promotion, employees are challenged to advance by adding skills, assuming more responsibilities, and taking risks.

Honda's quality-enhancement strategy

We can identify those human resource practices that facilitate product quality by examining Honda of America's Marysville, Ohio plant.[29] With a current workforce of approximately 4,500, this plant produces cars of quality comparable to those produced by Honda plants in Japan. Although pay rates (independent of bonuses) may be as much as 30–40% lower than rates at other Midwest auto plants, Honda has fewer layoffs and lower inventory rates of new cars than its competitors. How is this possible?

One possible explanation is that Honda knows that the delivery of quality products depends on predictable and reliable behavior from its employees. In the initial employee orientation session, which may last between three and four hours, job security is emphasized. Employees' spouses are encouraged to attend these sessions, because Honda believes that spouse awareness of the company and its demands on employees can help minimize absenteeism, tardiness, and turnover. Of course, something so critical to quality as reliable behavior is not stimulated and reinforced by only one human resource practice. For example, associates who have perfect attendance for four straight weeks receive a bonus of $56. Attendance also influences the size of the semiannual bonus (typically paid in spring and autumn). Impressive attendance figures also enhance an employee's chances for promotion. (Honda of America has a policy of promotion from within.)

In addition to getting and reinforcing reliable and predictable behavior, Honda's HRM practices encourage a longer-term employee orientation and a flexibility to change. Employment security, along with constant informal and formal training programs, facilitates these role behaviors. Training programs are tailored to the needs of the associates (employees) through the formal performance appraisal process, which is developmental rather than evaluational. Team leaders (not supervisors) are trained in spotting and removing performance deficiencies as they occur. To help speed communication and remove any organizational sources of performance deficiencies, the structure of the organization is such that there are only four levels between associates and the plant manager.

At Honda, cooperative, interdependent behavior is fostered by egalitarian HRM practices. All associates wear identical uniforms with their first names embossed; parking spaces are unmarked, and there is only one cafeteria. All entry-level associates receive the same rate of pay except for a 60-cents-an-hour shift differential. The modern health center adjacent to the main plant is open to all. These practices, in turn, encourage all associates to regard themselves collectively as "us" rather than "us" versus "them." Without this underlying attitude, the flexible work rules, air-conditioned plant, and automation wouldn't be enough to sustain associate commitment and identification with the organization's goal of high quality.

The success of Honda's quality enhancement strategy goes beyond concern for its own HRM practices. It is also concerned with the human resource practices of other organizations, such as its suppliers. For example, Delco-Remy's practice of participative management style, as well as its reputation for producing quality products at competitive prices, was the reason why Delco was selected by Honda as its sole supplier of batteries.[30]

A cost-reduction strategy at United Parcel Service

Through meticulous human engineering and close scrutiny of its 152,000 employees, United Parcel Service (UPS) has grown highly profitable despite stiff competition. According to Larry P. Breakiron, the company's senior vice-president of engineering, "Our ability to manage labor and hold it accountable is the key to success."[31] In other words, in an industry where "a package is a package," UPS succeeds by its cost-reduction strategy.

Of all paths that can be taken to pursue a cost-reduction strategy, the one taken by UPS is the work standard/simplification method. This method has been the key to gains in efficiency and productivity increases. UPS's founder, James E. Casey, put a premium on efficiency. In the 1920s, Casey hired pioneers of time and motion study such as Frank Gilbreth and Fredrick Taylor to measure the time each UPS driver spent each day on specific tasks. UPS engineers cut away the sides of UPS trucks to study how the drivers performed, and then made changes in techniques to enhance worker effectiveness. The establishment of effective work standards has led not only to enormous gains in efficiency and cost reduction; it actually makes employees less tired at the end of the day. During the day, the employees engage in short-term, highly repetitive role behaviors that involve little risk taking. Because specialists identify the best way to accomplish tasks, employee participation in job decisions is unnecessary.

Through the use of time and motion studies, UPS has established very specific ways for workers to perform their jobs. The company also monitors closely the performance of the workers. More than 1,000 industrial engineers use time and motion study to set standards for a variety of closely supervised tasks. In return, the UPS drivers, all of whom are Teamsters, earn approximately $15 per hour – a dollar or so more than the drivers at other companies. In addition, employees who perform at acceptable levels enjoy job security.

Implementation Issues

These descriptions of Frost, Honda, and UPS illustrate how a few organizations systematically match their HRM practices not only with their articulated competitive strategies, but also with their perceptions of needed role behavior from their employees. Although only a beginning, the success of these firms suggests that HRM practices for all levels of employees are affected by strategic considerations. Thus, while it may be important to match the characteristics of top management with the strategy of the organization, it may be *as* important to do this for *all* employees.

Although the results of these examples generally support the three major hypotheses, they also raise several central issues: Which competitive strategy is best? Is it best to have one competitive strategy or several? What are the implications of a change of competitive strategy?

Which competitive strategy is best?

Of the three competitive strategies described here, deciding which is best depends on several factors. Certainly customer wants and the nature of the competition are key factors. If customers are demanding quality, a cost-reduction strategy may not be as fruitful as a quality improvement strategy. At the Mercury Marine division of Brunswick and at Corning Glass Works, the issues seem to be quality. According to McComas,

"Customers, particularly industrial trial buyers, would have been no more inclined to buy their products even if the manufacturer could have passed along savings of, say, 10% or even 20%."[32]

If, however, the product or service is relatively undifferentiated, such as the overnight parcel delivery industry, a cost-reduction strategy may be the best way to gain competitive advantage. Even here, though, there is a choice. United Parcel Service, for example, is pursuing the cost-reduction strategy through work process refinements such as work clarification, standardization, measurement, and feedback. Roadway, in contrast, pursues the same strategy by combining employee independence and ownership (drivers own their own trucks, of various colors; UPS drivers do not own their brown trucks) with as much automation as possible.[33] The advantage of these latter approaches to cost reduction, compared with such approaches as wage concessions or workforce reductions, is the amount of time required to implement them. Cost reduction through wage concessions or employee reductions, though painful, can be relatively straightforward to implement. As a consequence, it can be duplicated by others, essentially eliminating the competitive advantage gained by being able to offer lower prices. The adoption of two-tiered wage contracts within the airline industry is a good example: Soon after American Airlines installed a two-tier wage system for its pilots, Eastern, United, and Frontier Airlines negotiated similar contracts with their employees.

There may, however, be some external conditions that might permit the success of a strategy of cost reduction to last. After four straight years of losses and a shrinkage in the number of stores from nearly 3,500 in 1974 to a little more than 1,000 in 1982, the Great Atlantic & Pacific Tea Company (A&P) and the United Food and Commercial Workers (UFCW) saw the handwriting on the wall: either reduce costs and be competitive, or go out of business. According to a *Business Week* article:

> In an experimental arrangement negotiated with the ... UFCW at 60 stores in the Philadelphia area, workers took a 25% pay cut in exchange for an unusual promise: If a store's employees could keep labor costs at 10% of sales – by working more efficiently or by boosting store traffic – they'd get a cash bonus equal to 1% of the store's sales. They'd get a 0.5% bonus at 11% of sales or 1.5% at 9.5% of sales. It was a gamble in the low-margin supermarket business, but it worked.[34]

The result? An 81%/increase in operating profits in 1984 and a doubling of A&P's stock price. Although the UFCW agreed with the incentive compensation scheme at A&P, the union appears unwilling to see this practice spread. Consequently, competitors of A&P, such as Giant Food Inc., would have difficulty implementing the same scheme.[35]

By contrast, a quality improvement strategy, whether by automation or quality teams, is more time consuming and difficult to implement. As the U.S. auto industry has experienced, it is taking a long time to overcome the competitive advantage gained by the Japanese auto industry through quality improvement. The J.D. Powers 1986 Consumer Satisfaction Index of automobiles suggests, however, that Ford's dedicated approach to quality enhancement may be reaping benefits.

One competitive strategy or several?

Although we focused on the pursuit of a common competitive strategy in our

examples, this may be oversimplifying reality. For example, at Honda in Marysville, associates are encouraged to be innovative. Each year the group of associates that designs the most unique or unusual transportation vehicle is awarded a trip to Japan. At UPS, teamwork and cooperation are valued and at Frost, Inc., product and service quality are of paramount importance. Lincoln Electric is recognized as one of the lowest cost *and* highest quality producers of arc welders. While these examples indicate that organizations may pursue more than one competitive strategy at a time, it may be that organizations actually need to have multiple and concurrent competitive strategies. Using multiple strategies results in the challenge of stimulating and rewarding different role behaviors while at the same time trying to manage the conflicts and tensions that may arise as a consequence. This may be the very essence of the top manager's job. According to Mitchell Kapor of Lotus Development Corporation:

> To be a successful enterprise, we have to do two apparently contradictory things quite well: We have to stay innovative and creative, but at the same time we have to be tightly controlled about certain aspects of our corporate behavior. But I think that what you have to do about paradox is embrace it. So we have the kind of company where certain things are very loose and other things are very tight. The whole art of management is sorting things into the loose pile or the tight pile and then watching them carefully.[36]

Perhaps, then, the top manager's job is facilitated by separating business units or functional areas that have different competitive strategies. To the extent that this separation is limited or that a single business unit has multiple strategies, effective means of confrontation and collaboration need to exist. However, even with this issue under control, there is another equally significant challenge.

Change of competitive strategies

By implication, changes in strategy should be accompanied by changes in human resources practices. As the products of firms change, as their customers' demands change, and as the competition changes, the competitive strategies of firms will change. Consequently, employees will face an ever-changing employment relationship. A significant implication of this is that employees of a single firm may be exposed to different sets of human resource practices during the course of employment. Thus, employees may be asked to exhibit different role behaviors over time and they may be exposed to several different conditions of employment. Although it remains to be seen whether all employees can adjust to such changes, it appears that many can and have. For those who wish not to, firms may offer outplacement assistance to another firm, or even to another division in the company. For those who have problems changing, firms may offer training programs to facilitate the acquisition of necessary skills and abilities as well as needed role behaviors.

Another implication is that all components of a system of human resource practices need to be changed and implemented simultaneously. The key human resource practices work together to stimulate and reinforce particular needed employee behaviors. Not to invoke a particular practice (e.g., high participation) implies invoking another (e.g., low participation) that is less likely to stimulate and reinforce the necessary employee behaviors. The

likely result is that employees will experience conflict, ambiguity, and frustration.

Conclusion

The recent attack on U.S. firms for failing to keep costs down, not maintaining quality, and ignoring innovation are misdirected, given what many firms like Frost, Honda-Marysville, UPS, Corning Glass, A&P, 3M, and Brunswick are doing.[37] These firms and others are pursuing competitive strategies aimed at cost reduction, quality improvement, and innovation. The aim in implementing these strategies is to gain competitive advantage and beat the competition – both domestically and internationally. While cost and market conditions tend to constrain somewhat the choice of competitive strategy, the constraint appears to be one of degree rather than of kind. Consequently, we can find firms pursuing these three competitive strategies regardless of industry.

All firms are not seeking to gain competitive strategy. Not doing so, however, is becoming more of a luxury. For those attempting to do so, the experiences of other firms suggest that effectiveness can be increased by systematically melding human resource practices with the selected competitive strategy. Certainly, the success or failure of a firm is not likely to turn entirely on its human resource management practices, but the HRM practices are likely to be critical.[38]

Contributors' note

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Source

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EXERCISE 1.3

Human Resource Issues at Valley National Bank*

Overview

Chapter 1 introduced you to the human resource issues that HRM professionals and general managers must deal with if they are to assist the organization in becoming competitive and in meeting its goals. This exercise enables you to further develop your analytical skills as you assess the human resource issues affecting competitiveness at Valley National Bank.

Learning Objectives

After completing this exercise, you should be able to

1. Identify human resource issues that may affect organizational effectiveness and competitiveness.
2. Develop strategies for dealing with human resource concerns.
3. Conduct a SWOT analysis for HR problems.

Procedure

Part A: Individual Analysis

Step 1. Read Chapter 1, paying particular attention to the human resource domains in the context of the discussion on competitive advantage.

Step 2. Read the background information on Valley National Bank provided in Exhibit 1.3 and 1.3.1. Conduct a SWOT analysis based on the information you have been given. Identify the human resource *domains* facing the vice president's department and under which of the HR domains each issue belongs. Outline some strategies for dealing with these issues. Develop a rank-ordered *chronological* priority list of the first three issues that require your attention. Provide a written justification for your recommendations. Enter your rank orderings and justifications in the space provided on Form 1.3.1. **Answer the assessment questions *before class* as well.**

Part B: Group Discussions

Step 1. In groups, identify what you believe to be the competitive advantage(s) of the accounting department. Review all individual 1.3.1 forms and the assessment questions and determine th human resource issues of greatest concern to t accounting department. Reach a consensus on the chronology of the top three issues that can affect the competitive advantage. Discuss why these issues must be resolved if the department is to assist the bank in becoming more competitive. Identify the benefits and drawbacks to each recommendation. Also, reach consensus on the four assessment questions as well.

Step 2. A representative from each group should present the consensus recommendations and rationale to the rest of the class.

Part C: (Optional)

Students should complete the self- and peer assessment instrument.

*Contributed by Dave Ulrich.

EXHIBIT 1.3

BACKGROUND INFORMATION FOR VALLEY NATIONAL BANK

RECENT BANK HISTORY

Valley National Bank is a relatively young financial institution with close to $10 billion in assets, although it shortly will acquire another bank to bring its size up to about $12 billion in assets. As a whole, there is a wealth of technical talent in the company, yet most of the experiences have been developed within the confines of $1 and $2 billion institutions. The managers and employees have not had much collective experience managing a $12 billion company. Senior managers currently recognize they must make some critical strategic decisions regarding the future of the bank if they are to remain competitive in the next decade.

Accounting Department

The vice president of accounting reports directly to the senior vice president of management accounting, who in turn reports to the controller of the company (see the condensed organizational chart in Exhibit 1.3.1). The vice president, Suzanne Roberts, was promoted into her current position to manage a department that the previous manager had let get out of control. Her job is to provide accounting software to line and staff management throughout the organization so that managers might be able to make better decisions in the daily operations of respective departments. The software, although difficult to implement, has proven to be very useful in institutions with postures of high growth. The information provided by the programs is financial in nature and, for the most part, is the type of information that VNB bankers are not used to receiving. Therefore, her current charge is twofold: to educate the company in the use of the software so that the bank ultimately benefits in terms of bottom-line results and to use the software to identify those sectors of business in which the bank does exceptionally well so that better and more focused strategic decisions can be made.

As challenging as her stated primary job responsibilities are, Ms. Roberts believes that another issue she currently faces is getting the right people in the right places in her department so that they can accomplish their goals. When she came into the department, she quickly concluded that some of the best contributors in the department were also the lowest-paid employees.

Bob Phillips was the former manager of the department. Through a merger, he came to Valley National Bank to manage the department, having had experience supervising two people at his previous position. In his role as vice president of accounting, he was asked to supervise about 10 people. Over two years, things got so out of hand that his employees did not know what they were supposed to do, except in emergency situations, which seemed to be happening every day. Performance reviews of employees were late by up to six months. Naturally, employee morale was very low and attitudes toward the company became hardened. Good people quit the bank or transferred to other departments. Finding replacements for these individuals was done poorly; often the first person who walked in for the interview was hired. Today, there are several people working for the department who probably should never have been hired. Unfortunately, their options are such that it probably pays for them to stay rather than voluntarily leave.

Bob clearly lacked the organizational and planning skills needed to effectively manage his people. In addition, his weak interpersonal skills have created hard feelings among employees in the department. He usually can arrive at a very good financial/accounting solution to a problem and has an extensive knowledge of the software programs. However, he has a very difficult time working with other people to implement his solutions.

Needless to say, some employees resent that Bob is still paid a very good salary and given a good title to go with his general incompetence and reduced responsibilities. Ms. Roberts believes the company should sever its ties with Bob, but other external factors make this choice difficult. For example, Bob has faced some very severe personal and health problems since transferring to Valley National Bank.

Carla Goodman previously worked for Bob for about 15 years. When the accounting department at Valley National was established, she was placed in charge of several people and given a promotion of two pay-grade levels. This decision proved to be disastrous because she could not (or would not) accept the responsibility of supervising and reviewing people. She was quickly relieved of these duties, but her salary grade level remained intact so that today she is overpaid for her overall responsibilities. Her title is such that it implies a lower pay level in the company, but it fools no one. She is somewhat above average as a technical worker and understands the flow of transactions quite well. Currently, Ms. Roberts often has Carla working by herself because she doesn't make very good impressions with people. She tends to openly criticize the company, which draws concerns from other employees in the department. In fact, on occasion, she and Bob

EXHIBIT 1.3.1

ORGANIZATIONAL CHART

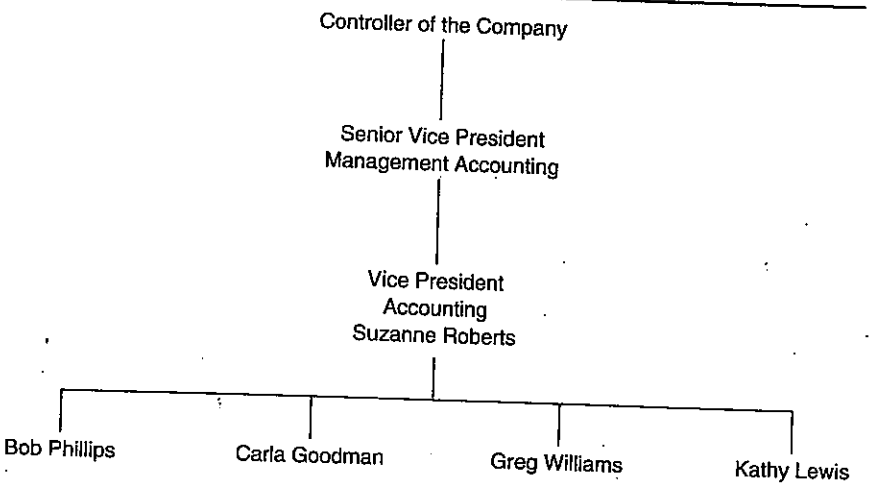


EXHIBIT 1.3 (*Continued*)

resort to shouting matches to get their respective points across to each other.

Greg Williams has been with the company about eight years and has worked for Ms. Roberts for about 2.5 years in various capacities. He has progressed in a very normal fashion in the bank, however, he has seen younger people such as Ms. Roberts move ahead of him on the organizational ladder. He expresses concern that his career may be leveling off unless something dramatic happens. He is not the quickest person to catch onto things in a technical sense, and he has a difficult time interacting effectively with people. This reduces his chances for a promotion. In general, he is a conscientious, mild-mannered employee who doesn't normally complain about things. He is good at taking orders, but not very good at handing them out.

Kathy Lewis is the most promising employee in the department today in terms of future potential within the company. She is technically sharp, with considerable knowledge of the new information systems, and has shown some promise in the effective management of people. She has been an employee of the company for a number of years and worked for Bob at the previous bank before the merger. She understands his odd nature. Her skills allow her to get more done than most people, and she is willing to put in extra hours to get things done. She did announce her resignation from the company at one time because of the mounting problems with the department, but a senior vice president talked her into staying by implying changes would be made sometime. Kathy is probably worth more to the bank than her current salary indicates, especially in light of the salaries of Bob and Carla. The normal guidelines should allow her to catch up in the next one to two years. She probably could also gain from receiving experience in other departments, but Ms. Roberts recognizes that she could not afford to let Kathy go because of the lack of depth with the other employees.

Overall, things are probably not as bad as they may appear to be. Ms. Roberts, however, does get concerned from time to time about the general lack of depth in the department as the rest of the bank looks to the department to help the bank become more competitive. Ms. Roberts has met with Mr. Sterrett of the HRM Department, who has recommended that Bob be terminated immediately but that Carla should be retained because she could file a sex discrimination lawsuit.

TOPIC FOUR

HUMAN RESOURCE PLANNING AND RECRUITMENT

Human Resource Planning

Human Resource Planning (HRP) is the process an organization uses to ensure that it has the right number and people to deliver a particular level of output or services in the future. Firms that do not conduct HRP may face shortage or surplus of labor at any one time. Labor demand is the number of workers an organization needs. Labor supply is the availability of workers who possess the required skills that an employer might need.

The first HRP activity entails forecasting labor demand. Labor demand is likely to increase as demand for the firm's product or services increases and to decrease as labor productivity increases(because more output can be produced with fewer workers, usually because of the introduction of new technology).

The second part of HRP entails estimating labor supply. The labor supply may come from existing employees (the *internal* labor market) or from outside the organization (*external* labor market).

After estimating labor demand and supply for a future period, a firm may faces one of these three scenarios.

The first scenario, if labor demand exceeds supply, if for instance for short term, then paying overtime is less expensive than hiring new ones. Or taking part-timers may save costs and quicker as compared to recruiting new employees. If the case is long term, then hiring would be more appropriate.

