UNIVERSITI INDUSTRI SELANGOR
40000 SHAH ALAM

Course Subject	: **Human Resource Management**
Subject Code	: **GCM 6123**
Credit Hour	: **03**
Lecturer	: **Prof. Dr. Khairul Baharein Mohd Noor**
Contact Number	: **012-375 5126**
E-mail	: kbmn@unisel.edu.my

Course Objectives

(i) Participants will be able to understand the holistic concept on managing human resources and its important roles in organization.

(ii) To expose participants with the necessary knowledge on human resources process and the general perspective dealing with HR issues in today's organization.

(iii) Participants will be able to practically apply the knowledge in dealing with HR development and in a way help to improve organizational performance.

Learning Outcomes

(i) Able to apply human resources management knowledge in real work settings;

(ii) Understand the strategic role of HRM in supporting organization's business strategy;

(iii) Capable of analyzing and interpreting HR issues and applying the relevant HR principles in organization; and

(iv) Able to analytically understand the entire human resources processes and handling routine HR issues in organization.

COURSE OUTLINE SCHEDULE

Session	Topic	Content	Exercise/Case
Wk 1	**Overview of HR Environment and the Challenges Faced by Organizations**	• Understanding the role of HR and the Competencies Requirements of HR Professional • Meeting Competitive Challenges through HR Practices	Reading Materials: "A New Mandate for HR" *Harvard Business Review, 1998.* "The Future of HRM" *Emerald, vol.52, No.4, 2003* Case Study Exercise – "Xerox, HRM Excellence Helps Company Rebound", 2004.
	Strategic Human Resource Management	• What is Business Model? • Strategic Management and Implementation •	Case Study Exercise : HR Issues at Valley National Bank
Wk 2	**Human Resource Planning and Recruitment**	• Human Resource Planning Process • Forecasting Demand and Supply of Labor • HR Recruitment Process • Recruitment Sources	Class Exercise: Recruitment at Hilton Hotel Assignment: HR Forecasting Exercise A Turnover Problem at Fort Lauderdale Herald
Wk 3	**Training & Development of Employees**	• Leveraging on Training • Training	Case Study Exercise

		Process/Cycle • Evaluating Training programs •	Case Assignment
	Selection and Placement	• Types of Selection • Types of Selection Methods	Class Discussion
Wk 4	**Managing Performance**	• Organizational Model of Performance Management • Approaches to Measuring Performance • Appraisal Methods and Problems in Appraising Performance	Purpose of Performance Management
Wk 5	**Managing Compensation and Benefits**	• Developing Pay Levels • Basic factors in Determining Pay Rates • Types of Compensation • Types of Benefits and Incentives for Employees	Case Study Exercise
Wk 6	**Managing Safety and Health at Workplace**	• What is OSHA and Its Importance? • Establishing and Health Programs • Creating a Healthy Work Environment	Case Discussion
	Employee Rights and Discipline	• Developing Employee Communication	Case Discussion

		• Administering and Managing Discipline • Managing Dismissal • Labor Law in Malaysia	

Recommended Text

Noe, R., Hollenbeck, J., Gerhart, B., and Wright, P., (2008) *Human Resource Management: Gaining a Competitive Advantage*, 6th Edition. New York: McGraw Hill Inc.

Supplementary Readings

Bernadin, J., (2003) *Human Resource Management : An Experiential Approach.* New York: McGraw Hill.

Jackson, S., Schuler, R., and Werner, S., (2009) *Managing Human Resources, 10th Edition.* Canada: South-Western.

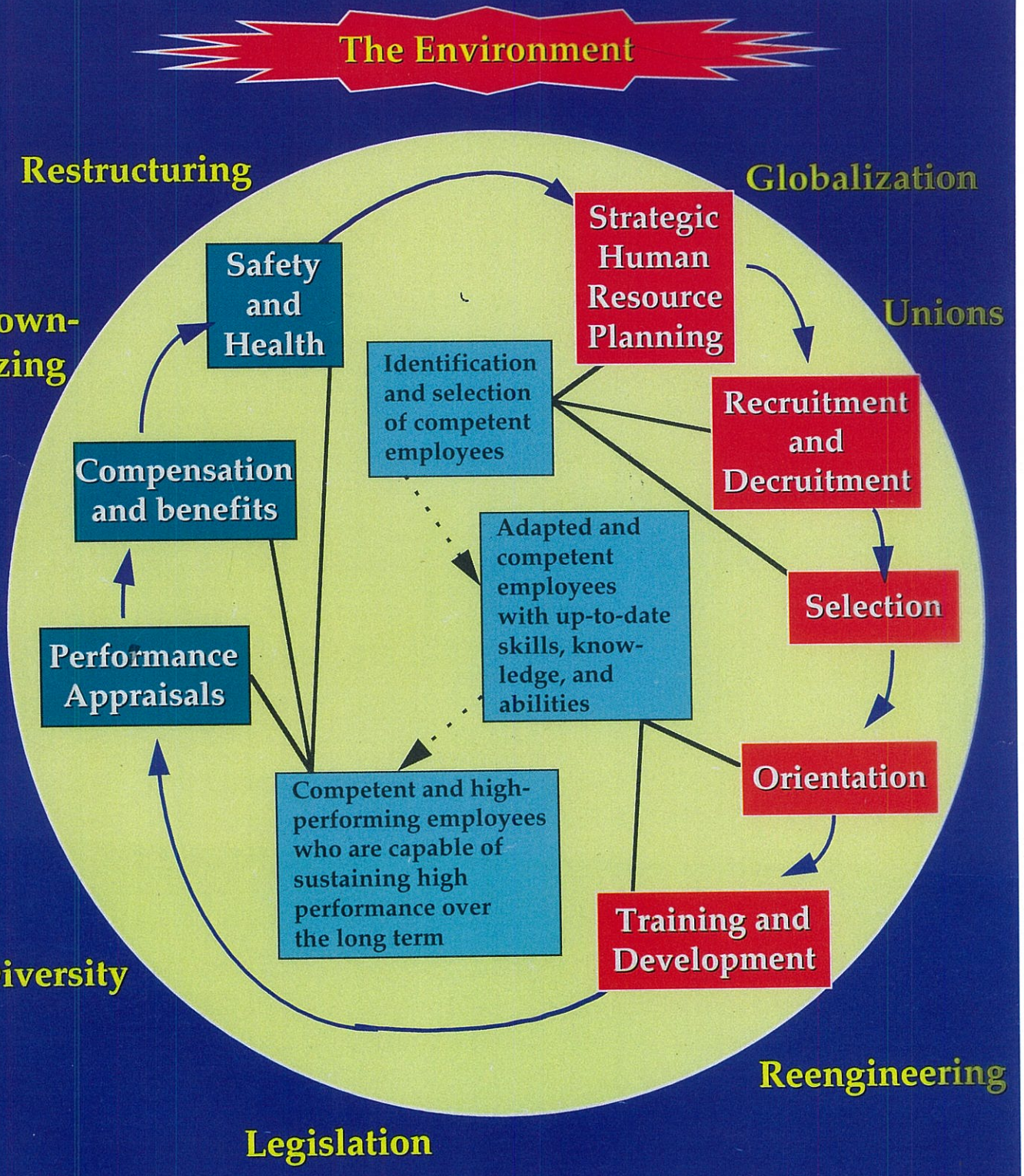
Ivancevich, J., (2003) *Human Resource in Asia.* Singapore: McGraw Hill.

