put potential future candidates on hold or in reserve.

(k) Send standard letters to unsuccessful applicants, informing them that they have not been successful. Best practice now also includes the offering of feedback to unsuccessful applicants, on request, as to why their application was unsuccessful.

(l) **Keep records** of criteria and processes used in decision-making, both for evaluation – and to provide evidence of fair dealing if required to counter a claim of discrimination.

We will now go on to outline some of the methods by which selections can be made.

1.3 Selection methods

Various techniques are available, depending on the policy and criteria of selection in each case.

(a) **Interviews**. These may be variously structured (one-to-one, panel, sequential), and using various criteria of job relevance (application details, skills and competences, critical incident/situational questions) and scoring methods (general impressions, criteria ratings). As the most popular of methods, interviews will be considered in detail.

(b) **Evaluation of education and experience**, comparing application data to job requirements.

(c) **Selection testing**. Written tests of ability and aptitude (cognitive and/or mechanical), personality and so on are increasingly used, alongside work sample tests which simulate job related activities (such as typing or copy writing tests) and examination of portfolios of work (eg for architects or photographers). Tests are also discussed in more detail in this chapter.

(d) **Background and reference checks**, in order to verify application claims as to qualifications, previous employment record and reasons for leaving and so on.

(e) **Biodata analysis**. Biodata (biographical data) is gathered via multiple choice questions on family background, life experiences, attitudes and preferences. The results are compared against an 'ideal' profile based on correlations with effective job performance.

(f) **Handwriting analysis,** or graphology. Handwriting is said to indicate up to 300 character traits of the individual. There is no scientific evidence of its predictive accuracy, but it is popular in Europe and to a lesser extent in the USA and Australia. (In general, handwritten covering letters are requested as a useful general indicator of orderly thinking, presentation and so on.)

(g) **Group selection methods**, or **assessment centres**, allowing the assessment of team-working, leadership, problem-solving and communication skills through the use of group discussions, role plays, business games and 'intray' simulations. These are also discussed later in this chapter.

(h) **Physical/medical testing**. Medical examinations are often one of the final steps in selection, to ensure fitness for work (and avoid compensation claims for pre-existing injuries or conditions).

We will now look at each of the three major techniques: Selection interviews, selection testing and group selection methods.

2   SELECTION INTERVIEWS

2.1   Types of interview

Individual or **one-to-one interviews** are the most common selection method. They offer the advantages of direct face-to-face communication, and opportunity to establish **rapport** between the candidate and interviewer: each has to give his attention solely to the other, and there is potentially a relaxed atmosphere, if the interviewer is willing to establish an informal style.

The disadvantage of a one-to-one interview is the scope it allows for a biased or superficial decision.

(a) The candidate may be able to disguise lack of knowledge in a specialist area of which the interviewer himself knows little.

(b) The interviewer's perception may be selective or distorted (see Paragraph 2.4 below), and this lack of objectivity may go unnoticed and unchecked.

(c) The greater opportunity for personal rapport with the candidate may cause a weakening of the interviewer's objective judgement.

Panel interviews are designed to overcome the above disadvantages. A panel may consist of two or three people who together interview a single candidate: most commonly, an HR specialist and the candidate's future boss. This may be more daunting for the candidate (depending on the tone and conduct of the interview) but it has several advantages.

(a) The HR and line specialists can gather the information they each need about the candidate and give him or her the various information he requires from each of them at one sitting.

(b) The interviewers make a joint assessment of the candidate's abilities, and behaviour at the interview. Personal bias is more likely to be guarded against, and checked if it does emerge.

Large formal panels, or **selection boards,** may also be convened where there are a number of individuals or groups with an interest in the selection. This has the advantage of allowing a number of people to see the candidates, and to share information about them at a single meeting: similarly, they can compare their assessments on the spot, without a subsequent effort at liaison and communication.

Offsetting these administrative advantages, however, there are some drawbacks to selection boards.

(a) Questions tend to be more varied, and more random. Candidates may have trouble switching from one topic to another so quickly, and may not be allowed time to expand their answers in such as way as to do justice to themselves.

(b) Some candidates may not perform well in a formal, artificial situation such as a board interview, and may find such a situation extremely stressful. The interview will thus not show the best qualities of someone who might nevertheless be highly effective in the work context.

(c) Board interviews favour individuals who are confident, and who project an immediate and strong image: those who are articulate, dress well and so on. First impressions of such a candidate may cover underlying faults or shortcomings.

2.2   Preparing interviews

In brief, the factors to be considered with regard to conducting selection interviews are:

(a) The impression of the organisation given by the interview arrangements

(b) The psychological effects of the location of the interview, seating arrangements and manner of the interviewer(s)

(c) The extent to which the candidate can be encouraged to talk freely (by asking open questions) and honestly (by asking probing questions), in accordance with the organisation's need for information

(d) The opportunity for the candidate to learn about the job and organisation

(e) The control of bias or hasty judgement by the interviewer.

The interview is a two-way process, but the **interviewer** must have a clear idea of what it is intended to achieve, and must be in sufficient control of the process to cover the required ground.

The **interview** agenda and questions will be based on:

(a) The job description, competence profile and/or person specification setting out the job/role requirements

(b) The information supplied by the candidate in the application form, CV and covering letter.

The interview process should be efficiently run to make a favourable impression on the candidates and to avoid unnecessary stress (unless ability to handle pressure is a selection criterion!). The interview room should be free from distraction and interruption.

2.3 Interviewer skills and questioning techniques

'Interviews are so common that they are often taken for granted. People view interviews as simply conversations during which information is gathered. While interviews are similar to conversations, there are important differences. An interview is a specialised form of conversation conducted for a specific task-related purpose.' (Whetton & Cameron, 2002).

Whetton & Cameron identify the following key skills for interviewers.

(a) Creating **effective questions**, arising out of a clear purpose and agenda, with the aim of eliciting the information required.

(b) Creating an **appropriate climate** for information sharing, using supportive communication techniques, such as:

(i) Rapport building, establishing trust and relationship

(ii) Active listening, using attentive body language and responsive verbal behaviours (eg summarising, clarifying)

(iii) Introducing the interview in a way that establishes a positive tone and orients the candidate as to how the interview will be conducted.

(c) Using **question types** intentionally, in order to control the pace and direction of the interview, remaining responsive to the replies given by the candidate. (This is discussed further below.)

(d) Using and interpreting **non-verbal cues**, or 'body language' (dress, posture, eye contact, gestures, facial expressions).

(e) Being willing, and able, to identify shallow or unconvincing responses, and to **probe and challenge** when necessary: in other words, critically evaluating the candidate's responses.

(f) Being alert to the influence of first impressions, stereotypes and other forms of potential **bias**.

A variety of question styles may be used, to different effects.

(a) **Open questions** or open-ended questions ('Who...? What...? Where...? When...? Why...?') force interviewees to put together their own responses in complete sentences. This encourages the interviewee to talk, keeps the interview flowing, and is most revealing ('Why do you want to be in HR?')

(b) **Probing questions** are similar to open questions in their phrasing but aim to discover the deeper significance of the candidate's experience or achievements. (If a candidate claimed to have had 'years of relevant experience', in a covering letter, the interviewer might need to ask 'How many years?', or 'Which particular jobs or positions do you consider relevant and how?')

(c) **Closed questions** are the opposite, inviting only 'yes' or 'no' answers: ('Did you...?', 'Have you...?'). A closed question has the following effects.

   (i) It elicits answers only to the question asked by the interviewer. This may be useful where there are small points to be established ('Did you pass your exam?') but there may be other questions and issues that (s)he has not anticipated but will emerge if the interviewee is given the chance to expand ('How did you think your studies went?').

   (ii) It does not allow interviewees to express their personality, so that interaction can take place on a deeper level.

   (iii) It makes it easier for interviewees to conceal things ('You never *asked* me....').

   (iv) It makes the interviewer work very hard!

(d) **Multiple questions** are just that: two or more questions are asked at once. ('Tell me about your last job? How did your knowledge of HRM help you there, and do you think you are up-to-date or will you need to spend time studying?') This type of question can be used to encourage the candidate to talk at some length, but not to stray too far from the point. It might also test the candidate's ability to listen and handle large amounts of information, but should be used judiciously in this case.

(e) **Problem solving or situational questions** present candidates with a situation and ask them to explain how they would deal with it or how they have dealt with it in the past. ('How would you motivate your staff to do a task that they did not want to do?' or 'Can you tell us about a time when you were successful about setting a goal and achieving it?') Such questions are used to establish whether the candidate will be able to deal with the sort of problems that are likely to arise in the job, or whether (s)he has sufficient technical knowledge. Whetten and Cameron (2002) suggest asking negative questions as well as positive ('Now tell us about a time you *failed* to meet a goal you set. How could you have done better?') in order to expose hidden bias.

(f) **Leading questions** lead the interviewee to give a certain reply. ('We are looking for somebody who likes detailed figure work. How much do you enjoy dealing with numbers?', or 'Don't you agree that...?', 'Surely...?')

The danger with this type of question is that interviewees will give the answer they think the interviewer wants to hear, but it might legitimately be used to deal with highly reticent or nervous candidates, simply to encourage them to talk.

Candidates should also be given the opportunity to **ask questions**. Indeed, well-prepared candidates will go into an interview knowing what questions they want to ask. Their choice of questions might well have some influence on how the interviewers finally assess them. Moreover, there is information that the candidate will need to know about the organisation and the job, and about:

(a) Terms and conditions of employment (although negotiations about detailed terms may not take place until a provisional offer has been made) and

(b) The next step in the selection process – whether there are further interviews, when a decision might be made, or which references might be taken up.

2.4 Limitations of interviews

Interviews are criticised because they fail to provide accurate predictions of how a person will perform in the job. The main reasons why this might be so are as follows.

(a) **Limited scope**. An interview is necessarily too brief to 'get to know' candidates in the kind of depth required to make an accurate prediction of their behaviour in any given situation.

(b) **Limited relevance**. Interviews that lack structure and focus may fail to elicit information that is relevant to the candidate's likely future performance in the job and compatibility with the organisation.

(c) **Artificiality**. An interview is an artificial situation: candidates may be 'on their best behaviour' or, conversely, so nervous that they do not do themselves justice. Neither situation reflects what the person is 'really like'.

(d) **Errors of judgement** by interviewers. These include:

(i) The **halo effect** – a tendency for people to make an initial general judgement about a person based on a single obvious attribute, such as being neatly dressed, or well-spoken, which will colour later perceptions.

(ii) **Contagious bias** – a process whereby an interviewer changes the behaviour or responses of the applicant by suggestion, through the wording of questions or non-verbal cues.

(iii) **Logical error**. For example, an interviewer might place too much emphasis on isolated strengths or weaknesses, or draw unwarranted conclusions from facts (confusing career mobility with disloyalty, say).

(e) Lack of skill and experience by interviewers. **For example:**

- Inability to take control of the direction and length of the interview

- A reluctance to probe into facts and challenge statements where necessary.

3   SELECTION TESTING

3.1   Types of tests

In many job selection procedures, an interview is now supplemented by some form of selection test.

The science of measuring mental capacities and processes is called 'psychometrics'; hence the term **'psychometric testing'**. There are five types of test commonly used in practice.

Intelligence or cognitive ability tests

These are tests of general cognitive ability which typically test memory, ability to think quickly (perceptual speed, verbal fluency) and logically (inductive reasoning), and problem solving skills. Reliance on such criteria has shown steady increase. Most people have experience of IQ tests, and few would dispute their validity as good measures of general intellectual performance.

Aptitude tests

Aptitude tests are designed to predict an individual's **potential** for performing a job or learning new skills. There are various accepted areas of aptitude, as follows.

(a) **Reasoning** – verbal, numerical and abstract/visual (eg accuracy and speed in arithmetical calculations, naming or making words, identifying shapes)

(b) **Spatio-visual ability** – practical intelligence, non-verbal ability and creative ability (eg ability to solve mechanical puzzles)

(c) **Perceptual speed and accuracy** – eg clerical ability (identifying non-identical pairs of numbers)

(d) **'Psycho-motor' ability** – mechanical, manual and athletic: ability to respond accurately and rapidly to stimuli (eg pressing lighted buttons), using controlled muscular adjustments and/or finger dexterity and so on.

With a few possible exceptions, most of the areas of aptitude mentioned above are fairly easily measurable: so long as it is possible to determine what particular aptitudes are required for a job, such tests are likely to be useful for selection.

Personality tests

Personality tests may measure a variety of characteristics, such as applicants' skill in dealing with other people, ambition, motivation or emotional stability. Probably the best known example is the **16PF**, originally developed by Cattell in 1950.

The 16PF comprises 16 scales, each of which measures a factor that influences the way a person behaves.

The factors are functionally different underlying personality characteristics, and each is associated with not just one single piece of behaviour but rather is the source of a relatively broad range of behaviours. For this reason the factors themselves are referred to as **source traits** and the behaviours associated with them are called **surface traits**.

The advantage of measuring source traits, as the 16PF does, is that you end up with a much richer understanding of the person because you are not just describing what can be seen but also the characteristics underlying what can be seen.

The 16PF analyses how a person is likely to behave generally, including, for example, contributions likely to be made to particular work contexts, aspects of the work environment to which the person is likely to be more or less suited, and how best to manage the person.

Emotional Intelligence

Another area of current interest (which falls somewhere between personality, aptitude and intelligence testing) is the concept of **emotional intelligence**.

The capacity for **emotional intelligence (EQ)** is recognising our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships. (Goleman, 1998)

Goleman (and others) have published **Emotional Competence Assessment** questionnaires for each of the fiver key domains of EQ: self awareness, self regulation, motivation, empathy and social skills.

Proficiency and attainment tests

Proficiency tests are perhaps the most closely related to an assessor's objectives, because they measure ability to do the work involved. An applicant for an audio typist's job, for example, might be given a dictation tape and asked to type it. This is a type of attainment test, in that it is designed to measure abilities or skills already acquired by the candidate.

3.2 Limitations of psychometric testing

Psychometric testing has grown in popularity in recent years, but you should be aware of certain drawbacks.

(a) There is not always a direct (let alone predictive) relationship between ability in the test and ability in the job: the job situation is very different from artificial test conditions.

(b) The interpretation of test results is a skilled task, for which training and experience is essential. It is also highly subjective (particularly in the case of personality tests), which belies the apparent scientific nature of the approach.

4 GROUP SELECTION METHODS

4.1 Techniques in group selection

Group selection methods or **assessment centres** might be used by an organisation as the final stage of a selection process for high-value jobs (since they are comparatively expensive to run). They consist of a series of tests, interviews and group situations over a period of two days, involving a small number of candidates (typically six to eight).

Group selection methods are appropriate for assessing the following.

(a) **Social skills** such as sensitivity to the views and opinions of others, reaction to disagreement and criticism, and the ability to influence and persuade others

(b) **Intellectual skills** such as the consideration of the merits and demerits of other arguments put forward and the ability to think clearly (particularly at short notice), situational problem-solving and so on

(c) **Attitudes**, such as political, racial or religious views, attitude to authority, or willingness to take risks (initiative).

Typical techniques used in group selection include:

(a) Group **role-play** exercises, in which candidates can explore (and hopefully display) interpersonal skills and/or work through simulated managerial tasks

(b) **Case studies**, where candidates' analytical and problem-solving abilities are tested in working through described situations/problems, as well as their interpersonal skills, in taking part in (or leading) group discussions of the case study

(c) **'In-tray' exercises,** simulating a typical work-load to be managed

(d) **Leaderless discussion groups** (LDGs), allowing leadership skills and issues to emerge freely.

Often what are termed '**leaderless group activities**' will be conducted. Such activities can be used to assess the leadership potential of job applicants in uncertain situations with no formal power structure. The group is presented with a topic for discussion and given a defined period of time to reach a conclusion. The topic may be related to the job in question, and may either be of a problem-solving nature ('Should product X be developed given the following marketing and financial information?') or more general ('Is capital punishment an effective deterrent?'). The contribution made by individual candidates will be scored according to factors such as assertiveness, quality of thought and expression, analytical skill, and the ability to lead the group towards a decision.

Another method of assessment involves giving candidates a typical job problem to solve individually in a set time, at the end of which each candidate has to present and justify his or her solution to the other members of the group.

4.2   Purposes of group selection

Group sessions might be useful because:

(a) They give selectors a longer opportunity to study the candidates.

(b) They reveal more than application forms, interviews and tests alone about the ability of candidates to persuade others, negotiate with others, and explain ideas to others and also to investigate problems efficiently. These are typically management skills.

(c) They reveal more about how candidates' personalities and attributes will affect the work team and their own performance.

(d) They achieve some measure of comparability between candidates.

(e) The pooled judgement of the panel of assessors is likely to be more accurate than the judgement of a single interviewer.

We will now look at some of the later considerations in the selection process, bringing the candidate through to a contract of employment.

5   FOLLOW UP PROCEDURES

5.1   Reference checking

References provide further confidential information about the prospective employee, although it may be of varying value: the reliability of all but the most factual information must be questioned. A reference should contain:

(a) Straightforward factual information confirming the nature of the applicant's previous job(s), period of employment, pay, and circumstances of leaving.

(b) Opinions about the applicant's personality and other attributes. These should obviously be treated with some caution. Allowances should be made for prejudice (favourable or unfavourable), charity (withholding detrimental remarks), and possibly fear of being actionable for libel (although references are privileged, as long as they are factually correct and devoid of malice).

At least two **employer** references are desirable, providing necessary factual information, and comparison of personal views. (**Personal** references tell the prospective employer little more than that the applicant has a friend or two.)

If a judgement of character and suitability is desired, it might be most tellingly formulated as the question: 'Would you re-employ this individual? (If not, why not?)'

Telephone references may be time-saving, if standard reference letters or forms are not available. They may also elicit a more honest opinion than a carefully prepared written statement. For this reason, a telephone call may also be made to check a very glowing or very reluctant reference.

5.2   The offer of employment

Assuming that the 'right' candidate has by now been identified, an offer of employment can be made. Time may be sensitive, so it is common for an **oral offer** to be made, with a negotiated period for consideration and acceptance: this can then be followed up with a **written offer**, if appropriate.

(a) All terms, conditions and circumstances of the offer must at this point be clearly stated.

(b) Any provisos ('subject to... satisfactory references, medical examination, negotiation of contract terms', or whatever) must also be clearly set out.

(c) Negotiable aspects of the offer and timetables for acceptance should be set out, in order to control the closing stages of the process.

The organisation should be prepared for its offer to be rejected at this stage. Applicants may have received and accepted other offers. They may not have been attracted by their first-hand view of

the organisation, and may have changed their mind about applying; they may only have been testing the water in applying in the first place, gauging the market for their skills and experience for future reference, or seeking a position of strength from which to bargain with their present employers. A small number of eligible applicants should therefore be kept in reserve.

5.3   Contracts of employment

Once the offer of employment has been confirmed and accepted, the contract of employment can be prepared and offered.