The second scenario, labor supply exceeds demand, firm can identify the situation and match with the necessary action. These include pay cuts, reducing number of hors worked, work sharing or voluntary retirement.

The third scenario, labor demand is expected to match with labor supply. The organization can deal with this situation by replacing those that quits from inside or outside or internal transfers and redeployment.

Forecasting of Labor Demand and Supply

An illustration will be given as to how a large hotel chain with 25 units forecasts its labor demand for 16 key jobs two years ahead. This example will be discussed during class session.

Goal Setting and Strategic Planning

The purpose of setting specific quantitative goals is to focus attention on the problem and provide a benchmark for determining the relative success of any programs aimed at redressing a pending labor shortage or surplus.

Downsizing

Downsizing is the planned elimination of large numbers of personnel designed to enhance organizational competitiveness. Survey indicate four major reasons for downsizing. First, many organizations are looking for costs reduction. Second, some organizations may close old plants and/or introduce new technology. A third reason is due to mergers or acquisitions. The final reason is due to economic reason, for e.g. many firms move to new locations (relocate) replacing their previous premises or plants.

Early Retirement Programs

Another popular means of reducing a labor surplus is to offer an early retirement program. In Malaysia, this has been a trend with the government move of privatization.

Employing Contract or Temporary Workers

This method has also been used to eliminate labor shortage. In this country, the government has allowed many industries to hire foreign workers to overcome acute labor supply. Such industries that are obvious include plantation sector, construction, shipbuilding, hospitals, hotels and heavy industries.

Outsourcing

Outsourcing means getting a service from another company or a third party. Many organizations would seek the assistance of professional company or agents to do part of their job process. For example, the Ministry of Education office has outsource the distributing and selling of application forms to local banks.

The Human Resource Recruitment Process

The recruitment activities are designed to affect (1) the number of candidates applying for the vacancies, (2) the type of people who apply for them, (3) the likelihood of those applying for the vacancies will accept positions if offered. The goal of recruitment is to ensure that the organization has a number of reasonably qualified applicants to choose from when a vacancy occurred.

Sources of Recruitment

A company has the choice of either recruiting from within or outside the organization. Relying on internal sources offers a company several advantages. Firstly, it generates a sample of applicants who are well known to the firm. Second, these applicants are relatively knowledgeable about the company's vacancies. Third, its generally cheaper and faster to fill vacancies internally.

On the other hand, an organization may has the option to hire new employees or externally. There are several advantages to this. Firstly, there may not be possible to promote internally due to highly specialize or job that requires specific expertise. Secondly, bringing outside people may expose the organization to new ideas or new ways of doing things.

Direct Applicants and Referrals

Direct applicants are people who apply for a vacancy without prompting from the organization. Referrals are people who are prompted to apply by someone within the organization. These two sources of recruits share some common characteristics.

First, many direct applicants are to some extend already "sold" on the organization. Most of them have done some homework and concluded that there is enough fit between themselves and the vacancy.

Advertisements

Most organizations resort to advertisement for external or internal recruitment. The two most important questions to ask in designing a job advertisement are:

(i) What do we need to say?
(ii) To whom do we need to say it?

It is crucial for HR personnel to advertise with adequate information. Failing to do this will lead to applicants not having enough or sufficient information about the vacancy.

Another important decision regarding this is the mode of advertisement. This depends on the posts of the job and financial resource. There are numerous advertising modes like newspaper, radio, billboard, transit display, journals and magazines, banners, and internet.

College Campus Recruitment

This is also a popular and cheaper means of recruiting new employees. A common process of recruiting is the young graduates. Companies can hire new qualified bright graduates instantly. Costs of recruiting can be less expensive and getting right kind of candidate is much possible.

Electronic Recruitment

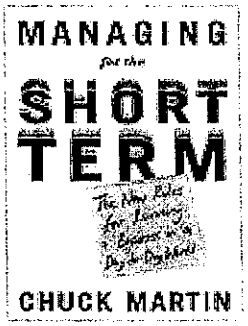
Many large companies would prefer to recruit using electronic media. This is a much quicker and time saving recruitment. Geographically, the coverage of information can be wide.

JUNE 7, 2002

BOOK EXCERPTS

Managing for the Short Term, Part 2

In this excerpt, Chuck Martin writes about how to recruit and keep the key employees companies need



At any given time, more than 40% of managers and senior executives expect to leave their jobs within two years, writes author Chuck Martin in a new book, citing a recent study of 500 North American bosses. The challenge for employers is to get the most out of these people during their brief tenure. This will require new ways of hiring, training, and compensating employees vs. the methods that were in vogue when workers aspired to be lifers.

The change required amounts to nothing less than a new approach to management, argues Martin in his latest book, *Managing for the Short Term: The New Rules for Running a Business in a Day-to-Day World* (Doubleday, June, 2002).

It isn't just execs who are preoccupied with the short term, writes Martin, chairman and chief executive of business research firm NFI Research and a former vice-president at IBM. Companies are insisting on better and better performance in shorter and shorter time frames. While long-term planning will continue to determine an organization's direction, companies need to divide a multiyear strategy into short-term elements to improve performance, adds Martin, whose other books include *Net Future* (McGraw-Hill, 1999).

With strategies broken down into incremental steps, execs and managers will better understand corporate goals, employees will more easily comprehend their roles, companies will become more nimble competitors, and shareholders will see better results, Martin argues.

In Chapter 10, "Managing People for the Short Term," Martin writes that companies will have to become more skilled at managing what are likely to be increasingly restless workforces. The current hiring slump notwithstanding, labor shortages are expected to worsen soon, as baby boomers retire. Among the challenges corporations will face: offering quick rewards and gratifying work that will encourage the best employees to stay long enough to make substantive contributions. During future downturns, moreover, employers will increasingly have to find alternatives to layoffs -- such as unpaid vacation or temporary pay reductions -- since it will only become harder to hire employees back in upturns, Martin adds. Here is Part 2 of an excerpt from Chapter 10:

Recruitment Challenges
Every type of organization faces various challenges with recruiting, as highlighted by the

comments from three survey respondents concerning different aspects of employee retention.

• **Availability of talent.** "As an IT organization within a large research university recruiting great folks is hard -- even after the 'dot-bomb' era. Our threefold approach, beyond advancement, is a copious supply of technology, travel, and training opportunities."

• **Ability to screen candidates.** Recruiting at different levels of an organization requires different skills. Says one survey respondent: "We use recruitment firms for top management positions, and that works fine. But we seem clueless when it comes to mid-level skill positions. It takes effort to recruit properly. That effort always seems to have a low priority."

• **Market conditions.** In a tight economy, some employees feel safest where they are while riding out the storm. "Most currently employed workers are not interested in changing jobs, and as a company needing additional employees, it is harder to find suitable candidates. The downturn of the economy has set candidates' expectations of income to a more realistic mode than [during] the height of the boom in technology a couple of years ago."

Aligning Hiring With Existing Networks

Possessing great skills in recruiting but not addressing the issue of losing valued employees is like pouring water into a sieve. There's never enough water in the basin.

At SAP America, the North American arm of Germany-based SAP, the world's largest inter-enterprise software company, there is a holistic approach to employee recruitment and retention. Larry Kleinman, senior vice-president of HR for SAP America, and a member of the executive team, leads a 120-person HR staff serving the 5,000 employees throughout the Americas. He works on trying to understand and optimize the organization's dynamics.

Kleinman views his role as one of making sure the company's managers can manage people. Says Kleinman:

"I believe in viral networks involving informal communications rather than the planned communications. The most effective are the informal networks. You have to identify that network, who talks to whom and when, and who is important. You have to make sure you message to them first. Employees are disenfranchised about vision and strategy. People end up working on things that matter to them. The desire in people is that they always want to be worthwhile.

"There are two schools of thought. You can either get a clear sense of where we're going or you can get a vision that's just enough to keep chunking along. I opt for the first. If you can get a clear sense of purpose, people can share in it. Things change so fast, especially in the technology world. Technology really is a different industry.

"It's a challenge to make HR strategic. Retention has become a strategic issue because it is the biggest limit to growth. Hiring and keeping people is the mantra of what will make a company successful today.

"At SAP, we're quantitative in terms of what drives the business. There are big outcomes for people who match the profile, which drives our ability to do market research. We have a good profile of what kind of person can succeed here and we have linked that to economic outcome. We know that if we hire a certain kind of salesperson and if they are in the top of our measurement, they will produce 60% more than another person.

"The glue in the middle is the manager, it's the glue that makes everything come together -- or not. It's real basic stuff that has to happen. Management matters. For us, we found it involves basic things: making sure expectations are crystal clear as to what is expected of people every day; make sure you have the right person in the right job; craft jobs

around the individuals; and give recognition.

"The manager of the future is a very different animal, because things are getting so complex. Managers need to communicate better and relate to people in different ways."

Part of the problem in recruiting has been in the way the role of human resources has traditionally been viewed within the corporation. Raj Singh, CEO of Toronto-based Brainhunter.com, which offers Web-based recruitment systems and staffing services, says recruiting might be more cost-effective if internal HR people were compensated more like the outside recruiters companies now hire to find talent -- in other words, on an incentive basis, or salary plus incentive, rather than straight salary.

"Companies have to take a strategic view of HR, as opposed to seeing it as an operational cost center. Historically, emphasis in Human Resources has never been placed on recruiting. The emphasis has been on payroll management, compensation, and benefits. There has never been somebody in charge of the attraction and retention of talent."

Companies may need to create titles like "Chief Talent Officer" to emphasize and strategically manage the attraction and retention of talent. And they also need to come up with better strategic alternatives to bad economic times than simple layoffs, since recruitment costs will rise when many of those dismissed are once again needed when the economy picks up.

Aligning Training with Individual Desire for Autonomy

Companies are struggling with balancing the demands of managing for the short term with employees' needs for long-term professional development. In one study, although the lack of career-development opportunities was high on the list of reasons for people leaving their jobs, less than half of those companies in that study offered multiple career paths or adequate career development for their IT professionals. And it's safe to assume that if that's the case for IT, an area in which workers are generally in great demand and turnover rates tend to be high, career-development opportunities are probably even more lacking in areas with less competition for employees.

Only 28.2% of employees in one study reported being satisfied with educational and job training programs and 22.2% expressed satisfaction with promotion policies. Only 50.9% of companies have set formal career paths, and 28.2% of those have established formal career-development processes.

How can companies balance employees' demands and needs for training that keeps their skills fresh with the fact that the company may have to watch money spent on training walk out the door when the employee takes a job elsewhere? How can companies train for the short term when training implies a long-term perspective?

One answer is to become a facilitator of employees' own training efforts. As employees become free agents and companies structure their workforce needs to be more flexible and dynamic to accommodate changing needs and economic conditions, workers will increasingly have to rely less on structured company training efforts and more on themselves. Rather than prescribing career paths, companies will increasingly find themselves in the role of enablers, helping workers pursue the skills necessary for their futures. One reason companies face the difficult decision about training is the investment vs. how much the employee or manager "returns" to the company.

Consider this response to a Net Future Institute survey by a manager at a mid-sized company:
"We invest so much time and money in training. However, because employees are less loyal than in the past (partly a Gen-X issue), we are finding that we are training people well who have no problem moving to a new company or industry with the skills we've trained them in. That is causing us to rethink how much training these new recruits get and how quickly we give them all we've got. We will train them well enough to do well and let them earn more training opportunities as rewards."

Company-specific training efforts -- for example, training on specific products -- will always be needed. However, at least some of the need for that training will be offloaded onto technology. As wireless devices make data more accessible, workers will simply tap a database for information that would once have required specialized knowledge. Employees may be trained on how to use the database, but understanding the value of the information it contains and how that information can be used to help customers may be up to the individual.

This sort of training also does not provide the higher-level skills that make an employee both more marketable outside the company and more valuable inside the company. For example, in managing for the short term, managers determine how they best receive information and how they can most effectively disseminate it. Many companies have implemented formal testing strategies such as the Myers-Briggs personality inventory to help managers and employees profile themselves and understand how they take in and process information.

For those skills, a company may encourage individual development, but the individual is often responsible for obtaining the skills he or she needs, since it ultimately rewards the individual more than the company. Making the right choices will influence how well an individual is able to do his or her job, and produce results.

Companies are more willing to train people in some of the technical skills of a job, says Carol Rohm, Vice President of PrideStaff, Inc., a Fresno (Calif.)-based staffing company with 33 offices in 13 states. In many cases those skills are simply easier for people to pick up than such things as communication and a sense of accountability.

"A lot of those soft skills need to be taught at a young age; it's often a question of whether they get them at their first official company they work for. I've seen kids coming out of college never having utilized a checkbook and assuming they'll make $50,000 a year. Often they're not even trained to send thank-you notes after an interview."

This ability to self-select training options and paths, facilitated by the organization, provides managers and employees with the autonomy and freedom of choice that is so important to motivating them long-term. Managing for the short term in this case may not only help the company to "make its numbers," but also provide individuals with greater ability to chart their own destiny.

Aligning Outplacement with the Realities of Turnover In a study of more than 500 managers in North America, three-quarters of them reported knowing employees within their company whose unique knowledge would be lost if they left the company. Yet the same study showed that most companies have no established plan for capturing knowledge from departing employees and passing it on to others.

Part of managing for the short term is acknowledging that key employees may not be around forever under the best of circumstances, and that it is important to retain as much knowledge as possible. Some companies work formally with employees leaving the company to do a "brain dump," to get as much as possible of what's inside an employee's head on paper before the exit. Others encourage "alumni" to stay in touch with people inside the company, on the theory that even though they have left the company, they can serve as valuable resources, informal salespeople for the company's products, or even customers.

Downsizing is another area in which the need to balance short-term concerns about cost with long-term strategy is strong. A company struggling to make its numbers often must decide whether to eliminate people it may have spent a great deal of time and money to get into the company. And companies may have to do so knowing that when the economy or the specific industry picks up, many of those positions and the expertise those employees have will be needed once again. At that point, the scramble to fill positions starts over.

The constraints of having to deliver in the short term cannot be escaped. At some point costs simply have to be cut, and layoffs may become inevitable. However, managing for the short term points to the need to create a strong hiring pipeline and maintain a broad base of contingent workers. Such options can provide flexibility in the short term while keeping in view the overall direction in which the organization wants to move.

Companies also are exploring ways to reduce the impact of hard times on their employees, to make their numbers while still trying to keep their employees' good opinion. For example, some companies are offering their employees a choice of taking unpaid vacation time, a pay cut for a specified period of time, or some combination of the two. Such strategies can help address short-term needs while allowing employees some degree of control over how those needs affect them personally.

VOICES FROM THE FRONT LINES -- The Value of Short-Term Incentives
"I think it is unrealistic to think we can motivate the troops with long-term incentives when our outlook/perspective is so short-term. Another point: to the extent there is a 'clear line of sight' from behavior to reward, performance improves. Short-term incentives make that linkage clearer."

"With the recent economic developments, employees are more interested in what they can get in the short run. Long-run rewards work well at retaining people in a tight employment/booming market (e.g. stock options), but aren't very useful in more difficult times."

"Every executive clearly knows the impact that short- and long-term incentive comp has on their motivation and productivity. Why wouldn't the same apply to the entire employee base? This will soon become normal practice."

Keeping Those You Want
The retention problem is particularly acute in areas where the demand is highest. Take information technology as an example. Among IT professionals, four years is the average stay in a job. For newer hires -- those who have been with a company less than two years -- it is even lower: less than three years. The demand for IT professionals outstrips supply by 20%, while the volume of work that IT departments will be asked to complete is expected to increase by 50% by 2005. Increased workload and high demand for certain skills combine to create a recipe for a highly fluid workforce in an area considered increasingly strategic.

As might be expected, the reasons for turnover vary. Among younger IT workers, the most mobile, the most frequently cited are promotions and higher salaries offered at other firms. For those 46 and older, the No.1 reason cited was retirement. Net Future Institute research shows that, though it is not necessarily what they desire, managers generally believe they have been most successful at increasing employee productivity by motivating and rewarding them on a short-term basis.

Examples of short-term incentives -- both financial and non-financial -- that Net Future Institute members have found effective include:

• "Incentives that focus on quarterly time frames."

• "Remuneration [that] follows the project life cycle -- for example, bonuses in connection with milestones."

• "Programs that have made working for the company a fun and dynamic experience, from Fun Fridays, to employee appreciation week, to 'Spot' awards, to quarterly awards."

• "Incentive compensation."

• "Paying attention to workplace environments, company philosophy, and effective

benefits packages."

• "Challenging them to solve hard problems, empowering them to make decisions, supporting them if it wasn't quite the right decision, and getting them back on track. Having fun in a safe and caring environment, making sure they have career growth and opportunities and fair compensation. Sounds like pie in the sky, but it really works."

• "Stability and corporate track record...in a volatile market."

• "The prospects of the business as [an] incentive to remain part of an organization that has a future.

• "A program called '9/80,' [in which] employees work nine hours a day Monday through Thursday, then work 8 hours on one Friday and get the next Friday off. This results in a three-day weekend every other weekend.

In managing for the short term, it makes little sense to ask people to wait for long periods for their rewards when they are being asked to deliver in the short term, day by day, week by week, month by month. Instead, the entire organization needs to adopt some of the mentality of the traditional sales force, which has always been focused on immediate results.

Salespeople are frequently given incentives for reaching their short-term goals, whether the prize is a trip to Hawaii or a week's vacation with pay. Such immediate, competitive incentives can be a key way to keep everyone's attention on the here and now.

Nonetheless, long-term incentives continue to play a role in helping a company to achieve its long-term objectives. Senior executives and managers both view autonomy and challenge as the top incentive for retaining employees. Consider these verbatim comments from managers in response to a survey on short- and long-term incentives:

• "Compensation is not the key driver of productivity...short or long term. Productivity is best enhanced in organizations: with the right people, rewarded properly, in an environment where decisionmaking is speedy and high quality, where work processes are efficient and rational, where information and knowledge flow is open and honest, and where the management structure is supportive and goal specific."

• "Years ago when I worked for a company that provided computer software for the apparel-manufacturing industry, we found that in the manufacturing facilities where employees were paid on a piecework basis that the quicker they were able to see their earnings and receive them, the more efficient and productive they were." • "Immediate rewards for positive performance have had a dramatic impact on our productivity and employee-satisfaction measurements. Additionally, we have found that awarding quarterly bonuses, based on profitability, keeps our employees focused on profit-generating initiatives."

Executives who believe that employees really only work for the money need to re-examine whether they have missed opportunities to make non-monetary factors more significant to their employees. A more independent, mobile workforce may place a higher value on autonomy and latitude in decisionmaking than has been the case in the past. And that autonomy is precisely the kind of reward that managing for the short term can and should provide. In this case, that requires making sure that employees understand how they can further the company's goals in very tangible ways -- ways that may also earn them financial reward -- and enabling them to take action to do so.

Pushing decisionmaking ability down the chain of command does more than offer workers some of the autonomy executives find so important for themselves. It also frees up time for a manager to take on higher-level tasks personally. And those higher-level tasks can mark the manager as a leader.

From Managing for the Short Term *(Doubleday, June 2002). Copyright 2002 by Chuck*

A PROBLEM AD?

Dorothy, recruiting supervisor for International Manufacturing Company in Salt Lake City, Utah, had been promoted to her position after several years a s a group leader in the production department. One of Dorothy's assignments was to recruit two software design engineers for International. After considering various recruitment alternatives, Dorothy placed the following ad in a local newspaper with a circulation in excess of 1,000,000.

Employment Opportunity for Software Design Engineers

2 positions available for software design engineers desiring career in growth industry.

Prefer recent college graduates with good appearance.

Apply Today! Send resume' , in confidence to :

D.A. Bryant
International Manufacturing Co.,
P.O. Box 1515
Salt Lake City,
UT 84115

More than 300 applicants arrived in the first week, and Dorothy was elated. When she reviewed the applicants, however, it appeared that few people possessed the desired qualifications for the job.

QUESTIONS

1. Discuss what are the problems in this recruiting practice that has resulted in excessive number of unqualified people applying. *(5 Marks)*

2. Provide your recommendations on this recruitment process. *(5 Marks)*

HR FORECASTING EXERCISE

Assume a 500-rooms hotel expects to expand to 1,200 rooms over the next five years. The director of human resource wants to forecast the requirement for supporting staff. The human resource director decides to determine the relationship between number of rooms and number of supporting staff required. He calls five similar hotels of various stars and gets the following figures:-

No. of Rooms	*No. of Supporting Staff*
200	240
300	260
400	470
500	500
600	620
700	660
800	820
900	860

One way to determine the relationship between the size of hotel and the number of supporting staff is to draw a scatter plot. Plot a line to estimate the number of supporting staff needed for the given number of rooms.

RECRUITING FUNCTION
CASE ANALYSIS

Objectives:

A. To make you aware of the necessity of evaluating the efficiency and effectiveness of various recruitment sources.

B. To provide you with practice analyzing data, drawing conclusions, and planning a strategy to remedy identified problems or deficiencies.