Cascio, F., (2003) *Managing Human Resource : Productivity, Quality of Work Life, Profits.* New York: McGraw Hill.

Class Assessment

Group Cases Presentation	= 15%
Mid-Term examination	= 15%
Project Paper	= 30%
Final examination	= 40%
	100%

The Strategic Human Resource Management Process



© 1998 by Prentice Hall

TOPIC ONE

HUMAN RESOURCE ENVIRONMENT AND CHALLENGES

Definition

Human Resource Management (HRM) refers to the policies, practices, and systems that influence employees' behavior, attitudes and performance. HRM practices include determining human resource needs (HR planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their job and preparing them for the future (training and development), rewarding employees (compensation), evaluating their performance (performance management), and creating a positive work environment (employee relations). Effective HR practices are developed and used to support business goals and objectives. Good practice of HR also relate to improving company performance and contributing to employee and customer satisfaction.

What Activities Do HR Department Perform?

Activities that HR Department is solely responsible for include outplacement, labor law compliance, record keeping, testing, unemployment, compensation and some aspects of benefits administration. The HR Dept is likely to collaborate with other company functions on employment interviewing, performance management and discipline, and efforts to improve quality and productivity.

In today's environment the HR function is in transition from an administrative function to a strategic business partnership. Advances in technology such as development in intranet has decreased the role of HR in maintaining records. Some companies have outsourced part of HR activities. Outsourcing refers to the practice of having another company to provide services (third party provider or consultant). For e.g., outsourcing payroll activity, training and development, recruiting and selection.

Other roles of HR include such as development and strategic business partnering. One most comprehensive study on HRM concluded that " hr is being transformed from a specialized stand-alone function to a broad corporate competency in which hr and line managers build partnerships to gain competitive advantage and achieve overall business goals." Some companies even have the strategy of how hr leader could work on HR projects to support business initiatives.

In brief , the HR activities include the followings:

- HR planning and succession planning
- Job analysis
- Employee recruitment and selection
- Performance management
- Compensation management
- Orientation, training and career development
- Employee relations, and
- Legal compliance

What Skills Do HR Professionals Need?

Table:1 below shows that roles and competencies that are needed by HR professionals.

Analytical Fact Based Decision Making	Leadership Conceptual Ideas Visioning
Compliance Regulation Administration Control	Interpersonal Teamwork

Table 1: Role and Competencies of HR Professionals

The competencies required include developing new HR practices, managing change and identifying technologies and designing processes to increase efficiencies and lower costs.

COMPETITIVE CHALLENGES INFLUENCING HRM

Competing in the New Economy

- Increased Value Placed on Knowledge
- Development of e-business

- ***Increased Value Placed on Knowledge*** – It is said that 75% of the source of value in a company is intangible intellectual capital, which refers to the creativity, productivity, and service provided by employees. Hence, implementing effective people management is the key to boosting the value of intellectual capital. This includes :

- Understand what the company is about and what it does,
- The expectation for performance, how and why performance is rewarded,
- How employee talents will be developed.

Companies are now developing and retaining knowledge workers. And knowledge workers are employees who own the means of producing a product or service. Knowledge workers contribute specialized knowledge that their managers may not have, e.g. information about customers.

Skills requirements have also changed as a result of knowledge work. The demand for specific skills is being replaced by a need for cognitive skills – mathematical and reasoning ability – and interpersonal skills related to being able to work in teams or to interact with customers. Many jobs particularly in e-business require employees to have technology related skills.

- ***Development of Electronic Business (e-business)***

The way business is conducted has changed rapidly and will continue to do so. E-business includes and process that a business conducts electronically. It includes buying and selling, as well as providing services such as

- Business to consumer transactions (**B2C**) e.g. services conducted online like banking.

- Business to business (**B2B**) e.g. transaction between companies like manufacturers, wholesalers, retailers.

- Consumer to consumer (**C2C**) e.g. individuals buying and selling goods through auctions.

The development of e-business has created electronic HRM applications that let employees enroll in and participate in training programs, change benefits, and communicate with coworkers online.

Competing through High-Performance Work Systems

- Change Employees' and Managers' Work Roles
- Integrate Technology and Social Systems

- ***Change Employees' and Managers' Work Roles***

New technology causes changes in basic skill requirements and work roles of both employees and managers. Such use of technology has allowed the creation of different products that meet market demands simply by reprogramming the computer. Computer-integrated manufacturing (CIM) for example requires employees to monitor equipment and troubleshoot problems with sophisticated equipment.

The use of teams to perform work has become increasingly popular. Work teams involve employees with various skills, who interact to assemble products or provide service.

Managers must be able to move away from traditional command management which emphasizes planning, organizing, and coordinating activities to creating work condition that facilitate employee creativity and innovation if maximum benefits is to be gained from the introduction of new technology.

Because of advances in technology, information is more readily available to employees at all levels and decision making increasingly is decentralized. In addition, manager's job will increasingly be to empower employees.

- ***Integrate Technology and Social Systems***

Improvements in technology related to computers and software have also had a major impact on the use of information for managing human resources.

Human Resource Information System (HRIS)

HRIS are systems to collect, record, store, analyse, and retrieve data concerning an organization's human resource. A computerized HRIS contains hardware and software applications that work together to help managers make HR decisions. The hardware is the mainframe and the software is the custom-designed program application. HRIS software application includes:-

- employee information – biodata, history of employment.
- applicant tracking – automate some information like training.
- skills inventory – supply of job skills and the organization demand for job skills.
- payroll .
- HR Planning and forecasting.
- Turnover analysis.