A contract of employment may be written, oral or a mixture of the two. Senior personnel may sign a contract specially drafted to include complex terms on matters such as performance-related pay, professional indemnity, confidentiality and restraint of trade. Others may sign a standard form contract, exchange letters with the new employer or supply agreed terms orally at interview. Each of these situations, subject to the requirements (outlined below) as to written particulars, will form a valid contract of employment, as long as there is mutual agreement on essential terms.

5.4   Written particulars of employment

Although the contract need not be made in writing, the employer must give an employee a written statement of certain particulars of his or her employment.

The statement should identify the following.

- ❑   **The names of** employer **and** employee
- ❑   The **title** of the job which the employee is employed to do
- ❑   The **date** on which employment began
- ❑   Whether any service with a previous employer forms part of the employee's **continuous period** of employment (for calculation of entitlements)
- ❑   Pay **and** hours of work
- ❑   Any **holiday** and holiday pay, **sick leave** and sick pay entitlements
- ❑   **Pension** scheme provisions
- ❑   Length of **notice** of **termination** to be given on either side (or expiry date, if employed for a fixed term)
- ❑   Details of **disciplinary procedures** and **grievance procedures,** works rules, union of staff association membership
- ❑   Rules on **health and safety at work** (by custom only).

It is sufficient to refer to separate booklets or notices (on pension schemes, disciplinary/grievance procedures and so on) where the relevant details can be found: not all the information needs to go

in the written statement! The point is to give new employees clear, precise information, about their employment.

5.5   Dealing with unsuccessful applicants

In order to maintain a positive reputation and employer brand, and to support overall labour development, a best practice approach to selection will also ensure the equitable and supportive treatment of unsuccessful applicants.

(a) All applicants should be informed **as promptly as possible** of the status of their application. Candidates who have been interviewed should be personally informed that their application has not been successful.

(b) The 'rejection' should be **as positive as possible**, bearing in mind the possibility that an unsuccessful applicant may be eligible for future vacancies (with or without further personal or skill development): known previous candidates 'kept on file' are a cost-effective recruitment pool.

(c) Candidates may be offered the opportunity to receive **feedback**, on request, as to why their application was unsuccessful. This demonstrates the employer's transparency (and compliance with equal opportunity requirements). It also compels selectors to justify their decisions on objective grounds.

6   EVALUATING THE SELECTION PROCESS

Much the same method can be used to evaluate selection as recruitment: see Section 7 of previous chapter.

Selection procedures can further be evaluated by determining whether selection decisions seem to have been 'correct' in the light of subsequent job performance, cultural impact and service longevity of the successful candidate.

(a) If tests were used to assess likely potential to perform certain tasks, the retained test results can be compared against actual performance in the job. Regular discrepancies may suggest that the tests are flawed.

(b) Similar comparisons may be made using interview ratings and notes. Interviewers who consistently fall short in the accuracy of their judgements should be trained accordingly.

Selection Process

```
          ┌──────────────┐
          │ Applications │
          │ form, CV etc │
          └──────┬───────┘
          ┌──────┴───────┐
          │   Initial    │
          │  screening   │
          └──────┬───────┘
```

Reject ← Unsuitable   Potential   Marginal → Reserve

Interview/test

Compare with specification

Reject ← Unsuitable   Suitable   Marginal → Reserve

Provisional offer

Take up references/screening

Reject ← Unsuitable   Suitable

Final offer

Rejected   Accepted

Reserve candidates?   Prepare contract/obtain work permits etc

No → Start again   Yes → Assess reserves

CHAPTER VIII
MONITORING &
MANAGING PERFORMANCE

So far we have discussed about the practices of HRM, organisational behaviour, factors impacting employee behaviour, learning & development activities and employee resourcing functions (i.e. HRP, Recruitment & Selection). Once a new employee has been selected, he or she needs to be 'supported' and monitored. His or her performance must be managed and measured. In this chapter, we will introduce the discussion related to monitoring and managing performance of employees.

The process of monitoring individual and group performance, and giving helpful feedback for improvement, is generally called performance appraisal. The purpose of appraisal was traditionally regarded as constructive criticism of an employee's performance by the line manager, but nowadays it has a more forward-looking approach. In some countries organisations prefer to use the term performance management to define activities what is more than performance appraisal. However, in our context, we will discuss performance appraisal and performance management as separate yet related concepts. This chapter will cover the purpose of appraisal, appraisal procedures & techniques, problems with appraisal schemes, performance management activities, discipline, grievance and performance counseling.

1 THE PURPOSE OF APPRAISAL

Performance appraisal is the process whereby an individual's performance is reviewed against previously agreed goals, and whereby new goals are agreed which will develop the individual and improve performance over the forthcoming review period.

1.1 Role of performance appraisal

Monitoring and evaluating the performance of individuals and groups is an essential part of human resource management. It has several key aims.

(a) To identify individuals' learning/development and performance improvement needs

(b) To identify problems or barriers to performance which require intervention

(c) To identify people with potential for future promotion, supporting succession planning

(d) To provide a basis for reward decisions: eligibility for results-related bonuses, competence-related increments, merit awards and so on

(e) To improve communication about work issues, performance and development opportunities between managers and team members.

1.2 Why have a formal appraisal system?

In an informal job monitoring process, managers are likely to apply various criteria, rather than pre-agreed evaluation criteria.It must be recognised that, if no system of formal appraisal is in place:

(a) Managers may obtain random impressions of subordinates' performance (perhaps from their more noticeable successes and failures), but not a coherent, complete and objective picture

(b) Managers may have a fair idea of their subordinates' shortcomings – but may not have devoted time and attention to the matter of improvement and development

(c) Different managers may be applying a different set of criteria, and varying standards of objectivity and judgement, undermining the value and credibility of appraisal

(d) Managers rarely give their subordinates systematic or constructive feedback on their performance.

Common practice is to provide for formal appraisal at least annually. Appraisal at six monthly intervals is not unusual. It will be normal for supervision to be closer and appraisal more frequent during the initial phase of employment, especially where satisfactory completion of a period of probation is required.

1.3 The systematic approach to appraisal

A typical appraisal system would involve:

(a) Identification of **criteria** for assessment

(b) The preparation of an **appraisal report**

(c) An **appraisal interview**, for an exchange of views about the results of the assessment, targets for improvement, solutions to problems and so on

(d) The preparation and implementation of **action plans** to achieve improvements and changes agreed

(e) **Follow-up:** monitoring the progress of the action plan.

We will now look at each stage in turn.

2 APPRAISAL PROCEDURES AND TECHNIQUES

2.1 What should be monitored and assessed?

Assessments must be related to a common set of standards, so that comparisons can be made between individuals. On the other hand, they should be related to meaningful and specific performance criteria, which take account of the critical variables in each job.

Personal qualities like reliability or outgoingness have often been used as criteria for assessing people. However, they are not necessarily relevant to job performance: you can be naturally outgoing, but still not good at communicating with customers, if your product knowledge or attitude is poor. Also, personality judgements are notoriously vague and unreliable: words like 'loyalty' and 'ambition' are full of ambiguity and moral connotations.

In practical terms, this has encouraged the use of **competence or results-based appraisals**, where performance is measured against specific, job-related performance criteria.

Most large organisations have pre-printed assessment forms setting out all the relevant criteria and the range of possible judgements. Even so, a manager should critically evaluate such schemes to ensure that the criteria for assessment are relevant to his or her team and task – and that they remain so over time, as the team and task change.

Performance evaluation may include criteria such as communication, delegation and decision making skills of the employees. Relevant criteria for assessment might be based on the following.

(a) **Job, role or competence descriptions** as a guide to what competences, responsibilities and results might be monitored and assessed.

(b) **Departmental or team plans, performance standards and targets**. If the plan specifies completion of a certain number of tasks, or production of a certain number of units, to a particular quality standard, assessment can be focused on whether (or how far) those targets have been achieved.

(c) **Individually negotiated goals and standards** for performance and/or improvement. This is a feature of 'performance management', discussed in Section 4 of this chapter.

2.2 Benchmarking

Benchmarking is the 'establishment, through data gathering, of targets and comparators, that permit relative levels of performance (and particularly areas of underperformance) to be identified. Adoption of identified best practices should improve performance.

Benchmarking is generally undertaken in order to improve corporate rather than individual performance. However, it may be seen as related to performance management since it involves much similar activity.

Benchmarking can be divided into following stages.

STAGE 1 The first stage is to **ensure senior management commitment** to the benchmarking process. This will only be genuinely available when the senior managers have a full appreciation of what is involved: senior people are quite capable of changing their minds when it becomes apparent that they did not anticipate the actual levels of cost or inconvenience, for example.

STAGE 2 **The areas to be benchmarked should be determined and objectives should be set.** Note that here, the objectives will not be in the form of aspirations for improvement to specific processes and practices, but more in the nature of stating the extent and depth of the enquiry.

STAGE 3 **Key performance measures must be established**. This will require an understanding of the systems involved, which, in turn, will require discussion with key stakeholders and observation of the way work is carried out.

STAGE 4 **Select organisations to benchmark against**. Internal benchmarking may be possible but, where internal departments have little in common, comparisons must be made against equivalent parts of other organisations.

STAGE 5 **Measure own and others' performance**. Negotiation should take place to establish just who does the measurement: ideally, a joint team should do it, but there may be issues of confidentiality or convenience that mean each organisation does its own measuring.

STAGE 6 **Compare performance**. Raw data must be carefully analysed if appropriate conclusions are to be drawn. It will be appropriate to discuss initial findings with the stakeholders concerned: they are likely both to have useful comment to offer and to be anxious about the possibility of adverse reflection upon them.

***STAGE 7* Design and implement improvement programmes**. It may be possible to import complete systems; alternatively, it may be appropriate to move towards a synthesis that combines various elements of best practice. Sometimes, improvements require extensive reorganisation and restructuring. In any event, there is likely to be a requirement for training. Improvements in administrative systems often call for investment in new equipment, particularly in IT systems.

***STAGE 8* Monitor improvements**. The continuing effectiveness of improvements must be monitored. At the same time, it must be understood that improvements are not once and for all and that further adjustments may be beneficial.

Let us now look at some of the performance monitoring and reporting methods used in organisations.

2.3   Reporting methods

Overall assessment

The manager writes in narrative form his or her judgements about the appraisee. There will be no guaranteed consistency of the criteria and areas of assessment, and managers may not be able to convey clear, effective judgements in writing.

Guided assessment

Assessors are required to comment on a number of specified characteristics and performance elements, with guidelines as to how terms such as 'application', 'integrity' and 'adaptability' are to be interpreted in the work context. This is a more precise, but still rather vague method.

Grading

Grading adds a comparative frame of reference to the general guidelines, whereby managers are asked to select one of a number of defined levels or degrees to which an individual displays a given characteristic. These are also known as rating scales, and have been much used in standard appraisal forms. (See Figure 8.2)

Numerical values may be added to gradings to give rating scores. Alternatively a less precise graphic scale may be used to indicate general position on a plus/minus scale, as in Figure 8.1.

High |————————✓———————| Average |————————————————| Low

FIGURE 8.2: Graphic scale

Personnel Appraisal: Employees in Salary Grades 5-8

Date of review	Time in position		S.G.	Age	Name	
	Yrs	Mths		Yrs		
Period of Review	Position Title				Area	

Important : Read guidance notes carefully before proceeding with the following sections

Section One	Performance Factors						**Section Two**	Personal Characteristics					
	N/A	U	M	SP	E	O		1	2	3	4	5	6
Administrative Skills							Initiative						
Communications - Written							Persistence						
Communications - Oral							Ability to work with others						
Problem Analysis							Adaptability						
Decision making							Persuasiveness						
Delegation							Self-confidence						
Quantity of Work							Judgement						
Development of Personnel							Leadership						
Development of Quality Improvements							Creativity						

Section Three Highlight Performance Factors and particular strengths/weaknesses of employee which significantly affect Job Performance

	Overall Performance Rating (Taking into account ratings given)

Prepared by: Signature _____ Date_____ Position Title_____

Section Four Comments by reviewing authority

HR Review Initial

Signature _____Date_____ Position Title_____ Date

Section Five Supervisor's Notes on Counselling Interview

Signature _____Date_____ Position Title_____

Section Six Employee's Reactions and Comment

Signature _____Date_____

FIGURE 8.2: Standard appraisal form

Behavioural incident methods

These concentrate on employee behaviour, which is measured against typical behaviour in each job, as defined by common **'critical incidents'** of successful and unsuccessful job behaviour reported by managers. The analysis is carried out for **key tasks**, which are identified as critical to success in the job and for which specific standards of performance *must* be reached. This makes scales highly relevant to job performance, and facilitates objective assessment because ratings are described in behavioural terms.

The behavioural equivalent of the graphic scale for a manager's key task of 'marketing initiative' might appear as follows.

Produces no new ideas for marketing. Appears apathetic to competitive challenge	Produces ideas when urged by head office. Ideas not clearly thought out nor enthusiastically applied	Produces ideas when urged by head office and gives full commitment to new programmes	Spontaneously generates new ideas for marketing and champions them through head office approval. Ideas related to identified needs and effective in practice

FIGURE 8.3: Critical incident scale

Results-orientated schemes

All the above techniques may be used with more or less results-orientated criteria. A wholly results-orientated approach sets out to review performance against specific targets and standards of performance, which are agreed in advance by a manager and subordinate together.

Key advantages of such an approach include the following.

(a) The subordinate is more involved in appraisal, and performance, because (s)he is able to evaluate progress in achieving clear, jointly-agreed measures.

(b) The manager is relived of the 'critic' role and becomes more of a 'counsellor', jointly defining solutions to performance issues.

(c) Clear and known targets are beneficial in motivation, especially in maximising the effectiveness of financial incentives.

(d) The emphasis of appraisal becomes forward-looking (focusing on improvements and incentives), rather than purely retrospective.

We have just raised the possibility that an employee might be involved in monitoring and evaluating his or her own performance. Let's look at some of the sources of assessment feedback other than the appraisee's immediate boss.

2.4 Sources of performance feedback

Organisations have begun to recognise that the employee's immediate boss is not the only (or necessarily the best) person to assess his or her performance. Other options include:

(a) The employee him or herself (self appraisal)

(b) Peers and co-workers (peer appraisal)

(c) Subordinates (upwards appraisal)

(d) A combination of sources (360 degree feedback).

Self-appraisal

Self-appraisal allows individuals to carry out a self-evaluation as a major input to the appraisal process.

The advantages of such an approach include the following.

(a) It **saves the manager time**, as employees identify the areas which are most relevant to the job and their relative strengths.

(b) It offers **increased responsibility** to the individual, which may improve motivation.

(c) It helps to integrate the goals of the individual with those of the organisation.

On the other hand, of course, people are often not the best judges of their own performance! They may deliberately over- (or under-)estimate their performance, in order to gain approval or reward – or to conform to group norms, say.

Upward appraisal

This is a notable modern trend, adopted in the UK by companies such as BP and British Airways, whereby the subordinates/team appraise their manager/leader.

The advantages of such an approach might be as follows.

(a) Subordinates tend to know their superior (particularly in the area of leadership skills) better than anyone.

(b) Multiple ratings (from a group of subordinates) have greater statistical validity than a single view.

(c) Upward appraisal encourages subordinates to give feedback and raise problems they may have with their boss, which otherwise would be too difficult or risky for them.

(d) It supports upward communication in general, which may have knock-on benefits for creativity, problem-solving and employee relations.

Customer appraisal

In some companies, part of the appraisal process may take the form of feedback from 'customers' (internal or external). This may be taken further into an influence on remuneration: at Rank-Xerox, for example, 30% of a manager's annual bonus is conditional upon satisfactory levels of customer feedback.

Feedback from customers (external and internal) is particularly valuable in:

(a) Encouraging and monitoring the customer care orientation of the organisation as a whole – in line with modern thinking about business processes, quality management and so on

(b) Showing a commitment to respond meaningfully to customer feedback

(c) Focusing areas of an employee's performance that are recognised to have real impact on the business

(d) Encouraging the 'internal customer' concept within the organisation, as an aid to co-ordination.

360 Degree feedback

360 degree feedback (also known as 'multi-rater instruments' and 'multi-source assessment') is the most radical recognition of multiple **stakeholders** in an individual's performance. As described by Peter Ward (who introduced the system at Tesco):

Traditional performance measurement systems have rarely operated on more than one or two dimensions. However, 360-degree feedback is designed to enable all the stakeholders in a person's performance to comment and give feedback. This includes the current (and perhaps previous) boss (including temporary supervisors), peers and co-workers, subordinates and even external customers. Finally, the employee's own self-assessment is added and compared.

Information is usually collected (anonymously) through questionnaires, either on paper or online.

Having reported on an individual's performance – whether in a written narrative comment, or on a prepared appraisal form – a manager must discuss the content of the report with the individual concerned, usually through an appraisal interview.

2.5   The appraisal interview

There are basically three ways of approaching appraisal interviews (Maier, 1958).

(a) The **tell and sell** method. The manager tells the subordinate how (s)he has been assessed, and then tries to 'sell' (gain acceptance of) the evaluation and any improvement plans. This requires unusual human relations skills, in order to convey feedback in a constructive manner, and to motivate behavioural change.

(b) The **tell and listen** method. The manager tells the subordinate how (s)he has been assessed, and then invites comments. The manager therefore no longer dominates the interview throughout, and there is greater opportunity for counselling as opposed to pure direction. The employee is encouraged to participate in the assessment and the working out of improvement targets and methods. Change in the employee may not be the sole key to improvement, and the manager may receive helpful feedback about job design, methods, environment or supervision.

(c) The **problem-solving** approach. The manager abandons the role of critic altogether, and becomes a counsellor and helper. The discussion is centred not on assessment of past performance, but on future solutions to the employee's work problems. The employee is encouraged to recognise the problems, think solutions through, and commit to improvement. This approach is more involving and satisfying to the employee and may also stimulate creative problem-solving.

Many organisations waste the opportunity represented by appraisal for upward communication. If an organisation is development-focused, it should harness the aspirations and abilities of its employees by asking positive and thought-provoking questions such as: Could any changes be made in your job which might result in improved performance? Have you any skills, knowledge, or aptitudes which could be made better use of in the organisation?

2.6   Follow-up

After the appraisal interview, the manager may complete his or her report with an overall assessment and/or the jointly-reached conclusion of the interview, with recommendations for follow-up action. This may take the following forms.

(a) Informing appraisees of the results of the appraisal, if this has not been central to the review interview.

(b) Carrying out agreed actions on reward, training, problem-solving and so on

(c) Monitoring the appraisee's progress and checking that (s)he has carried out agreed actions or improvements

(d) Taking necessary steps to help the appraisee to attain improvement objectives, by guidance, providing feedback, upgrading equipment, altering work methods or whatever.

2.7   Skills in giving feedback

Giving feedback on performance is a key leadership skill. Many people find receiving positive feedback (compliments, praise) just as hard to receive as negative feedback. However, the purpose of feedback is to help people learn by increasing their awareness of what they do, how they do it and its impact on other people. There are two main types of feedback, both of which are valuable in enhancing performance and development.