C. To make you aware of the linkages among staff turnover, recruitment sources, methods and adequate staffing.

Procedure:

Using the data provided in Figure 1, do the calculation of yield ratio on FORM 1. A yield ratio is the number of applicants necessary to fill vacancies with qualified people. It is the relationship of applicant inputs to outputs at various decision points.

Background

Hilton Hotel is a 260-room hotel in a metropolitan city in Europe. During the last decade the hotel operated with employees of approximately 450 executives and experienced a turnover rate of about 25% per year. The turnover rate was average for the continental during the time period. However, it has accelerated to an average of 35% over the last 3 years.

These higher turnover rates have put additional pressures on the recruiting process to provide large number of qualified candidates. However, Sam Burnett, Director of HR, has reported more and more difficulty locating qualified executives over the past 3 years. Burnett's office has prepared the recruitment data as shown in Figure 1. The data shown that 273 applicants (from all sources) had been screened to produce 52 qualified candidates who accepted a job offer. One year later 19 of these 52 had left the Hotel. The last column shows the direct and indirect costs of recruitment by source, including administration time, and direct costs such as travel and postage. The HR Dept. has also conducted a telephone survey of all the executives they could locate who *did not* accept a job offer from the hotel during the most recent 3 years. Reasons for such rejections are as shown in Fig. 2.

John McCarthy, a senior manager in HR, has been conducting all the off-site recruitment for many years. This includes both Job Fair and Hotel Association meeting. He has began to feel "burned out" because of all his external recruiting and internal evaluation of candidates over the years.

At a recent meeting, he suggested that an outside group (your group) be brought in to analyse the whole recruiting process, identify problems and opportunities and suggest improvements. Since recruiting of new executives has began to fall behind turnover of executives employed at Hilton Hotel, the vacancy rate has begun to increase. The percentage of this is 23% compared to 11% the past decade. One result has been an increasing workload on the existing staff. In addition to increased turnover, the symptoms of staff burnout (ie stress, conflict, absenteeism) are becoming more evident.

Question:

(i) What and How would you advice the HR Director of the existing recruiting process?

(ii) What is the best recruitment method?

Fig 1 Data on Recruitment Sources for Executive at Hilton Hotel, Europe (1996- 1999)

Recruitment Source	Number of Applicants	Potentially Qualified	Invitation for Interview	Qualified and Offered Job	Accepted Job	One-Year Survuval	Above-Average Rating	Total Recruitment Cost
1.Direct application								
write – ins	53	42	30	20	13	8	4	$ 1,550
walk – ins	64	47	38	24	11	5	2	1,500
2.Employee referrals	13	12	7	5	4	3	2	400
3.Newspaper ads	24	16	8	4	2	1	0	750
4.Journal ads	19	18	10	8	4	2	2	450
5.Educational institutions								
junior colleges	16	13	11	6	2	2	1	1,200
hotel- based schools	8	8	3	2	1	0	0	800
university programs	24	24	16	14	10	8	7	1,300
6.Private employment agency	9	9	8	5	2	2	1	4,000
7.Public employment agency	8	4	2	1	1	0	0	300
8.Direct mail	15	14	4	3	1	0	0	450
9.Job fair	13	7	5	3	1	1	1	900
10. State Hotel Association	7	7	4	3	0	0	0	1,150
TOTALS	273	221	16	98	52	33	20	$ 14,750

FORM 1 **Yield Ratios at Each Step in the Recruitment Process and Recruitment Cost per Executive Hired, 1996-1999**

Num.	Recruitment Sources	Yield Rates						Average Cost
		Potentially Qualified	Accepted Interview	Offered Job	Accepted Job	One-Year Survival	Above-Average Rating	Per Nurse Hired
1	Direct applications							
2	Employee referrals							
3	Newspaper ads							
4	Journal ads							
5	Educational institutions junior colleges, hotel based schools university programs							
6	Private employment agency							
7	Public Employment agency							

8	Direct mail							
9	Job fair							
10	State Hotel Association meeting							
Averages for all sources								

Fig 2 Reasons for Executive Rejection of a Job Offer from Hilton Hotel, 1996 – 1999

Reason	Number	Percent
Recruitment Processes		
Job attributes not communicated	2	4.3
Negative perception of recruiter	12	26.1
Negative perception of hospital	2	4.3
Lack of timely follow – up	13	28.3
Perceived lack of honesty in recruitment process	1	2.2
Negative information from recruiter	1	2.2
Job Attributes		
Location of hospital	3	6.5
Salary offer	2	4.3
Hours of work	2	4.3
Promotional opportunities	0	0.0
Fringe benefits	0	0.0
Working conditions	3	6.5
Perceived poor job " match"	5	10.9
TOTALS	46	100.0

EXERCISE 5.1

A Turnover Problem at the *Fort Lauderdale Herald*

Overview

The chapter discusses the importance of using data for better human resource planning and recruitment. The employee "matching" model is described. This exercise presents data from a newspaper that document the problems the company is having recruiting and retaining employees. Your job is to use the data as a basis for recommendations for improving the process and reducing the turnover problem for the company.

Objectives

After completing this exercise, the student should be able to

1. Know how to calculate and use yield ratios for planning.
2. Know how an HR problem (e.g., turnover) can be solved most efficiently and effectively using approaches to HR planning and recruitment.

Procedure

Part A: Individual Analysis

Prior to class, read the background data on the *Fort Lauderdale Herald.* Using the additional information that is provided, think about the implications of this information for future recruitment at the newspaper. Then answer the questions at the end of the exercise.

Part B: Group Analysis

In groups, members should review each other's memos and then attempt to reach consensus on the three recommendations to go forward to the director. Analyze those recommendations in the context of the turnover problem, the potential effects on other HR programs, and the cost of implementation. Justify any specific recommendations with relevant research. A group spokesperson will then be designated to present the group consensus recommendations.

SCENARIO

The *Fort Lauderdale Herald* is located in one of the fastest-growing regions in the United States. As the migration of new residents from the Northeast and Midwest has increased the population of south Florida, subscriptions to the paper have risen sharply. The newspaper's increased circulation has generated the need for more customer service representatives. There is also an increase in the competition in the area with two new papers and the expansion of a Miami paper into the metropolitan area.

The advertisement for customer service representative states the following:

> Qualifications are: knowledge of Word or Word Perfect; typing 35 WPM; filing; experience in customer contact, answering telephone, and referring customer calls to supervisor; some selling of additional services and calls for nonpayment of bills.

The starting salary for customer service reps is $7.65 an hour for a 30-hour workweek. Customer service reps work six days of five-hour shifts per week. They do not receive any fringe benefits.

The majority of the workday is spent talking with subscribers or potential subscribers on the telephone regarding new accounts, renewing and expanding subscriptions, delivery, or other problems with the newspaper. Billing errors consume about 30 percent of the rep's time. Most of the remaining time is spent responding to customer complaints such as late, improper, or nondelivery of the paper and soliciting new business through cold calls or calling subscribers for upselling purposes. Examples of the complaints are: "the newspaper was supposed to be delivered at 7:00 AM, but did not arrive until 9:00"; "the paper was thrown in a puddle and can't be read"; "the paper was thrown in my neighbor's yard"; and so forth. Most of the subscribers who call are not friendly when registering their complaints. A 1999 study determined that automating the complaint process was more likely to foster nonpayment of subscription service and more cancellations.

While the newspaper has been able to successfully recruit new customer service reps, turnover in the position is very high. The director of human resources has prepared recruitment data shown in Exhibit 5.1.1. The data show that 200 applicants from all recruiting sources had to be screened to produce 78 who accepted a job offer. Within six months of hiring, 51 percent had resigned from the newspaper. Exit interviews with departing customer service reps revealed many reasons why they were dissatisfied with the job (see Exhibit 5.1.2).

The director of human resources has asked you to analyze the recruitment and selection process and the related data and to make recommendations. In the space provided on Exhibit 5.1.1, compute the yield ratios. Compile the yield ratios for each step in the recruitment and selection process from the data presented in Exhibit 5.1.1. Think about the implications of these data for future recruitment at the newspaper. Write a three-page memo to the director of human resources that addresses each of the following issues:

1. Compare the advantages and disadvantages of the various recruiting methods used by the *Fort Lauderdale Herald.*

2. Recommend recruitment/selection strategies designed to increase the length of tenure for customer service reps. Assume that nothing can be done in terms of employee pay or benefits.
3. Develop three recommendations that could be used to improve the working conditions so that turnover is reduced. Justify your recommendations.
4. What additional studies or data are necessary given the data presented in Exhibit 5.1.1? (The Director of HR is very interested in potential legal issues.)

EXHIBIT 5.1.1

DATA ON RECRUITMENT SOURCES FOR CUSTOMER SERVICE REPRESENTATIVES, LAST 3 YEARS

Name _____ Group _____

Recruitment Source	Total Number of Applicants	Potentially Qualified	Interviewed	Qualified and Offered Job	Accepted Job	Six-Month Survival	Recruitment Cost (Total)
Website	45	32	20	17	11	5	$ 200
Newspaper ads	97	78	64	56	53	24	465
Walk-in applicants	31	20	14	9	7	3	295
Public employment agency	37	19	7	87	7	6	250
Totals	210[a]	149[b]	105	90[c]	78	38	$1,210

Yield ratios

[a]115 whites, 60 blacks, and 25 Hispanics.
[b]91 whites, 43 blacks, and 15 Hispanics.
[c]65 whites, 20 blacks, and 5 Hispanics.

EXHIBIT 5.1.2

MOST FREQUENTLY GIVEN EXPLANATIONS FOR CUSTOMER SERVICE REP TURNOVER (LAST 3 YEARS)

- All customer service reps are required to work on Saturday and Sunday from 7:00 A.M. to 1:00 P.M.
- Seventy-five percent of calling customers are irate at things over which the customer service reps have no control.
- Customer service reps must sit for long periods of time, talking with customers on the phone. Physical movement is restricted.
- Customer service reps have little contact with coworkers.
- The work environment is noisy and hectic.
- Customer service reps have not been properly trained to respond to billing complaints.
- Cold Calls for subscriptions result in 78 percent hang-ups.
- Reps receive no additional remuneration for soliciation successes.
- Supervisors monitor a sample of calls taken each day, and often contradict what the customer service reps say to customers.
- Customer service reps don't like cold calls.
- Customer service reps don't like calling people at dinner time.

CHAPTER 6

Selection and Placement

Chapter Summary

The following requirements to use a personnel selection device are discussed: reliability, validity, generalizability, utility, and legality. The following methods of selection are discussed, in terms of the above factors, how the methods work in practice, and how they can be improved for use: interviews, reference checks, biographical information, physical ability tests, cognitive ability tests, personality inventories, work-sample tests, honesty tests, and drug tests. The importance of the use of multiple measures and multiple judges in selection is emphasized.

Learning Objectives

After studying this chapter the student should be able to:

1. Establish the basic scientific properties of selection methods, including reliability, validity, and generalizability.
2. Discuss how the particular characteristics of a job, organization, or applicant affect the utility of any test.
3. Describe the government's role in personnel selection decisions, particularly in the areas of constitutional law, federal laws, executive orders, and judicial precedent.
4. List the common methods used in selecting human resources.
5. Describe the degree to which each of the common methods used in selecting human resources meets the demands of reliability, validity, generalizability, utility, and legality.

Extended Chapter Outline

Note: Key terms appear in boldface and are listed in the "Chapter Vocabulary" section.

Opening Vignette: Hiring Decisions: What You Don't Know Can Surely Hurt You

The opening vignette discusses how hiring strangers can be one of the most dangerous aspects of human resource management. Obtaining good information about applicants will increase your familiarity with them, however this can be challenging. In most cases, applicants will exaggerate about themselves on the information they provide to companies. In addition, some companies outsource their recruiting efforts, which limit the hiring firm's knowledge of selected applicants. It is crucial that firms thinking of hiring a candidate turn them into well known entities that have been thoroughly and fairly evaluated. This process will need to be systematic and documented for every applicant that is accepted for employment.

I. Introduction

The chapter will familiarize students with ways to minimize errors in employee selection and placement, and doing so improve the organization's competitive position. Five selection method standards will be discussed: reliability, validity, generalizability, utility and legality.

II. Selection Method Standards

A. **Reliability** is the degree to which a measure of physical or cognitive abilities, or traits, is free from random error. If a measure of a stable characteristic is reliable, the score a person receives will be consistent over time and over different contexts. Reliability is a necessary but insufficient characteristic of a good measuring device (See Figure 6.1 a & b).

1. True Scores and the Reliability of Measurements—The concept of reliability is demonstrated by measuring height at different times. Even though height is supposedly a stable characteristic, slightly different results are generated every time height is measured. Each measurement is then composed of "true height" and "error of measurement." The average of all the errors (ignoring the positive or negative value) is referred to as the reliability of measurement. Reliability in this example refers to the measuring instrument (a ruler versus a visual guess) rather than to the characteristic itself.

a. The correlation coefficient is a measure of the degree to which two sets of numbers are related. The correlation coefficient expresses the strength of the relationship in numerical form. A perfect positive relationship equals +1.0; a perfect negative relationship equals –1.0.

b. When assessing the reliability of a measure, we might be interested in knowing how scores on the measure at one time relate to scores on the same measure at another time. This is what is called assessing test-retest reliability.

2. Standards for Reliability—Clearly, the more reliable the measure, the more likely decisions can be made on score differences. There are many ways to increase the reliability of a test, including writing clear and unambiguous items and increasing the length of a test.

B. **Validity** is the extent to which a performance measure assesses all the relevant –and only the relevant- aspects of job performance. **Criterion-related validation**

1. **Criterion-related validation** is a method of establishing the validity of a personal selection method by showing a substantial correlation between test scores and job-performance scores. There are two types of criterion-related validity:

   a. **Predictive validation** is a criterion-related validity study that seeks to establish an empirical relationship between applicants' test scores and their eventual performance on the job.

   b. **Concurrent validation** is a criterion-related validity study in which a test is administered to all the people currently in a job and then incumbents' scores are correlated with existing measures of their performance on the job (processes are compared in Figure 6.3).

   c. Predictive validation is superior to concurrent validation for three reasons a) job applicants are typically motivated to perform well on the tests than are current employees, b) current employees have learned many things on the job that applicants have not yet learned, c) current employees tend to be homogeneous.

2. Satisfactory levels of validity are typically defined by statistical significance (text Table 6.1).

3. **Content validation** is a test-validation strategy performed by demonstrating that the items, questions, or problems posed by a test are a representative sample of the kinds of situations or problems that may occur on the job. There are two limitations to content validation a) the person who is hired must have the knowledge, skills, or abilities at the time he or she is hired and b) subjective judgment plays such a large role in content validation.

C. **Generalizability** is the degree to which the validity of a selection method established in one context extends to other contexts.

Example: The first employment suit under the Americans with Disabilities Act was filed in November 1992 by the Equal Employment Opportunity Commission, charging a Chicago-area security firm with illegally firing an executive director after he was diagnosed with terminal brain cancer *(EEOC v. AIC Security Investigations Ltd).* In announcing the suit, John Hendrickson, regional attorney for the EEOC's Chicago district office characterized the suit as a classic example of the type of discrimination the ADA is intended to prevent." Charles Wessel was fired, Hendrickson said, "apparently not because of his inability to do the job, but because of predictions about future health problems and because of stereotypical fears about disability. It appears that [he] was, in fact, performing his job up to the very time he was discharged." The commission's suit seeks back pay and monetary damages for the emotional and other harm Wessel alleges that he has suffered, as well as his reinstatement and an injunction prohibiting the company from engaging in unlawful discrimination based on disability. (Adapted from "EEOC Files First Disabilities Act Suit on Behalf of Executive with Cancer," *BNA's Employee Relations Weekly* 10, no. 44, 1992,p.1209.)

4. The executive branch of the government also regulate hiring decisions through the use of executive orders. Executive Order 11246 parallels the Civil Rights Act of 1964 but goes beyond it by (a) requiring affirmative action to hire qualified protected group applicants and (b) allowing the government to suspend all business with a contractor while an investigation is going on. The Office of Federal Contract Compliance and Procedures (OFCCP) issues guidelines and help companies comply.

III. Types of Selection Methods

A. Selection interviews are defined as a dialogue initiated by one or more persons to gather information and evaluate the qualifications of an applicant for employment. It is the most widely used selection method, although research suggests it can unreliable, low in validity, and biased against a number of groups.

1. The utility of an interview can be increased by the following suggestions:

a. Interviews should be structured, standardized, and focused on accomplishing a small number of goals oriented to skills and behaviors that are observable.

b. Interviewers should plan to come out of each interview with a quantitative rating.

c. Interviewers should also have a structured note-taking system that will aid recall when it comes to satisfying the ratings.

2. A **situational interview** is an interview procedure where applicants are confronted with specific issues, questions, or problems that are likely to arise on the job. They consist of:

a. Experience-based questions
b. Future-oriented questions.

B. References, biographical data, and applications blanks gather background information on applicants before an interview. These techniques are, at best, weak predictors of future job success. Typically, references are very positive since only those who the applicants know will give a good reference are asked to do so. Many suites have been filed against past employers' revealing too much information beyond job title and years of service. The biggest concern with the use of biographical data is that applicants who supply the information may be motivated to misrepresent themselves.

Competing Through Technology

Managing Your Digital Identity: "Dooce" and Don'ts

Heather Armstrong coined the term "dooced" to describe when someone is discriminated against because the Internet was used to obtain information about him or her that would not be legal to ask in an interview. It is important for job seekers and current employees to manage their digital identity in the same manner they manage their resumes.

C. Physical ability tests may be relevant for predicting not only job performance but to predict occupational injuries and disabilities as well. Criterion-related validities tend to be quite strong, although adverse impact on the disabled and women is highly possible. These tests measure:

1. muscular tension
2. muscular power
3. muscular endurance
4. cardiovascular endurance
5. flexibility
6. balance
7. coordination

D. **Cognitive ability tests** differentiate individuals based on their mental rather than physical capacities. One of the major drawbacks to these tests is that they typically have adverse impacts on some minority groups. Indeed, the size of the differences is so large that some have advocated abandoning these types of tests for making decisions regarding who will be accepted for certain schools or jobs.

1. **Verbal comprehension** refers to a person's capacity to understand and use written and spoken language.

2. **Quantitative ability** concerns the speed and accuracy at which one can solve arithmetic problems.

3. **Reasoning ability** refers to a person's capacity to invent solutions to many diverse problems.

E. Personality inventories categorize individuals relative to what they can do, personality measures tend to categorize individuals by what they are like. Common dimensions assessed are extroversion, adjustment, agreeableness, conscientiousness, and inquisitiveness (text Table 6.3 lists corresponding adjectives for these dimensions).

F. Evidenced-based HR—It is essential to collect empirical evidence that validates personality tests in specific contexts rather than assuming they will work because you were told that by a commercial developer of such tests.

G. Work-sample tests attempt to simulate the job in a prehiring context to observe how the applicant performs in the simulated job. Work samples are job-specific and tend to be high in criterion-related and content validity and low in adverse impact. The disadvantages are that generalizability tends to be low, and they are relatively expensive to develop. The technique used in managerial selection is the **assessment center**, which is a process in which multiple raters evaluate employees' performance on a number of exercises.

TOPIC FIVE

EMPLOYEE TESTING AND SELECTION

Selection

Personnel selection is the process by which companies decide who will or will not be allowed into their organizations. Selection standards should be based on five criteria: (1) reliability, (2) validity, (3) generalizability, (4) utility, and (5) legality.

Reliability

Reliability refers to consistency of measurement, usually across time, but also across judges. For e.g. if you take Maths every week for five weeks and always obtain same score, the MEASURE of your mathematical skill is perfectly reliable. Likewise, if five different interviewers all judged you to have the same level of social skill, the interjudge reliability would be perfect.

Reliability also reflects the degree to which a measure is free from random error. Regardless of what characteristic we are measuring, we want highly reliable measures. Thus, for e.g. if we are measuring the students' aptitude test, the SAT tend to be more reliable than counselor rating.

Validity

Validity is the extent to which the technique measures the intended knowledge, skill, or ability. In this context, for the selection process, it is the extent to which scores on a test or interview correspond to actual job performance.

Generalizability

Generalizability is defined as the degree to which the validity of a selection method established in one context can be extended to another.

Utility

Utility is the degree to which the information provided by selection methods enhances the bottom-line effectiveness of the organization.

Legality

All selection methods should conform to existing laws and existing legal precedents.

Selection Tools

Letter of Recommendation

Letters of Recommendation can be an indicative tool that can increase the validity of the selection process. Assessment should be made in terms of the traits the letter writer attribute to the job candidate.

Application Form

Organizations often used application forms as screening devices to determine if a candidate satisfies minimum job specifications, particularly for entry-level jobs like academicians.
What information does an application carries? Basically personal biodata, education and experiences.

Types of Selection Methods

There are several methods of selecting the right candidate for the position.

Interviews

Selection interview is defined as a dialogue initiated by one or more persons to gather information and evaluate the qualifications of an applicant for employment. It is the most widely used selection method, although some research suggests it can be low in terms of reliability and validity. Interviews are relatively costly because it requires at least one person to interview another person, and these persons have to be brought to the same geographical location.