Telekom Malaysia is an example of an organization that has acquired this system. This system helps support the organization's efforts to implement more effective HR management to meet the challenges of a changing business environment. It helps to eleminate current manual processes. And within the system are modules which include payroll, salary administration and planning, personnel administration, recruitment, manpower planning, benefits management, position management, training administration, career planning, succession planning, as well as competency management.

E-HRM refers to the processing and transmission of digitized information used in HRM.

HRM PRACTICE	IMPLICATIONS FOR E-HRM
Analysis and design of work	Employees geographically dispersed can work together via e-mail, internet.
Recruiting	Post job openings online.
Training	Online learning can bring training to employees anywhere.
Selection	Online simulation, including tests,videos.
Compensation	Employees can review salary and bonus information.

Competing Through Globalisation

- Prepare Employees to work in Foreign Locations
- Expand into Foreign Markets

- ***Expand into Foreign Markets***

Globalization refers the tendency of firms to extend their sales or manufacturing to new markets abroad, and for business everywhere. Companies are now going internationally to market their products. Most of these companies' key priorities are customer focus and innovation.

- ***Prepare Employees to work in Foreign Locations***

Training is an HR practice that has an important role in global business success. Globalisation has create global competition. For e.g. Toyota plant was setup in Georgetown, Kentucky with almost 80% US-made parts, while GM's Pontiac contains almost two-thirds foreign-made parts.

Competing by Meeting Stakeholders' Needs

- Provide high-quality products, services, and work experience for employees
- Provide a return to shareholders

- ***Provide a return to shareholders***

Meeting stakeholders' needs include stockholders (want return on investment), customers (want high quality products or services), and employees (want reasonable compensation). The community wants company to contribute to community projects and minimize pollution of environment.

- ***Provide high-quality products, services, and work experience for employees***

Meeting customer needs for quality is another issue of concern in many organizations. One major reason for company failure to maintain industry leadership is the decline in customers' perceptions of the quality.

Perspective	Q/Answer	E.g. of Critical Indicators
Customer Internal	How do customer see us? What must we excel at?	Timeliness, Quality, Performance, Service, Cost
Innovation and learning	Can we continue to improve? Create value?	Improve operating efficiency, launch new product, Cont Improvement
Internal Process	What must we excel at?	Process that influence customer satisfaction
Financial	How do we look to shareholders?	Profitability, growth, shareholder value

Quality Critical Indicators

Companies now have been implementing Total Quality Management (TQM). Although there are different approaches to TQM (Deming, Juran and Crosby), these approaches share some common principles. There are six common principles namely:

(i) Customer focus
(ii) Focus on process as well as results
(iii) Prevention vs inspection
(iv) Use of employees' expertise
(v) Fact-based decision making
(vi) Feedback

To ensure the success of TQM, companies need to create an environment that supports innovation, creativity, and risk taking to meet customer demands. Quality standards like ISO 9000 have been developed to help companies control the process and manage in a quality system.

In companies that successfully implemented TQM, the corporate climate emphasized collective and cross-functional work, coaching and enabling employees, customer satisfaction, and quality, rather than the traditional emphasis on individualism, hierarchy and profit.

HRM and Corporate Performance

Research shows that progressive HRM practices can have a significant effect on corporate performance. Studies indicated relationship between specific HR practices and critical outcome measures such as financial performance, productivity, product and service quality, and cost control. These have been characterized by the so-called **high performance work systems (HPWS).**

The high-performance work systems maximize the fit between the company's social system and its technical system. This had led to the changing in:-

(i) Employees' work roles and skill requirements – New technology causes changes in basic-skill requirements and work roles and often results in combining jobs. For e.g. the use of computer allows the production of different products that meet market demands.

(ii) Increase use of teams to perform work – work teams involve employees with various skills and assume many activities usually reserved for managers such as selecting new team members, planning work schedules, and coordinating activities with customers.

(iii) Nature of managerial work – managers must now change from a military model approach of planning, organizing, leading and controlling to facilitating employees to become more creative and innovative.

(iv) Increased availability of HRIS – improvement in technology has led major changes in recording and managing information relating to HR system. HRIS is a system used to acquire, store, manipulate, analyze, retrieve and distribute information related to company's human resources. This HRIS system might contain a program for tracking applicants, a skills inventory, a career planning program, and employee service program such as an electronic bulletin board.

Below is a list that depicts high-performance work systems.

Characteristics of High-Performance Work Systems

- Large number of highly qualified applicants for each strategic position.
- The use of validated selection and promotion models/procedures.
- Extensive training and development for new employees.
- The use of formal performance appraisal and management.
- The use of multiple (360%) performance appraisal and feedback.
- Link of merit increases to formal appraisal process.
- Above market compensation for key position.
- High percentage of workforce working in self-managed, project-based work teams.

- High percentage of jobs filled from within.

MAJOR ACTIVITIES OF HUMAN RESOURCE MANAGEMENT

Basically, the most commonly performed HRM activities in organizations can be categorised under five major domains:

(1) Organizational Design;
(2) Staffing;
(3) Performance Management and Appraisal;
(4) Employee and Organizational Development, and
(5) Reward Systems and Compliance.

Acquiring human resource capability should begin with organizational design and analysis. Organizational design involves work tasks arrangement, technology, ergonomics, organizational objectives and strategies and engineering design.

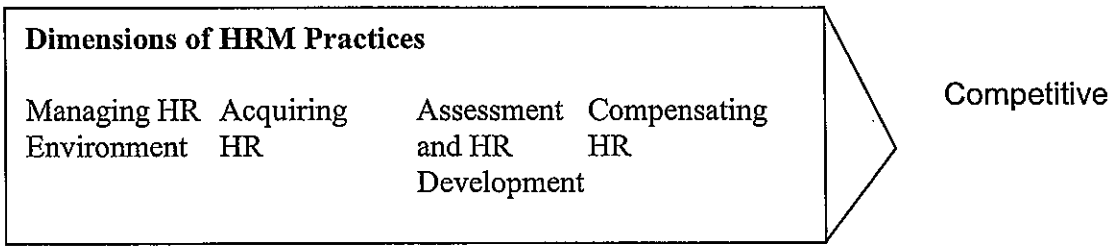
Staffing is about recruitment, hiring of staff, promotion, placement, employee orientation and so forth.

The performance management and appraisal includes assessing individuals, and measuring overall organizational performance.

Employee training and development concerns with developing individual employee in relation to his/her job function.