(a) **Motivational feedback** is used to reward and reinforce positive behaviours, progress and performance by praising and encouraging the individual. Its purpose is to increase *confidence*.

(b) **Developmental feedback** is given when a particular area of performance needs to be changed and to suggest how this might be done. Its purpose is to increase *competence*.

'**Constructive' feedback** (of either type) is designed to widen options and increase development. It does *not* mean giving only positive or 'encouraging' feedback about what a person did well: feedback about undesirable behaviours and their effects, given skilfully, is in many ways more useful.

The following are some brief guidelines on giving constructive developmental feedback.

(c) **Be intentional**. Emotions may be running high: feedback is best given calmly. There may be other people present: feedback is best given confidentially.

(d) **Start with positives**. People will more readily accept that criticism is objective and constructive if it is balanced with praise for positive aspects of their behaviour or performance.

(e) **Focus on the behaviour**. Feedback needs to refer clearly and objectively to behaviours, actions and results – *not* the person or their personality. ('Tough on the problem, soft on the person' is a good general rule.)

(f) **Be precise**. Feedback needs to be specific, avoiding vague and global statements: *not* 'you are always late' but 'on two occasions this week you have been more than five minutes late for meetings'.

(g) **Gain co-operation**. Try asking people first how *they* think they acted or handled a particular situation: you may find that, in giving feedback, you are able to confirm what they are already aware of. This encourages collaborative problem-solving.

(h) **Don't tackle everything at once**! Give the person one or two priority areas to deal with at a time.

(i) **Close with encouragement**. Balance negative feedback with positive encouragement that change is possible and will be supported.

So it is clear now, constructive feedback can be both motivational and developmental.

In theory, systematic appraisal schemes may seem fair to the individual and worthwhile for the organisation, but in practice the system often goes wrong. Let's see how, and what can be done.

3   PROBLEMS WITH APPRAISAL SCHEMES

Lockett (1992) lists a nu mber of reasons why appraisal may not always be effective in practice.

Appraisal barriers	Comment
Appraisal as confrontation	Many people use appraisals 'as a sort of show down, a good sorting out or a clearing of the air.' In this kind of climate: There is little collaboration in problem-solving. The feedback is subjective (often hostile). The feedback is badly delivered. Appraisals are 'based on yesterday's performance not on the whole year'. There is lack of attention to positive development potential.
Appraisal as judgement	The appraisal 'is seen as a one-sided process in which the manager acts as judge, jury and counsel for the prosecution'. This puts the subordinate on the defensive. Instead, the process of performance management 'needs to be jointly operated in order to retain the commitment and develop the self-awareness of the individual.'
Appraisal as chat	The appraisal is conducted as if it were a friendly chat 'without ... purpose or outcome ... Many managers, embarrassed by the need to give feedback and set stretching targets, reduce the appraisal to a few mumbled "well dones!" and leave the interview with a briefcase of unresolved issues.'
Appraisal as bureaucracy	Appraisal is a form-filling exercise, to satisfy the personnel department. Its underlying purpose, improving individual and organisational performance, is forgotten.
Appraisal as unfinished business	Appraisal should be part of a continuing future-focused process of performance management, not a way of 'wrapping up' the past year's performance issues.

It is now evident that appraisal schemes have few limitations. Hence, organisations need to regularly evaluate its own systems and practices with regards to appraisal. In order to evaluate or assess the appraisal scheme of any organisation, we need to see if existing appraisal scheme has (a) relevance, (b) fairness and (c) efficiency.

4   PERFORMANCE MANAGEMENT

4.1   What is performance management?

Performance management as an approach to management may be seen as an application of Locke's goal setting theory. Goal theory suggests that people's performance in their jobs is related to the difficulty of their goals, the extent of their commitment to them and the degree of feedback they receive on their performance relative to them.

Mullins (2007) discerns four practical applications of goal theory that are relevant to the practice of performance management.

(a)   Managers should systematically identify and set specific **performance goals**.

(b)   **Goals** should be challenging but not so difficult to achieve as to be seen as irrelevant to real world performance.

(c)   Detailed and timely **feedback** on progress towards goal achievement must be provided.

(d)   Employee **participation** in setting goals may enhance commitment to them and so lead to higher performance.

Performance management is an approach in which there is a dual emphasis: on setting key accountabilities, objectives, measures, priorities and time scales for the following review period *and* monitoring, appraising and adjusting performance on an on-going basis. Torrington *et al* (2002) summarise a typical performance management system as follows:
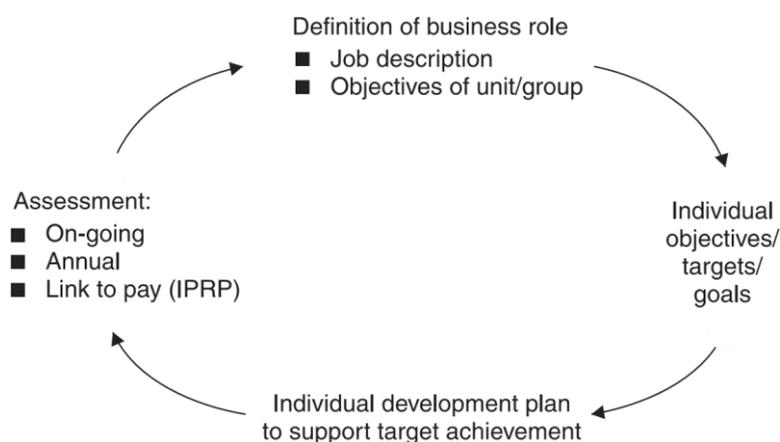

FIGURE 8.4: Typical performance management system

4.2   Why performance management?

In the late 1980s, the emphasis moved from (largely retrospective) performance appraisal to (on-going) performance management, as increasing global competition created strong pressure for organisations continually to improve their performance and capabilities. The new focus on quality, customer service and added value meant that quality standards had to be set or refined – and this fed through to the performance management processes.

However, it should also be noted that such a system depends on the integration of goal setting, development planning, appraisal and reward planning activities – and this appears not to be widespread in organisations using it. Performance management is also not immune to the problems of appraisal: inconsistent use of ratings, appraiser bias, lack of training by line managers implementing the scheme and so on.

4.3   Performance management activities

There are four key performance management activities.

- ❑   Preparation of performance agreements
- ❑   Preparation of performance and development plans
- ❑   Management of performance throughout the year
- ❑   Performance reviews.

Preparation of performance agreements or contracts

These set out individual or team objectives; how performance will be measured; the knowledge, skills and behaviour needed to achieve the objectives; and the organisation's core values.

Objectives may be either:

(a) Work/operational (results to be achieved or contribution to be made to the accomplishment of team, departmental and/or organisational objectives) or

(b) Developmental (personal or learning objectives).

Objectives and their wider role in the organisation are discussed further below.

Performance measures should be objective and capable of being assessed: relevant data should be readily available. They should relate to results (not to effort) and those results should be within the individual's control.

Some typical areas for the setting of performance targets are listed below.

(a) Sales (for sales representatives)

(b) Growth in turnover, profitability or shareholder value (for the most senior executives)

(c) Waiting times (for hospital executives)

(d) Pass rates (for teachers and lecturers)

(e) Punctuality and attendance (for junior workers)

Discussions should ensure that individuals fully understand what is expected of them and that if they fulfil those expectations they will be regarded as having performed well.

Preparation of performance and development plans

These set out detailed performance and personal development needs, and action plans to address them, in order to meet individual objectives.

Management of performance throughout the year

This involves the continuous process of providing feedback on performance, conducting informal progress reviews and dealing with performance problems as necessary. This may include the planning and implementation of:

(a) Learning, coaching or training interventions, to address competence gaps or other shortfalls (or opportunities)

(b) Disciplinary action, to improve individual behaviours and attitudes

(c) Counselling interventions, to guide individuals in defining and solving problems

(d) Managerial intervention to improve resources, systems, work organisation or other barriers to performance.

It is worth noting that 'performance management' has become associated with the management of 'problem' performers and situations; disciplinary and performance counselling interventions and so on. We will discuss these in the following sections of this chapter – but there is also a strong overlap with the topic of 'employee welfare', since performance problems may be caused by the illness, stress or difficulties of an employee.

Performance reviews

Performance reviews involve both taking a view of an individual's progress to date *and* reaching an agreement about what should be done in the future. The performance review provides the means by which:

(a) Results can be **measured** against targets

(b) The employee can be given **feedback**

(c) An **agreement can be reached** on on-going development needs and future performance targets

(d) The **link** between results and performance-related pay can be made.

The area of individual performance management is vast. Let's now discuss few topics important for practitioners: discipline, grievance handling, and performance counselling.

5   DISCIPLINE

Discipline can be considered as: 'a condition in an enterprise in which there is orderliness, in which the members of the enterprise behave sensibly and conduct themselves according to the standards of acceptable behaviour as related to the goals of the organisation'.

Discipline is often imposed in organisations through the definition of rules and standards of conduct, and through the threat of sanctions for non conformance (this is sometimes called '**negative**' discipline, although it need not be applied in a negative way.) Disciplinary action may be **punitive** (punishing an offence), **deterrent** (warning people not to behave in that way) or **reformative** (ensuring that the behaviour will not happen again). Its goal is nevertheless always to improve the future behaviour of the employee concerned, and other members of the organisation.

5.1   Types of disciplinary situations

There are many types of disciplinary situations which may require intervention. The most frequently occurring are:

(a) Excessive absenteeism

(b) Repeated poor timekeeping

(c) Defective and/or inadequate work performance

(d) Poor attitudes which influence the work of others or which reflect on the public image of the firm.

In addition, managers might be confronted with disciplinary problems stemming from employee behaviour off the job: abuse of alcohol or drugs, or involvement in some form of law-breaking activity. If off-the-job conduct has an impact upon performance *on* the job, the manager must be prepared to deal with it.

5.2   Model disciplinary procedure

Many enterprises have accepted the idea of **progressive discipline**, which provides for increasing severity of the penalty with each repeated offence: a bit like the yellow card (warning), red card (sent off) system used in football. The following are the suggested steps of progressive disciplinary action.

(a) **The informal talk**: The manager simply discusses with the employee his or her behaviour in relation to the standards expected by the organisation, and tries to get a recognition that such behaviour is unacceptable, with a commitment that it will not be repeated.

(b) **Oral warning or reprimand**: The manager emphasises the undesirability of repeated violations, and warns the offender that it could lead to more serious penalties.

(c) **Written or official warning**: A written warning is a formal matter, and becomes a permanent part of the employee's record. (It may also serve as evidence in case of protest against the later dismissal of a repeated offender.)

(d) **Suspension without pay**: Disciplinary lay-offs may extend over several days or weeks, and may only be used if provided for in the contract of employment.

(e) **Dismissal**: This should be reserved for the most serious offences. For the organisation it involves waste of a labour resource, and potential loss of morale in the work team.

The crucial interpersonal event in disciplinary action will be the interview. The following advice takes into account both procedural guidelines and interpersonal issues.

5.3   Disciplinary interviews

Preparation for the disciplinary interview will include the following.

(a) **Gathering facts** about the alleged infringement.

(b) Determination of the **organisation's position**: how valuable is the employee, potentially? How serious are the offences/lack of progress? How far is the organisation prepared to go to support or impose improvement?

(c) Identification of the **aims of the interview**: punishment? deterrent to others? problem-solving? Specific standards for future behaviour/ performance need to be determined.

(d) **Notification** of the employee concerned, with time to prepare for the disciplinary interview and seek representation if desired.

The disciplinary interview will then proceed as follows.

Step 1   The manager will explain the purpose of the interview.

Step 2   The manager will explain the organisation's position with regard to the issues involved and the organisation's expectations with regard to future behaviour/performance.

Step 3   The employee should be given the opportunity to comment, explain, justify or deny.

Step 4   Improvement targets should be jointly agreed (if possible).

-      They should be specific and quantifiable, performance related and realistic.

-      They should be related to a practical but reasonably short time period. A date should be set to review progress.

-      Measures should be proposed to help the employee where necessary (eg mentoring, extra supervision or coaching, counselling and so on).

Step 5   The manager should explain any penalties imposed on the employee, the reasons behind them and, if the sanctions are ongoing, how they can be withdrawn (eg at what point and at what terms the employee could expect the removal of the formal warning from their record). There should be a clear warning of the consequences of failure to meet improvement targets or breaching expected codes of behaviour

Step 6   The manager should explain the appeals procedure

Step 7   The manager should ensure the employee understands fully steps 1-6 above and then should briefly summarise the proceedings.

Records of the interview will be kept on the employee's personnel file for the formal follow-up review and any further action necessary, until such time as it is agreed they should be removed.

6   GRIEVANCE

A **grievance** occurs when an individual feels that (s)he is being wrongly or unfairly treated by a colleague or supervisor: picked on, unfairly appraised, discriminated against and so on.

6.1   Purpose of a grievance procedure

Ideally, grievances should be solved informally by the individual's manager. However, if this is not possible, a formal grievance procedure should be followed:

(a) To allow objective grievance handling – including 'cooling off' periods and independent case investigation and arbitration

(b) To protect employees from victimisation – particularly where a grievance involves their immediate superiors

(c) To provide legal protection for both parties, in the event of a dispute resulting in claims before an Employment Tribunal

(d) To encourage grievance airing – which is an important source of feedback to management on employee problems and dissatisfactions

(e) To require full and fair investigation of grievances, enabling the employer-employee relationship to be respected and preserved, despite problems.

6.2 Grievance procedures

Formal grievance procedures, like disciplinary procedures, should be set out in **writing** and made available to all staff. These procedures should do the following things.

(a) State what **grades of employee** are entitled to pursue a particular type of grievance.

(b) **Distinguish between individual grievances and collective grievances** (which might be pursued through industrial relations processes).

(c) State the **rights of the employee** for each type of grievance: what actions and remedies may be claimed.

(d) State what the **procedures for pursuing a grievance** should be. They will typically involve appeal in the first instance to the line manager (or next level up, if the line manager is the subject of the complaint). If the matter cannot be resolved, the case will be referred to specified higher authorities. The assistance of the HR department may be required.

(e) Allow for the employee to be **accompanied** by a trade union or staff association representative or other colleague.

(f) **State time limits** for initiating certain grievance procedures and subsequent stages of them, such as appeals and communication of outcomes.

(g) **Require written records** of all meetings concerned with the case to be made and distributed to all the participants.

(h) Provide for right of **appeal**, and specify the appeals procedure.

As with disciplinary action, the focus of conflict resolution will be in an interview between the manager and the subordinate.

6.3   Grievance interviews

The dynamics of a grievance interview are broadly similar to a disciplinary interview, except that it is the subordinate who primarily wants a positive result or improvement in someone else's behaviour. (Remember discipline is where an employee does wrong: grievance is where an employee feels wronged.)

Prior to the interview, the manager should gain some idea of the complaint and its possible source. The meeting itself can then proceed through the following stages.

Step 1   **Exploration**. What is the problem: the background, the facts, the causes (obvious and hidden)? At this stage the manager should simply try to gather as much information as possible, without attempting to suggest solutions or interpretations: the situation must be seen to be open.

Step 2   **Consideration**. The manager should:

Check the facts

Analyse the causes – the problem of which the complaint may be only a symptom

Evaluate options for responding to the complaint, and the implication of any response made.

It may be that information can be given to clear up a misunderstanding, or the employee will withdraw the complaint – having 'got it off his chest'. However, the meeting may have to be adjourned (say, for 48 hours) while the manager gets extra information and considers extra options.

Step 3   **Reply**. The manager, having reached and reviewed various conclusions, reconvenes the meeting to convey (and justify, if required) his or her decision, and hear counter-arguments and appeals. The outcome (agreed or disagreed) should be recorded in writing.

7   PERFORMANCE COUNSELLING

Where problems are identified in an individual's performance – whether through annual appraisal or on-going monitoring – a line manager may need to intervene.

7.1   Reasons for poor performance

Not all performance problems will be disciplinary in nature, or due to training/ competence gaps. Other factors the manager may need to consider include:

(a) Job changes which have left the job-holder less suited for the work

(b) Personality factors or clashes with team members

(c) Factors outside the work situation (eg marital or financial problems)

(d) Problems with job design, work layout, management style and other factors outside the individual's own control.

7.2   Performance counselling process

In order to deal with the issue, the following four-step process could be implemented.

(a) Counsel the individual through a basic problem-solving process.

(i) **The facts.** The manager should help the individual to accept and define the problem, through constructive feedback and supportive questioning.

(ii) **The causes**. The individual and the manager should explore and agree on the causes of the problem. A collaborative, problem-solving orientation is needed.

(iii) **The remedies**. The individual and the manager should explore and agree on the remedies to the problem.

(b) Ensure the individual understands the consequences of persistent poor performance, where relevant; this might involve invoking the firm's disciplinary procedures.

(c) Set and agree clear improvement targets and action plans and agree a period of time over which performance is expected to improve.

(d) Support the individual with agreed follow-up action: training, coaching, specialist counselling and so on.

This page intentionally left blank
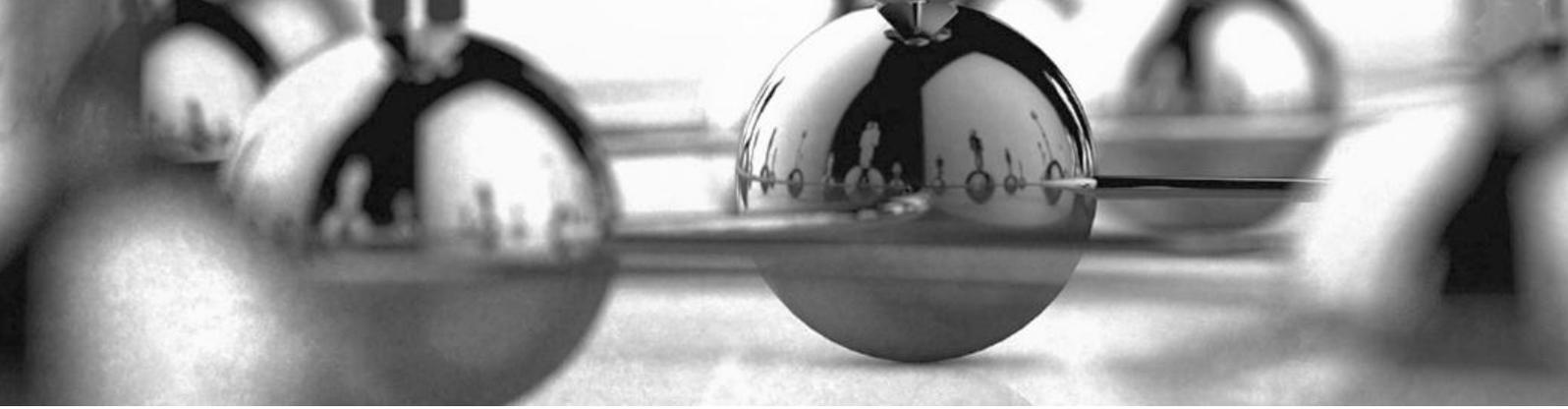
CHAPTER IX

REWARD MANAGEMENT

In previous chapter, we discussed different aspects of monitoring and managing employee performance. As anyone would expect, an employee performing well would expect positive reinforcement from organisation while an employee performing poorly may predict some form of negative reinforcement. Reward is one forms of reinforcements and related to motivation and performance of employees. In this chapter, we will discuss key aspects of reward management.

Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organisation. It deals with the 'design, implementation and maintenance of reward practices that are geared to the improvement of organisational, team and individual performance. First section of this chapter will help us understand the basics of reward management. Second section will discuss job evaluation while third section will discuss other factors determining pay. Other factors in determining pay levels include market rate analysis (using pay surveys), affordability, organisation strategy and culture, government intervention, collective bargaining, the need to offer performance incentives and rewards, and legal provisions on equal pay. In later sections will cover reward systems, basic pay, performance pay and indirect pay or benefits.

1 UNDERSTANDING REWARD MANAGEMENT

1.1 Reward management defined

Reward management is concerned with the strategies, policies and practices required to ensure that the value of people and the contribution they make to achieving organisational, departmental and team goals is recognised and rewarded. It is about the design, implementation and maintenance of reward systems that aim to satisfy the needs of both the organisation and its stakeholders and to operate fairly, equitably and consistently. Reward management deals with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility, as well as financial rewards.

1.1 Aims of reward management

As Ghoshal and Bartlett (1995) pointed out, reward management is there to add value to people. It is not just about attaching value to them. Its aims are to:

❑ Reward people **according to the value** they create by providing for them to be recognised and paid in accordance with the degree to which they meet or exceed expectations.

❑ **Support the achievement of business goals** by helping to ensure that the organisation has the talented and engaged people it needs.

❑ **Promote high performance** by ensuring that reward system recognises and encourages it.

❑ Support and **develop the organisation's culture** by linking rewards to behaviour that is in line with core values.

❑ **Define the right behaviours** and outcomes by defining expectations through performance management and merit pay schemes.

1.2 Pay determination

Pay determination is the process of deciding on the level of pay for jobs or people. Its two aims, which often conflict, are:

(a) to be externally competitive to attract, engage and retain the people required by the organisation; and

(b) to be internally equitable in the sense that rates of pay correctly reflect the relativities between jobs. (**Internally equitable pay** is fair pay)

These aims are achieved respectively by market pricing and job evaluation.

2   JOB EVALUATION

Job evaluation is the process of analysing and assessing the content, worth or size of jobs within an organisation, in order to rank and group them as a basis for an equitable remuneration system.

2.1   The purpose and aims of job evaluation

Job evaluation is intended to create a rational and fair framework for job gradings and the pay decisions arising from them. It aims to:

(a) Assess the value of jobs to the organisation in relation to one another

(b) Support the development of job gradings and pay structures that are objective, balanced and equitable

(c) Ensure that the organisation is able to give (and demonstrate that it gives) equal pay for work of equal value, as required by law.

2.2   The process of job evaluation

The process of job evaluation covers four basic steps.

Step 1   **Select compensable factors**

Compensable factors represent the aspects of jobs for which the organisation is willing to pay. Armstrong (2009) suggests that effective factors should:

❑   Apply equally well to different types of work (including specialists and generalists, lower level and higher level jobs, and jobs performed by men and women)

❑   Refer to relevant and important differences between jobs, in order to allow comparison for ranking purposes

❑   Be understandable by, and acceptable to, all those who will be covered by the scheme Examples of compensable factors include: knowledge and skills, judgement and decision-making, freedom to act and responsibility for financial resources.

Step 2   **Gather data on jobs**

Some information for evaluation may already be available in the form **of job descriptions**, or may have to be gathered by **job analysis**.

Step 3 **Evaluate jobs**

There are two basic types of job evaluation scheme.

Non-analytical schemes make largely subjective judgements about the whole job, its difficulty, and its importance to the organisation relative to other jobs.

Analytical schemes systematically analyse how far compensable factors are present in each job, in order to arrive at appropriate weightings and rankings.

These methods will be discussed further below.

Step 4 **Assign specific pay values to the job**

The output of a job evaluation scheme is a **pay structure:** a ranking or hierarchy of jobs in terms of their relative value to the organisation. The organisation must then make policy decisions to assign pay values to jobs or job grades within the structure. This is generally done with reference to market rates of pay, how the organisation's pay levels compare with those of its competitors, and how aggressively it must compete to attract and retain quality labour. (This will be discussed in Section 3 below.)

2.3   Job evaluation schemes

Non-analytical schemes

Job classification is most common non-analytical approach. The organisation decides what grades of pay there should be and defines the requirements of each grade. Jobs are allocated to an appropriate grade by matching job descriptions to grade definitions.

Job ranking compares jobs with one another and ranks them in accordance with their relative importance or contribution to the organisation. Having established a hierarchy of jobs, they can be divided into groups for grading purposes.

Analytical schemes

Analytical schemes break jobs down into their component elements, for more detailed analysis. Job evaluations must use analytical methods in order to demonstrate that the organisation is offering equal pay for 'work of equal value'. They must examine 'the demands on a worker under various headings (for instance, effort, skill, decision)'.

Points rating is currently the most popular method of formal job evaluation.

(a) It begins with the definition of about 8-12 compensable factors: these will vary according to the type of organisation and can be adapted to its changing needs and key values.

(b) A number of *points* is allocated to each compensable factor, as a maximum score, across a range of '*degrees*' which reflect the level and importance (or weighting) of the factors within a job.

(c) A comprehensive *points rating chart* is therefore established, covering a range of factors and degrees which can be applied to a variety of specific jobs. An example of such a chart is shown in Figure 9.1.

(d) Each *job* is then examined, analysed factor by factor according to the points rating chart, and a points score is awarded for each factor, up to the maximum allowed. The total points score for each job provides the basis for ranking the jobs in order of importance, for establishing a pay structure and for pricing the pay structure. An example of a **job evaluation form** for points rating is shown in Figure 9.2.

Factor comparison involves the selection of key *benchmark jobs*, for which the rate of pay is considered to be fair (perhaps in comparison with similar jobs in other organisations).

(a) Each of these jobs is analysed, using compensable factors, to decide how much of the total salary is being paid for each factor. So if technical skill is 50% of a benchmark job paying £32,000, the *factor pay rate* for technical skill (within that job) is £16,000.

(b) When this has been done for every benchmark job, the various factor pay rates are correlated, to formulate a *ranking and pay scale* for each *factor*.

(c) Other (non-benchmark) jobs are then evaluated factor by factor, to build up a *job value*. For example, an analysis for a skilled administrative job might be:

Factor	Proportion of job		Pay rate for factor (as established by analysis of benchmark jobs)	Job value £
Technical skills	50%	X	£32,000 pa	16,000
Mental ability	25%	X	£24,000 pa	6,000
Responsibility for others	15%	X	£20,000 pa	3,000
Other responsibilities	10%	X	£16,000 pa	1,000
				26,0000

	Compensable factor	DEGREE (Weighting)				
		1	2	3	4	5
G	Job knowledge	10	25	50	70	-
E	Practical experience	15	30	50	70	-
N	Physical effort	5	10	15	-	-
E	Complexity	15	20	25	30	-
R	Judgement/initiative	15	20	30	40	50
A	Job conditions	5	10	15	-	-
L	Contact with peers	5	10	20	40	-
	Contact with clients	10	20	30	40	50
	Attention to detail	5	10	15	20	-
	Potential for error	5	10	20	40	-
	Confidential data	5	10	15	20	30
	.....	...	...	...	...	...
S						
U	Nature of supervision	5	10	20	-	-
P	Scope of supervision	10	15	25	-	-
E	Resource allocation	10	15	25	30	-
V	Trust	15	20	30	40	50
I	Management reporting	10	15	25	30	-
S	Quality	15	30	90	50	60
O	.....	...	...	...	...	...
R						
Y						

Degree definitions
Job knowledge

1. Maintain basic procedures; operate and maintain basic machinery; undertake range of tasks under supervision; comply with rules and policies.

2. Administer a routine area of work, under supervision; operate and maintain basic machinery to proficient standard; understand purpose of rules and policies and be able to identify compliance issues.

3. Supervise a small number of staff in routine and nonroutine tasks; be responsible for checking of working; manage own routine and non-routine workload; control maintenance of range of machinery and compliance with rules and policies, including coaching/briefing of staff; certificate-level qualification in job-related area

4. Supervise staff in routine and non-routine tasks; manage quality and customer service issues; plan and co-ordinate own and section workload; systematic view of rules and procedures, with ability to propose improvements; diploma-level qualification in job-related area

FIGURE 9.1: Points rating chart (excerpt)

Job evaluation form

Key job code _____	Department _____
Job type _____	Job holder studied _____
Date _____	Employee number _____

Task number

Description

Factor	Rating			Comments
	Points	Weighting	Total	

Skills and knowledge
    Education/qualifications
    Experience
    Dexterity				

Skills sub-total				
Initiative				

Responsibility
    People
    Equipment
    Resources				

Responsibility sub-total				

Effort
    Mental
    Physical				

Effort sub-total				

Communication
    Oral
    Written				

Communication sub-total				
Interpersonal skills				

Conditions of work
    Hazards
    Isolation
    Monotony				

Conditions sub-total				
TOTAL				
RANKING				
COMMENTS				

FIGURE 9.2: Points rating form

Job evaluation only determines a job's relative worth to the organisation, by ranking or grading. It does not reflect its monetary worth to the organisation. We will now consider a number of other factors influencing the setting of actual pay levels.

3 OTHER FACTORS DETERMINING PAY

3.1 Market rates of pay

In order to arrive at pay rates which support recruitment, retention and motivation, a pay structure should be a combination of:

(a) **The results of job evaluation**, based on relative worth of jobs to the organisation and internal equity *and*

(b) **The results of market pay analysis**, based on the 'absolute' worth of jobs to the organisation and competitiveness in the labour market.

The concept of the market rate is not exact: different employers will pay a range of rates for similar job titles – particularly in the case of managerial jobs, whose scope and nature will vary according to context and culture. However, most organisations use **pay surveys** of key or **'benchmark'** jobs to get a broad indication of the 'going rate' of pay for a job. Sources of information on market rates include:

(a) Published surveys

(b) Surveys carried out by HR specialists or commissioned from management consultants

(c) Business network or 'club' surveys, where organisations exchange pay information on a regular basis

(d) General market monitoring and intelligence: recruitment advertising, government statistics, recruitment consultancies and so on.

Market rate information on benchmark jobs can be used to add monetary values to 'similar' jobs within the organisation's job-evaluated rankings. Other jobs can then be placed on the pay scale according to their relative positions in the ranking, and priced accordingly.

The market rate of pay will vary with supply/demand factors such as:

(a) The **relative scarcity of particular skills** in the particular market from which the organisation draws its labour

(b) The **sensitivity of employees** to pay levels or differentials. Pay may or may not act as an incentive to change employers, depending on the availability of work elsewhere, the employee's loyalty and the non-financial rewards offered by the organisation or the job.

Market rates of pay will have most influence on pay structures where there is a standard pattern of supply and demand in the open labour market. If an organisation's rates fall below the benchmark rates in the local or national labour market from which it recruits, it may have trouble attracting and holding employees. Management has three basic policy choices:

(a) To **lead** the competition: often used for key or scarce skills, or to establish a leading employer brand as part of the organisation's competitive strategy

(b) To **match** what other employers are paying: the least-risk approach

(c) To **lag** behind the market: may be cost-effective where vacancies can be easily filled in the local labour market (minimising direct competition with other employers).

Other factors which may distort or dilute the effect of the forces of supply and demand on labour pricing (in addition to job-evaluated equity criteria) include:

(a) **Affordability**: the organisation's ability to pay the market rate.

(b) The **culture and value system** of the organisation, which will influence the attitude of management towards the market rate, and whether age, length of service, motivation, employee aspirations and/or other factors are taken into account in the determination of pay, rather than fluctuations in supply and demand.

(c) The bargaining strength of trade unions (where applicable) in **collective bargaining** negotiations. Pay scales, differentials and minimum rates may be negotiated at plant, local or national level.

(d) **Government intervention**, including incomes policies and anti-inflationary measures (limiting the size of pay increases by pay controls). UK governments have often used control of public sector pay to influence general pay trends.

3.2   Individual performance

Job evaluated pay structures are generally designed to allow increasing rewards for seniority (eg by using incremented rates for age or length of service), competence (eg by applying competence-based bands) and/or performance (eg by applying merit or contribution bands). The **incentive** role of pay in motivating employees to higher levels of performance may also be built into the reward system through separate bonus schemes, performance-related pay, employee share ownership schemes and so on.

We will now look briefly at reward systems and how they can be structured.

4   REWARD SYSTEMS

A reward system is 'the mix of extrinsic and intrinsic rewards provided by the employer... [It] also consists of the integrated policies, processes, practices and administrative procedures for implementing the system within the framework of the human resources (HR) strategy and the total organisational system.'

4.1 Objectives of the reward system

The key objectives of any reward system can be summed up as follows.

(a) **Recruiting and retaining quality labour** in line with the human resource plan. External competitiveness with market rates may be the strongest influence on recruitment, while internal equity may be the strongest influence on retention.

(b) **Motivating individual and team performance**, to maximise return on investment from the human resource. There are various forms of reward system which link reward to performance (discussed below).

(c) **Supporting organisational culture**, by conveying messages about the values, behaviours and outcomes that the organisation prizes and is willing to pay for.

(d) **Supporting flexibility**, by responding to changing organisational skill and performance requirements.

4.2 Components of the reward system

Three broad reward components can be identified within the reward system.

(a) **Direct or base pay**: a fixed salary or wage that constitutes a standard rate for the job, as defined by market pricing and job evaluation. This amount is paid at intervals of a week or month and reflects 'hours of work': the amount of *time* spent at the workplace or on the job. It is appropriate as a basic pay component in jobs where outputs are less meaningful or measurable. It also provides a relatively consistent and predictable basic income. **Pay progression** (increases in basic pay over time) may be related to age or length of service, or to performance-related criteria such as competence or skill attainment.

The key advantages of direct pay are that it is easy to implement and administer; it is generally felt to be fair (especially if established by job evaluation); and it helps to establish mutual commitment in the employment relationship.

(b) **Performance or variable pay**: a method or component of pay directly linked to work-related behaviour, such as performance or attainments. There are various types of variable pay, including:

(i) **Payment by results (PBR)**, which links pay directly to the quantity of output produced by the individual (or team): piecework, commission (usually a percentage of sales value generated) or output– or target-based bonuses

(ii) **Performance-related pay (PRP)**, offering additional payments for individual or team performance according to a range of possible performance criteria (quality, customer service, teamworking, innovation and so on)

(iii) **Organisation performance pay**, based on the profitability of the firm: eg value added schemes, profit-sharing schemes and employee shareholding.

The key advantage of such rewards (in theory) is that they motivate employees to higher levels of performance and foster a culture in which performance, competence and contribution (and specific criteria such as teamworking or innovation) are valued and rewarded.

(c) **Indirect pay or 'benefits':** non-cash items or services. These may include 'deferred pay' in the form of pension contributions, legal entitlements (for example, to sick pay, maternity pay, maternity/paternity leave, and annual leave), and so-called 'fringe' benefits such as company cars, housing assistance, medical insurance and allowances.

4.3   The 'total reward' concept

The sum of the components discussed above is known as '**total remuneration**'. The concept of '**total reward**' is based on the premise that monetary payments are not the only, or necessarily the most effective, form of reward and that financial and nonfinancial rewards should be linked together as an integrated reward package (Figure 9.3).
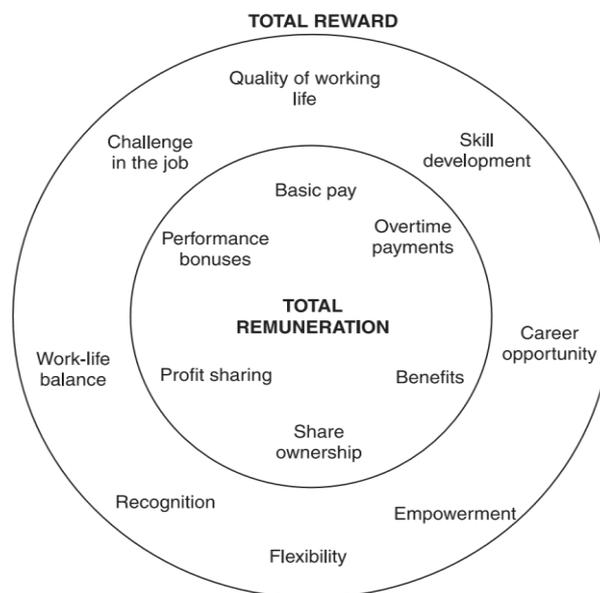

FIGURE 9.3: Total reward package

We will now look at each of the three components of the total remuneration package in turn.

5   BASIC PAY

5.1   Salary and wages

The terms 'wages' and 'salaries' are sometimes used interchangeably to refer to monetary rewards, but there are traditional distinctions between them.

Wages	Salaries
❑ Manual/'blue collar' workers – historically on short contract terms ❑ Paid weekly ❑ Based on a weekly or hourly rate for time/output ❑ Premium rates paid for overtime	❑ White-collar workers – historically with greater security of tenure ❑ Paid monthly, as a proportion of an annual fixed sum ❑ Related to seniority, qualifications, performance, with progression over time ❑ Overtime not usually paid

In the UK and US, wage payment systems have increasingly been replaced by salaries as part of **single status** schemes. These represent an attempt to harmonise the payment systems operating in an organisation, and in the process to remove barriers between workers and management and to encourage commitment and co-operation.

5.2   Salary systems

A salary system generally consists of:

(a) A **grade structure,** consisting of a hierarchy of bands or levels ('grades') to which are allocated groups of jobs that are broadly comparable in value: Figure 9.4.

(b) A **pay structure**, defining pay ranges or scales for each grade, allowing scope for pay progression or increase according to length service and performance.
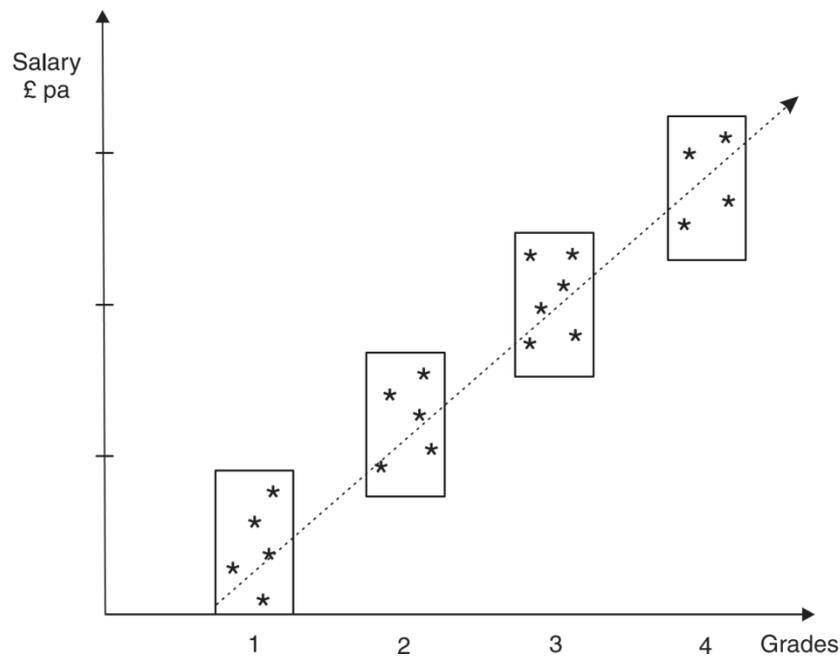
FIGURE 9.4: Grade structure

The grade structure will require careful design, because of the consequences for promotions and transfers between grades.