To overcome some of the problems, HR staff should keep the interview structured, standardized, and focused on accomplishing a small number of goals. Asked questions that are likely to arise as a result of the job to be done.

References and Biographical Data

References and biographical data gathers background information on candidates. These techniques are, at best, weak predictors of future job success. References typically are very positive since only those who the applicant know will give a good reference, and there is a fear of being sued for libel if bad reference is given.

Evidence on the utility of biographical information is more positive, particularly for clerical and sales jobs. Information is typically gathered via questionnaires.

Physical Ability Tests (PAT)

PAT maybe relevant for predicting not only job performance but occupational injuries and disabilities as well. The criterion-related validities for these kinds of tests for certain jobs are quite strong. There are two kinds of questions to ask in deciding whether these kinds of tests should be used. First, is the physical ability essential to performing the job and is it mentioned in the job description? Second, is there a probability that failure to adequately perform the job would result in some risk to the safety or health of the applicant, co-worker or client?

Cognitive Ability Tests (CAT)

CAT differentiate candidates on mental ability. Commercial tests are available that tend to be highly reliable and valid in predicting job performance. Although CAT tend to be more valid for complex jobs, generalizability across different jobs and their relatively low costs make them one of the most useful selection methods. The abilities that are most commonly assessed are the following:-

(a) Verbal comprehension – refers to ability to understand and used written and spoken language.
(b) Quantitative ability – involves speed and accuracy in solving mathematical problems.
(c) Reasoning ability – involves capacity to invent solutions to many different problems.

Personality Inventories

PI categorize individuals by their personality characteristics. Common dimensions assessed are extroversion, adjustment, agreeableness, conscientiousness, and inquisitiveness.

Work Sample

Work sample test and job performance test attempt to stimulate the job in miniaturized form. Work sample such as typing test, are job specific and tend to be high in criterion-related and content validity and low in adverse impact. The drawbacks are that generalizability tends to be low, and they are relatively expensive to develop.

Honesty and Drug Tests

Honesty test attempts to assess the likelihood that employees will steal. These kind of tests are obvious for organizations like financial institutions, banking, retail shops, toll centers etc.

Drug-use tests tend to be reliable and valid, particularly when the screening tests are followed with 'confirmation' tests.

TOPIC SEVEN

TRAINING AND DEVELOPING EMPLOYEES

Human Resource Development

A planned, continuous effort by management to improve employee competency level and organizational performance through training, education and development programmes.

Definition of Training and Development

Training is the process of providing employees with specific skills or helping them correct deficiencies in their performance. Training can be in form of formal or informal activities which are job-related, practical and competence-based in nature intended to enable a person to perform tasks and responsibilities satisfactorily in specific organizational-setting (Khairul, 1997).

Development is seen as organizational effort to provide employees with the abilities that the organization will need in the future. The focus of development is on long term to help employees prepare for future work demands. Part of the development process of employees is the continuous education or learning.

Education is the acquisition of broad knowledge through formal structured teaching that probably leads to paper qualifications which is cognitive and analytical in nature that prepares an individual for organizational practice. (Khairul, 1997).

Key Distinct Features of Training and Education

Criteria	*Training*	*Education*
Focus	Specific practical skills and Competence-based	Broad conceptual knowledge
Duration	Short – term	Long – term
Emphasis	Job-specific in nature	No specific task in focus
Application	Immediately	Could be immediate or Long –term
Offered By	Training institute	Academic institution

Continuous Learning

Continuous learning requires employees to understand the entire work system including the relationships among their jobs, their work units, and the company. A learning organization is one whose employees are continuously attempting to learn new things and apply what they have learnt to improve product or quality of service. Improvements do not stop when formal training is completed.

A learning organization is also a company that has an enhanced capacity to learn, adapt and change.

Why Training is Important?

Companies have used training as a ground to gain competitiveness. US companies are spending something like $59 billion on formal training which is only slightly more than 1 to 2 % of their payroll. Lack of training has been cited as to why US companies are losing market share to foreign competitors. However, some US MNCs like FEDex, Andersen Consulting, TI, GE are spending between 3 to 5% of their payroll on training.

There are four competitive challenges facing companies: global challenge, quality challenge, social challenge and high-performance work system challenge.

Global challenge involves expanding into global markets and preparing employees to work in foreign locations. Cross cultural training is important in order to prepare employees and their families for overseas assignments.

Quality challenge involves meeting customers, service and product needs. Companies have embarked on various quality programs like TQM, ISO 9000, Kaizen, 5'Ss, Quality Circles in view of improving the products, process and the people at work. Awards have been established by governments and other agencies in pursuit of organizational excellence performance.

Social challenge deals with how to manage diverse workforce and improving employees' reading, writing and math skills. In order to successfully manage diverse workforce, managers must trained their employees in a new set of skills including communications, coaching/mentoring, customer service etc.

The high-performance work system challenge involves integrating new technologies and work design. New technology often results in changes in skill requirements and this in turn requires redesigning work structures. For e.g. computer-integrated manufacturing uses robots and computers to automate the manufacturing process. As a result, some of the work need to be merged into one position. Managers on the other hand, need to learn how to empower some of the their tasks to the subordinates.

Training Process

Instructional design process refers to systematic approach to developing training programs. There are six steps of this process, which emphasizes that effective training practices involve more than just choosing the most popular and colorful training method.

1. Conducting Needs Assessment
   - Organizational analysis
   - Task analysis
   - Person analysis

2. Ensuring Employees' Readiness for Training
   - Attitude and motivation
   - Basic skills

3. Creating a Learning Environment
   - Identify learning objectives
   - Feedback
   - Observation on others

4. Ensuring Transfer of Training
   - Self-management strategies
   - Peer and management support

5. Selecting Training Methods
   - On-Job
   - Off-Job
   - Outdoor activities

6. Evaluating Training Programs
   - Identify training outcome and evaluation design
   - Cost-benefit analysis

Step 1 is to conduct training needs assessment. This involves identifying where training is needed in the organization.

Organizational Analysis

Company needs to study the business strategy in gaining the competitive advantage. Then the training strategy should be in parallel with the business plan. Training activity should be seen as a vital role in enhancing organizational performance. Some indicators to answer this are as follows:-

- analyse organizational objectives and goals,
- identify what are the root causes to organization's not achieving its goals, for e.g. product defect, accidents, wastage, absenteeism, errorsand mistakes.

Refer to Table 7.3 regarding implications of business strategy for training.

Task Analysis

This the process of collecting, recording and interpreting information related to essential characteristics of individual jobs aimed to uncover the nature of the tasks performed, the working conditions, responsibilities and skills required.

It is a statement of an employee's work activity in a specific job. There are four steps to conducting tasks analysis:-

a. Select the job(s) to be analysed.
b. Develop preliminary lists of tasks performed on the job.
c. Validate or confirm the preliminary list of tasks.
d. Identify the ska necessary to successfully perform the task.

Performance standard can be used to assess specific job requirements.

Person Analysis

This assesses the actual level of performance by an individual employee, which then is measured against the standard level of performance which stemmed from the organizational and task analysis.

- Appraise how ell the individual employee is performing the specific job;
- Determine what skills, knowledge and attitude required for the individual to perform the job satisfactorily;
- Performance appraisal can be used as information bank to identify the weaknesses and strengths of individual.

Step 2 is ensuring employees' readiness for training. Readiness for training refers to whether (1) employees have the personal characteristics necessary to learn program content and apply it to the job and (2) the work environment will facilitate learning.

Self-efficacy is the employees' belief that they can successfully learn the content of the training program. Ensure that the work environment is conducive for trainees' to practice what they have learnt.

Step 3 is create learning environment. Learning is defined as a permanent change in behaviour.

Employees need to know why they should learn. Employees learn best when they understand the objective of the training program. A training objective should constitute three components:-

(i) A statement of what the employee is expected to do (performance).
(ii) A statement of quality or level of performance that is expected (criterion).
(iii) A statement of the conditions under which the trainee is expected to perform the desired outcome (condition).

Step 4 is transfer of training which refers to the use of knowledge, skills, and behaviour learned in training on the job. Transfer of training is influenced by the climate of transfer, manager support, peer support, opportunity to use learned capabilities, technology support, and self-management skills.

Step 5 is selecting the training methods. There are two training methods : on-job training and off-job training. On-job training refers to training conducted pertaining to improving one's skills or knowledge about his job assignment. OJT takes various forms, including apprenticeship.

Off-job training refers to training conducted outside job environment for e.g. classroom, simulation, business games.

Outdoor activities are for individual development which include adventure learning, teambuilding exercise, and action learning.

The final step is evaluating training outcomes. Results are used to determine the training program payoff. Determining the ROTI is important because:

- company can determine program weaknesses and strengths;
- compare costs benefit from training
- assess whether training content contribute to learning.

Cost benefit analysis is the process of determining the economic benefits of a training program using accounting methods. The basic ROTI formula:

$$\text{ROTI (\%)} = \frac{\text{Net program benefits}}{\text{Program costs}} \times 100$$

Extended Chapter Outline

Note: Key terms appear in boldface and are listed in the "Chapter Vocabulary' section.

Opening Vignette: Learning Isn't Perishable at Wegmans Food Markets

Wegmans Food markets competitive strategy of learning has successfully differentiated them from their competitors. Employees are put through a reigorous training program composed of classroom training and hands-on-training to have the most knowledgable workforce in the industry. The company measures their return on investment in human capital based upon whether their company is being successful. This philosophy is a contributing factor of why *Fortune* Magazine was ranked them number 3 on the "100 best companies to work for" in 2006.

I. Introduction

A. The opening case study illustrates how companies use continuous learning to support their business strategy and gain competitive advantage. Besides helping employees learn job skills, training helps the company retain and motivate employees. From the company's perspective, training is strategic for business goals related to human resources as well as productivity, customer service, and motivation.

B. Training can:
- Increase employees' knowledge of foreign competitors and cultures,
- Help ensure that employees have the basic skills to work with new technology,
- Help employees understand how to work effectively in teams to contribute to product and service quality.
- Ensure that the company's culture emphasizes innovation, creativity, and learning.
- Ensure employment security by providing new ways for employees to contribute to the company when their jobs change, their interests change, or their skills become obsolete.
- Prepare employees to accept and work more effectively with each other, particularly with minorities and women.

II. High-Leverage Training Strategy: A Systematic Approach

A. In general, **training** refers to a planned effort by a company to facilitate the learning of job-related knowledge, skills, or behavior by employees.

High-leverage training is links training to strategic business goals, has top management support, relies on an instructional design model, and is benchmarked to programs in other organizations.

B. **Continuous learning** is a learning system that requires employees to understand the entire work process and expects them to acquire new skills, apply them on the job, and share what they have learned with other employees.

Example: Johnsonville Foods, an example of continuous learning, gives each employee $100 every year to spend on any type of development activity, work or non-work related.

III. Designing Effective Training Activities—The **training design process** refers to a systematic approach for developing training programs (text Table 7.1).

A. Needs assessment—**Needs assessment** refers to the process used to determine if training is necessary. There are often pressure points that may suggest that training is necessary (text Figure 7.2). A needs assessment usually involves organizational analysis, person analysis, and task analysis.

1. **Organizational analysis** involves determining the business appropriateness of training

a. Support of Managers and Peers—The key factors to success are a positive attitude among peers and managers about participation in training activities, willingness to tell trainees how they can more effectively use knowledge, skills, or behaviors learned in training on the job, and the availability of opportunities for the trainees to use training content in their jobs.

b. Company Strategy—Business strategy is important for a company to gain a competitive advantage.

- The business strategy of the firm has a major impact on the appropriate training practices for that firm (text Table 7.2).
- **Strategic training and development initiatives** are learning related actions that a company should take to achieve its business strategy.

Example: SunU, the training and development organization of Sun Microsystems realigned its training philosophy and types of training conducted to be more linked to Sun's strategy of internal growth.

c. Training Resources

- It is necessary to identify whether the company has the budget, time, and expertise for training.
- A company may use internal consultants or external consultants for training.

Example: Most of Arthur Andersen's courses for continual professional development are taught by experienced people from line operations. The company also has a division called the Andersen Professional Education Division, which handles its training design, development, and curriculum planning and provides training support.

- Companies can identify outside consultants and vendors who can provide training services by using requests for proposals (RFP). Managers need to evaluate outside consultants on several dimensions before selecting one. (See Text Table 7.3)

- A **request for proposal (RFP)** is a document that outlines for potential vendors and consultants the type of service the company is seeking, references needed, number of employees who should be trained, project funding, the follow-up process, expected completion date, and the date when proposals must be recieved by the company.

2. **Person analysis** helps the manager identify whether training is appropriate and which employees need training. When a problem, such as a performance deficiency, is identified, it is often unclear whether training is the solution.

   a. **Person characteristics** refer to the eomployee's knowledge, skill, ability, and attitudes.

   b. **Input** relates to the instructions that tell employees what, how, and when to perform; also the support they are given to help them to perform.

   c. **Output** refers to the job's performance standards.

   d. **Consequences** are the incentives employees receive for performing well.

   e. **Feedback** is the information that employees receive while they are performing concerning how well they are meeting objectives.

   f. From the manager's perspective, training should be considered if any of the following is true:

      - The performance problem is important and has the potential to cost the company a significant amount of money from lost productivity or customers.
      - Employees do not know how to perform effectively.
      - Employees cannot demonstrate the correct knowledge or behavior.
      - Performance expectations are clear (input) and there are no obstacles to performance.
      - There are positive consequences for good performance, whereas poor performance is not rewarded.
      - Employees receive timely, relevant, accurate, constructive, and specific feedback.
      - Other solutions are too expensive or unrealistic.

3. Task analysis identifies the conditions in which tasks are performed. A job is a specific position requiring the completion of specific tasks. A task is a statement of an employee's work activity in a specific job.

A task analysis involves four steps:

a. Selecting the job(s) to be analyzed.

b. Develope a preliminary list of tasks performed on the job by interviewing and observing expert employees and their managers and talking with others who have performed a task analysis.

c. Validate or confirm the preliminary list of tasks (text Table 7.4).

d. Identify the knowledge, skills, or abilities necessary to successfully perform each task.

4. Example of a Task Analysis—Each of the four steps of a task analysis can be seen in this example in the text from a utility firm.

B. Ensuring Employees' Readiness for Training—**Motivation to learn** is the desire of the trainee to learn the content of the training program. Managers can ensure this motivation by ensuring the following:

1. **Self-efficacy** is the employees' belief that they can successfully learn the content of the training program. Managers can increase employees' self-efficacy level by:

a. Letting employees know that the purpose of training is to try to improve performance, rather than to identify areas which employees are incompetent.

b. Providing as much information as possible about the training program and purpose of training prior to the actual training.

c. Showing employees the training success of their peers who are now in similar jobs.

d. Providing employees with feedback that learning is under their control and they have the ability and the responsibility to overcome any learning difficulties they experience in the program.

2. Understanding the Benefits of or Consequences of Training— Employees' motivation to learn can be enhanced by communicating to them the potential job-related, personal, and career benefits they may recieve as a result of attending the training program.

3. Awareness of Training Needs, Career Interest, and Goals— To be motivated to learn in training programs, employees must be aware of their skill strengths and weaknesses and of the link between the training program and improvement of their weaknesses.

4. Work Environment Characteristics—Two critical determinants of motivation to learn are situational constraints and social support.

   a. Situational constraints include lack of proper tools and equipment, materials and supplies, budgetary support, and time.

   b. Social support refers to managers' and peers' willingness to provide feedback and reinforcement.

   c. To ensure that the work environment enhances trainees' motivation to learn, managers need to:

      - Provide materials, time, job-related information, and other work aids necessary for employees to use new skills or behavior before participating in traning programs.
      - Speak positively about the company's training programs to employees.
      - Let employees know they are doing a good job when they use training content in their work.
      - Encourage work group members to involve each other in trying to use new skills on the job by soliciting feedback and sharing training experiences and situations in which training content was helpful.
      - Give employees time and opportunities to practice and apply new skills or behaviors to their work.

5. **Basic skills** are reading, writing, and communication skills needed to understand content of a training program.

   Example: The Brenlin Group has on-site learning centers designed to bring employees to a minimum eighth-grade reading and math level. Magnavox developed several classes to improve basic skills after learning that 52 percent of its hourly employees were functionally illiterate in reading.

   a. Managers need to conduct a literacy audit to determine employees' basic skill levels (text Table 7.5).

   b. **Cognitive ability** includes three dimensions: verbal comprehension, quantitative ability, and reasoning ability. Verbal comprehension refers to the person's capacity to understand and use written and spoken language. Quantitative ability refers speed and accuracy in solving math problems. Reasoning ability refers to the person's logic in solving problems.

   c. Managers should be sure the **readability** (the difficulty level of written material) of training material does not exceed that required by the job. A readability assessment usually involves analysis of sentence length and word difficulty.

Competing Through Sustainability

Capitalizing on Local Talent

Companies and workers benefit from training partnerships that prepare economically disadvantaged workers.

C. Creating a Learning Environment—For employees to acquire knowledge and skills in the training program and to apply this information in their jobs, the training program must to include specific learning principles (see Table 7.6).

   1. Employees need to know why they should learn.

      a. Training objectives based on the training needs analysis help employees understand why they need training.

   2. Employees need meaningful training content.

3. Employees need to have opportunities for practice.

4. Employees need feedback.

5. Employees learn by observing, experiencing, and interacting with others. One way employees learn by observing others is with behavior-modeling techniques, discussed later in this chapter.

   a. **Communities of practice** refer to groups of employees who work together, learn from each other, and develop a common understanding of how to get work accomplished.

6. Employees need the training program to be properly coordinated and arranged.

7. Employees need to commit training content to memory.

D. Ensuring Transfer of Training—**Transfer of training** refers to the use of knowledge, skills, and behaviors learned in training on the job.

1. Transfer of training is influenced by the climate for transfer, manager support, peer support, opportunity to use learned capabilities, technology support, and self-management skills (text Figure 7.5).

2. **Climate for transfer** refers to trainees' perceptions of characteristics of the work environment (social support and situational constraints) that can either facilitate or inhibit use of trained skills or behavior.

3. Manager support refers to the degree to which trainees' managers (1) emphasize the importance of attending training programs and (2) stress the application of training content to the job. Managers also facilitate transfer through reinforcement (use of action plans). An action plan is a document summarizing what the trainee and manager will do to ensure that training transfers to the job. The action plan identifies (1) a goal identifying what training content will be used and how it will be used (project, problem), (2) strategies for reaching the goal, including resources needed, (3) strategies for getting feedback (such as meeting with the manager), and (4) expected outcome (what will be different?). (See Table 7.7 in the text)

4. Peer support—Transfer of training can also be enhanced by creating a support network among the trainees. A **support network** is a group of two or more trainees who agree to meet and discuss their progress in using learned capabilities on the job.

5. Opportunity to use learned capabilities –**Opportunity to perform** refers to the extent to which the trainee is provided with or actively seeks experience with newly learned knowledge, skills, or behaviors. Opportunity to perform is influenced by both work environment and trainee motivation.

6. Technological support—**Electronic performance support systems (EPSSs)** are computer applications that can provide (as requested) skills training, information access, and expert advice. **Knowledge management** is a process of enhancing company performance by designing and using tools, systems, and cultures to improve creation, sharing and use of knowledge.

7. Self-management skills—Training programs should prepare employees to self-manage their use of new skills and behaviors on the job.

E. Selecting Training Methods—Survey results indicate that instructor-led classroom, workbooks and manuals, and videos are the most frequently used training methods (Figure 7.6).

Example: U.S. companies must carefully consider whether the training methods they use in domestic facilities are appropriate for overseas operations. For example, Asian and Arab employees prefer demonstrations rather than role-playing. Johnson Wax decided not to deliver a teamwork course in Brazil because the culture strongly emphasizes teamwork and the employees would be insulted.

1. **Presentation Methods** refer to methods in which trainees are passive recipients of information.

   a. Instructor-Led Classroom Instruction

      - Classroom instruction typically involves having the trainer lecture a group of trainees. The lecture is often supplemented with questions and answers.
      - It is one of the least expensive, least time-consuming ways to present information on a specific topic to many trainees.

      - The more active the participation, job-related examples, and exercises that the instructor can build into the classroom instruction, the more likely trainees will learn and transfer the training to their jobs.

   b. Distance learning features two-way communications between people. It includes audioconferencing, videoconferencing, and docuconferencing (this allows employees to collaborate on a shared document via computers).

      - **Teleconfroncing** refers to the synchronous exhange of audio, video, or text between individuals or groups at two or more locations.
      - An advantage of teleconferencing is that the company can save on travel costs.
      - The major disadvantage is the potential lack of interaction between the trainer and the trainees. That's why a two-way communication link is so important as well as on-site instructors or facilitators.
      - **Webcasting** refers to the classroom instruction provided online via live broadcasts.

   c. Audiovisual Techniques

      - Audiovisual instruction includes overheads, slides, and video. Video is the most popular.
      - Video has the advantages of allowing the trainer to vary the speed of the presentation, show situations that cannot be easily demonstrated, provide trainees with consistent instruction, and allow trainees to observe themselves.

d. Mobile Technologies: iPods and PDAs

- Mobile technology allow training and learning to occur naturally throughout the workday or at home.