Reward system and compliance has to do with type of reward or benefit that maybe available, disciplinary procedures, and collective bargaining and trade union.

Major Dimensions of HRM Practices that Contributes to Organization's Competitiveness



- ***Managing HR Environment***

Managing internal and external environmental factors allows employees to make the greatest contribution to company productivity and competitiveness. Creating positive environment for HR involves

- Linking HRM practices to company's business goals.
- Ensure HRM practices comply with govt. laws.
- Design work that motivates and satisfies employees.

- ***Acquiring and Preparing Human Resources***

Managers need to predict the number and type of employees needed in the organization. This area of HRM deals with

- Identifying human resource requirements – HR planning, recruiting, and selection process.

- Training employees to acquire job related skills and knowledge.

- ***Assessment and Development of Human Resources***

Companies need to create a work environment that supports employees' work and nonwork activities. This includes area like

- Measuring employees' performance.
- Prepare employees for future work roles, and career development.
- Create employment relationship and work environment that benefits both the company and employee.

- ***Compensating Human Resources***

Offer employees interesting pay and benefits as reward and incentives in exchange of their contribution to productivity, quality, and customer service. The conducive environment and productivity improvement can be damaged if employees are not satisfied with the remuneration package or believe that they are unfairly rewarded. This area of HRM includes

- Creating right pay systems.
- Rewarding employee contribution.
- Providing employees with benefits.

STRATEGIC HUMAN RESOURCE MANAGEMENT

Strategic human resource management is defined as " the linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility. In other words, it is "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals.

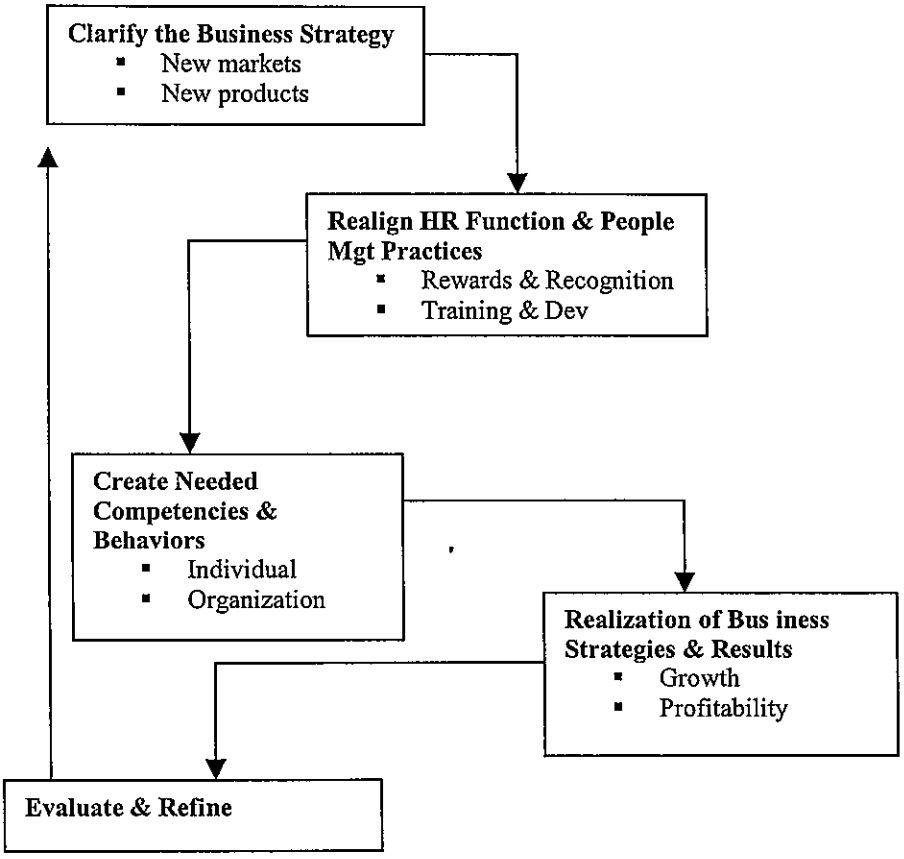
Strategic HR means accepting the HR function as a strategic partner in both the formulation of the company's strategies, as well as in the implementation of those strategies through HR activities such as recruiting, selecting, training, and rewarding personnel.

The HRM function today is not merely filing, housekeeping and record-keeping, but more important is to build strategies and plans that support and intergrate overall organizational strategy. The HRM strategies must reflect clearly the orgnaization's strategy regarding people, profit, and overall effectiveness. In this context, HRM function is viewed as improving the skills of employees and the firm's profitability and not as another administrative center.

The term HR strategies refer to the specific HR courses of action the company uses to achieve its aims. For e.g., one of FEDex's main aims is to achieve superior levels of customer service and high profitability through a highly committed workforce.

Figure 1 below illustrates the interplay between HR strategy and company's business plans and results. Ideally, HR and top management work together to formulate the company's overall business strategy.

Fig. 1 Key Components of HR Strategy Model



EMPLOYEE BEHAVIORS AND HR STRATEGIES APPROPRIATE FOR BUSINESS STRATEGY

Practically, strategic HRM means getting everybody from the top of the organization to the bottom doing things to implement the strategy of the business effectively. The idea is to use people most wisely with respect to the strategic needs of the organization.

Innovation Strategy

Under a competitive strategy of innovation, the implications for managing people may include selecting highly skilled individuals, giving employees discretion, using minimal controls, making greater investment in human resources, providing more resources for experimentation, and appraising performance for its long-run implications.

Firms pursuing this strategy are likely to emphasise long-term needs in their training programs for managers and to offer training to employees throughout the organization.

Quality Enhancement Strategy

The profile of behaviors appropriate for a quality-enhancement strategy includes : a modest amount of cooperative, interdependence behavior, a high concern for quality with modest concern for quantity of output, a high concern for how goods and services are made or delivered, and commitment to the goals of the organization.

It is known that the productivity gains resulting from improved selection or training can be expressed in various ways: in dollars, increase in output, decrease in hiring needs, or savings in payroll costs.

Cost-Reduction Strategy

Firms pursuing a cost-reduction strategy are characterized by tight fiscal and management controls, minimization of overhead, and pursuit of economies of scale.

The primary objective is to increase productivity by decreasing unit cost of output per employee. Strategies for reducing costs include reducing the number of employees; reducing wage levels; using part-time workers or automation; changing work rules; and permitting flexibility in job assignments.