(a) **Differentials** between pay ranges should recognise increases in job value between one grade and another.

(b) The **range** of each grade should be wide enough to allow for progression, offering rewards for lateral career development (where promotion opportunities are few) and competence development. 'Broad banding' (having few grades of 'bands', each spanning a wide range) also allows rates of pay to be more flexibly adapted to market rate fluctuations, individual performance and flexible roles.

(c) There should be some **overlap**, in recognition that an experienced person performing well in a given job may be of more value than a new or poor performer in the next grade up.

Progression or pay increases within a grade may be achieved by fixed increments linked to age or length of service (common in the public sector) or by various forms of performance-related increases.

Flexibility will be required: changes in job content or market rates should prompt re-grading. Individual growth in competence should also be allowed for: in the case of an individual whose performance is outstanding, but for whom there are no immediate openings for promotion, discretionary payment above the grade maximum may be made.

5.3   Wage systems

A typical wage structure will include:

(a) A basic (time or piecework) rate; *plus*

(b) Overtime premium rates for work done outside normal hours

(c) Shift pay at premium rates for employees who work unusual or socially disruptive hours or shift patterns (a form of *compensatory* pay)

(d) Compensatory payments for abnormal working conditions (eg 'danger money', 'dirt money', 'wet money'), although these may be built into basic rates during job evaluation

(e) Allowances (eg to employees living in high cost-of-living areas like London)

(f) Merit or length-of-service bonuses

(g) Payment by results bonuses and incentives (discussed below).

6   PERFORMANCE PAY

6.1   Effective performance pay systems

Effective performance (or 'contingent') pay systems should fulfil the following criteria.

(a) Targets and standards of performance required to earn the rewards must be made clear to the people involved.

(b) The formulae used to calculate rewards, and any conditions that apply, should be easily understood.

(c) The rewards should be – and perceived to be – significant enough to make the effort worthwhile (perhaps 10% of basic salary).

(d) Rewards should be related to performance indicators over which people have control or influence, through their own behaviour or decision-making.

(e) There should not be a lengthy time lag between performance and reward.

6.2   Performance-related pay (PRP)

Individual performance-related pay (IPRP) relates monetary bonuses and/or the rate and extent of pay progression (increases in basic pay over time) to the performance of individuals, assessed according to defined criteria.

For managerial and other salaried jobs, a form of **performance management** is usually applied so that:

(a) Key results can be identified and agreed, for which merit awards will be paid

(b) The exact conditions and amounts of awards can be made clear to employees

(c) Performance indicators can be regularly monitored and evaluated, in order to establish when targets have been reached and awards earned.

For service and other departments, a PRP scheme may involve **bonuses** for achievement of key results, or **points schemes**, where points are awarded for performance on various criteria (efficiency, cost savings, quality of service and so on) and a certain points total (or the highest points total in the unit, if a competitive system is used) wins cash or other awards.

PRP is not appropriate for all organisations. It requires an individualistic, performance-oriented culture, where individuals have an instrumental orientation to work, are able to control the outcomes of their work, and are supported by systematic goal setting, feedback and objective results measurement (Torrington *et al*, 2002).

6.3 Suggestion schemes

Another variant on performance-based pay is the suggestion scheme, where payments or non-cash prizes are offered to staff to come up with workable ideas on improving efficiency or quality, new marketing initiatives or solutions to production problems. The theory is that there is in any case motivational value in getting staff involved in problem-solving and planning, and that staff are often in the best position to provide practical and creative solutions to their work problems or the customer's needs – but that an added incentive will help to overcome any reluctance on the part of staff to put forward ideas (because it is seen as risky, or doing management's job for them, or whatever).

Wherever possible, the size of the payment should be related to the savings or value added as a result of the suggestion – either as a lump sum or percentage. Payments are often also made for a 'good try' – an idea which is rejected but considered to show initiative, effort and judgement on the part of the employee. Suggestion schemes usually apply only to lower grades of staff, on the grounds that thinking up improvements is part of the manager's job, but with the increase of worker empowerment and 'bottom up' quality initiatives, they are becoming more widespread in various forms.

6.4 Team-based pay

Group incentive schemes typically offer a bonus for a group (distributed equally, or proportionately to the earnings or status of each individual) which achieves or exceeds specified targets. Offering bonuses to a whole team may be appropriate for tasks where individual contributions cannot be isolated, workers have little control over their individual output because tasks depend on each other, or where team-building is required.

One key objective of team reward is to enhance team spirit and co-operation as well as to provide performance incentives – but it may also create pressures or conflict within the group, if some individuals are 'not pulling their weight'.

Long-term, large-group bonus schemes may be applied plant- or organisation-wide. **Gain sharing** schemes allocate additional awards when there has been an increase in profits or a decrease in costs.

(a) **Value-added** schemes, for example, work on the basis that improvements in productivity (indicated by a fall in the ratio of employment costs to sales revenue) increases value added, and the benefit can be shared between employers and employees on an agreed formula.

(b) **Scanlon plans** pay frequent, plant-wide bonuses, based on improvements in productivity and reduction in labour costs which are brought about through collective bargaining and the participation of employee representatives.

Profit-sharing schemes offer employees current or deferred bonuses (paid in cash or shares) based on company profits. The formula for determining the amounts may vary, but in recent years, a straightforward distribution of a percentage of profits above a given target has given way to a value-added concept.

The link between individual effort and profitability is recognised to be remote, so profit sharing does not constitute a direct incentive. However, it is based on the belief that all employees can contribute to profitability, and that their contribution should be recognised. It may foster profit-consciousness and commitment to the future prosperity of the organisation.

An **employee stock plan** or **employee share ownership scheme** (such as an *All Employee Share Ownership Plan* or *Savings-Related Share Option Scheme)* allows employees to acquire shares in their employing company. The key advantage of such systems may be to encourage employees to take 'ownership' of the long-term success of the business – although the collapse of corporations such as Enron, and the global economy's sudden plunge into recession in 2008, has highlighted the extent to which this may be a double-edged sword.

6.5 Non-cash incentives

Incentive and recognition schemes are increasingly focused not on cash, but on non-cash awards. Traditionally aimed at sales people, non-cash gifts and incentives are now widely used to add interest to quality and suggestion schemes, enabling managers to recognise staff contribution flexibly, informally and at relatively low cost. Incentive awards include vouchers, air miles, the choice of gift from a catalogue, travel experiences and so on.

Such schemes can be regarded by some staff as manipulative, irrelevant or just plain gimmicky. However, they can be effective as team-building exercises and as part of a total reward programme.

7 INDIRECT PAY

7.1 Benefits

Employee benefits consist of items or awards which are supplementary to normal pay. Some – such as sick pay, maternity/paternity leave and statutory maternity/paternity/adoption pay – are legal entitlements, so the common term 'fringe' benefits is perhaps misleading. Other benefits are more in the nature of optional extras, and as such may be part of the total remuneration package.

Discretionary benefits which may be offered include the following.

(a) **Extended holiday entitlement**. This is a benefit which is often taken for granted, but it was only fairly recently (Working Time Regulations 1998) that any formal entitlement to annual leave was formulated.

(b) **Company cars** are a highly-regarded benefit in the UK, especially among managerial staff (despite the reduction in tax incentives over the years) and those whose work requires extensive road travel.

(c) **Employee assistance**, for example with transport (loans or discounted purchase of annual season tickets), housing (allowances for transferred or relocated staff, bridging loans or preferential mortgage terms), school fees (especially when the employee is posted to a foreign country) and loans or advances of pay for general financial purposes.

(d) **Catering services** – eg subsidised food and drink at the workplace, or luncheon vouchers.

(e) **Recreational facilities –** the subsidy or organisation of social and sports clubs, or provision of facilities such as a gymnasium.

(f) **Allowances** for telephone costs, professional subscriptions, work-related reading matter or home computer/laptop purchase.

(g) **Discounts or preferential terms** on the organisation's own products/services.

(h) Educational programmes – in-house study opportunities, or sponsorship of external study (not necessarily work-related).

(i) Family-friendly policies such as workplace crèche, child-care vouchers, term-time hours contracts, career break schemes and generous maternity/paternity terms.

(j) **Clothes** may be provided, often in the form of corporate uniform or protective clothing. Dry cleaning and laundry service may also be provided for the clothes.

(k) **Pension schemes** are a very important benefit. They are not always provided and admission to a company scheme may depend on a minimum length of service or be limited to senior employment grades.

7.2 Objectives of benefit packages

There are a number of reasons why organisations offer benefit packages.

(a) To attract and retain staff by the generosity and/or relevance of benefits offered, and by facilitating career longevity and work-life balance (eg by allowing career breaks and sabbaticals, flexible work hours and so on)

(b) To encourage commitment to (and consumption of) the organisation's own products (eg by offering employees discounted rates)

(c) To demonstrate corporate social responsibility by giving above-statutory levels of sick pay, paternity leave, pension provisions, employee assistance and so on

(d) To promote desirable behaviours and values in employees (for example, by subsidising clothing, fitness programmes or learning/training experiences)

(e) To offer rewards of perceived high value to employees, ideally with discounted or marginal cost to the employer.

7.3 Flexible benefits

Increasing recognition that individuals have different needs and wants has led to the development of flexible or '**cafeteria**' benefit programmes ('flex'). A range of benefits with different values are on offer, and employees can choose from among them up to their budget, as allocated to a personal benefit account: the most common allowance for flexible benefits is 5-10% of basic salary.

This is not a new concept, having been accepted practice for some time in America. However, it has caught on swiftly in the last few years in the UK, especially in medium-sized firms.

Flexible benefits are often accompanied by **salary sacrifice** schemes. These schemes allow the individual to obtain extra benefits in kind in exchange for accepting a lower rate of pay. Thus, extra holiday might be taken at the cost of a reduction in salary equal to the gross pay for the extra period taken as holiday. In addition to enhancing the overall flexibility of the reward package, such schemes can be effective tax management devices for higher paid workers.

However, it should also be noted that there are significant start-up and administrative costs involved in flex schemes. There are also risks for the employer, especially in dealing with long-term financial benefits: the choice of benefits must be clearly the responsibility of the employee, and any financial advice (eg on life insurance or pensions) must be given by the benefit provider – *not* the employing organisation. The distinction between **fixed benefits** (laid down in the contract of employment) and **variable benefits** (linked to individual service or performance) must be made clear, to avoid benefits becoming taken for granted.
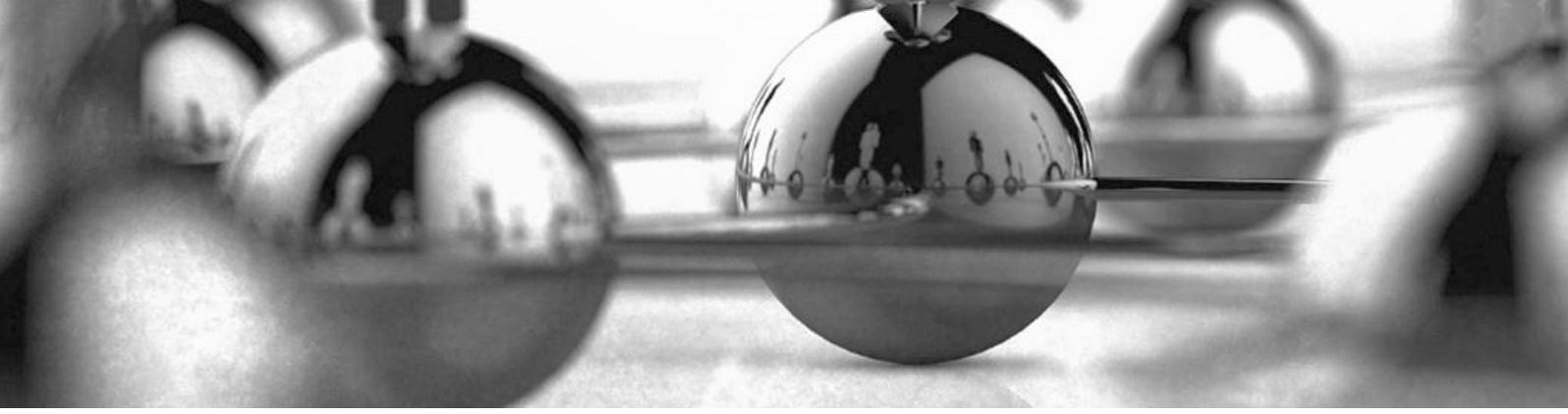
CHAPTER X

EMPLOYEE RELATIONS

In previous chapter, we discussed about reward management. Responsibility of organisation does not end with the successful implementation of a reward system. People management poses more challenges. One of the critical aspects of people management is to have healthy employee relations. Employee relations are concerned with managing the employment relationship. This means dealing with employees either collectively through their trade unions or individually; handling employment and issues arising from employment; and providing employees with a voice and communicating with employees. Employee relations are basically about how managements and employees live together and what can be done to make that work. Employee relation is a much wider concept than industrial relations.

First section of this chapter talks about strategic employee relations. Employee relations strategy is concerned with how to build stable and co-operative relationships with employee that minimise conflict. Organisation should achieve commitment through employee involvement and communications processes. Through employee relations, organisation should aim to develop mutuality - a common interest in achieving the organisation's goals through the development of organisational cultures based on shared values between management and employees. In this chapter we will also discuss the concept of psychological contract, practice of industrial relations, 'employee voice', employee communications and termination of employment relationship.

1 STRATEGIC EMPLOYEE RELATIONS

Strategic employee relations is concerned with the formulation and implementation of plans designed to meet the needs of the business for harmonious and productive relationships and the needs of employees to be treated justly and well. These plans will be based on organisation's policies and approaches on how it should relate to employees and their unions (if applicable).

1.1 Approaches to employee relations

There are four approaches to employee relations:

(a) **Adversarial**: the organisation decides what it wants to do, and employees are expected to fit in. Employees only exercise power by refusing to cooperate.

(b) **Traditional**: a reasonably good day-to-day working relationship but management proposes and the workforce reacts through its elected representatives, if there are any; if not, employees just accept the situation or walk.

(c) **Partnership**: the organisation involves employees in the drawing up and execution of organisation policies, but retains the right to manage.

(d) **Power sharing**: employees are involved in both day-to-day and strategic decision-making.

Adversarial approaches are less common now than in the 1960s and 70s. The traditional approach is still the most typical but more interest is being expressed in partnership. Power sharing approach is rare.

Once the approach to employee relations has been decided or agreed by the organisation, it needs to decide on the policy areas and strategies related to employee relations.

1.2 Employee relations policy areas

Organisation needs to answer some strategic questions related to different aspects of employee relations. The areas covered by employee relations policies are as follows:

❑ *Trade union recognition* – whether trade unions should be recognised or de-recognised, which union or unions the organisation would prefer to deal with, and whether or not it is desirable to recognise only one union for collective bargaining and/or employee representational purposes. The policy will have to consider the factors affecting managing with or without unions.

❑ *Collective bargaining* – the extent to which it should be centralised or decentralised and the scope of areas to be covered by collective bargaining.

❑ *Employee relations procedures* – the nature and scope of procedures for redundancy, grievance handling and discipline.

❑ *Participation and involvement* – how far the organisation is prepared to go in giving employees a voice on matters that concern them.

❑ *The employment relationship* – the extent to which terms and conditions of employment should be governed by collective agreements or based on individual contracts of employment (i.e. collective versus individualism).

❑ *Harmonization of terms and conditions of employment for staff and manual workers.*

❑ *Working arrangements* – the degree to which management has the prerogative to determine working arrangements without reference to trade unions or employees (this includes job-based or functional flexibility).

1.3   Management style in employee relations

In addition to policy decisions and approaches, it is important to consider the management style that will be used by organisation in employee relations management. The term 'management style' refers to the overall approach the management of an organisation adopts to the conduct of employee relations. Purcell and Sission (1983) identified five typical styles:

(a) **Authoritarian** – employee relations are not regarded as important and people issues are not attended to unless something goes wrong.

(b) **Paternalistic** – in some ways this resembles the authoritarian style but a more positive attitude to employees is adopted.

(c) **Consultative** – trade unions are welcomed and employee consultation is a high priority.

(d) **Constitutional** – there is a trade union presence but the management style tends to be adversarial.

(e) **Opportunistic** – management style is determined by local circumstances, which in turn determine whether or not unions are recognised and the extent to which employee involvement is encouraged.

No matter which of the management styles organisation prefers for employee relation, the decision will have an impact on organisation and its employee relations climate.

1.4   Employee relations climate

The **employee relations climate** of an organisation refers to the perceptions of management, employees and their representatives about the ways in which employee relations are conducted and how the various parties (managers, employees and trade unions) behave when dealing with one another. An employee relations climate may be created by the management style adopted by management or by the behavior of the trade unions or employee representatives (cooperative, hostile, militant, etc), or by the two interacting with one another. Regardless, organisation must strive to develop a climate of trust among employees.

1.5   Developing a climate of trust

A climate of trust in the shape of a high-trust organisation is an essential ingredient in a positive employment relationship. Organisation could benefit immensely by developing a climate of trust. Searle and Skinner (2011) noted that the benefits of increased trust could include following:

❑ Improved employee performance;

❑ Higher levels of motivation and positive attitudes (including employees putting more effort into performing and developing their roles);

❑ Reduced cost due to higher productivity, less wastage, lower staff turnover, fewer stoppages, and so on;

❑ Enhanced pro-social behavior at work, including desirable work-related behavior and appropriate discretionary behavior;

❑ Enhanced knowledge-sharing and increased innovation;

❑ Improved cooperative working.

A high-trust organisation exists when management is honest with people, keeps its word (delivers the deal) and practices what it preaches. Trust is created and maintained by managerial behavior and by the development of better mutual understanding of expectations – employers of employees, and employees of employers.

2   THE PSYCHOLOGICAL CONTRACT

The psychological contract underpins the employment relationship. A psychological contract is a set of unwritten expectations that exist between individual employees and their employers. The concept of the psychological contract highlights the fact that employee/employer expectations take the form of unarticulated assumptions. Disappointments on the part of management as well as employees may therefore be inevitable.