1. **Hands-on methods** include on-the-job training, simulations, business games and case studies, behavior modeling, interactive video, and Web-based training. These methods are ideal for developing specific skills understanding how skills and behaviors can be transferred to the job, experiencing all aspects of completing a task, and dealing with interpersonal issues that arise on the job.

a. **On-the-Job Training (OJT)** involves peers or managers training new or inexperienced employees who learn the job by oberservation, understanding and imitation.

1. OJT can be useful for training newly hired employees, upgrading the skills of experienced employees when new technology is introduced, cross-training employees within a department or work unit, and orienting transferred or promoted employees to their new jobs.

2. OJT takes various forms, including apprenticeships and directed training programs.

b. **Self-directed learning** involves having employees take responsibility for all aspects of learning.

c. **Apprenticeship** is a work-study training method with both on-the-job training and classroom training. To qualify as a registered apprenticeship program under state or federal guidelines, at least 144 hours of classroom instruction and 2,000 hours, or one year, of on-the-job experience are required.

1. Apprenticeships can be sponsored by individual companies or by groups of companies cooperating with a union.

2. The majority of apprenticeship programs are in the skilled trades.

3. One of the major advantages of an apprenticeship program is that learners have the opportunity to earn pay while they learn.

4. One disadvantage of apprenticeship programs is limited for minorities and women. There is no guarantee jobs will be available after the program is completed. Also, apprenticeship programs prepare trainers who are well trained in one craft or occupation.

d. A **simulation** is a training method that represents a real-life situation allowing trainees to see the outcomes of their decisions in an artifical environment.

1. Simulations allow trainees to see the impact of their decisions in an artificial, risk-free environment and are used to teach production and process skills as well as management and interpersonal skills.

2. **Avatars** are computer depictions of humans that can be used as imaginary coaches, co-workers, and customers in simulations.

3. A recent development in simulations is the use of virtual reality technology. Virtual reality is a computer-based technology that provides trainees with a three-dimensional learning experience. Using specialized equipment or viewing the virtual model on the computer screen, trainees move through the simulated environment and interact with its components.

   Example: Motorola has begun preliminary testing on using virtual reality (VR) training purposes. Programmers created a computer model replicating an assembly line and its activities. Through VR, the sights and sounds of the assembly line were recreated. Employees trained via VR technology have scored consistently higher on skills tests than those trained by traditional methods.

e. Business Games and Case Studies—Situations that trainees study and discuss (case studies) and business games in which trainees must gather information, analyze it, and make decisions are primarily used for management skill development.

f. Behavior Modeling

1. Research suggests that behavior modeling is one of the most effective techniques for teaching interpersonal skills.

2. Each training session, which typiccally lasts four hours, focuses on one interpersonal skill, such as coaching or communicating ideas.

g. Interactive Video—Interactive video combines the advantages of video and computer-based instruction.

1. With interactive video, instruction is provided one-on-one to trainees via a personal computer. Trainees use the keyboard or touch the monitor to interact with the program.

   Example: The UAW-GM Human Resource Health & Safety Training Center in Madison Heights, Michigan, uses interactive videos in its various training classes, such as the safe operation of a forklift and robotics equipment.

2. Interactive video is used to teach technical procedures and interpersonal skills.

3. The training is consistent and is easy to update so as to ensure it is current.

4. The main disadvantage is the high cost of developing the courseware.

h. **E-learning** refers to training that is delivered on public (Internet) or private computer networks (Intranets) and displayed by a Web browser. Web-based training supports virtual reality, animation, interactions, communications between trainees, and real-time audio and video. Web-based training has advantages similar to other multimedia methods (Figure 7.7).

1. **Repurposing** refers to directly translating an instructor-led, face-to-face training program online.

2. **Learner control** refers to the ability of trainees to actively learn through self-pacing, exercises, exploring links to other material, and conversations with other trainees and experts.

i. Blended learning – Many companies are moving to hybrid, or a blended learning approach because of: (1) the limitations of online learning related to technology, (2) trainee preference for face-to-face contact with instructors and other learners, and (3) employees' inability to find unscheduled time during their workday to devote to learning from their desktops.

j. **Learning management systems (LMS)** is a technolgy platform that automates the administration, development, and deleviry of a company's training program.

k. **Group- or team-building methods** help trainees share ideas and experiences, build group identity, understand the dynamics of interpersonal relationships, and get to know their own strengths and weaknesses and those of their co-workers.

Competing Through Technology

A Blended Approach to Learning May Be Most Beneficial

Many companies are using face-to-face instruction and technology-based training together in a blended learning approach. For example, Express Personnel Services, utilizes online material to train managers about hiring principles and then has classroom instructions to teach them how to apply those skills.

l. **Adventure learning** focuses on the development of teamwork and leadership skills using structured outdoor activities.

1. It is best suited for developing skills related to group effectiveness such as self-awareness, problem solving, conflict management, and risk taking.

2. For adventure learning to be successful, the exercises should be related to the types of skills that participants are expected to develop. After the exercises a skilled facilitator should lead a discussion about what happened in the exercise, what was learned, and how to set goals and apply what was learned on the job.

3. The physically demanding nature of adventure learning and the requirements that trainees often have to touch each other in the exercises may increase the company's risk for negligence claims due to personal injury, intentional infliction of emotional distress, and invasion of privacy. Also the ADA raises questions about requiring employees with disabilities to participate in physically demanding experiences.

m. Team training involves coordinating the performance of individuals who work together to achieve a common goal.

1. **Cross-training** involves having team members understand and practice each other's skills so that members are prepared to step in and take another member's place should he temporarily or permanently leave the team.

2. **Coordination training** involves training the team in how to share information and decisions.

3. **Team leader training** refers to training that the team manager or facilitator.

n. **Action learning** involves giving teams working on an actual business problem, commit to an action plan, and are accountable for carrying out the plan.

- **Six Sigma Training** provides employees with measurement and statistical tools to help reduce defects and to cut costs.

F. Advice for Choosing a Training Method

1. **Training outcomes** can be classified into four broad categories: cognitive, skill-based, affective, results, and return on investment (Table 7.9).

a. Cognitive, or learning, outcomes measure acquisition of knowledge through paper and pencil tests or work samples.

Example: Safety rules, Electrical principles, Steps in appraisal interview.

b. Skill-based, or behavior, outcomes measure skills and behaviors through observation, work samples, or ratings.

Example: Jigsaw use, Listening skills, Coaching skills, Airplane landings,

c. Affective outcomes measureattitudes, reaction to a program, and motivation through interviews, focus groups, and attitude surveys.

Example: Satisfaction with training, Beliefs regarding other cultures.

d. Results outcomes measure company payoff through observation, and data from information system or performance records.

Example: Absenteeism, accidents, patents.

e. Return on investment (ROI) measures economic value of training through identification and comparison of costs and benefits of the program.

Example: Dollars

2. Reasons for Evaluating Training

a. To identify the program's strengths and weaknesses.

b. To assess whether the content, organization, and administration of the program contribute to learning and the use of training content on the job.

c. To identify which trainees benefited most or least from the program.

d. To gather marketing data by asking participants whether they would recommend the program to others, why they attended the program, and their level of satisfaction with the program

e. To determine the financial benefits and costs of the program.

f. To compare the costs and benefits of training to nontraining investments.

g. To complete the costs and benefits of different training programs to choose the best program.

3. Evaluation Designs

a. Factors to consider in choosing an evaluation design include the size of the training program, purpose, and the implications if a training program does not work. Other factors include the company norms regarding evaluation, costs of designing and conducting an evaluation, and the need for speed in obtaining program effectiveness information.

4. Determining Return on Investment—**Cost-benefit analysis** is the process of determining the economic benefits of a training program using accounting methods.

a. Determining Costs—Training costs include direct and indirect costs.

b. Determining Benefits—To identify the potential benefits of training, the company must review the original reasons for the training.

c. Making the Analysis—A cost-benefit analysis is best explained by an example.

IV. Special Training Issues -- Cross-cultural Preparation

- **Cross-cultural preparation** involves educating employees (and their families) who are given an assignment in a foreign country.

- An **expatriate** is an employee sent by his or her company to manage operations in a different country.

A. Steps in Cross-Cultural Preparation

To be successful in overseas assignments, expatriates need to be:
- Competent in their area of expertise
- Able to communicate verbally and nonverbally in the host country.
- Flexible, tolerant of ambiguity, and sensitive to cultural differences.
- Motivated to succeed, able to enjoy the challenge of working in other countries, and willing to learn about the host country's culture, language, and customs.
- Supported by their families.

B. Three phases of Cross-cultural preparation

1. In the predeparture phase, employees need to receive language training and an orientation to the new country's culture and customs. It is critical that the family be included in the orientation programs.

   a. Cross-cultural training methods range from presentational techniques, such as lectures, to actual experiences in the home country in culturally diverse communities.

2. On-site training involves continued orientation to the host country and its customs and cultures through formal programs or through a mentoring relationship.

3. **Repatriation** prepares expatriates for return to the parent company and country from a foreign assignment. Expatriates and their families are likely to experience high levels of stress and anxiety when they return because of the changes that have occurred since their departure.

Competing Through Globalization

Language Training Helps World Business

Although English is the common language, failing to speak the native language can cause employees to risk being misinterpreted or fail to understand informal conversations. As a result, many businesses offer language classes for employees during the predeparture phase.

V. Managing Workforce Diversity

A. **Managing diversity** involves creating an environment that allows all employees to contribute to organizational goals and experience personal growth.

B. Managing Diversity through Adherence to Legislation – One approach to managing diversity is through affirmative action policies and by making sure that human resource practices meet standards of equal employment opportunity laws. This approach rarely results in changes in employees' values, stereotypes, and behaviors that inhibit productivity and personal development Figure 7.8 in the text).

C. To successfully manage a diverse work force, companies need to ensure that:

- Employees understand how their values and stereotypes influence their behavior toward others of different gender, ethnic, racial, or religious backgrounds.
- Employees gain an appreciation of cultural differences among themselves.
- Behaviors that isolate or intimidate minority group member improve.

1. **Diversity training** refers to training designed to change employee attitudes about diversity and/or developing skills needed to work with a diverse work force.

2. **Attitude awareness and change programs** focus on increasing employees' awareness of differences in cultural and ethnic backgrounds, physical characteristics, and personal characteristics that influence behavior toward others.

   a. Many of these programs use videotapes and experiential exercises to increase employees' awareness of the negative emotional and performance effects of stereotypes, values, and behaviors on minority group members.

   b. Criticisms of this approach:

      - First, by focusing on group differences, the program may communicate that certain stereotypes and attitudes are valid.
      - Second, encouraging employees to share their attitudes, feelings, and stereotypes toward certain groups may cause employees to feel guilty, angry, and less likely to see the similarities among racial, ethnic, or gender groups and the advantages of working together.

3. **Behavior based programs** focus on changing the organizational policies and individual behaviors that inhibit employees' personal growth and productivity.

   a. One approach of these programs is to identify incidents that discourage employees from working up to their potential.

   b. Another approach is to teach managers and employees basic rules of behavior in the workplace.

   c. A third approach is **cultural immersion** which refers to the process of sending employees directly into communities where they have to interact with persons from different cultures, races, and nationalities.

D. Characteristics of Successful Diversity Efforts

Increasing evidence shows that attitude awareness programs are ineffective and that one-time diversity training programs are unlikely to succeed. Table 7.11 in the text shows the characteristics associated with the long-term success of diversity programs.

VI. Socialization and Orientation—**Organizational Socialization** refers to the process used to transform new employees into effective company members.

A. Through **anticipatory socialization,** expectations about the company, job, working conditions, and interpersonal relationships are developed.

B. The **encounter phase** occurs when the employee begins a new job. Now matter how realistic the information they were provided during interviews and site visits, individuals beginning new jobs will experience shock and surprise.

C. In the **settling-in phase,** employees begin to feel comfortable with their job demands and social relationships.

D. Orientation programs play an important role in socializing employees. Orientation involves familiarizing new employees with company rules, policies, and procedures (text Table 7.13).

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MAXIMIZING E-LEARNING TO TRAIN THE 21ST CENTURY WORKFORCE

Contents

Advances in technology have created an environment for a learning revolution. In the digital economy, technology enabled learning or e-learning is becoming an integral part of a larger system of practices and policies designed to prepare and support a high skilled workforce. The power of e-learning comes from the opportunity to leverage technology and information to alter the basic tenets of learning by eliminating the one-size fits all approach to instruction and customizing content to meet individual needs and learning styles.

Because e-learning has the potential to significantly improve workforce development, the American Society for Training and Development (ASTD) and the National Governors' Association (NGA) convened leaders from business, government, and education to examine how e-learning can equip workers with the skills needed to succeed. The culmination of this effort is outlined in A Vision of E-Learning for America's Workforce. The report makes the social and economic case for creating a sustainable e-learning environment for America's workforce and identifies priority areas for action for the public and private sectors to implement jointly.

Why E-learning?

The digital economy places a premium on new business models, customization, and innovation. To guarantee success in this environment, individuals and organizations must remain flexible, acquire new skills continuously, and identify new ways of managing knowledge and information. Although technology is driving much of the change in business and work environments, it also serves as a key tool for keeping pace with rapid change.

The benefits of e-learning--defined as instructional content or learning experiences delivered or enabled by electronic technology--rely on the

E-learning stands for...

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dynamic relationship that links learning, people, and organizational performance. There is a strong economic incentive for business to embrace e-learning. High quality e-learning can improve speed to capability by significantly reducing the amount of time it takes to train workers on new products and processes. According to Fortune Magazine, training that typically would take 6 to 9 months can be compressed to 2 to 3 weeks, thereby guaranteeing faster time-to market for products.

Additionally, e-learning can reduce the costs of workplace training. After the initial infrastructure and development costs are met, the marginal cost of serving additional students is close to zero. For example, Cisco Systems' e-learning manufacturing programs have produced savings of $1 million per quarter, producing an 80 percent increase in speed to competence.

Economic considerations are not the sole reason for embracing e-learning. At a time when public concern persists about the economic disparities among different segments of the population, e-learning holds the potential to diminish the skills and income gaps by expanding just-in-time access to high-quality training opportunities. This in turn can contribute to income growth at all levels.

E-learning stands for...

Through e-learning, there are several ways in which individuals accumulate and transfer knowledge and information. Functionally, it includes diverse learning strategies and technologies, from CD-ROMs and computer-based instruction to video conferencing, satellite-delivered learning, and virtual educational networks. E-learning is not limited to web-based instruction or distance learning,

A Vision of E-Learning for America's Workforce

E-learning can help create unprecedented opportunity, productivity, and prosperity for individuals and organizations. However, it is not a panacea for addressing the continuous challenge of increasing the performance and capabilities of the workforce.

In order maximize the potential of e-learning, a range of actions must be undertaken that include leadership from the public and private sectors, ongoing promotion about advances in the field, and broad reforms in education polices to eliminate the barriers to using e-learning. Toward this end, the vision outlined in the report describes the optimum e-learning environment that should be achieved.

The Vision [1]

• "Learning is geared to the needs and interests of the individual learning and is integrated into virtually all aspects of the individual's work and life.

• Control of the learning process shifts from institutions to individuals, who assume greater responsibility for developing their skills and knowledge.

• Technology that supports e-learning makes it possible to customize and personalize content and delivery to match individual learning styles, experience, and skills.

• Learning is a continuous process of inquiry that keeps pace with the speed of change in business and society, rather than generic instruction based on set curricula.

• New means of assessing and certifying learning results replace traditional, clock-hour measures, providing secure and reliable systems for recording and capturing what an individual knows and is able to do.

• An 'open design process' allows individuals to take full advantage of a borderless, technology-rich delivery environment and access high-quality learning content.

• Cross-state and cross-sector partnerships assure the proper level of investment in, and attention to, promoting new learning strategies, takeing successful practices to scale, and accelerating the speed of needed changes.

• Information about successful and innovative e-learning practices is widely shared and informs the development and implementation of new programs and policies.

• E-learning is driven by market forces, including individual decision-making and consumer choice, rather than by institutional interests.

• E-learning is embedded in a system of other practices and policies designed to broaden individual opportunity and create economic competitiveness."

To achieve this vision, three priority areas are identified--quality, assessment and certification, and equitable access. For each area, specific recommendations are outlined. While the recommendations require collaboration from both the public and private sectors, they are directed to the nation's governors and corporate CEOs. These are two groups that can play a critical role in leveraging e-learning's potential as a cornerstone of individual, organizational, and community success.

"Create the highest-quality e-learning experiences possible [2]

Rapid growth in distance learning, technology-enabled assessment and the increasingly diversified and expanded public-private adult learning marketplace requires us to develop new strategies for assuring quality and protecting consumers. Important priorities for the public and private sectors include: providing reliable and universally accessible quality information for consumers; developing quality assurance mechanisms; ensuring that learners have the support they need to make the right decision about their e-learning options; and developing policies and practices to ensure privacy."

Monster.com has recognized the need to offer learning tools and career development information by recently launching MonsterLearning. This new venture is an online repository of information to help individuals manage their careers. MonsterLearning Search is a tool that provides free access to a range of learning opportunities, including online and classroom courses. Searches can be conducted by subject, courses, certifications, and delivery methods.

"Implement new measures and methods for assessing and certifying what individuals know and are able to do.

Traditional, institution-based approaches to assessment and certification are not well suited to an e-learning world in which the focus turns from a record of classes taken and degrees received, to measures of what an individual actually knows and is able to do. As a result, private and public sector leaders need to take steps to create new approaches such as: developing and promoting outcome-based assessments of learning results and creating an electronic system for tracking those results. " At General Motors University Online, employees can create individual development plans, track their individual training histories, and use Web-based tools to align their training with development plans in 16 functional areas of the company. GMU is serving 88,000 managerial, professional, and technical employees globally. "For every $1 of e-learning that the company adds, it estimates that it saves $2 for traditional class-room tuition, and another $1 for travel time or lost personnel time." [3]

"Ensure broad and equitable access to e-learning opportunities.

Challenges remain in building the infrastructure for e-learning, which includes high-speed telecommunications and connectivity for individuals and communities. It also consists of high-quality software and curricula that contributes to effective e-learning.

In areas from supporting the development of common technical standards to promoting broader access in undeserved communities, government and business must play a leadership role in reducing the divide between the 'haves' and 'have nots' in America today by advancing the potential of quality e-learning."

The U.S. Department of Defense's Advanced Distribute Learning Initiative, first launched in January 2000, convened government, academia, and the private sector to develop an open architecture for online learning. The result of this collaboration is the Sharable Content Object Reference Model (SCORM). This model is a set of specifications providing a comprehensive suite of e-learning capabilities that enable interoperability, accessibility, and reuse of Web-based learning content.

The Road Ahead

These priority areas provide governors and CEOs with a roadmap for improving how individuals learn and acquire new skills through technology. Because of the enormity of the challenge, a collaborative approach is essential for building an e-learning future. As the e-learning environment continues to evolve, quality, assessment and certification, and equitable access are likely to evolve with it.

The challenge is to realize the full potential of e-learning as a driver of productivity and performance and to integrate it into organizational strategy and operations. For government, the challenge is to create a supportive policy environment that encourages access to e-learning.

Because e-learning offers increased opportunities for attaining and developing the skills necessary for good jobs and economic growth, building a successful e-learning future should be a priority in the public and private sectors. The cost-savings are real and the benefits are quantifiable. E-learning is not a panacea but its potential for broadening access to high-quality education and training is compelling.

Notes

1 A Vision of E-Learning for America's Workforce, Report of the Commission on Technology and Adult Learning, ASTD/NGA, June 2001, p. 14.

2 Ibid, p. 5.

3 E-Learning: Harnessing the Power of Knowledge to Maximize Corporate Profitability, Fortune, November 2001, p. s6.

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♦ CASE INCIDENT

What We Need Around Here Is Better Human Relations

Hank called his three highest-ranking managers together for a surprise luncheon meeting. "Have lunch on United Mutual," said Hank, "I have an important topic I want to bring to your attention."

After Madeline, Raymond, and Allen ordered lunch, Hank launched into the agenda:

"As office manager, I think we have to move into a rigorous human relations training and development program for our front-line supervisors. It's no longer a question of whether we should have a program, it's now a question of what kind and when."

Allen spoke out, "Okay, Hank, don't keep us in suspense any longer. What makes you think we need a human relations training program?"

"Look at the problems we are facing. Twenty-five percent turnover among the clerical and secretarial staffs; productivity lower than the casualty insurance industry national standards. What better reasons could anybody have for properly training our supervisory staff?"

Madeline commented, "Hold on Hank. Training may not be the answer. I think our high turnover and low productivity are caused by reasons beyond the control of supervision. Our wages are low and we expect our people to work in cramped, rather dismal office space."