Speed Strategy

Under this strategy, management is to select highly skilled individuals who are committed to speed management and whose beliefs, attitudes, and values related to time are consistent with those the organization look for.

A fluid, networked organizational structure, rather than old command and control is most appropriate for this strategy.

An example of speed strategy in action is Dell Computer's approach of B2B e-commerce. Dell apply customer direct sales practices using the Web.

THE 21ST CENTURY CORPORATION

Management systems that produce profits through people seem to share seven dimensions in common.

1. **Employment Security** – Innovations in work practices or other forms of worker-management cooperation or productivity can be threatening when workers can go out of jobs.

2. **Selective Hiring** – Organizations need to be clear about critical skills and attributes for the purpose of hiring. E.g. selecting flight attendants at SWA are made on the basis of initiative, judgement, adaptability, and their ability to learn. Additionally, skills sought should be consistent with particular job requirements.

3. **Self-managed teams and decentralization** – Teams substitute peer-based control for hierarchical control of work. They also make all the people in a firm feel accountable and responsible for the operation and success of the enterprise.

4. **Comparatively high compensation** – Companies pay their employees comparatively well based on organizational performance.

5. **Extensive training** – Training is an essential component of high-performance work systems. Companies like Motorola use training as a source of competitive advantage and mandates 40 hours of training per employee per year.

6. **Reduced differences in status** – Reducing the status distinctions that separate individuals and groups, helps make all members of an organization feel important and committed.

7. **Sharing of information** – The sharing of information on such things as financial performance, strategy, and operational measures conveys to an organization's people that they are trusted.

The future of human resource management

Seyed-Mahmoud Aghazadeh

The author

Seyed-Mahmoud Aghazadeh is a Professor in the Department of Business Administration, School of Business, State University of New York at Fredonia, Fredonia, New York, USA.

Keywords

Human resource management, Change management, Motivation

Abstract

Human resource management must change as the business environment in which it operates changes. Outlines the key challenges facing human resources managers as they move from simply handling personnel issues to making a strategic contribution to the future directions and development of an organization. Demonstrates that human resources managers can contribute both to performance enhancement and cost reduction thus contributing directly to the productivity of the organization.

Electronic access

The Emerald Research Register for this journal is available at
http://www.emeraldinsight.com/researchregister

The current issue and full text archive of this journal is available at
http://www.emeraldinsight.com/0043-8022.htm

Work Study
Volume 52 · Number 4 · 2003 · pp. 201-207
© MCB UP Limited · ISSN 0043-8022
DOI 10.1108/00438020310479045

Introduction

Human resource management (HRM) has to change as the business environment changes. It has to do this as a mixture of responding to changes in that environment and if predicting such changes and making proactive decisions about the nature of HRM. The future is unpredictable and it is hard to determine what it will bring. It is important to be flexible and to acquire as much knowledge as possible to help cope with these uncertainties. Human resource (HR) managers need to synthesize issues relating to their core personnel functions with the general economic and business issues, whilst remaining in touch with technological development. Successful HR managers and departments have a significant strategic impact on their organizations.

Of course, the core personnel functions relate to that most important of organizational resources – the workforce. Handling core personnel functions of recruitment, selection, appointment, induction, training, development, etc. directly impacts on shareholder return and productivity. Successful companies invariably attract and retain productive employees.

Personnel issues in human resources

The first "personnel" role is that of hiring suitable employees. How easy this is depends on a number of factors, perhaps chief of which is the state of the local labor market. In the late 1990s, in the USA, the declining unemployment rate was a key factor. Competition for talent was high. Managers needed to hire quickly or risk losing a potential employee. In the current environment, this has changed. A company may receive a large number of résumés. Of course, this gives different problems. Selection becomes a much more important issue, since there is a bigger pool to select from. It is important to have structures and processes in place to carefully evaluate each candidate's skills and experience to ensure that the right applicant is selected from among the many qualified people (Messmer, 2002). This presumes, of course, that the organization has first undertaken a structured and disciplined process to identify the skills and attributes they do need for the job under

Work Study
Volume 52 · Number 4 · 2003 · 201-207

discussion. Notice that in both these situations, we refer to structured processes. Many managers feel that they have personal skills which allow them to select the right person for the job based on their "experience" or "wisdom" or just plain "gut feelings". It is unwise – if not foolish – to allow such managers to behave in such ill-disciplined ways. The role of the HR department is to impose discipline on the selection process – both to offer "a fair deal" to all candidates and to ensure that the organization really does get the best person for the job.

It is important to forecast needs and plan accordingly. The hiring process can take a significant time and decisions made in a panic situation can be disastrous (Mulling, 2001).

As the economy has moved more to a service and information economy, competition for the really talented individuals has become fiercer; recruitment and retention may be the most pressing challenge facing US business today (Marriott, 2001).

Successful companies or organizations will be those that are able to attract and retain highly skilled employees. In order to do so, they must be able to match what the employee wants with what the employer is willing to give. This "partnership" approach to HR comes from a realization among HR directors and executives that if you take care of your people, they will take care of you. Many companies are "taking care" by offering innovative and flexible benefits.

The changing expectations of employees pose several different challenges for HRM professionals. In order to retain good employees and keep them happy and productive, these challenges must be successfully met (Sims and Sims, 1994). Companies need to first identify what their employees need. This is not necessarily simple. For example, companies with more than one location should not assume that all employees at all sites have the same needs. This is particularly true for global organizations since employee needs may be a reflection of socio-economical or cultural influences.

After needs have been determined, the next stage is to establish a cost-effective plan to provide for these employees' needs. In doing so, HR professionals need to be aware that employee needs are not static; they are constantly evolving and changing. Many companies recognize this fact in their compensation and benefit packages. They provide benefits based upon the best particular "fit" for the employee. For example, one location may offer childcare benefits, while another may offer flexible hours or working from home. Of course, all may be offered within the same location to meet the different needs of different individuals.

Organizations need to constantly strive to build a better benefits package. They need to look at their total reward package as an important means of attracting, rewarding and retaining skilled workers, and need to constantly monitor to ensure that these programs really add value. Within the overall package, they should then where possible avoid being too rigid and try to customize benefits to the individual employee.

This is a major performance and productivity issue for an organization. Retaining a current employee is almost always a cheaper option than recruiting and training a new employee. There is a series of major expenses associated with a "new hire" (in addition to the obvious salary and add-on costs):

- HR "admin" costs associated with advertising, record keeping, job sizing, etc.;
- travel expenses and other costs associated with the recruitment process;
- relocation costs for the successful candidate, etc.