From employees' point of view, the aspects of the employment relationship covered by the psychological contract will include following:

❑ How they are treated in terms of fairness, equity and consistency;

❑ Security of employment;

❑ Scope to demonstrate competence;

❑ Career expectations and the opportunity to develop skills;

❑ Involvement and influence;

❑ Trust in the management of the organisation to keep their promise.

From the employer's point of view, the psychological contract covers such aspects of the employment relationship as competence, effort, compliance, commitment and loyalty.

A positive psychological contract must be taken seriously since it is linked to higher commitment to the organisation, higher employee satisfaction and better employee relations (Guest 1996). The steps required develop a positive psychological contract are as follows:

- ❑ Define expectations during recruitment and induction programmes
- ❑ Communicate and agree expectations as part of the continuing dialogue implicit in good performance practices
- ❑ Adopt a policy of transparency on company policies procedures
- ❑ Treat people as stakeholders, relying on consensus and cooperation than control and coercion

3   PRACTICES OF INDUSTRIAL RELATIONS

Industrial relations (IR) comprises all the rules, practices and conventions governing interactions between managements   and their workforces, normally involving collective employee representation and bargaining. Industrial relations involves managements and trade unions in concluding collective agreements, collective bargaining, disputes resolution and dealing with issues concerning the employment relationship and the working environment.

3.1   Managing without trade unions

Some firms, especially large ones in the western world, **manage without trade unions** by adopting a union substitution policy that offers employment policies and pay packages that employee will see as an attractive alternative to trade union membership. They may focus on communications and information sharing but they will basically deal with people individually rather than collectively. Others, especially smaller firms, simply deal with employees individually – sometimes well, sometimes not – and make no attempt to provide substitute arrangements.

Ideally, **managements and trade unions learn to live together**, often on a give-and-take basis, the presumption being that neither would benefit from a climate of hostility or by generating constant confrontation. It would be assumed in this ideal situation that mutual advantage would come from acting in accordance with the spirit as well as the letter of agreed joint regulatory procedures. However, both parties would probably adopt a realistic pluralist viewpoint. This means recognising the inevitability of differences of opinion, even disputes, but believing that with goodwill on both sides they could be settled without resource to **industrial action**.

3.2   Collective bargaining

Managing with unions involves **collective bargaining** – the establishment by negotiation and discussion of agreements on matters of mutual concern to employers and unions covering the employment relationship and terms and conditions of employment. Collective bargaining is a joint regulating process, dealing with the regulation of management in its relationships with work people as well as the regulation of conditions of employment. It was described by Flanders (1970) as a social process that continually turns disagreements in agreements in an orderly fashion.

3.3   Collective agreements

The formal outcomes of collective bargaining are **agreements** between management and unions dealing with terms and conditions of employment or other aspects of the relationships between the two parties. They consist of substantive agreements, procedural agreements, new style agreements, partnership agreements and employee relations procedures.

3.4   Dispute resolution

In collective bargaining, there may not be agreement in the first place. **Industrial dispute** is common in real world. The aim of dispute resolution is to resolve differences between management and a trade union. The aim of collective bargaining is, of course, to reach agreement, preferably to the satisfaction of both parties. The types of **dispute resolution** are conciliation, arbitration and mediation.

❑ **Conciliation:** Conciliation is the process of reconciling disagreeing parties. It is carried out by a third party. Conciliators can only help the parties to come to an agreement. They do not make recommendations on what that agreement should be: that is the role of an arbitrator or a mediator.

❑ **Arbitration:** Arbitration is the process of settling disputes by getting a third party, the arbitrator, to review and discuss the negotiating stances of the disagreeing parties and make a recommendation on the terms of settlement, which is binding on both parties, who therefore lose control over the settlement of their differences.

❑ **Mediation:** Mediation takes place when a third party helps the employer and the union by making recommendations that they are not, however, bound to accept. It is a cheap and informal alternative to an employment tribunal and offers a quick resolution to problems, privacy and confidentiality.

3.5   Negotiation

Negotiation is also a process to resolve disputes and disagreement between employees/union and organisation. Negotiation is a process whereby two parties come together to confer with a view to concluding a jointly acceptable agreement.

The general purpose of such a process is for interest groups to attempt to resolve differences between and within themselves, in order to **maintain co-operation** in the pursuit of shared or superordinate goals. Such an approach may be applied in a number of different situations, including collective (and individual) bargaining, conflict resolution and group decision making.

Negotiation is basically a **problem-solving technique**, enabling parties to meet their own needs (as far as possible) without breaking the relationship or co-operation between them. This is obviously essential where management and workers are concerned.

There are two basic approaches to negotiation.

- ❑ **Distributive bargaining**, where negotiation is about the distribution of finite resources. One party's gain is another's loss: a 'win-lose' or 'zero sum' equation. If a pay increase of, say, 10% is gained, where the management budget was 5%, the extra has to be funded from elsewhere - profits, investments, other groups (such as shareholders), increased prices, increased productivity, cuts in training or whatever.

- ❑ **Integrative bargaining** based on joint problem-solving, where negotiations aim to find mutually satisfying solution to problem. This has emerged in recent years in 'win-win' approach. This is a process of exploring and defining the needs and fears of all parties with a view not just to getting the best outcome for one's own party (win-lose) or even compromise (lose-lose) but to fulfilling the needs of all parties: a 'win-win' solution may not be available, but the process makes it possible. Both parties get as close as possible to what they really want.

4   EMPLOYEE VOICE

'**Employee voice**' is an important and emerging aspect of employment relationship. Armstrong (2003) summarises 'employee voice' as 'the say employees have in matters of concern to them in their organisation'. Employee voice is both an individual concept and a collective concept: it includes, for example, individual grievances and suggestions as well as collective bargaining and industrial democracy agreements made with trade unions and/or other employee representatives.

4.1   Employee voice matrix

Marchington *et al* (2001) model the territory of employee voice as follows:

❑ Involvement may be **direct** (where management deal with individuals/teams) or **indirect** (where management deal with trade unions or other representative groups)

❑ Involvement may be based on a **shared agenda** (directed at improving organisational performance and the quality of working life) or on a **contested agenda** (directed at addressing areas of conflict, dissatisfaction or competition)

Shared Agenda

Employee involvement	**Partnership agreements**
Grievance procedures	**Collective bargaining**

Direct Involvement

Indirect Involvement
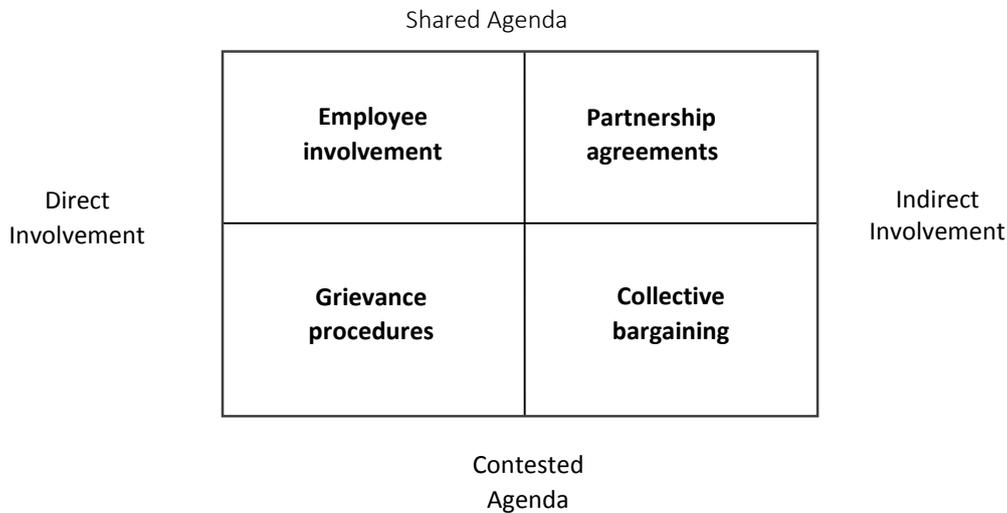
Contested Agenda

FIGURE: 10.1: employee voice matrix

In practice, an organisation's approach will be a mixture of direct and indirect, and focus on both shared and contested agendas.

4.2   Approaches towards 'employee voice'

Marchington *et* al (1992, 2001) classify the main approaches to implementing employee voice as **'representative participation'** (which we call **'participation'** in this chapter) and **'upward problem-solving'** (which we include among techniques for **'involvement'**).

(a) Representative participation includes:

- *Collective representation*: grievance procedures, collective bargaining, collective dispute resolution and other setting in which trade unions, staff associations or elected employee representatives represent the interests of individual employees or groups of employees.

- *Joint consultation*: formal non-negotiatory meetings between management and employee representatives to discuss matters of shared interest or concern.

- *Partnership schemes*: formal agreements between management and employee representative to work together for mutual benefit, in a non-adversarial climate

(b) Upward problem-solving includes:

- ***Two-way communication***: encouraging upward communication (from staff to management) as well as downward, eg through briefing groups, team meetings and corporate intranets.

- ***Upward communication***: seeking staff feedback, opinions and suggestions, eg through attitude surveys, suggestion schemes and employee intranet discussion groups.

- ***Project teams***: getting staff and management together to solve problems discuss issues or generate ideas (eg quality circles, customer care task forces).

4.3   Employee participation

Employee participation concerns the extent to which employees, often via their representatives, are involved in the decision-making machinery of the organisation. This includes joint consultation, collective bargaining and worker representation on the board.

4.4   Employee involvement

Employee involvement describes a wide range of policies and techniques for 'informing and consulting employees about, or associating them with, one or more aspects of running an organisation'. Employee involvement concentrates mainly on individual employees and the degree to which they can be encouraged to identify with the goals of the organisation. It can be distinguished from employee participation, which concerns the extent to which employees are involved (via their representatives) in management decision making.

Guest (2001) describes five ways to get employees involved.

- ❑   By improving the provision of information to employees

- ❑   By improving the provision of information from employees

- ❑   By changing the structure and arrangement of work

- ❑   By changing the incentives

- ❑   By changing relationships, through more participative leadership and informality

Information and communication of information to and from employees is vital for employment voice and employment relationship. The next section will discuss employee communication issues.

5   EMPLOYEE COMMUNICATIONS

Communication is a vital part of a change management programme, in order to increase commitment and generate trust among employees. Senior management need to communicate to employees about terms and conditions of employment, what they are expected to do and any proposed changes to conditions of employment, working arrangements and organisation's plans or structure.

A strategy for employee communications will deal with what information the organisation wants to give to employees and how it wants to provide it. In addition, employees need the opportunity to communicate upwards their comments and reactions to what is proposed will happen or what is actually happening in matters that will affect them.

Communication needs to be clear, easily understood and concise. Information should be presented systematically on a regular basis and be as relevant and timely as possible. Organisation may prefer to use more than one medium of communication, if appropriate. For example, a decision to acquire another company may be communicated through company website as well as direct emails to each employee. **Communication methods** may include individual face-to-face communication, intranet, team briefing, consultative committees, notice boards, speak-up programmes, magazines, newsletters and e-bulletins.

6   TERMINATION OF EMPLOYMENT RELATIONSHIP

So far we have covered many of the processes by which the human resource is managed as HR moves into and through or within the organisation. In this section, we look at some of the ways in which people must be managed on its way out of the organisation. The exit of employees from the organisation requires careful management because of the need for compliance with the legal framework on employment protection and the need for sensitivity to the human issues involved. Broadly, people are released from the organisation through redundancy, dismissal or retirement.

6.1   Redundancy

Redundancy takes place when the organisation as a whole is reducing the number of employees (downsizing), when structural changes are being made following mergers and acquisitions, and when individual jobs are no longer needed. If, unfortunately, redundancy has to take place, it is necessary to plan ahead – seeking and implementing methods of avoiding redundancy as far as possible, making arrangements for voluntary redundancy and helping people to find jobs (outplacement). HR usually has the onerous responsibility of handling the redundancy itself.

Planning ahead

Planning ahead means that future reductions in people needs are anticipated and steps are taken to minimise compulsory redundancies. This can be done by freezing recruitment and allowing the normal flow of leavers (natural wastage) to reduce or even eliminate the need for redundancy, calling in outsourced work, reducing or eliminating overtime, reducing the number of part-timers and temporary staff, work-sharing (two people splitting one job between them) or, more reluctantly, reduction in working hours or temporary layoffs.

Voluntary redundancy

Asking for volunteers – with a suitable payoff – is another way of reducing compulsory redundancies. The disadvantage is that the wrong people might go, ie the good workers who find it easy to get other work. It is sometimes useful to offer such people a special loyalty bonus if they stay on.

Outplacement

Outplacement is about helping redundant employees to find other work and to cope with the problems they face. It can take place through specialised outplacement consultants and counselling or by setting up 'job shops'.

6.2   Dismissal

An individual can be legally dismissed broadly in three ways.

- ❑ Employment is terminated with or without notice by the employer (e.g. summary dismissal for gross misconduct).

- ❑ Employment under a fixed-term contract comes to an end and is not renewed on the same terms.

- ❑ Employees can be '**constructively dismissed**' if they resign because of their employer's unreasonable behaviour.

Dismissals should be handled in accordance with the following principles of natural justice:

- ❑ Individuals should know the standards of performance they are expected to meet and the rules to which they are expected to conform.

- ❑ They should be given a clear indication of where they are failing or what rules they have broken.

- ❑ Except in cases of gross misconduct, they should be given an opportunity to improve before disciplinary action is taken.

These principles should form the basis of a disciplinary procedure, which is staged as follows:

    (a) An informal discussion on the problem.

    (b) A first written warning.

    (c) A final written warning.

    (d) Dismissal or action short of dismissal such as loss of pay or demotion.

Employees should be reminded of their right to be accompanied by a colleague or employee representative in disciplinary hearings. Managers and team leaders should be made aware of the procedure and told what authority they have to take action. It is advisable to have all written warnings and any final action approved by a higher authority. In cases of gross misconduct, managers and team leaders should be given the right to suspend if higher authority is not available, but not to dismiss. The importance of obtaining and recording the facts should be emphasised. Managers should always have a colleague with them when issuing a final warning and should make a note to file of what was said on the spot.

If an organisation faces redundancy and employees are laid off unfairly because of downsizing decision, then the whole dismissal process becomes unfair. Hence, an organisation needs to be ethical in its dismissal decisions.

6.3   Retirement

There are two basic approaches to retirement policy:

(a) **Flexible retirement,** whereby a stated retirement age is a minimum age at which the contract can be ended for retirement purposes: fit and capable employees are allowed to continue to work after this age.

(b) **Fixed retirement**, whereby retirement is enforced at the stated age.

Retirement is a major change and should be prepared for. Retirement policies need to specify:

    ❑   when people are due to retire;

    ❑   the circumstances, if any, in which they can work beyond their normal retirement date;

    ❑   the provision of pre-retirement training on such matters as finance, insurance, state pension rights and other benefits, health, working either for money or for a voluntary organisation, and sources of advice and help;

    ❑   the provision of advice to people about to retire.
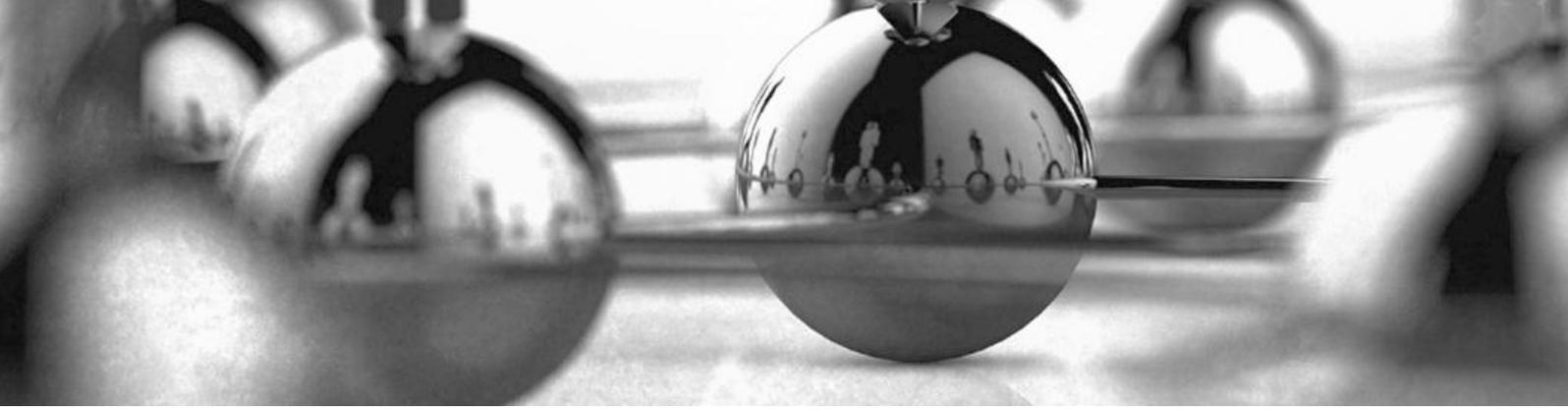
CHAPTER XI
CONTEMPORARY CONCEPTS IN HRM

With earlier chapters, we have covered all fundamental aspects of human resource management issues and practices. We have discussed traditional practices in HRM, organisational and employee behaviour, learning & development, employee resourcing, reward & performance management and employee relations management. This is the final chapter of HRM coursebook. Here, we will have very brief discussions about few contemporary concepts and frameworks for understanding modern-day Human Resource Management. This chapter contains discussion and sections regarding HRM & Performance, knowledge management, human capital management, competency-based HRM, ethical dimension of HRM, international HRM and Islamic HRM.

1 HRM & PERFORMANCE

All organisations are under an obligation to their stakeholders to perform well. To do this they depend on the quality, dedication, enthusiasm, expertise and skill of the people working in them at every level. The distinctive feature of HRM is its assumption that improved performance is achieved through the people in the organisation. If, therefore, appropriate HR policies and practices are introduced, it can also be assumed that HRM will impact on firm performance.

Any explanation of the impact of HRM on organisational performance is likely to be based on three propositions: 1) that HR practices can make a direct impact on employee characteristics such as engagement, commitment, motivation and skill; 2) if employees have these characteristics it is probable that organisational performance in terms of productivity, quality and the delivery of high levels of customer service will improve; and 3) if such aspects of organisational performance improve, the financial results achieved by the organisation will improve. This can be described as the HR value chain. The propositions highlight the existence of an intermediate factor between HRM and financial performance. This factor consists of the HRM outcomes in the shape of employee characteristics affected by HR practices. Therefore, HRM does not make a direct impact. A model of the impact of HRM taking into account the considerations of reverse causation and contingency effects is shown in following figure.