Hank retorted, "Nonsense. A good supervisor can get workers to accept almost any working conditions. Training will fix that."

"Hank, I see another problem," said Allen. "Our supervisors are so overworked already that they will balk at training. If you hold the training on company time, they will say that they are falling behind in their work. If the training takes place after hours or on weekends, our supervisors will say that they are being taken advantage of."

"Nonsense," replied Hank. "Every supervisor realizes the importance of good human relations. Besides that, they will see it as a form of job enrichment."

"So long as we're having an open meeting, let me have my input," volunteered Raymond. "We are starting from the wrong end by having our first-line supervisors go through human relations training. It's our top management who needs the training the most. Unless they practice better human relations, you can't expect such behavior from our supervisors. How can you have a top management that is insensitive to people and a bottom management that is sensitive? The system just won't work."

"What you say makes some sense," said Hank, "but I wouldn't go so far as to say top management is insensitive to people. Maybe we can talk some more about the human relations program after lunch."

Questions

1. What do you think Hank means by "human relations training?"
2. Should Hank go ahead with his plans for the human relations training and development program? Why or why not?
3. What do you think of Raymond's comment that top management should participate in human relations training first?
4. What is your opinion of Hank's statement that good leadership can compensate for poor working conditions?
5. If you were in Hank's situation, would you try to get top management to participate in a human relations training program?
6. What type of training and development activities would you recommend for first-line supervision at United Mutual? How would you analyze the need for such a program?
7. What other factors could be causing the problems Hank refers to?

Source: Andrew J. Dubrin, *Human Relations: A Job Oriented Approach*, pp. 242–243. © 1978. Reprinted by permission of Prentice-Hall, Englewood Cliffs, N.J.

EXERCISE 8.3

Backwoods Mail Order Company*

Overview

HR professionals are often contacted by an organization to design and deliver a training program to meet a specific problem in the organization (e.g., declining productivity, increasing customer complaints). In some cases, the organization has already conducted a needs assessment and has some idea of what the specific problem is. The HR professional may be asked to review the needs assessment findings and design a training program to meet the specified needs or goals. This exercise provides you with information about a company and the needs assessment findings in order to design a training program.

Learning Objectives

After completing this exercise, you should be able to

1. Review results from a training needs assessment and design a training plan to address the needs, detailing training objectives, training techniques to use, and the length of training.
2. Outline an evaluation plan to assess the effectiveness of the training program.

Procedure

Part A: Individual Analysis

Step 1. Before coming to class, read Exhibit 8.3.1, which contains the background information on Backwoods Mail Order Company as well as information about the needs assessment that has already been conducted.

Step 2. Complete the questions found on Form 8.3.1.

Part B: Class Discussion and Small Group Analysis

Step 1. As a class, review responses to Form 8.3.1. Discuss the learning objectives of the training program, the training techniques to be used, the duration of the training, and the plan for evaluating the training.

Step 2. In groups, write out ideas for the types of questions that should be included in a reaction form of the training. Each group should draft its own reaction form and share the form with the class.

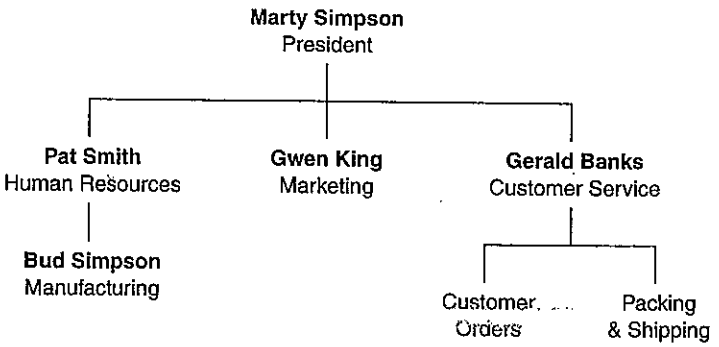
*Contributed by Steve Long.

EXHIBIT 8.3.1

BACKGROUND INFORMATION ON BACKWOODS MAIL ORDER COMPANY

Backwoods is a telephone and mail order company that specializes in camping supplies and outdoor clothing. Gerald Banks is the operating manager of Backwoods' customer service department. He is interested in training his 40 employees in the customer orders group to be more effective in filling customers' orders, more helpful in answering customer questions, and more polite in dealing with customer problems and complaints. To familiarize you with the company and the job of customer order representative, an organizational chart and job descri tion are provided below.

BACKWOODS ORGANIZATIONAL CHART



CUSTOMER SERVICE DIVISION

The customer service department consists of 40 employees and four supervisors in the customer orders group and 32 employees and three supervisors in the packing and shipping group. Employees are evenly divided into two shifts: a day shift (7 A.M. to 3 P.M.) and a night shift (3 P.M. to 11 P.M.). Employees in the customer orders group handle incoming calls from customers and record customers' orders on a central computer system that checks the availability of each item ordered. Orders are then transmitted to the shipping department, where shipping clerks pull the items from inventory and pack them for overnight delivery.

JOB DESCRIPTION FOR CUSTOMER ORDER REPRESENTATIVES

- Takes customer orders by telephone or direct mail.
- Answers customer questions about product prices, sizing, colors, features, and availability.
- Assists customers on the phone in determining equipment or clothing needs based on season, climate, or use requirements.
- Enters phone and mail orders into on-line order processing computer system.
- Processes returned merchandise, completes a defective merchandise form for quality assurance, and routes serviceable merchandise for repackaging.
- Handles customer complaints about problems or defects in merchandise, wrong sizes, or mistakes on customers' orders (wrong products delivered).
- Responds to questions about orders from employees in the shipping and handling group.

THE TRAINEES

The trainees will consist of the 40 employees in the customer order group as well as their four supervisors. Customer service employees earn about $7 per hour, and supervisors earn about $9 per hour. All employees must receive training, yet service must still be available tc customers (i.e., you cannot put everyone through the training at the same time of the day or there will be no one to handle incoming calls from customers).

PROBLEMS IDENTIFIED BY A NEEDS ASSESSMENT

- The majority of merchandise returns (78 percent) are due to problems in size, features, and/or color selection.
- The majority of these errors (54 percent) result from mistakes in e tering the order data correctly into the computer system.
- Many of the errors in sizing or features could be avoided if customer service representatives were more knowledgeable about the products' sizing and features (e.g., certain items run larger than standard sizing).
- Incorrect labeling and inventory of products are responsible for fewer than 8 percent of order errors.
- Customer order representatives have never been formally trained i dealing with customer complaints.
- The customer order work area is cluttered and noisy.

GOALS FOR THE TRAINING

- Reduce merchandise returns due to data entry problems.
- Improve the attitude of customer order representatives.
- Help customer order representatives to really understand product features and sizing (e.g., suitable climate range for a sleeping bag)
- Create a positive image of Backwoods Company to customers and employees.
- Reduce sizing errors by having representatives check customer knowledge of differently sized items (e.g., that jacket runs large).
- Encourage representatives to check with mail-order customers on difficult handwriting or potential problems with item sizing or features.

TOPIC EIGHT

APPRAISING AND IMPROVING PERFORMANCE

Performance Appraisal

Performance appraisal is the identification, measurement, and management of human performance in organization.

Identification means determining what areas of work the manager should be examining when measuring performance. The appraisal system should focus on performance that affects organizational success.

Measurement entails making managerial judgements of how "good" or "bad" employee performance was. Managers must maintain comparable rating standard so as to ensure unbias judgement.

Management means managing performance is more than the activity of praising or criticizing workers for their performance. Rather, managers must provide workers with feedback and coach them to higher levels of performance.

The Uses of Performance Appraisal

Organizations usually conduct appraisal for administrative and developmental purposes. Administratively, they are used for making decision about employee's work conditions, including promotion, termination, and rewards. Developmental means using appraisal system toward improving employees' performance and job skills including coaching, counseling and sending them for training.

Extended Chapter Outline

Note: Key terms appear in boldface and are listed in the "Chapter Vocabulary" section.

Opening Vignette: Lions ... Tigers ... and Bears ... and Performance Management

For many years, performance appraisals were not a high priority at the Zoological Society of San Diego. As part of their emphasis on accountability outlined in the strategic plan, a new performance management system was created. A Web-based system was chosen to help managers complete the appraisal process for their subordinates. HR believes that the new system will help the Zoological Society attract top talent.

I. Introduction

A. **Performance management** is the process through which managers ensure that employees' activities and outputs are congruent with the organization's goals. Performance management is central to gaining competitive advantage. The performance management system has three parts: defining performance, measuring performance, and feeding back performance information. (See Table 8.1 in the text)

B. **Performance Appraisal** is the process through which an organization gets information on how well an employee is doing his or her job.

C. **Performance Feedback** is the process of providing employees information regarding their performance effectiveness.

D. The practice of performance management

1. Several recent surveys of human resource professionals suggest that most companies' performance management practices require annual paper-driven reviews that include both behavior and business goals.

2. Because companies are interested in continuous improvement and creating engaged employees—employees who know what to do are motivated to do it—many companies are moving to more frequent, streamlined performance reviews.

2. Many managers see the performance-appraisal process as a necessary evil, and they feel uncomfortable feeding back evaluations to the employees; thus, they tend to rate everyone high, or at least rate them the same.

C. Developmental Purpose

1. Performance management can be used to develop employees who are ineffective at their jobs.

2. Ideally, the performance management system identifies not only any deficient aspects of the employee's performance but also the causes of these deficiencies—for example, a skill deficiency, a motivational problem, or some obstacle holding the employee back.

Competing Through Globalization

Going Global Requires a New Performance Management System

When Kinberly-Clark's business shifted their business plan from a consumer products company to a global health and hygiene company, she had to create a new performance management system to support their change. The new system was a multidimensional rating system that allowed human resources to set expectations and evaluate performance for business objectives and on-the job behaviors. The response from employees has been positive due to the increased frequency in feedback received based on their performance.

IV. Performance Measures Criteria

A. **Strategic congruence** is the extent to which the performance management system elicits job performance that is congruent with the organization's strategy, goals, and culture.

Example: If a regional bank decides to become known as the hallmark of customer service, then the branch managers and tellers should have performance measurements focused on customer relations.

B. **Validity** is the extent to which the performance measure assesses all the relevant—and only the relevant—aspects of job performance. It is also called "content validity."

1. Validity is concerned with maximizing the overlap between actual job performance and the measure of job performance (Figure 8.3).

2. A performance measure is deficient if it does not measure all aspects of performance.

   Example: A company's performance measure for managers is deficient because it does not measure such aspects of managerial performance as developing others or social responsibility.

3. A contaminated measure evaluates irrelevant aspects of performance or aspects that are not job related.

   Example: A company's performance measure would be contaminated if it evaluated its managerial employees based on how physically attractive they were.

C. **Reliability** refers to the consistency of the performance measure.

1. Interrater reliability is the consistency among the individuals who evaluate the employee's performance.

   Example: Professor Wagner's teaching evaluations have interrater reliability since both her students and her peers who visited her classes rated her above average.

2. With some measures, the extent to which all the items rated are internally consistent is important (internal consistency reliability).

3. The measure should be reliable over time (test-retest reliability).

D. **Acceptability** refers to whether the people who use the performance measure accept it. It is affected by the extent to which employees believe the performance management system is fair (Table 8.3).

E. **Specificity** is the extent to which a performance measure gives specific guidance to employees about what is expected of them and how they can meet these expectations.

Example: Paula, a sales representative for a brokerage firm, is expected to record 25 cold calls per day and call each client on her books every two weeks. She is also expected to make sales of at least $30,000 per month to remain in her position.

Competing Through Sustainability:

Strict Emphasis on Short-Term Goals Jeopardizes Long-Term Company Health

Companies focusing too heavily on hitting quarterly financial targets are actually working against their ability to produce sustainable profit growth. This can occur due to managers feeling the pressure to increase quarterly numbers by cutting costs, which can result in the loss of valuable employees. The key to sustainable profit growth is not through steep cost cutting resulting from a fascination on short-term numbers.

V. Approaches to Measuring Performance

A. The Comparative Approach—The comparative approach to performance requires the rater to compare an individual's performance with that of others.

1. Ranking is one of the techniques that arrive at an overall assessment of the individual's performance.

a. Simple ranking requires managers to rank employees within their departments from highest performer to poorest performer.

b. Alternation ranking consists of a manager looking at a list of employees, deciding who is the best employee, and crossing that person's name off the list.

c. In the courts, the ranking system has not been looked at favorably.

2. Forced Distribution—The forced distribution method requires the managers to put certain percentages of employees into predetermined categories. (Table 8.4 in the text)

3. Paired Comparison—The paired comparison method requires managers to compare every employee with every other employee in the work group, giving an employee a score of one every time he or she is considered the higher performer. Employees are ranked by how many points they receive.

II. An Organizational Model of Performance Management (Figure 8.1)

A. The goal of performance appraisal systems was to measure individual employee performance reliability and validity.

B. Another important component of the model is the organization's strategy.

1. The company must align organizational activities of all units with the organization's strategies and goals.

2. **Performance planning and evaluation (PPE)** systems seek to tie the formal performance appraisal process to the company's strategies by specifying at the beginning of the evaluation period the types and level of performance that must be accomplished in order to achieve the strategy. Then at the end of the evaluation period, individuals and groups are evaluated based on how closely their actual performance met the performance plan.

C. Situational constraints are always at work within the performance management system.

Example: Dave is not motivated to exhibit the right behaviors because his peer group is pressuring him to conform to their standards.

III. Purposes of Performance Management

A. Strategic Purpose

1. First and foremost, a performance management system should link employee activities with the organization's goals.

Example: If an organization has a goal to promote affirmative action, the performance-appraisal system should reward managers that hire and promote women and minorities.

2. Performance management is critical for companies to execute their talent management strategy.

B. Administrative Purpose

1. Performance-management information is used for such administrative decisions such as salary administration, promotions, retention-termination, layoffs, and recognition of individual performance.

C. The Behavioral Approach—The behavioral approach to performance management attempts to define the behaviors an employee must exhibit to be effective in the job.

1. Critical Incidents—The critical incident approach requires managers to keep a record of specific examples of effective and ineffective performance for each employee.

   Example: On May 5, the marketing manager did not attend the executive committee meeting and did not send a replacement or notify the chairman that he would not be attending.

   a. This approach gives specific feedback to employees about what they do well and what they do poorly, and they can be tied to corporate strategy by focusing on incidents that support that strategy.

   b. Managers may resent having to keep a daily or weekly log of their employees' behavior, and it is often difficult to compare employees, since each incident is specific to that individual.

2. Behaviorally anchored rating scales (BARS) specifically define performance dimensions by developing behavioral anchors associated with different levels of performance (text Figure 8.4).

   a. BARS can increase interrater reliability by providing a precise and complete definition of the performance dimension.

   b. BARS can bias information recall—that is, behavior that closely approximates the anchor is more easily recalled than other behaviors. Also, research has demonstrated that managers and their subordinates do not make much of a distinction between BARS and trait scales.

3. Behavioral observation scales (BOS) is a variation of a BARS. They are developed from critical incidents but use a larger number of the behaviors that are necessary for effective performance. Rather than assessing which behavior best reflects an individual's performance, a BOS requires managers to rate the frequency with which the employee has exhibited each behavior during the rating period. These ratings are then averaged to compute an overall performance rating (text Table 8.7).

4. Evaluating the Comparative Approach

   a. The comparative approach is an effective tool in differentiating employee performance; it virtually eliminates problems of leniency, central tendency, and strictness.

   b. Comparative approach techniques are not linked to the strategic goals of the organization; the validity and reliability depend on the raters themselves due to the subjective nature of the ratings, and they lack specificity for feedback purposes.

B. The Attribute Approach—The attribute approach to performance management focuses on the extent to which individuals have certain attributes (characteristics or traits) believed to be desirable for the company's success.

1. Graphic Rating Scales

   a. Graphic rating scales can provide a number of different points (a discrete scale) or a continuum along which the rater simply places a check mark (a continuous scale). (Table 8.5 in the text)

2. Mixed Standard Scales

   a. Mixed standard scales are developed by defining the relevant performance dimensions with statements representing good, average, and poor performance along each dimension (text Table 8.6).

3. Evaluating the Attribute Approach

   a. Attribute-based performance methods are the most popular methods in organizations. They are easy to develop and are generalizable across a variety of jobs, strategies, and organizations.

   b. There is usually little strategic congruence between the attribute approach methods and the company's strategy; they usually have very vague standards that result in low validity and reliability; and when raters give feedback, these techniques tend to elicit defensiveness from employees.

a. BOS consume more of the manager's time than BARS and may require more information than most managers can process or remember.

b. A direct comparison of BOS, BARS, and graphic rating scales found that both managers and employees prefer BOS for differentiating good from poor performers, maintaining objectivity, providing feedback, suggesting training needs, and being easy to use among managers and subordinates.

4. Organizational behavior modification (OBM) entails managing the behavior of employees through a formal system of behavioral feedback and reinforcement.

a. The techniques vary, but most have four major components: define a set of key behaviors necessary for job performance, use a measurement system to assess whether these behaviors are exhibited, inform employees of those behaviors, and provide feedback and reinforcement to employees.

b. OBM techniques have been used in a variety of settings (text Figure 8.4). They tend to increase the frequency of desired behaviors, provide specific guidance to employees, and can be tied to the company strategy.

- Baseline refers to measures of record keeping prior to the intervention.

- Interview refers to record keeping when interviews were being conducted with staff to better explain their jobs.

Example: OBM techniques have been successfully used in several organizational settings to improve safety behaviors (wearing safety equipment, observing safety procedures, etc.). Performing correct safety behaviors was rewarded and not performing correct safety behaviors was punished.

5. **Assessment centers** can be used for measuring managerial performance. During an assessment, individuals usually perform a number of simulated tasks, and assessors observe and evaluate the individual's skill or potential as a manager.

a. Assessment centers tend to provide a somewhat objective measure of an individual's performance at managerial tasks; they tend to be reliable, valid, and highly accepted; and they also provide specific feedback to the individual being assessed.

Example: The California Highway Patrol Academy uses a three-and-one-half-day assessment center to help individuals develop a career plan.

6. Evaluation of the Behavioral Approach

a. The behavioral approach can link the company's strategy to specific behaviors; it provides specific guidance and feedback for employees about the performance expected of them. The major weaknesses have to do with the organizational context of the system. The behaviors must be constantly monitored to ensure they are linked to the corporate strategy, and the approach is not suited for complex jobs where there are multiple ways to achieve success. This approach assumes there is "one best way" to do the job.

D. The Results Approach—The results approach to performance management focuses on managing the objective, measurable results of a job or work group. This approach assumes that subjectivity can be eliminated from the measurement process and that results are the closest indicator of one's contribution to organizational effectiveness.

1. Management by Objectives (MBO)

a. Management by objectives (MBO) is a joint goal-setting process in which goals are agreed upon between the managers and each subordinate. These goals then become standards used to evaluate the individual's performance. This goal-setting process cascades down the organization so that all managers are setting goals that help the company achieve its goals.

b. MBO systems have three common components: (1) they require specific, difficult, objective goals; (2) the goals are set jointly; (3) the manager gives objective feedback throughout the rating period to monitor progress toward the goals (text Table 8.8).

c. MBO usually increases productivity and is most effective when there is substantial commitment from top management. MBO systems effectively link employee performance with the firm's strategic goals.

2. Productivity Measurement and Evaluation System (ProMES)

   a. Productivity measurement and evaluation system (ProMES) consists of four steps: (1) identify the objectives the products, or the set of activities or objectives, the organization expects to accomplish; (2) the staff defines indicators of the products; (3) the staff establishes the contingencies between the amount of the indicators and the level of evaluation associated with the amount; (4) a feedback system is developed that provides employees and work groups with information about their specific level of performance on each of the indicators.

   b. ProMES is somewhat new, but some research has shown increased productivity (text Figure 8.6). ProMES also tends to be an effective feedback mechanism.

   c. ProMES, however, it is time-consuming to develop.

3. Evaluating the Results Approach

   a. The results approach minimizes subjectivity, relying on objective, quantifiable indicators of performance. It is highly acceptable and links an individual's results with the organization's strategies and goals.

   b. Objective measurements can be both contaminated and deficient; individuals may focus only on aspects of their performance that are being measured; and the feedback may not help employees learn how they need to change.

E. The Quality Approach—Two fundamental characteristics of the quality approach are a customer orientation and a prevention approach to errors. Improving customer satisfaction is the primary goal of the quality approach.

1. A performance management system designed with a strong quality orientation can be expected to:

   a. Emphasize an assessment of both person and system factors in the measurement system.
   b. Emphasize that managers and employees work together to solve performance problems.
   c. Involve both internal and external customers in setting standards and measuring performance.
   d. Use multiple sources to evaluate person and system factors.

Example: Ensoniq Corporation is a privately held company that manufactures electronic musical instruments. It employs approximately 200 people. Under its quality approach to performance measurement, Ensoniq believes that performance reviews and compensation should not be linked. The wage and salary guide states that the "purpose of the performance reviews is to provide a dialogue between the employee and the supervisor, whereby the employee's performance can be enhanced."