There may also be additional costs associated with office location, furniture, support facilities, etc.

Major costs are associated with bringing the new employee "up to speed" – induction, training, mentoring, etc. During such a period, there may be significant disruption to production processes, schedules, etc. – especially where the new employee is part of an inter-related team. It is very important to ensure that such disruption is recognized as being a "system issue" associated with the personnel changeover. For example, if it affects bonus payments of employees, they should be compensated since, otherwise, they may resent the new employee and that may cause performance problems in the medium to longer term. It is also counter-productive to issue incentives for speedy performance to a new employee who is still "learning the ropes". It is much better to train someone to

Work Study
Volume 52 · Number 4 · 2003 · 201-207

the agreed quality standards and then allow them (and incentivize them) to accelerate rather than to ask for fast performance too early and hope quality will "catch up". Incentives should not only "motivate" performance, they should also create a "sense of worth" in the employee/team.

Employees in post obviously have a different set of needs from "new hires", though these needs overlap. Employees in post also need appropriate training and development, since most jobs change over time – especially as new technology is introduced.

Other costs associated with each employee include the costs of any "benefits" awarded as part of the contractual relationship between employer and employee. Benefits offered to employees in addition to salary can vary depending on the status of the employee and how long the employee has been in their position. These benefits typically include sick leave, vacation entitlement, public holiday leave; and may also include retirement and severance packages, medical and life insurance and other contractual benefits.

Healthcare is one area where thinking has changed in recent years. Escalating healthcare costs are a major problem for all employers (Willmott, 2001). One way in which employers have tried to keep costs down is by switching from a fully funded or traditional insurance plan to a self-funded (i.e. organization) benefit program.

In such a self-funded plan, the employer pays for the employees' medical claims directly. This is normally done by setting up an interest-earning trust fund made up of all of the (former) employers' and employees' contributions (Willmott, 2001). Normally these self-funding plans go through a network of doctors and hospitals that provide medical services at a discounted rate. In effect, the organization, via the trust, is accepting the risk it previously passed on to an insurance or healthcare company. Understandably, some employees become worried about what would happen if the money were to run out. With a "traditional" plan, employees had a more secure guarantee of cover. When the organization carries the risk, the smaller size of the "pool" paying into the contribution base, means that the risk is higher. There is a point at which organization size makes this risk unacceptable. With organizations of an appropriate size (sufficiently large), the "trust" already built into the employer-employee relationship will probably determine whether employees find a move to such self-funding acceptable.

It is important to remember that employees will value both financial and non-financial rewards; it is also important to remember that rewards that can be described as "non-financial" do carry costs for the organization. However, as with all "investments", the benefits to the organization must be balanced against these costs. The Marriott group recently completed groundbreaking employee research that is enabling them to refine their value proposition for the new economy. They have developed a system to address not only financial or monetary factors, but also non-monetary. Some of these factors include flexible schedules to tailored benefit packages and development opportunities. They believe that there is more to such a system than just retaining "associates"; the system also creates value for their customers (Marriott, 2001).

Since such benefits are increasingly expensive (even non-financial benefits and even with innovations such as self-funding), it may be that employees are offered a "menu" of options from which they choose their own benefits package within certain constraints. Employees who have selected (at least components of) their own benefits package will probably value those benefits more – they are more likely to view the overall compensation, reward and benefit package as "fair". Such choice within the process also recognizes that employee expectations have changed – they often understand their position in the job market, their degree of choice and their bargaining power. Allowing them to interact in the process is a small, empowering factor. It demonstrates that the organization recognizes them as an individual with "a voice".

Though perhaps it is less available these days, employees often seek assurances on "security". Though there is a general awareness that the "job for life" is no longer the typical working pattern, security can be a big issue. Naturally, for employees, it becomes particularly important at particular stages of their lives.

Layoffs and cutbacks are relatively common occurrences in today's economy – they are part of the flexibility we have suggested is important. Only by adapting to market shifts can an organization guarantee its longer-term

Work Study
Volume 52 · Number 4 · 2003 · 201-207

survival and growth. However, this survival and growth is also affected by the ways in which organizations respond to a downturn in the economy (Frances, 2002).

Managers need to carefully weigh very important decisions in light of total organizational costs before decisions regarding cutbacks are made. Deciding too quickly can result in a decision that is made upon illusory or only short-term savings. The costs of staff reductions during economic slowdowns are not usually felt until the economy improves (Frances, 2002). This is why it is vital for management to carefully consider what the organization may lose, and compare the potential loss to any anticipated savings from planned job cuts.

Although some staff cutting may be inevitable, there are benefits from not using layoffs and cutbacks, or reducing them. One of the most important is keeping a good customer and vendor relationship (Frances, 2002). Long-standing business relationships can be lost with the employees that created or serviced them. This can cause a customer to wonder if the company is still reliable and capable of handling its needs.

Another important benefit of reducing cutbacks is the retention of high employee morale and efficiency. By maintaining a continuous staff level, morale is maintained. Indeed if the workforce is aware, or made aware of, the market conditions, morale may be boosted. This promotes higher productivity of operations (Frances, 2002).

One approach to the decision-making process is to find the value of each employee. Instead of looking at employees as salaries/costs, the organization should look at what value they bring to the business. For each position, it is important to arrive at some way of assigning a value to each job. In doing this, some businesses may find that some people do need to be replaced. If this does happen, it is key to remember to keep emotions out of the way. Some employees may just be in the wrong job for their personal talents (Mulling, 2001). A change of responsibility – rather than a layoff – could bring noticeable improvement.

Trust and loyalty, and inter-personal relationships (both formal and informal) are important parts of the fabric of a company. These are all disrupted with layoffs. The layoff of one particular individual may have unforeseen repercussions due to the complex web woven by these inter-relationships. Other employees will begin to wonder if they will be next to go. This unease and uncertainty can greatly affect productivity and efficiency.

It is almost impossible for any organization to offer guarantees on the security of employment; what an organization can offer, however, is guarantees on the processes by which any "downsizing" may be undertaken, including the processes of consultation with employees and their representatives. "Loyalty" (a term once much used in the employer-employee relationship) thus becomes a relationship of mutual trust in how particular situations will be handled. When a process of downsizing is in place, employees (who have had the reasons for downsizing properly explained) are still likely to be very disappointed – and even angry – but they may at least recognize the "reality" and continue to work productively through this period. Certainly throughout this period of real tension, employees should be encouraged to share their questions and concerns (Messmer, 2002).