FIGURE 11.1:   Impact of HRM on organisational performance (based on Paauwe, 2004)
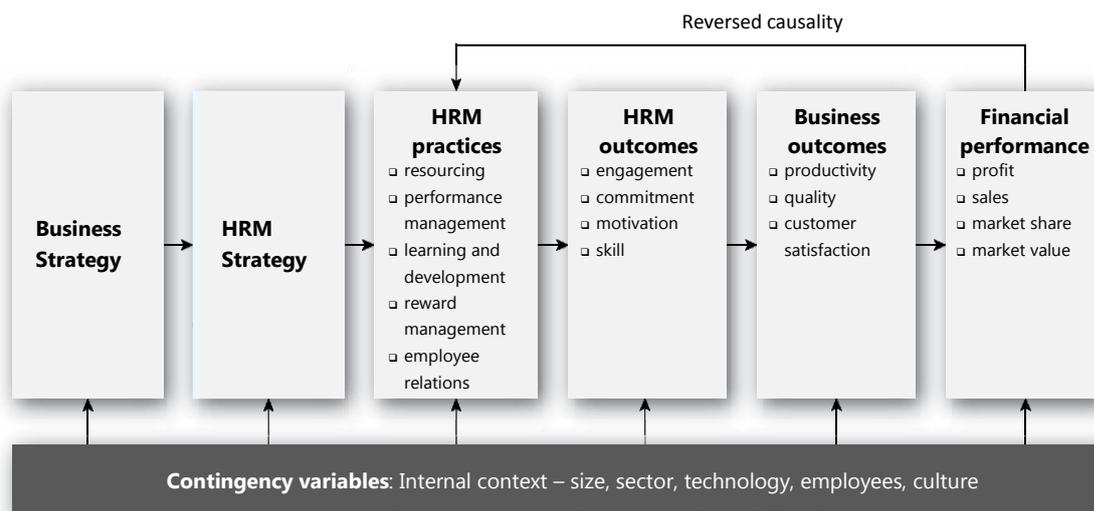
2 KNOWLEDGE MANAGEMENT

Knowledge management is concerned with storing and sharing the wisdom, understanding and expertise accumulated in an enterprise about its processes, techniques and operations. It treats knowledge as a key resource. Knowledge management is more concerned with people and how

they acquire, exchange and spread knowledge than it is about information technology. That is why it has become an important area for HR practitioners, who are in a strong position to exert influence in this aspect of people management.

A distinction can be made between data, information and knowledge:

- ❑ Data consists of the basic facts – the building blocks – for information and knowledge.

- ❑ Information is data that have been processed in a way that is meaningful to individuals; it is available to anyone entitled to gain access to it.

- ❑ Knowledge is information used productively; it is personal and often intangible and it can be elusive – the task of tying it down, encoding it and distributing it is tricky.

Knowledge management is about getting knowledge from those who have it to those who need it in order to improve organisational effectiveness. It was defined as 'any process or practice of creating, acquiring, capturing, sharing and using knowledge, wherever it resides, to enhance learning and performance in organisations'. HR can make an important contribution to knowledge management simply because knowledge is shared between people; it is not just a matter of capturing explicit knowledge through the use of IT. The role of HR is to see that the organisation has the intellectual capital it needs. HR can contribute by providing advice on culture management, organisation design and development, and by establishing learning and communication programmes and systems.

3   HUMAN CAPITAL MANAGEMENT

'Human capital' consists of the combined intelligence, knowledge, skills, abilities and energies of the people employed by a given organisation. These attributes have value as organisational resource, and can have value added to them by investment.

Organisations invest in human capital (through recruitment, retention, training, development, organisation and motivation) in order to enlarge their skill base, increase levels of competence, and foster knowledge acquisition and sharing. This in turn should reap returns in the form of productivity, flexibility, innovation and performance.

Individuals invest in human capital (through acquiring skills, knowledge and experience) and reap returns in terms of higher earnings, enhanced career (or employability) prospects, greater job satisfaction and so on.

'**Human resource accounting**' (or '**human asset** accounting') is an attempt to quantify the financial value of human capital to the firm, as part of its market worth and asset base. In these days, senior management is very concerned about high HR costs. Hence, importance of HR Accounting has further increased.

4   COMPETENCY-BASED HRM

Competency-based HRM is about using the notion of competency and the results of competency analysis to inform and improve HR processes, especially those concerned with recruitment & selection, learning & development, and performance & reward management. It has an important part to play in a number of HR activities.

The term 'competency' refers to an underlying characteristic of a person that results in effective or superior performance. Competency frameworks provide the basis for the use of competencies in areas such as recruitment & selection, learning & development, and performance management. They may simply contain definitions of each competency heading as in the example given in table below.

TABLE 11.1: Example of a basic competency framework

❑   *Achievement/results orientation.* The desire to get things done well and the ability to set and meet challenging goals, create own measures of excellence and constantly seek ways of improving performance.

❑   *Business awareness.* The capacity continually to identify and explore business opportunities, understand the business opportunities and priorities of the organisation and constantly to seek methods of ensuring that the organisation becomes more businesslike.

❑   *Communication.* The ability to communicate clearly and persuasively, orally or in writing.

❑   *Customer focus.* The exercise of unceasing care in looking after the interests of external and internal customers to ensure that their wants, needs and expectations are met or exceeded.

❑   *Developing others.* The desire and capacity to foster the development of members of his or her team, providing feedback, support, encouragement and coaching.

❑   *Flexibility.* The ability to adapt to and work effectively in different situations and to carry out a variety of tasks.

❑   *Leadership.* The capacity to inspire individuals to give their best to achieve a desired result and to maintain effective relationships with individuals and the team as a whole.

❑   *Planning.* The ability to decide on courses of action, ensuring that the resources required to implement the actions will be available and scheduling the programme of work required to achieve a defined end-result.

❑   *Problem solving.* The capacity to analyse situations, diagnose problems, identify the key issues, establish and evaluate alternative courses of action and produce a logical, practical and acceptable solution.

❑   *Teamwork.* The ability to work cooperatively and flexibly with other members of the team with a full understanding of the role to be played as a team member.

5 ETHICAL DIMENSION OF HRM

While HRM does need to support commercial outcomes (often called "the business case"), it also exists to serve organisational needs for social legitimacy. This means exercising social responsibility, being concerned for the interests (well-being) of employees and acting ethically with regard to the needs of people in the organisation and the community. Few examples of general guidelines towards ethical HRM is given below:

❑ Recognise that the strategic goals of the organisation should embrace the rights and needs of employees as well as those of the business.

❑ Recognise that employees are entitled to be treated as full human beings with personal needs, hopes and anxieties.

❑ Do not treat employees simply as means to an end or mere factors of production.

❑ Relate to employees generally in ways that recognise their natural rights to be treated justly, equitably and with respect.

The notion that businesses should act in a socially responsible way by practising 'corporate social responsibility' (CSR) has been around for some time. HR professionals, because of the ethical dimension of their function have an important role to play in furthering CSR. HR professionals need to marshal the arguments in favour of CSR, to overcome any overt or covert resistance. They must be able to advise on CSR strategies and how they can be implemented.

6 INTERNATIONAL HRM

International HRM is the process of employing and developing people in international organisations. It means working across national boundaries to formulate and implement. strategies, policies and practices which can be applied to an international workforce (Armstrong, 2010).

HR issues will have a key influence on the strategic management of multi-national organisations. The choice of a base of foreign operations, or the decision of whether to set up a foreign subsidiary or enter into a joint venture or strategic alliance with foreign partners, for example, might be influenced by a number of HR factors, including labour costs, skills available in the local or national labour market, government policy on education and training, employment legislation, industrial relations culture, trade union power, language, and cultural and social differences.

'Offshoring' is a major trend of globalisation, whereby organisations in developed countries outsource functions to another group company or third-party provider overseas, in order to take advantage of large, low-cost and increasingly well-educated labour forces in countries such as India and China. This has been traditional in areas such as manufacturing and printing, but has more recently spread to financial services and other service industries: call centres, research and 'back-

office' operations are extensively off-shored, using ICT developments such as the Internet to co-ordinate and control operations.

Another concept directly linked with International HRM is 'comparative HRM'. Comparative HRM is 'a systematic method of investigation relating to two or more countries, which seeks to explain the patterns and variations encountered in cross-national HRM.'

7 ISLAMIC HUMAN RESOURCE MANAGEMENT

Islamic HRM is one of the most recent concepts in the field of management. The main principles of an Islamic management system with significant implications for the practice of HRM are as follows.

1. Intention (Nya): In Islam every act should be accompanied by intentions, all actions should be sake of seeking pleasure of God (ALLAH).

2. Forever mindful of the Almighty God (Taqwa): When filled with Taqwa, a person will refrain from behaving unjustly. Taqwa leads to steadfastness in seeking truth and justice because people fear no one but one and only God. In HRM, constructive criticism and advice become a common practice and even a duty, when wrong doings are seen in one's organisation or community.

3. Kindness and care (Ihsan): Managers with a high level of Ihsan promote the training and development of their employees and encourage employment involvement and participation in decision-making.

4. Justice (Adl): Justice is a virtue that every person should develop regardless of whether he/she is a leader or a subordinate (Wilson, 2006). In Islam, justice is never to be affected by personal interests and other considerations.

5. Trust (Amana): The leader is 'ameen' or a trustee, who should respect the trust bestowed on him/her by their superiors and subordinates. Any act of misuse of resources or mismanagement is seen as a violation of trust. An organisation is a trust of those who own it and to those who work in it.

6. Truthfulness (Sidq): The concept of Sidq implies doing and saying what is right to the best of one's knowledge. Managers as well as subordinates are reminded not to be guided by their personal feelings that might divert them from the right path of justice, care and trustworthiness.

7. Conscientious of self-improvement (Itqan): This value implies the continuous struggle within oneself for self-betterment in order to do better work. In an organisational context, striving to do better all the time requires managers and employees to work harder and improve the quality of their products and services through the promotion of learning, training, innovation and creativity.

8. Sincerity (Nasiha) and Keeping promises (Wafa): Keeping to promises is a moral obligation for every Muslim (Abuznaid, 2006). Sincerity, therefore, infuses trust and confidence in an organisation and creates a culture of trustfulness and cooperation between employees and employers.

9. Consultation (Shura): Pride and arrogance are not the behaviour of a true Muslim. In organisations, managers are expected to seek advice and to consult with their subordinates before making decisions.

10. Patience (Sabar): Patience is the highest level of Iman - belief in the oneness of God and Mohammed (PBUH) as his prophet and messenger. At the organisational level, patience and humility go hand in hand. Being patient in making decisions reduces the possibility of making mistakes and increasing the chances of success in negotiations.

This page intentionally left blank

PRACTICE
QUESTIONS

Chapter 1

1. Which of the following is an incorrect statement regarding strategic HRM?
   a) Strategic HRM is an approach that defines how the organisation's goals will be achieved through people by means of HR strategies and integrated HR policies and practices.
   b) Strategic HRM can be regarded as a mindset underpinned by certain concepts rather than a set of techniques.
   c) The fundamental aim of strategic HRM is to generate organistational capability by ensuring that the organisation has the skilled, engaged, committed and well-motivated employees it needs to achieve sustained competitive advantage.
   d) Strategic HRM is defined as the term used to describe the study of the structure, functioning, and performance of organisations and the behaviour of groups and individuals within them.

2. Which of the following is NOT under the five headings of the 5-P model of HRM?
   a) HR philosophy.
   b) HR policies.
   c) HR progression.
   d) HR processes.

3. A unitarist approach to employee relations means:
   a) securing employee identification with the organisation's goals and values, not mere compliance with directives.
   b) that there need be no inherent conflict of interest between employers and employees.
   c) HR policy should be formulated at the strategic level, and directly related to the organisation's competitive and value-adding objectives.
   d) the strategic management of people will be reflected in all areas and systems of HRM.

4. Which of the following is NOT one of the four key policy goals defined by Guest (1989)?
   a) Strategic integration.
   b) High commitment.
   c) Rigidity.
   d) High quality.

5. Managing informal and formal processes to confront employee behaviour or performance which falls below organisational rules and standards is called_____.
   a) discipline handling
   b) objective and competence requirement setting
   c) performance monitoring and appraisal
   d) grievance handling

6. Developing and managing employee entitlements (eg pensions, maternity and sick pay, annual leave) and 'fringe' benefits (eg allowances and services) is called _____.
   a) pay systems
   b) performance pay systems
   c) benefit schemes
   d) non-monetary rewards

7. Which of the following is NOT one of the processes underpinning HRM approach by Armstrong (2009)?
   a) Strategic HRM
   b) Policy making
   c) Change management
   d) Conflict management

8. An HR practitioner is offering specialist information and perspectives to line managers (and individual employees) on employment matters. This is called_____.
   a) guidance role
   b) advisory role
   c) service role
   d) organising role

9. Which of the following is a business partner role by HR practitioners?
   a) Offering specialist recommendations and policy frameworks to guide line management decisions.
   b) Providing services to a range of internal customers.
   c) Human resource forecasting and planning, developing flexible working methods and so on.
   d) Sharing responsibility with senior and line management for the success of the enterprise, through the identification and exploitation of opportunities and the seeking of competitive advantage.

10. Which of the following is NOT an advantage claimed for the shared service unit (SSU)?
    a) Consistency of practice and standards across the organisation.
    b) Strengthening of core competences.
    c) Significant cost savings.
    d) SSU requires a minimal effort for monitoring.

11. HRM primarily concerned with –
    a) Sales, productivity, retailing
    b) Individuals' dimensions, effectiveness, performance
    c) External environment, efficiency, effectiveness
    d) Costing, performance, economy

12. The main conceptual differences between HRM and Personnel Management is-
    a) it's focus on capital
    b) Its focus on differentiation of workers
    c) It's focus on strategic integration of people
    d) It's focus on growing labour power.

13. Which one of these is NOT an HRM Goal?
    a) Provide strategic planning
    b) Enhance flexibility
    c) Ensure high quality of work
    d) Profit Maximisation.

14. According to Armstrong, which among these is NOT a feature of HRM?
    a) Attempt to achieve strategic fit or integration between HR and business planning.
    b) Treatment of people as cost rather than as assets.
    c) A unitarist approach to employee relations.
    d) The development of mutually supporting HR policies and practices.

15. Guest (1989) has identified the goals of HRM. According to him, which of the following options is NOT a goal of HRM?
    a) High Commitment
    b) High Quality
    c) Strategic Disintegration
    d) Flexibility

16. Certain factors results into problems in working place. What is the factor that enroot problems in HR management?
    a) Consumer preferences
    b) Great quantity of capital
    c) Industry Expansion
    d) Shortage of labour

17. One of the operational tasks of HRM is People Resourcing, which includes efforts towards employee retention. Retention includes planning for rewards and incentives. What is the purpose of Retention?
    a) to support labour turnover
    b) to retain high quality staff
    c) to minimise financial costs
    d) to establish communication and authority relationships.

18. Health, safety and welfare is one of the operational tasks performed by HR professionals. Which among the following is included within the welfare service?
    a) actively promoting social life balance
    b) providing international education
    c) protection from accidents
    d) providing recreational facilities

19. What is the Four C's model also known as? –
    a) Cambridge Model
    b) Harvard Model
    c) Fisher's Model
    d) McGregor's Theory

20. Which among the following does NOT include within 'reward management'?
    a) Grievance handling
    b) Pay systems
    c) Benefit Schemes
    d) Non-financial rewards.

Chapter 2

21. Combining previously fragmented tasks into one job, again to increase the variety and meaning of repetitive work is called _____.
    a) job rotation
    b) job enlargement
    c) job enrichment
    d) job analysis

22. Which of the following statement is incorrect?
    a) To remain competitive in today's global marketplace, organisations must change.
    b) One of the most effective tools to promote successful change is organisation development (OD).
    c) Organisation development strategy has been defined more specifically as 'the ability to manage people for competitive advantage'.
    d) There are no variations regarding the definition of OD.

23. Which of the following is the responsibility of HR in any organisation?
    a) To manage and look after the monetary status of the company.
    b) To make relations with other organisations and investors to invest in their organisation.
    c) To focus on building organisational learning, skills and workforce productivity.
    d) To manage the administrative functions of the organisation.

24. _____ refer to what is believed to be important about how people and organisations behave.
    a) Values
    b) Norms
    c) Work system
    d) Ability

25. _____ is an increasingly important process in flexible and delayered organisations where more fluid interactions across the structure are required between individuals and teams.
    a) Leadership
    b) Conflict
    c) Networking
    d) Political behaviour

26. Which among the following is NOT an organisational process?
    a) Power.
    b) Politics.
    c) Communication.
    d) Emotional Intelligence.

27. Which of the following has been defined as the psychological qualities that influence an individual's characteristic behaviour patterns in a stable and distinctive manner?
    a) Attitude.
    b) Personality.
    c) Emotions.
    d) Intelligence.

28. _____ is concerned with how the various processes required making a product or providing a service should operate.
    a) Work Design
    b) Work system design
    c) Job design
    d) Organisation design

29. With reference to Job design, which of the following is an appropriate choice?
    a) It is about establishing what people in individual jobs or roles are there to do.
    b) It is to decide how much pay a particular employee will get.
    c) Deals with the ways in which things are done in the work system of a business by teams and individuals.
    d) It deals with the set of related activities that combine to give a result that customers want.

30. Which of the following comprises the design of jobs, working conditions and the ways in which people are treated at work by their managers and co-workers as well as the work system?
    a) Work design.
    b) Work system design.
    c) Work environment.
    d) Organisational structures.

31. Which of the following best defines 'Organisation design'?
    a) Deep structure of organisations, which is rooted in the values, beliefs and assumptions held by organisational members.
    b) Shared system of meanings which is the basis for communications and mutual understanding.
    c) To manage people effectively, it is necessary to take into account the factors that affect how they behave at work.
    d) It is concerned with deciding how organisations should be structured

32. Which of the following is NOT a characteristic of 'Job Enrichment'?
    a) It is a complete piece of work in the sense that the worker can identify a series of tasks or that end in a recognizable and definable product.
    b) It affords the employee as much variety, decision-making responsibility as possible in carrying out the work.
    c) It provides direct feedback through the work itself on how well the employee is doing his or her job.
    d) It is the movement of employees from one task to another to reduce monotony by increasing variety.

33. _____is founded on the aspiration to improve organisational capability, which is broadly the capacity of an organisation to function effectively in order to achieve desired results.
    a) Organisational activity
    b) Organisational diagnosis
    c) Organisation development strategy
    d) Organisation development process

34. What is the specific objective behind Organisational learning?
    a) To facilitate performance improvement and major changes in strategic direction.
    b) To get knowledge from those who have it to those who need it in order to improve organisational effectiveness.
    c) To help and make the employees aware of the latest technology.
    d) To ensure that people are committed to their work and the organisation and motivated to achieve high levels of performance.

35. _____ are the unwritten rules of behaviour.
    a) Values
    b) Attitude
    c) Norms
    d) Personality

36. What is the specific objective behind 'Smart Working'?
    a) To drive greater efficiency and effectiveness in achieving job outcomes.
    b) To do more work in less amount on time.
    c) To facilitate performance improvement and major changes in strategic direction.
    d) To ensure that people are committed to their work and motivated to gain better performance.