4. Evaluation of Approaches to Performance Measurement—Table 8.9 summarizes the various approaches to measuring performance based on the criteria set forth earlier (strategic congruence, validity, reliability, acceptability, and specificity) and illustrates that each approach has strengths and weaknesses.

VI. Choosing a Source for Performance Information

A. Managers are the most frequently used source.

1. Supervisors usually have extensive knowledge of the job and have had the opportunity to observe their employees.

2. Because supervisors have something to gain from employees' high performance and something to lose by low performance, they have the motivation to make accurate ratings. Also, feedback from supervisors is strongly related to performance.

3. However, in some instances, supervisors do not observe employees, and supervisors may be biased against a particular employee. In addition, favoritism must be minimized as much as possible in performance management.

B. Peers

1. Peers, or coworkers, are excellent sources of information when the supervisor does not always observe the employee.

2. Peers may be biased and may be uncomfortable with being the rater when the ratings are used for administrative decisions.

Example: Digital Equipment Company uses team appraisals. A performance appraisal committee is established, which includes the person being evaluated, the chairperson chosen by the person being evaluated, an internal management consultant, and two randomly selected team members.

C. Subordinates

1. Subordinates are a valuable source of performance information when managers are evaluated. They often have the best opportunity to evaluate how well a manager treats employees.

2. **Upward feedback** refers to an appraisal that involves subordinates' evaluations of the manager's behavior or skills.

3. Allowing subordinates to rate managers gives subordinates power over their managers, thus putting the manager in a difficult situation. This can lead to managers' emphasizing employee satisfaction over productivity. Also, subordinates may fear retribution from their managers if the evaluations are not anonymous.

D. Self

1. Self-ratings can be valuable but are not usually used as the sole source of performance information.

2. One problem with self-ratings is a tendency toward inflated assessments, especially if ratings are used for administrative decisions.

3. The best use of self-ratings is as a prelude to the performance feedback session to make employees think about their performance and to focus discussion on areas of disagreement.

E. Customers

1. In some instances, the customer is often the only person present to observe the employee's performance.

2. The main weakness of customer surveys is that they are somewhat expensive.

F. The best source of performance information

1. One should choose the sources that provide the best opportunity to observe employee behavior and results. (Table 8.10 summarizes this information.)

2. One popular trend in organizations is called **360-degree appraisals**. This technique consists of having multiple raters (boss, peers, subordinates, customers) provide input into a manager's evaluation. (This technique is discussed in Chapter 9.)

Competing Through Technology

Going Paperless Increases the Effectives of Performance Management

Paperless and Web-based performance management systems are providing companies with a multitude of advantages that were are now available thanks to new technology. For example, companies can ensure that their performance goals at all levels of the organization are aligned. Going paperless is the direction in which performance management is heading in the future.

VII. Rater Errors in Performance Measurement

A. Rater Errors

1. "Similar to Me" is the error we make when we judge those who are similar to us more highly than those who are not.

   Example: Diana tends to rate Beth higher than Paul because Beth is also a single mother of a toddler and Diana and Beth are about the same age. Paul is much older than Diana; he has no children and has never been married.

2. Contrast errors occur when we compare individuals with one another instead of with an objective standard.

   Example: Jason and Angela both do above-average work, but Jason's boss tends to rate him as excellent because he performs better than Angela.

3. Distributional errors are the result of a rater's tendency to use only one part of the rating scale

   a. Leniency occurs when a rater assigns high ratings to all employees.

   b. Strictness occurs when a manager gives low ratings to all employees.

   c. Central tendency reflects that a manager rates all employees in the middle of the scale.

4. Halo and Horns

a. Halo errors occur when one positive performance aspect causes the rater to rate all other aspects of performance positively.

Example: Nicole tends to get high ratings in quantity and quality of work because she is so friendly and cooperative with everyone and never misses work.

b. Horns error occurs when one negative aspect results in the rater assigning low ratings to all the other aspects.

B. Reducing Rater Errors

1. Rater error training attempts to make managers aware of rating errors and helps them develop strategies for minimizing those errors.

2. Rater accuracy training, also called frame-of-reference training, attempts to emphasize the multidimensional nature of performance and thoroughly familiarizes raters with the actual content of various performance dimensions.

C. Appraisal Politics

1. **Appraisal politics** refers to evaluators purposefully distorting ratings to achieve personal or company goals.

2. To reduce appraisal politics, companies can do many things to keep evaluators from distorting results. See Table 8.3 in the Text.

VIII. Performance Feedback

A. Performance Feedback is a process that is complex and provokes anxiety for both the manager and the employee.

IX. The Manager's Role in an Effective Performance Feedback Process

A. Ways to Improve Performance Feedback Process

1. Feedback should be given every day, not once a year.

a. Managers have a responsibility to correct performance deficiencies immediately upon becoming aware of them.

TOPIC NINE

MANAGING COMPENSATION AND INCENTIVES

What is Compensation?

Total compensation refers to package of quantifiable rewards an employee receives for his or her labor. This employee's compensation has three components: base compensation, pay incentives, and indirect compensation/benefits.

Base compensation refers to the fixed pay an employee receives on a regular basis, either in the form of a salary or as an hourly wage.

Pay incentive is a program designed to reward employees for good performance.

The final component is the indirect compensation or benefits. This encompass a wide variety of programs like health insurance, vacation, and unemployment compensation.

Compensation is the single most important cost in most firms. Personnel costs can be as high as 60% of total costs in some manufacturing industries and even higher in service industry like US Postal Service which accounts for about 80%.

Pay Structure Decision

Pay has a major impact on employees' attitudes and behaviours. It influences the kind of employees who are attracted to the organization, and it can be a powerful tool for aligning current employees' interests with those of the broader organization.

Pay decision can be broken down into two major areas: pay structure and individual pay. Pay structure is made up of pay level and job structure. Pay level is defined as the average pay (including wages, salaries and bonuses) of jobs in organization. Job structure refers to the relative pay of jobs in organization.

Equity Theory and Fairness

In pay decision, employees often evaluate their pay relative to that of other employees. Equity theory suggests that people evaluate the fairness of their situations by comparing them with those of other people.

Equity theory main implication for managing employee compensation is that to an extent, employees evaluate their pay by comparing it with what others get paid, and their work attitudes and behaviours are influenced by such comparisons.

External equity refers to pay comparison focus on what employees in other organizations are paid for doing the same general job.

Internal equity refers to pay comparison focus on what employees within the same organization, but in different jobs, are paid.

Compensation Tools

There two common types of pay plans : job-based and skill-based approach.

Job-based approach

This is the most traditional and widely used types of compensation program. These plans assume that work gets done by people who are paid to perform well-defined jobs (e.g. secretary, storekeeper). Each job is designed to accomplish specific tasks (typing, record keeping) and is normally performed by several people. Because all jobs are not equally important to the firm, the labor market has put greater value on some jobs than the others. A common way of distinguishing the jobs are by showing pay grades where jobs are grouped and pay range.

Skill-based Approach

It assumes that workers should be paid not according to the job they hold, but rather by how flexible or capable they are at performing multiple skills. Under this plan, the greater the variety of job-related skills workers possess, the more they are paid.

What are Employee Benefits?

Employee benefits are group membership rewards that provide security for employees and their family members. They are sometimes called indirect compensation because they are given to employees in the form of a plan (e.g. medical plan) rather than cash.

Employee benefits protect employees from risks that can jeopardize their health and financial security. They provide coverage for sickness, injury, unemployment, old age and death.

How the benefit Dollar is Spent by Employer for Employee Compensation (1999)?

Payment for time not working	= 24%
Medical and medically related	= 23.1%
Legally required	= 29.6%
Retirement and Savings plan	= 13.6%
Paid rest period	= 05.5%
Miscellaneous	= 04.2%

Types of Benefits

Benefits can be categorized into six components as follows:-

(i) Legally required benefits – Laws may require employers to provide benefits to all employees like SOCSO, medical leave, voluntary retirement scheme etc.

(ii) Health insurance – covers hospital costs, physician charges, and the cost of other medical benefits.

(iii) Retirement benefits – provide income for employees after they retire.

(iv) Insurance – insurance plan protect employees or their dependents from financial difficulties that can arise as a result of disability or death.

(v) Paid time off – Time off plans give employees time off with or without pay, depending on the plans.

(vi) Employee services – are tax free or tax preferred services that enhance the quality of employees' work or personal life.

Incentives for Managers and Executives

Most employers award their managers and executives short term bonuses and long term incentives because of the role managers play in determining divisional and corporate profitability. Of those offering short-term incentive plans, almost 96% provide those incentive in the form of cash payments; for those offering long-term incentive plans, about 48% offer stock options, which are intended to motivate and reward management for the company's long-term growth, prosperity, and shareholder value.

Short Term Incentives: The Annual Bonus

Most firms have annual bonus plans aimed at motivating the short-term performance of their managers and executives. Short-term bonus can result in adjustments of 25% or more in total pay. Bonus eligibility is usually broad, covering both lower and top executives.

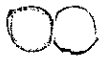
Individual Awards

This is usually based on individual manager's performance. Top executive bonuses are generally tied to overall corporate results. The assumption is that corporate results reflect the person individual performance.

Long Term Incentives

This is aimed at motivating and rewarding managers for the firm's long-term growth and prosperity and to inject a long-term perspective into the executives' decisions.

Stock option is the most popular long-term incentive. A stock option is the right to purchase a specific number of shares of company stock at a specific price during a period of time.



Performance Plans

They are plans whose payment or value is contingent on financial performance measured against objectives set at the start of a multi-year period. These grants are similar to annual bonuses, but the measurement period is longer than a year. For e.g., the plan may award "0" to "300" 'performance units' depending on the company's earnings per share growth over several years. Thus, the executive might be able to achieve say, a $50,000 cash grant, in units valued at $100 per unit, in proportion to his or her success in meeting the assigned financial goals such as earnings per share growth.

TOPIC TEN

MANAGING SAFETY AND HEALTH AT WORKPLACE

What is OSHA?

This is principally about the employer's commitment to a safe work environment and a duty of care that the employer owes to the employees at the workplace. Here the employer is committed to ensuring that the long-term health of the employee is being given due regard.

Why Need to Focus on OSHA?

a. Economic value
b. Legal aspect
c. Moral of employees

Because of this a law called OSHA Act of 1994 was gazetted requiring employers in Malaysia to provide a safe and healthy work environment, comply with specific occupational safety and health standards and keep records of occupational injuries and illness.

Section 4 of OHSA Act 1994 spell out the objectives of the Act as follows:-

(i) To ensure the safety, health and welfare of persons at work against risks to safety or health arising out of the activities of persons at work;

]

(ii) To protect persons at a place of work other than persons at work against risks to safety or health arising out of the activities of persons at work;

(iii) To promote an occupational environment for persons at work which is adapted to their physiological and psychological needs, and

(iv) To provide the means whereby the associated occupational safety and health legislations maybe progressively replaced by a system of regulations and approved individually codes of practice operating in combination with the provision of this Act designed to maintain or improve the standards of safety and health.

The OSHA Act 1994 aims to promote and secure thye safety, health and welfare of persons at work and it protect others against certain risks to health and safety in connection with the activities of persons at work.

OSHA enhance QWL – putting signages at strategic work places – "Keep Clear", "No Admittance", "Safety First", "Wear Safety Helmets".

Coverage Of Types of Industry Under the OSHA Act 1994

Types of industry that comes under this legislation:-

1. Manufacturing
2. Mining and Quarrying
3. Construction
4. Agriculture, Forest and Fishing
5. Utilities – electricity, gas , water and sanitary services
6. Transport and Storage Communications
7. Wholesale and Retail Trades
8. Hotel and Restaurants
9. Finance, Insurance, Real Estate and Bus Services
10. Public Services and Statutory Authorities

How Company Approach to Implementing Health and Safety ?

- Setup a work safety committee (required under section 30(1) if employers have equal or more than 40 workers
- Establish work safety rules
- Ensure workers manning machinery are adequately trained and follow instructions
- Designating work and non-work areas
- Strict compliance be made to legislative requirements regarding manning safety, noise and other dangers
- Adequate insurance coverage be taken by workers
- Sufficient leave and rest be given to workers
- Remove and storing hazardous products from workplace
- Maintain register of accidents and monitor situation

Three Major Obligations of OSHA on Employers

1. To provide a safe and healthy work environment –
   Each employer has a general duty to provide a place of employment free from hazard that are likely to cause death or serious physical harm.

2. To comply with specific OSH standards-
   Each employer must become familiar with and comply with spcific OSH standards set by NIOSH.

3. To keep records of all occupational injuries and illness-
   All records regarding accident, injury or illness resulting in death, loss work time, medical treatment must be made available to OSHA compliance officers, and annual summaries must be prepared.

Some of the Health and Safety Programs

1. Smoking in the work place –
   Smoking has been banned in many public places and offices. This is because smoking has been hazardous to non-smoking co-workers and customers.

Under OSHA requirements include:-

- free area for non-smoking employees
- a work area set aside for smoking in areas agreed
- prohibit of smoking in specific areas like meeting room, office space etc.

2. Ergonomics-
   The science of adopting working conditions to employee safety and comfort needs. OSHA proposed certain standards to be met or comply by employers, e.g. office layout design, office furniture.

3. Hazardous Chemical storage and protection-
   In US, thousands cases reported on work place accidents and injuries due to exposure to toxic chemicals.

4. Safety Programs-
   Organisations with best reputations for safety have developed well planned and thorough safety programs. This includes:-
   - formation of safety committee
   - use of lectures, videos, posters and phamplets
   - instruct supervisor on how to communicate, demonstrate, and train employees to handle equipment

   Some companies do reward employees monthly with cash or prizes on the jobs done without accident.

What Are the Safety Measures that can be Undertaken?

-eliminate hazards
-post warning signs near hazardous areas
-train workers
-require protective clothing, etc.

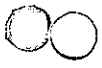
Stress – job stress define as stress faced by a worker to prepare certain task within specific time. Stress occurs as a result of working environment, work load, social, family, benefit etc.

Outcome of high stress situation is normally high levels of absenteeism, turnover, accidents, etc.

How to Control Stress?

1. Employee fitness facilities – include exercise equipment and program such as aerobics, weight training, racquet sports, etc.
2. Counselling – counselors offer help. This is less expensive.
3. Extended ;eave – such as vacation, sabbatical, or personal leave.

Burnout – is where a person is unable to continue to do the job. Burnout is the overall perception that one is giving more than one is receiving.



TOPIC ELEVEN

EMPLOYEE RIGHTS AND DISCIPLINE

Employee and their Associations

An employee has a right under Section 4 of the Industrial Relations Act 1967 to join a trade union if he so wishes provided that he does not exercise that right, except with the consent of the employer, during work time, in accordance with Section 7(a) of the same Act. Employees join or ~~from~~ form trade unions generally for collective and mutual benefits, such as to have a voice in the employment decision- making process, to seek employment protection during difficult economic times and ensuring a fair practice of human resource policies in the particular organizations.

There are occupational trade unions and industry trade unions. An occupational trade union is a union that represents a group of employees doing the same type of work, like banking and plantation. An industry trade union is one that is established within a company or group of related companies e.g. railway, airline.

Governing Industrial Relations Parameters

An industrial relations system should be viewed as a sub-system within society just as employment relations can be considered as a sub-set of industrial relations. Within the industrial relations arena, the main legal constraints which are binding on employers and employees are as follows:-

- Industrial Relations Act 1967
- Employment Act 1955
- Trade Union Act 1959
- Workers' Compensation Ordinance 1952

Employee Relations

Employee Relations involve providing fair and consistent treatment to all employees so that they will be committed to the organization.

Companies that have good employee relations are likely to have HR strategy that place high value on employees, for e.g. companies like IBM, HP, and GE are known excellent employee relations with the philosophy of respect for individuals.

To foster good employee relations, managers must listen to what employees are saying and experiencing, keep them informed about what management plans to do with the business, and tell them how those plans may affect their jobs.

How Do Management Communicate to Employees in Organisation?

Many companies have found that the key to a good employee relations program is a communication channel that gives employees access to important information and an opportunity to express their ideas and feelings.

There are various communication channels.

Documents – Employee Handbook, newswletter, bulletin boards, memos, annual reports.

E-Technology – video, e-mail, voice mail.

The **Employment Handbook** is probably the most important management source of information that the HR department can provide. What kind of information do we have in employee Handbook?

Suggestion Scheme – is design to solicit, evaluate and implement suggestions from employees. This is to give opportunities for employees to put up ideas that can benefit the organization.

Two guidelines to this :-

(i) use a suggestion evaluation committee to evaluate each suggestion fairly.
(ii) Implement ideas immediately and give credit to originator.

Recognition Awards – give to outstanding contributions to the organization. This may become role model for others to follow. McDonald award employees monthly, and Awana Kijal resort award employees yearly.

Employee Rights

A right is the ability to engage in conduct that is protected by law or social sanction, free from interference by another party, e.g. employees have legal rights to form a union.

There are various employee rights that manager may consider:-

a. ***Statutory Rights*** – protected by specific laws e.g. protection from discrimination, unfair practices, EEOC, and OSHA.

b. ***Contractual Rights*** – These are based on law of contract. A contract is a legally binding promise between two or more parties. A breach of contract would lead to another party subject to legal remedy. Examples of this are employment contract, training contract, OSA.

c. ***Other Rights*** – Ethical rights for e.g. fair amount of work load, employment handbook can be a source of implied contract.

Management Rights

- Is the right to run business and to retain any profit that result.
- Include right to manage employees, right to hire or fire, assign or resign an employee.
- Right to take disciplinary action.

Disciplining Employees

Employee discipline is a tool used by managers to communicate to employees that they need to control their behaviour. For e.g. some employees are habitually late to work, ignore safety procedures, neglect the details required for their jobs, act rude to their customers or unethical code of conduct.

Two different approaches to employee discipline are widely used: (1) progressive discipline and (2) positive discipline.

Progressive Discipline

A series of management interventions that gives employees opportunities to correct undesirable behaviours before being discharged. Progressive discipline procedures are warning steps, each of which involves a punishment that increases in severity the longer the undesirable behaviors persist. Progressive discipline normally involves three to five steps, however, a four step is the most common. Below is some examples of categories of misconduct.

Categories of Employee Misconduct

Minor Violations	*Major Violations*
• Absenteeism	- Drug use at work
• Dress code violation	- Theft
• Smoking	- Dishonesty
• Safety rule violation	- Physical assault on boss

A four –step progressive discipline procedure includes the following:-

1. *Verbal Warning*

   An employee who commits a minor violation receives a verbal warning from the supervisor and is told that if this problem continues within a specific time period, harsher punishment will follow.

2. *Written Warning*

   The employee violates the same rule within the specified time period and now receives a written warning from the supervisor. The warning goes into the employee's record. The employee is told that failure to correct the violation within a specified time period will result in more severe treatment.

3. *Suspension*

   When employee still fails to respond to warnings and again violates the work rule. The employee now is suspended from work without pay for a specified time period. He or she then receives a final warning from the supervisor indicating that discharge will follow after this.

4. *Discharge*

   The employee violates the rule one more time within the specified time period and is discharged.

Positive Discipline

A discipline procedure that encourages employees to monitor their own behaviors and assume responsibility for their actions.

Positive discipline is similar to progressive discipline, however replaces punishment in progressive discipline with counseling sessions between employees and supervisor.

Steps to Disciplinary Action

Say, for example a few employees were found to have violated dress code while carrying out their daily routine work. Discuss in group what are the necessary steps to disciplinary action in your company.

The Rights to Appeal

Employees have access to appeal procedures:-

How do employees appeal?

- through committee for hearing
- through trade union representative
- through industrial court

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Labor Management Decisions

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New Organization Opens Doors to Improving Employee-Employer Relations

Neil Bodine and Ed Miller

Several years ago a group of management and labor practitioners met to discuss their frustrations with the inefficiency and high cost of resolving problems in the workplace. Their search to find a "better way" led to the formation of The Workplace Institute, based in Sacramento.

Challenges to Meet

Dramatic shifts have been occurring in and around the American workplace, and change has become the order of the day. The focus of our economy has moved from national to global. Market demands for products and services have moved at dizzying speed. The nature of work itself has changed, with jobs involving greater complexity and use of high technology.

The workplace typical of past eras, where employers and employees relate as adversaries, is utterly unable to cope with requirements of today. Many employees feel disconnected and disaffected. Waves of downsizing have often caused those remaining in their jobs to live in fear of the next round while bearing greater demands as a diminished workforce. Workers' compensation claims and workplace violence are on the rise. Prolonged bickering and disputes over "rights" cost all parties involved a great deal of money and time. Employers may end up unable to deliver products or services of sufficient quality and quantity, become less competitive, and even go out of business. Our experience shows this to be especially true in the agricultural industry, where change has become commonplace.