If morale is thought to be a specific problem at this time – to the point where it is having a significant effect on performance, organizations may additionally add "extras" into what employees are given as incentive to work productively through the critical period (Brimelow, 2002):

> Layoffs are disruptive and difficult for everyone and most organizations are taking steps to avoid them if possible. The majority of those companies that can't avoid layoffs are offering severance packages that include a variety of benefits (Drinan, H., SHRM president).

The other way in which morale might be helped is to offer services to employees to help them find alternative employment, or to help them plan for life on a reduced income. Some organizations have taken to adopting such "morale-boosting" tactics through both good times and bad. Yahoo!, for example, started offering personal finance seminars to its employees whose stock options had grown. They also have "parties" and visits from Ben & Jerry's ice cream trucks to create a positive morale for the workers. Perhaps what most workers want is simply to be taken seriously and valued – to be communicated with on a meaningful level. This applies at all times but especially in times of trouble where fear of the unknown is often worse than fear of the reality.

Work Study
Volume 52 · Number 4 · 2003 · 201-207

> It appears most organizations are missing an important opportunity. They could and should do more to boost morale for employees remaining with the organization to stem further turnover and to increase productivity (Drinan, H., SHRM president) (Brimelow, 2002).

Of course, treating employees with respect, as mature human beings with a stake in the company has commercial benefits. Sears, Roebuck and Company, for example, provide their employees with training that gives them the skills they need to be empowered and take responsibility for authoritative decisions. Sears even started having employee meetings in town halls – "close to" their employees, away from "the office" – to seek input from their employees on ways in which the organization – and the employees – could better serve their customers. This program of employee consultation and empowerment worked through to the public having a more positive perception of the organization and seeing them as an "honest" company.

Additionally, if employees are treated as "partners" in the company – and its future – they are more likely to work in ways that will help the company face the next economic downturn with confidence and competitive action. Empowered employees are much more likely to be innovative employees. Innovative thinking and action spreads: innovators in the company can teach others to do the same (Frances, 2002). This can help organizations stay ahead of their competitors, stay alive during a downturn and stay prepared for when the economy does take a turn upward.

The changing role of HR

Because the business world is changing, the role of HR must change. Once HR departments were considered as "mechanical" agents, helping the organization to hire and fire (and possibly train) employees. The HR department was an administrative necessity but little more. Over the last 20 years, the importance of a highly skilled, well-motivated, flexible workforce has become clear. HR departments are now expected to "add value" to the organization – not simply incur cost.

Ulrich (1998) has suggested four ways for HR to deliver organizational excellence:

(1) Partner with senior and line managers to move planning from the conference room to the marketplace.
(2) In order to deliver efficiency to reduce costs and yet maintain quality, become an expert in the way work is organized and executed.
(3) Become a champion for employees while working to increase employee contributions, specifically commitment and ability to deliver results.
(4) Become an agent of continuous transformation, shaping processes and a culture that will improve an organization's capacity for change.

This makes the HR department much more than "policy police" and regulatory "watchdog". Even more advanced and empowered HR departments may only oversee recruitment, manage training and development programs, and design initiatives to increase workplace diversity. This is not what is required of modern HR professionals.

They must form partnerships with operating managers to rethink and reconfigure the HR function and become committed to outcomes. Line managers are answerable to the shareholders to create economic value; the customers for product or service value; and the employees for creating workplace value. HR managers must be part of this "agreement".

The challenges

In the current business environment, there are perhaps five critical business challenges that need to be faced:

(1) globalization;
(2) profitability through growth;
(3) technology;
(4) intellectual capital; and
(5) change, change and more change.

Globalization

Managers are more often being challenged to balance the demands of thinking globally and acting locally. People, ideas, products and information must be moved around the world to meet local needs. Volatile political situations, global trade issues, fluctuating exchange rates, and unfamiliar cultures now enter into business decisions. Managers must become schooled in the ways of their international customers. They must enhance their ability to learn to work together to

Work Study
Volume 52 · Number 4 · 2003 · 201-207

manage diversity, complexity, and ambiguity across the globe. Within this environment, HR managers have a particular job to do in ensuring that HR policies and practices pay attention to the balance between consistency and co-ordination versus recognition of cultural and other differences.

Growth

Many western companies have already accomplished the easy gains that come from downsizing delayering and consolidation; they have also been through the rigours of reengineering. They are now looking at increased revenue through growth. This brings another set of issues and challenges for HR professionals:

- They must require their employees to be creative and innovative; and they must support those employees in being so by, for example, encouraging shared learning among them.
- Organizations who choose to grow through mergers, consolidations or joint ventures need the necessary HR skills to combine different work processes and cultures.

Technology

It is a given that organizations must expect to constantly review and update their technology. Technology is one particular manifestation of change. All change is difficult and HR departments must consider themselves as agents of change. In particular, with respect to technology, they must minimize resistance to new technology by ensuring that employees are provided with the necessary training and support processes to be able to cope with the change.

Intellectual capital

The most successful organizations will be the ones which can attract, develop and retain individuals who have the ability to manage a global organization that is responsive to customers and the opportunities being presented by technology. It will be the HR department's responsibility to find, assimilate, develop, compensate and retain these talented employees. Once the workforce is in place, the HR department – in partnership with others – must ensure that the intellectual resources of those employees are fully utilized. They must also ensure that the fruits of the intellectual activity are properly recognized and protected, and appropriately shared and managed. In the "knowledge economy", superior talent is the key to the future "prime source of competitive advantage" (Aghazadeh, 1999). This resource must be nurtured.

Change

All the other factors are particular manifestations of perhaps the most important of all – change. The HR department must embrace and support change. This means, of course, that the HR department must itself change – it must be seen to be flexible, responsive and value-adding. It cannot drive and support change elsewhere in the organization if it itself cannot adapt. It must examine and adopt (adapting if necessary) new structures, new working processes and a new culture of business support.

HR managers need to be involved in the setting of realistic, reasonable, challenging, and attainable goals that enable the company to adapt and change as technology does. Such technology may be in the organization generally as, for example, automated manufacturing processes or in the HR department itself, as with new personnel or payroll software packages. In addressing such technological change, HR managers need to be aware of the "hidden" issues:

- The hidden costs of doing business in certain ways.
- Handling intellectual property rights.
- Communication within and surrounding the technology.
- The changing nature of collaboration as technology changes (Aghazadeh, 1999).