37. The notion of_____ was first defined by Salovey and Mayer who proposed that it involves the capacity to perceive emotion, integrate emotion in thought, understand emotion and manage emotions effectively.
    a) emotional intelligence
    b) intelligence quotient
    c) persistence
    d) endurance

38. _____ is an organisational unit consisting of a group of defined tasks or activities to be carried out or duties to be performed.
    a) Role
    b) Job design
    c) Job analysis
    d) Job

39. What is the specific objective behind 'Organisation Design'?
    a) To ensure that people work effectively together to achieve the overall purpose of the organisation.
    b) To drive greater efficiency and effectiveness in achieving job outcomes.
    c) To facilitate performance improvement and major changes in strategic direction.
    d) To ensure that people are committed to their work and the organisation and motivated to achieve high levels of performance.

Chapter 3

40. Which of the following is NOT a characteristic of commitment identified by Mowday et al (1982)?
    a) A strong desire to remain a member of the organisation.
    b) A strong belief in and acceptance of the values and goals of the organisation.
    c) A readiness to exert considerable effort on behalf of the organisation.
    d) A strong loyalty towards organisation to make it profitable at any cost.

41. According to Alfes et al (2010), thinking hard about the job and how to do it better is called_____.
    a) intellectual engagement
    b) affective engagement
    c) social engagement
    d) personal engagement

42. Which of the following is NOT a core facet of engagement according to Alfes et al (2010)?
    a) Intellectual engagement – thinking hard about the job and how to do it better.
    b) Affective engagement – feeling positively about doing a good job.
    c) Personal engagement - giving time to the organisation beyond regular working hour.
    d) Social engagement – actively taking opportunities to discuss work-related improvements with others at work.

43. The expectancy theory is a theory belonging to _____ theories.
    a) conjugation
    b) convoluted
    c) process
    d) content

44. In Vroom's expectancy theory, the term valence refers to
    a) the extent of an individual's yearning for success.
    b) the extent an individual prefers a specific outcome.
    c) the extent of success that follows individual's effort.
    d) the extent one can be satisfied.

45. In Vroom's expectancy theory, the term expectancy refers to
    a) force or strength of motivation to do something.
    b) strength of the individual's preference for a particular outcome.
    c) individual's perception of the likelihood that doing 'x' will result in outcome 'y'.
    d) expectation of benefits from an organisation.

46. Which of the following is NOT a content theory of motivation?
    a) Maslow's needs theory.
    b) Vroom expectancy theory.
    c) ERG theory
    d) Herzberg's two factor model.

47. Which of the following is NOT included in mutual commitment firms by Kochan and Dyer (1993)?
    a) Monitoring level.
    b) Strategic level.
    c) Functional.
    d) Workplace level.

Chapter 4

48. Which of the following is incorrect statement?
    a) Learning is the modification of behaviour through experience.
    b) Learning is about acquiring knowledge and skills.
    c) Learning is about developing capabilities, behaviours and attitudes.
    d) Learning style is same for all employees in an organisation.

49. The growth or realisation of a person's ability and potential through the provision of learning and educational experiences is called _____.
    a) education
    b) development
    c) learning
    d) training

50. Learning involves gaining knowledge and understanding by absorbing information in the form of principles, concepts and facts and then internalising it. This is called _____.
    a) reinforcement theory
    b) cognitive learning theory
    c) experiential learning theory
    d) social learning theory

51. Which of the following is NOT included in learning cycle proposed by Kolb et al (1974)?
    a) Reflective observation.
    b) Visualisation.
    c) Abstract conceptualisation.
    d) Active experimentation.

52. According to learning styles proposed by Honey and Mumford (1996), 'Pragmatists' are those :
    a) who are keen to try out new ideas, approaches and concepts to see if they work.
    b) who stand back and observe new experiences from different angles, collect data, reflect on it and then come to a conclusion.
    c) who adapt and apply their observations in the form of logical theories and tend to be perfectionists.
    d) who involve themselves fully without bias in new experiences and revel in new challenges.

53. _____is the use of a combination of learning methods to increase the overall effectiveness of the learning process by providing for different parts of the learning mix to complement and support one another.
    a) Workplace learning
    b) Self directed learning
    c) Experiential learning
    d) Blended learning

54. Which of the following levels is NOT included in the Kirkpatrick evaluation model?
    a) Learning
    b) Behaviour
    c) Correspondence
    d) Results

55. The process of planning and delivering learning events and programmes is described by the ADDIE model. Which of the following phases is NOT within the model?
    a) Analysis phase
    b) Design phase
    c) Intermediate phase
    d) Evaluation phase

Chapter 5

56. What is labour turnover?
    a) The number of employees being outsourced.
    b) The number of employees being promoted.
    c) The number of employees leaving an organisation and being replaced.
    d) The total number of employees in the organisation.

57. Labour turnover is the ratio of
    a) employees employed and employee promoted in a period.
    b) employees outsourced and employees employed in a period.
    c) employees left and employees employed in a period.
    d) employees fired and employees employed in a period.

58. The Labour Stability ratio considers
    a) employees with greater skill
    b) employees with a certain service length
    c) employees nearing retirement
    d) employees with higher salaries

59. Which of the followings is NOT a cause of labour turnover?
    a) Accident
    b) Retirement
    c) Career shift
    d) Delegation

60. The employment life cycle usually shows a decision point shortly after joining, when things are still new and perhaps difficult. This is called _____.
    a) first difficulty
    b) first crisis
    c) first Induction Crisis
    d) frustration

61. An exit interview should be arranged by the employer in order to
    a) bid farewell to resigning employee who has served the organisation so far.
    b) know the reason of resignation and take consequent action.
    c) let the employee know that the re-entry door is not closed.
    d) to make sure other employees are not disheartened .

62. Interviewing leaving employees is good way of
    a) showing that the organisation care about them.
    b) understanding the psychology of employees.
    c) taking turnover seriously.
    d) devising a way to retain existing workforce.

63. Which of the following is conducted to gauge the general climate of the organisation and the response of the workforce as a whole to working conditions, management style and so on?
    a) Attitude Survey
    b) Perception Survey
    c) Satisfaction Survey
    d) Cognitive Survey

64. Decision of choosing between internal or external recruitment should rest on _____.
    a) Observation of recruitment policy of competitors
    b) Local labour law
    c) Capability of existing staffs
    d) Corporate practice in the industry

Chapter 6

65. An 'employer brand' is:
    a) a summary of the employee benefits it offers.
    b) a statement of the core values of an organisation.
    c) the features of an organisation that makes it attractive to employees.
    d) the image presented by the organisation to prospective employees.

66. Which of the following is NOT a use of job analysis?
    a) to assess how well an employee has fulfilled the requirements of the job.
    b) to decrease the number of blue collar workers.
    c) to assess the knowledge and skills necessary in a job.
    d) to identify hazards in the job.

67. A Job Description provides all of the following usages EXCEPT
    a) determining appropriate salary level
    b) determining required skill level
    c) determining level of job satisfaction
    d) determining effective utilisation of human resource

68. Which of the following is NOT included in a coherent promotion policy?
    a) Only some key employees will get opportunity to be promoted to the highest grades.
    b) All promotions, as far as possible, and all things being equal, are to be made from within the firm.
    c) Vacancies should be advertised and open to all employees.
    d) Training should be offered to encourage and develop employees of ability and ambition in advance of promotion.

69. In working place job analysis is carried out by any one of the following EXCEPT
    a) observation of working practice.
    b) questionnaires and interviews.
    c) diaries, time sheets and other self-recording techniques.
    d) data collection form industry journals.

70. Which of the following is generally NOT a purpose of job description?
    a) To decide which skills (for example, technical, human, conceptual, design) and qualifications are required of the job holder.
    b) To assess whether the job will efficiently utilise the abilities and provide scope for the aspirations of the prospective job holder.
    c) To determine a rate of pay which is fair for the job, if this has not already been decided by some other means.
    d) To find out the employees who are overpaid and have less work.

71. Which of the following statement is NOT a limitation of job descriptions?
    a) They are only suited for jobs where the work is largely repetitive and therefore performed by low-grade employees.
    b) Jobs are likely to be constantly changing as turbulent business environments impact upon them, so a job description is constantly out of date or limiting.
    c) Job descriptions stifle flexibility and encourage demarcation disputes, where people adhere strictly to the contents of the job description, rather than responding flexibly to task or organisational requirements.
    d) For manual work, job descriptions provide a list of the sequence of operations that constitute the job, noting main levels of difficulty.

72. In a job advertisement, 'pleasant personality' has been sought for the post of a public relations officer .The stated person specification is classed as_____.
    a) essential
    b) desirable
    c) contra-indicated
    d) optional

73. Job performance evaluation can be based on _____.
    a) job assessment
    b) job description
    c) job narrative
    d) job criteria

Chapter 7

74. Halo Effect in interview is observed when
    a) all job candidates are judged the same.
    b) one candidate is judged by one particular attribute.
    c) interviewers are subjective in judgment.
    d) interviewers are posing racist questions.

75. Interviewing panels or selection boards:
    a) are a cost-effective method of processing candidates.
    b) ensure that a wide range of probing questions are put to candidates.
    c) combine the views of a number of interviewers to produce better assessments.
    d) favour the confident and articulate candidate.

76. Which of the following statements is appropriate regarding 'assessment centres'?
    a) It checks previous employment records.
    b) It is used for discovering character traits.
    c) It is used to assess the fitness of the candidates.
    d) It is used to assess team-working, leadership, problem-solving and communication skills in candidates.

77. Which of the following is NOT a disadvantage of one-to-one interviews?
    a) It allows for a biased or superficial decision.
    b) It allows direct face-to-face communication.
    c) The candidate may be able to disguise lack of knowledge in a specialist area of which the interviewer himself knows little.
    d) The interviewer's perception may be selective or distorted

78. Which of the following is NOT a disadvantage of selection boards?
    a) Questions tend to be more varied, and more random. Candidates may have trouble switching from one topic to another so quickly.
    b) Some candidates may not perform well in a formal, artificial situation such as a board interview, and may find such a situation extremely stressful.
    c) Board interviews favour individuals who are confident, and who project an immediate and strong image: those who are articulate dress well and so on.
    d) Selectors can compare their assessments on the spot, without a subsequent effort at liaison and communication.

79. "Can you tell us about a time when you were successful about setting a goal and achieving it?"
    - What type of interview question is it?
    a) Open questions.
    b) Probing questions.
    c) Multiple questions.
    d) Situational questions.

80. 'Why do you want to be in HR?'
    - What type of interview question is it?
    a) Open questions.
    b) Probing questions.
    c) Multiple questions.
    d) Situational questions.

81. 'How many years of experiences do you have?'
    - What type of interview question is it?
    a) Open questions.
    b) Probing questions.
    c) Multiple questions.
    d) Situational questions.

82. Checking previous work experience in a selection process is a discriminatory act" – the statement is _____?
    a) True
    b) False
    c) True only when done only for a particular group
    d) True when done for all demographic groups

Chapter 8

83. Disciplinary actions are warranted in each of the following situation EXCEPT
    a) repeated poor timekeeping by employee.
    b) employee is often absent.
    c) employee's performance is poor.
    d) employee is keeping and maintaining work deadlines.

84. A punitive disciplinary action means
    a) warning the offender.
    b) scolding the offender.
    c) punishing the offender.
    d) counseling the offender.

85. A deterrent disciplinary action means
    a) warning the offender.
    b) scolding the offender.
    c) punishing the offender.
    d) counseling the offender.

86. A progressive disciplinary method refers to
    a) killing the cat at the first night.
    b) gradually increasing punishment level.
    c) applying theory Y in disciplining.
    d) courteous reformative discussion.

87. Grievance occurs in a probable case of
    a) unfair treatment.
    b) bad working condition.
    c) poor Salary.
    d) lack of Motivation.

88. Which of the following is NOT a stage of benchmarking process?
    a) Ensure functional workers commitment.
    b) The areas to be benchmarked should be determined and objectives should be set.
    c) Key performance measures must be established.
    d) Select organisations to benchmark against.

89. Which of the following is NOT an advantage of self-appraisal as sources of performance feedback?
    a) It saves the manager time, as employees identify the areas which are most relevant to the job and their relative strengths.
    b) There are chances that employee may over- (or under-) estimate their performance in this method.
    c) It offers increased responsibility to the individual, which may improve motivation.
    d) It helps to integrate the goals of the individual with those of the organisation.

90. Which of the following is NOT a guideline on giving constructive developmental feedback?
    a) Starting with positives.
    b) Focusing on the behaviour.
    c) Being precise.
    d) Close with warning.

91. Lockett (1992) lists a number of reasons why appraisal may not always be effective in practice. Which of the following is not within them?
    a) Appraisal as confrontation.
    b) Appraisal as judgement.
    c) Appraisal as formal communication.
    d) Appraisal as bureaucracy.

92. Which of the following is generally NOT considered as the reason for poor performance?
    a) Job changes which have left the job-holder less suited for the work.
    b) Personality factors or clashes with team members.
    c) Downsizing applied in the organisation.
    d) Factors outside the work situation (eg marital or financial problems).

93. Performance Management is a management system of _____
    a) Monitoring how employees are working
    b) Setting action plans and assessing implementations
    c) Managing self performance
    d) Tracking management's viewpoints about the organisation

94. An appraisal system should be assessed based on each of the following criteria EXCEPT
    a) Fairness
    b) Relevance
    c) Internality
    d) Effectiveness

Chapter 9

95. Proper job evaluation should be conducted in order to
    a) assess the value of jobs to the organisation in relation to one another.
    b) facilitate equal opportunity.
    c) maintain corporate strategies.
    d) recruit new employees.

96. The proper order of job evaluation process would be
    a) Remuneration factors > Collection of Job data> Job appraisal > determine pay value.
    b) Collection of Job data> Job appraisal> determine pay value> Remuneration factors.
    c) Job appraisal> Collection of Job data> determine pay value> Remuneration factors.
    d) Determine pay value> Remuneration factors> Job appraisal> Collection of Job data.

97. Job Classification is a form of _____ method.
    a) analytical
    b) non-analytical
    c) sub-analytical
    d) pseudo-analytical

98. The concept of _____ is based on the premise that monetary payments are not the only, or necessarily the most effective, form of reward and that financial and nonfinancial rewards should be linked together as an integrated reward package.
    a) direct benefits or reward
    b) indirect benefits or reward
    c) flexible benefits or reward
    d) total benefits or reward

99. Points Rating in job evaluation is a form of _____ method
    a) analytical
    b) non-analytical
    c) sub-analytical
    d) pseudo-analytical

100. The most popular formal job evaluation method these days is
    a) Job Ranking
    b) Job Classification
    c) Points Rating
    d) Peer Evaluation

101. Which of the following is NOT an indirect pay or benefits?
    a) Sales commission
    b) Company cars
    c) Housing assistance
    d) Medical insurance and allowances

102. Which of the following is a performance or variable pay?
    a) Sales commission
    b) Company cars
    c) Housing assistance
    d) Medical insurance and allowances

103. Which of the following should NOT be included in the criteria of effective performance pay systems?
    a) Targets and standards of performance must be made clear to the people involved.
    b) The formulae used to calculate rewards, and any conditions that apply, should be easily understood.
    c) The rewards should be smaller so that the employees can be rewarded again and again.
    d) There should not be a lengthy time lag between performance and reward.

104. A range of benefits with different values are on offer, and employees can choose from among them up to their budget, as allocated to a personal benefit account. This is called_____.
    a) cash benefits
    b) non cash benefits
    c) flexible benefits
    d) total reward

Chapter 10

105. Flexible retirement is devised by setting a minimum age after which retirement is
    a) optional
    b) mandatory
    c) recommended
    d) obvious

106. Dismissal without any prior notice can be handed to the employee in a case of
    a) terminal illness
    b) attitude problem
    c) gross misconduct
    d) vicious grievances

107. Redundancy can occur in case of
    a) employer applying going concern
    b) employer applying downsizing
    c) employer requiring more employees for a work
    d) employer applying expansion

108. Which of the following is NOT an approach to employee relations?
    a) Adversarial
    b) Dynamic
    c) Partnership
    d) Power sharing

109. Purcell and Sission (1983) identified five management styles in employee relations. Which one of the following is NOT within them?
    a) Authoritarian
    b) Paternalistic
    c) Directive
    d) Opportunistic

110. Which of the following statements best describes 'opportunistic management styles in employee relations' according to Purcell and Sission (1983)?
    a) Employee relations are not regarded as important and people issues are not attended to unless something goes wrong.
    b) In some ways this resembles the authoritarian style but a more positive attitude to employees is adopted.
    c) Trade unions are welcomed and employee consultation is a high priority.
    d) Management style is determined by local circumstances, which in turn determine whether or not unions are recognised and the extent to which employee involvement is encouraged.

111. Which of the following is NOT a type of dispute resolution?
    a) Conciliation
    b) Off-setting
    c) Arbitration
    d) Mediation

112. What is constructive dismissal?
    a) Forceful resignation by employee because of employer's unreasonable behaviour.
    b) Voluntary resignation by employee without any specific cause.
    c) Voluntary resignation by employee because of employer's unreasonable behaviour.
    d) Forceful termination of employee by employer's instruction.

113. Employee voice is _____.
    a)   an individual concept
    b)   a collective concept
    c)   both an individual concept and a collective concept
    d)   specifically useful for the female workers

Chapter 11

114. The term_____ refers to an underlying characteristic of a person that results in effective or superior performance.
    a)   patience
    b)   competency
    c)   experience
    d)   persistency

115. _____ is an attempt to quantify the financial value of human capital to the firm, as part of its market worth and asset base.
    a)   Human resource
    b)   Organisational behaviour
    c)   Human resource accounting
    d)   Management accounting

This page intentionally left blank

ANSWERS

Answer to practice questions

Question	Answer	Question	Answer	Question	Answer	Question	Answer
Chapter 1		31	D	60	C	89	B
1	D	32	D	61	B	90	D
2	C	33	C	62	D	91	C
3	B	34	A	63	A	92	C
4	C	35	C	64	C	93	B
5	A	36	A	**Chapter 6**		94	C
6	C	37	A	65	D	**Chapter 9**	
7	D	38	D	66	B	95	A
8	B	39	A	67	C	96	A
9	D	**Chapter 3**		68	A	97	B
10	D	40	D	69	D	98	D
11	B	41	A	70	D	99	A
12	C	42	C	71	D	100	C
13	D	43	C	72	B	101	A
14	B	44	B	73	B	102	A
15	C	45	C	**Chapter 7**		103	C
16	D	46	B	74	B	104	C
17	B	47	A	75	D	**Chapter 10**	
18	D	**Chapter 4**		76	D	105	A
19	B	48	D	77	B	106	C
20	A	49	B	78	D	107	B
Chapter 2		50	B	79	D	108	B
21	B	51	B	80	A	109	C
22	D	52	A	81	B	110	D
23	C	53	D	82	C	111	B
24	A	54	C	**Chapter 8**		112	C
25	C	55	C	83	D	113	C
26	D	**Chapter 5**		84	C	**Chapter 11**	
27	B	56	C	85	A	114	B
28	B	57	C	86	B	115	C
29	A	58	B	87	A		
30	C	59	D	88	A		

========== 0 ==========