Such developments call for new approaches to workplace relations. A few workplaces on the forefront of change illustrate new models that successfully rise to the challenge. At the core of these models is the development of more collaborative relationships, partnerships between employers and employees. An engaged and committed workforce, together with managers who highly value the human resources they employ, create a synergy that breeds exceptional success.

Innovations in Response

Transforming a traditional workplace is a major undertaking. But American employers, both unionized and not, have innovated to revitalize their organizations. In the non-union sector, a growing number of companies, including Intel, Packard Bell, Motorola and others, have developed participative management

styles and successfully introduced programs under such names as "continuous improvement," "TQM," and "self-directed work teams." However, other companies have failed in similar programs because they did not adequately address fundamental relationship issues.

In the unionized sector, a few companies and unions have dramatically departed from the historic rut of labor-management confrontation. Recognizing that the adversarial model of labor-management relations developed in the 1930s no longer served employees or managers well, they found more common than diverging interests and accepted that the ability for a business to compete is key to both profitability for owners and job security for employees. Managers and union leaders in these companies have become partners to improve competitiveness in the global marketplace. Significant examples are the Saturn Corporation, NUMMI, Xerox Corporation, Cinmade Corporation, and Harley-Davidson, working with unions such as the United Auto Workers, the United Paper Workers, and the International Brotherhood of Electrical Workers.

Developers of successful innovations in all these companies share a few fundamental premises. They recognize that the workplace is a living system and a community, and that people are inherently intelligent, creative, adaptive, and self-organizing. They understand that management systems and workplace relationships that respect these facts will be more effective that those that do not, and that the hierarchical model of workplace organization typifying the American workplace for the last two centuries has stifled workplace creativity and collaboration. They also recognize the need for a new relationship compact that effectively makes employees partners in the enterprise, sharing decision making and sometimes even business risks and profits.

Learning from Experience

There is much to be gained from documenting, analyzing and sharing results of efforts by innovative companies and unions to develop participative management structures and labor-management cooperation. Other companies and employee groups who are ready and willing to try a different way can be guided by lessons from successful as well as unsuccessful experiments. They need to know what skills and approaches have built effective working relationships, what change efforts have failed, and why.

The federal government has joined those who see the need for workplace innovations. In recent years the U.S. Department of Labor established the Commission on the Future of Worker-Management Relations and the Office of the American Workplace. The Federal Mediation and Conciliation Service has been promoting the use of non-adversarial workplace relations and offering assistance in this area. Some of the most successful initiatives, however, have not involved government help. For example, the private California Foundation for Improvement of Employer-Employee Relations (CFIER) has midwifed the creation of innovative labor-management partnerships in California school districts.

Needs in this area far exceed assistance available. Managers and employee leaders in California often want to obtain help uncomplicated by concerns about a provider's pecuniary agenda or fear of government involvement. They need resources for skills development, ideas and encouragement, and means for connecting with each other and with people who have expertise in creative labor-management relations. The Workplace Institute is such a resource.

Building New Skills and Relationships

Innovations in some companies amount to no less than a complete change of the workplace culture - a shift in the paradigms or mental pictures which underlie management-employee relationships.

Fundamental shifts like this are accomplished slowly and seldom smoothly. They require a long-term commitment and patience.

The first and most critical step toward transforming a workplace culture is realizing that there are better alternatives to the old organizational models. After taking that step, employers and workers need to examine how conflicts have arisen from their underlying assumptions and mental pictures of one another. They need to learn new skills in problem solving and team building, and to develop norms of behavior conducive to relating as a partnership. And they generally need significant assistance to do so.

The Workplace Institute, a nonprofit public benefit corporation, supports these workplace change efforts. It was founded by a coalition of private sector labor and management representatives, attorneys, professional neutrals, and consultants, who share a common concern about the future of private sector labor relations. The Institute's mission statement describes its purpose and direction:

> *The Institute supports transformation of private sector workplaces in California, empowering employers and employees to resolve conflict, solve challenging problems and forge new partnerships through interest-based and principled negotiations and relationships. The Institute provides and arranges for training, facilitation, consultation, communications, research and development, and long term support services in order to achieve its mission. The Institute also serves as a clearinghouse and a source of leadership in its role as an advocate for change.*

Programs of the Institute are largely based on the negotiation and relationship principles discussed in Roger Fisher's books, Getting to Yes and Getting Together. The principled negotiation concepts developed by Fisher at the Harvard Negotiation Project (Harvard Law School) have been applied successfully in many arenas, perhaps most dramatically in international relations. Interest-based processes were used to reach the Camp David Accord between Israel and Egypt, and to develop the Central American Peace Plan. Institute programs also draw from the work of Peter Senge, Stephen Covey, Marvin Weisbord, and others.

The interest-based model of problem solving that we promote is quite different from the traditional offer and acceptance (positional) model. Parties using it begin by together defining the problems or issues they want to resolve. Then they identify all the stakeholders in the issue, stakeholders' individual and shared interests, and numerous options for resolution. The parties go on to jointly evaluate all options and select or synthesize one that best meets their individual and mutual interests.

Experience has taught the Institute founders that breakdowns in employee-management relations are more often due to process problems than substantive differences. We therefore emphasize developing strong and sustainable working relationships based on shared norms of behavior, trustworthiness, full disclosure, mutual respect, pursuit of full understanding, and acceptance of the other party's interests.

Here to Help

In September 1997, The Workplace Institute became one of twelve Labor-Management organizations in the U.S. to receive a $100,000 grant from the Federal Mediation and Conciliation Service. The grant is to support the initiation and long term success of labor-management cooperation and workplace partnerships in Northern and Central California.

The Institute serves the non-represented sector as well. Agricultural organizations, both union and

non-union, have found this "better way" of resolving workplace problems effective in enhancing productivity.

Activities and services now available through the Institute include: ongoing local leadership roundtables; establishing labor-management committees; helping labor and management build partnerships for change; referral to training providers; a speakers bureau; training for new team members; an annual conference; and information on best practices. On May 19 and 20, the Institute is conducting a two-day workshop on Interest-Based Problem Solving in the Workplace in Selma, California, near Fresno. (See "Events," page 23.)

For related reading, the authors suggest the following: Productive Workplaces, *by Marvin Weisbord;* Thriving on Chaos, *by Tom Peters;* The Fifth Discipline, *by Peter Senge;* Negotiating the Future, *by Barry and Irving Bluestone;* Getting to Yes, *by Roger Fisher and William Ury; and* Getting Together, *by Roger Fisher and Scott Brown.*

The Workplace Institute is at: 1325 Howe Avenue, Suite 210, Sacramento, California 95825; (916) 567-9915; tw@workplaceinstitute.org; www.workplaceinstitute.org.

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OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA)

In Malaysia, the OSHA Act 1994 provide legislative framework to promote, stimulate and encourage high standards of safety and health at work place.

Objective?
The aim is to promote safety and health awareness, establish effective safety organisation and performance design to suit particular company.

WHO THE OSHA ACT COVERS?

The OSHA Act 1994 defines general duties of employers, manufacturers, employees, self-employed people, designers, importers and suppliers.

Duties of Employers: Must safeguard the health, safety and welfare of the people who work for them. This includes issues like:-

(a) Is the existing plan meets standard requirements to safety and risk to health?
(b) Are the systems of work safe? E.g. check all operations to minimise accidents, injury, health problems etc.
(c) Is work environment regularly monitored? E.g. medical personnel, security checks etc.
(d) Is safety equipment regularly inspected?
(e) How management handle with the use, storage or transport of hazardous substance?

Duties of Employees: Have a duty to take reasonable care to avoid injury to themselves or others by their work activities, and to cooperate with employers in meeting statutory requirements.

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|Industrial Relations System|Industrial Relations Act|

|Industrial Relations Regulations, 1980|

THE INDUSTRIAL RELATIONS SYSTEM

A HISTORICAL BACKGROUND

Prior to 1965, the voluntary system of industrial relations patterned along the British system was in practice. Under such system, the concept of self-government and autonomy within industry was the key to industrial harmony. The two sides of industry were encouraged to regulate their collective relationship and to settle any dispute arising therefrom through their own efforts and through mutually agreed procedures, with minimal State intervention, such intervention being confined mainly to providing a legal frame-work to which the parties could turn to if they so wished, in accordance with the Industrial Courts Ordinance, 1948 and the Trade Disputes Ordinance 1949. The Industrial Courts Ordinance provided for the promotion of peaceful and voluntary settlement of trade disputes through conciliation by a third party or through the voluntary reference of a dispute to the Industrial Court for arbitration. The Trade Disputes Ordinance provided the Government with supervisory powers to maintain vigilance over trade disputes and certain matters arising from such disputes so as to ensure and safeguard the interests of the public generally.

In September 1965, the Essential (Trade Disputes in Essential Services) Regulations, 1965 was promulgated. It was designed to ensure that trade disputes in certain scheduled services would not lead to disruption of such services. These Regulations vested in the Minister of Labour certain powers to intervene of his own volition in such disputes and if necessary, to refer them to the Industrial Arbitration Tribunal for settlement. No strike or lock-out could be declared or where already declared could continue once the Minister had so intervened. The award of the Tribunal was final and legally binding on the parties to the dispute. The promulgation of the Essential (Trade Disputes in Essential Services) Regulations in 1965 was indeed a turning point in the pattern of industrial relations system in the country. For the first time an element of compulsory concept was introduced into the system regulating the relationship between management and labour.

Subsequent to the promulgation of the Essential (Trade Disputes in Essential Services) Regulations,1965 the Government conducted a review of the then existing law and practice in the field of industrial relations which resulted in the substitution of the previous laws by the Industrial Relations Act, 1967. This Act came into force on 7th August 1967 and is applicable throughout Malaysia. The Act retains most of the principles and practices as set out in the repealed legislation and continues to promote the voluntary system up to the point where Government intervention is necessary so that the ever present public and national interest are

not prejudiced while the parties promote their own respective interests.

INDUSTRIAL RELATIONS ACT, 1967

SYNOPSIS

The Industrial Relations system in the country operates within the legal framework of the Industrial Relations Act, 1967 and the Industrial Relations Regulations, 1980, which is applicable throughout Malaysia.

The preamble to the Industrial Relations Act has this to say :

> *To provide for the regulation of the relations between employers and workmen and their trade unions, and the prevention and settlement of any differences or disputes arising from their relationship and generally to deal with trade disputes and matters arising therefrom.*

The Act is self-contained. It replaces all previous legislation pertaining to industrial relations but continue to encourage democratic self-government in industry by providing safeguards to legitimate rights, prerogatives and interest of workmen and employers and their trade unions, as well as ensuring the speedy and just settlement of trade disputes, so as not to prejudice public and national interests. A synopsis of the Act are explained below:-

Part 1 of the Industrial Relations Act sets out the definitions of some of the terms used therein. Of particular importance is the definition of *strike* which includes *any act or omission by a body of workmen acting in combination or under a common understanding, which is intended to or does result in any limitation, restriction, reduction or cessation of or dilatoriness in the performance or execution of the whole or any part of the duties connected with their employment.*

Part II relates to the rights of workmen and employers and their trade unions and prohibition on workmen, employers and their trade in respect of certain acts such as anti-trade union activity, victimisation and other unfair labour practices. Any complaint of any contravention of this Part of the Act may be lodged in writing to the Director General of Industrial Relations who may take such steps as he deems necessary to resolve the complaint. Where it is not resolved he shall notify the Minister, who if he thinks fit may refer the complaint to the Industrial Court for hearing.

Section 6 makes it obligatory on the part of an employer to grant a workman leave of absence of a reasonable period for the performance of his duties as a trade union officer; and the employer is further obliged to grant such leave with pay if the workman's absence is to represent the members of his trade union on matters concerning his employer.

Part III deals with the question of recognition of trade unions. It provides the basic procedure to be followed in the determination of a claim for recognition. Under this Part, a workmen's union may not seek recognition in respect of workmen employed in managerial, executive, confidential or security

capacities, if the majority of its membership consists of workmen not employed in any of these capacities. If the claim is not otherwise resolved, it may be reported in writing to the Director General who may take such steps as he may consider necessary to resolve the matter. For this purpose he is vested with power under Sec. 4B to require the trade union of workmen, the employer or the trade union of employers to furnish information necessary and may also seek the Director General of Trade Unions' decision on the competence of the trade union to represent the workmen in respect of whom recognition is sought. Where the matter is not resolved the Director General shall notify the Minister for a decision, which may include a decision as to who are workmen employed in a managerial, executive, confidential or security capacity. A decision of the Minister under this Part shall be final and shall not be questioned in any court.

This Part also prohibits

1. workmen from going on strike or picket for whatever reason during the pendency of proceedings under this Part or after the decision of the Minister by reason of any dissatisfaction with such decision

2. employer from declaring a lock-out or dismissing a workmen (except on disciplinary grounds) once a trade union of workmen has served in writing on the employer a claim for recognition.

Part IV sets out the procedure to be followed in the submission of wage claims and collective bargaining and for the form and content of collective agreements.

Under this Part in Section 13(3), certain common law rights of an employer such as promotion, transfer, employment, termination of service on grounds of redundancy or reorganisation, dismissal and reinstatement of a workmen on disciplinary grounds, assignment or allocation of duties, cannot be included in the proposals of a trade union of workmen for a collective agreement.

Section 15 safeguards pioneer industries for a period of at least five years from the date of commencement of operation in Malaysia in that the approval of the Minister is required for any collective agreement which is to contain terms and conditions of service that are more favorable to workmen than those contained in Part XII of the Employment Act, 1955.

Part V of the Industrial Relations Act, 1967 relates to reference of trade disputes for conciliation. Either party may report to the Director General of Industrial Relations any trade dispute which has not been resolved by the parties themselves for conciliation and settlement. The Minister may at any time intervene in a trade dispute of his own motion if he deems it necessary.

This Part also empowers the Director General of Industrial Relations to direct any person engaged in or connected directly or indirectly with the dispute to attend conciliation meetings and to furnish all necessary information relating to the matters in dispute. This part also stipulates who would represent the parties during conciliation proceedings. Sec. 19(B)(2) however prohibits representation by an Advocate, adviser and consultant in particular.

Part VI provides that if a workman, regardless as to whether he is a member of a trade union of workmen, considers that he has been dismissed by his employer without just cause or excuse, he may within sixty days of such dismissal, make his representation in writing to the Director General to be reinstated in his former employment. If the representation remains unsettled after the Director General has taken such steps as the considers it necessary or expedient to bring about a settlement, the Minister is notified accordingly, who may, if the thinks fit, refer it to the Industrial Court for an award.

Part VII contains provisions for :-

1. the parties to a trade dispute to jointly request the Minister to refer a trade dispute to the Industrial Court; and

2. for the Minister to refer on his own motion any trade dispute to the Industrial Court if he is satisfied that it is expedient so to do; provide that in the case of a trade dispute in any Government service or in the service of ant statutory authority, such reference shall not be made except with the consent of the Yang Di Pertuan Agong (King) or State Authority as the case may require.

Part VIII pertains to the establishment and functioning of a Committee of Investigation or a Board of Inquiry. This Part is meant to cater for issues or disputes which may not be amenable to be dealt with under the normal forms or methods of settlement and are considered useful in the promotion of good employer-employee relations. The Minister is given the power to appoint a Committee consisting of one or more persons or a Board consisting of a Chairman and such other persons as the Minister thinks fit to inquire into the facts, causes and circumstances of a dispute referred to it and to submit its report. Any report of a Board Inquiry is required to be tabled as soon as may be before the Parliament.

Part IX relates to trade disputes, strikes and lock-outs and matters arising therefrom. Pupils are not permitted to take part in trade disputes and any pupil convicted or found guilty or an offence under this Part is liable to expulsion from this school. This Part (Section 39 & 41) also provides that intimidation, willful and malicious breach of contract liable to injure person or property are illegal and the commission of which renders the offender liable to punishment.

Peaceful and orderly picketing in furtherance of a trade dispute is permitted under Section 20 provided that such picketing is carried out at or near the place where a workmen works and where a trade dispute exists. It will be illegal however for one or more persons to attend at or near a place of employment where a workman works if such attendance is, by nature of its manner or number, calculated to intimidate any person in the place or to obstruct the approach thereto or egress therefrom or to lead to a breach of the peace.

Section 43 imposes certain restrictions on strikes and lock-outs in essential services. No such workman shall go on strike or such employer lock-out without giving the opposite side notice within 42 days before resorting to such section and within 21 days of giving such notice or before the expiry of the date specified in such notice. It has been made compulsory for the employer who serves or receives such notice to report to the Director General particulars of the notice. Section 44 prohibits a strike or lock-out under any of the following circumstances :-

1. during the pendency of the proceedings of a Board of Inquiry appointed by the Minister under Part VIII and seven days after the conclusion of such proceedings;

2. after a trade dispute or matter has been referred to the Industrial Court and the parties concerned have been notified of such reference;

3. after the Yang DiPertuan Agong or State Authority, in the case of a trade dispute relating to any Government service or the service of, any statutory authority has withheld consent to the reference of the dispute to the Industrial Court and the parties concerned have been notified thereof;

4. in respect of any of the matters covered by a collective agreement taken cognizance of by the Industrial Court or by an award; and

5. in respect of any of the matters covered under Section 13(3) and listed as management prerogatives.

Any strike or lock-out declared in contravention of this Part or any other written law, if it has any other object than the furtherance of a trade dispute between the workmen and the employer concerned is illegal. It is also an offence for any person to give financial aid in direct furtherance or support of any illegal strike or lock-out. Offences under this part are seizable in nature and no bail shall be granted.

Under Section 52, it is stipulated that Parts II, III, IV, V and VI i.e. parts dealing with the Protection of Rights of Workmen and Employers and their Trade Unions, Recognition and Scope of Representations of Trade Unions, Collective Bargaining and Collective Agreements, Conciliation and representation on Dismissals are not applicable to any Government service or to any service of any authority or to any workman employed by them.

Part X contains miscellaneous provisions relating to, among other matters, procedures to be followed in cases of non-compliance of awards or collective agreements which have been taken cognizance of by the Industrial Court, the enforcement of subsequent orders and general penalties for contravention of certain sections of the Act.

Section 59 of this Part also makes it an offense to dismiss a workman or injure or threaten to injure him in his employment or alter or threaten to alter his position to his prejudice under certain circumstances. Any employer contravening this section in liable on conviction to imprisonment for a term not exceeding one year or a fine not exceeding two thousand ringgit or to both.

Industrial harmony however, cannot be dealt with without the interplay of two other important legislations and they are the the Employment Act, 1955 and Trade Unions Act, 1959. Together with the Industrial Relations Act, 1967, they form the basis of the Industrial Relations system in Malaysia.

Note:
Industrial Relations Act 1967 (ACT 177) & Regulations can be obtained through:
Percetakan Nasional Malaysia Berhad,
Jalan Chan Sow Lin,
50554 Kuala Lumpur.
Tel : 603-2252824

or

Major bookstores in Malaysia

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INDUSTRIAL RELATIONS REGULATIONS, 1980

The Regulations :-

- Prescribe the manner in which a claim for recognition under S.9 (2) of the Act should be submitted and processed

- Prescribe the manner of serving notice of strike and lock-out pursuant to S.43 of the Act which governs strike or lock-out in essential services. Essential services are any service specified by the Schedule to the Act.

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TOPIC TWELVE

LEGAL ASPECTS OF HUMAN RESOURCE IN MALAYSIA

There are several factors affecting an organization's HR function. One is the legal environment, particularly the laws affecting the management of people. In Malaysia, the Ministry of Human Resources has drawn a list of laws and regulations governing the employee, employer and the work environment. Some of the laws are as follows:-

(a) Human Resources Development (Regulation of Employers) Regulations 1992.
(b) Private Employment Agencies Act 1981.
(c) Employee Social Security Act 1969.
(d) Industrial Relations Act 1967.
(e) Trade Union Act 1959.
(f) Employment Act 1955 (act 265).
(g) Workmen's Compensation Act 1952.
(h) Wages Council Act 1947 (act 195).
(i) Weekly Holidays Act 1950.
(j) Occupational Safety and Health Act 1994.
(k) Petroleum (Safety Measure) Act 1984.
(l) Employee Provident Act 1991.
(m) Social Security Act 1989.

The Managerial Perspective

Managers must understand the legal issues that affect the practice of HRM because many of their decisions are constrained to some extent by law. They should consider legal issues when making the following decisions:-

- Which employee to hire;
- How to compensate employees;
- What benefits to offer;
- How to accommodate employees with dependents;
- How and when to fire employees.

Why Understanding the Legal Environment is Important?

Doing the Right Thing

Firstly, compliance with the law is important because it is the right thing to do. By following and keeping to the requirements of law would mean managers are practicing good management.

Limiting Potential Liability

Considerable financial liabilities can occur when HR laws are broken or perceived to be broken. A wrongful decision on HR for example, hiring or firing would mean liability to the organization.

Fair Employment Practice

At anytime, HR personnel should be practicing fair employment to every employee. In this way, organization can build healthy environment. Unless managers are clear about labor laws, things like discrimination, sexual harassment could easily happen. On the other hand, employees feel that they are guarded by certain laws and regulations.