The Internet – and Internet-enabled software – is a particular aspect of technology of concern to HRM professionals as it can change ways in which employees relate to the organization. Internet-enabled software, which requires the user to work only through an established browser interface, may allow the employees to:

- update personal information, such as home address, emergency contacts, cell phone numbers, changes in dependants, bank details, etc.;
- self-enrol on benefits programmes;
- view pay data, including payroll deductions and tax information;
- input timesheet data.

Work Study
Volume 52 · Number 4 · 2003 · 201-207

- apply online for promotion opportunities;
- register for in-house training courses;
- read the employee handbook, company newsletters and policy and procedure manuals online;
- update personnel information with newly acquired skills;
- view accrued paid time off.

Such facilities represent a win-win situation. They give the employee more personal and direct control over his/her relationship with the organization; and they save the organization time and money in conducting such transactions (Hoover, 2002).

In addition to helping the organization to implement technological change both in the HR department and in the wider organization, HR managers have a prior role of promoting such change and preparing the organization to accept it. The introduction of technology is often seen as a threat – to accepted ways of doing work, and even to jobs. However, the infusion of new technology must be seen as a necessity, as providing a controlled trajectory towards attaining a more competitive position and providing the essential interconnecting link between the enterprise and its potential partners and customers in the global chain of demand-driven entities of suppliers and markets. It may sound trite, but technology must be seen as an opportunity and not a threat. For example, IT provides new opportunities for product development, to generate innovative products in an environment of rapid change.

Conclusion

Sweeping changes continue to reshape the workplace. Today's HR professional needs to be more than simply an expert on personnel issues. He/she also needs to be an informed and skilled businessperson since HR professionals must play a key role in helping their organization remain competitive in the marketplace.

HR professionals need to use their sense of commitment, inter-personal skills and training to help make their company a success. The environment of constant change means that they must pay particular attention to cultivating competencies in communications and decision-making skills. They must be able to present the vision of their company clearly. Within this, they must also have a clear and functional perception of the operational management needs. They need to examine and review existing procedures to ensure that improved solutions can be designed and built. They need to emphasize the importance of continuous progress and managing change through goal setting. And finally, they must ensure that the resulting organization is populated and driven by empowered employees.

References

Aghazadeh, S.-M. (1999), "Human resource management: issues and challenges in the new millennium", *Management Research News*, Vol. 22 No. 12.

Brimelow, R. (2002), "Retaining key staff during downsizing", *Personnel Today*, 4 June, p. 1, Info Trac One File Plus.

Frances, J.D. (2002), "Selective job cuts – rather than board layoffs – often benefit firms more during economic slowdowns", *Compensation & Benefits Management*, Spring, Vol. 18, pp. 76-80, Info Trac One File Plus.

Hoover, W. (2002), "The future of human resources: technology assists in streamlining your HR department", *Colorado Biz*, April, Vol. 29 No. 4, p. 27.

Marriott, J.W. Jr (2001), "Our competitive strength: human capital", *Executive Speeches*, April, Vol. 15 No. 5, p. 18.

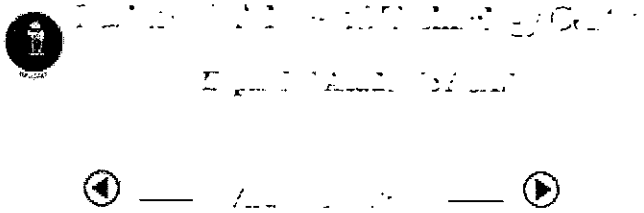
Messmer, M. (2002),"Back to basics: recruiting and managing in today's economy", *Strategic Finance*, October, Vol. 84 No. 4, pp. 13-15, Info Trac One File Plus.

Mulling, E. (2001), "Don't rush on company changes because of predictions", *Boston Business Journal*, 23 February, Vol. 21 No. 3, p. 29.

Sims, R.R. and Sims, S.J. (1994), *Changes and Challenges for the Human Resource Professional*, Quorum Books, Westport, CT.

Ulrich, D. (1998), "A new mandate for human resources", *Harvard Business Review*, Vol. 76 No. 1, pp. 124-34.

Willmott, B. (2001), "Cutting staff is last resort for struggling firms in the US", *Personnel Today*, 11 December, p. 10, Info Trac One File Plus.



Harvard Business Review, Jan-Feb 1998 v76 n1 p124(11)

Mark

Print

A new mandate for Human Resources. (analysis of the functions of the human resources departments in increasing productivity and profits) *Dave Ulrich.*

Abstract: The effectivity of human resources departments lies in its mandate being aligned with present business realities of increasing employee productivity and caring their welfare. Human resources department should bridge the gap delineating management and the employees by helping employees work to realize the corporate g This role should be accompanied by a transformation work which will help increase employees' skills to cope with emerging and future business directions.

Full Text: COPYRIGHT 1998 Harvard Business School Publishing

HR should be defined not by what it does but by what it delivers.

SHOULD WE do away with HR? In recent years, a number of people who study and write about business--along with many who run businesses--have been debating that question. The debate arises out of serious and widespread doubts about HR's contribution to organizational performance. And as much as I like HR people--I have been working in the field as a researcher, professor, and consultant for 20 years--I must agree that there is good reason for HR's beleaguered reputation. It is often ineffective, incompetent, and costly; in a phrase, it is value sapping. Indeed, if HR were to remain configured as it is today in many companies, I would have to answer the question above with a resounding "Yes--abolish the thing!"

But the truth is, HR has never been more necessary. The competitive forces that managers face today and will continue to confront in the future demand organizational excellence. The efforts to achieve such excellence--through a focus on learning, quality, teamworl and reengineering--are driven by the way organizations get things done and how they treat their people. Those are fundamental HR issues. To state it plainly: achieving organizational excellence must be the work of HR.

The question for senior managers, then, is not Should we do away with HR? but What should we do with HR? The answer is: create an entirely new role and agenda for the field that focuses it not on traditional HR activities, such as staffing and compensation, but on outcomes. HR should not be defined by what it does but by what it delivers--results that enrich the organization's value to customers, investors, and employees.

More specifically, HR can help deliver organizational excellence in the following four ways:

* First, HR should become a partner with senior and line managers in strategy execution helping to move planning from the conference room to the marketplace.

* Second, it should become an expert in the way work is organized and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained.

* Third, it should become a champion for employees, vigorously representing their concerns to senior management and at the same time working to increase employee contribution; that is, employees' commitment to the organization and their ability to deliver results.

* And finally, HR should become an agent of continuous transformation, shaping processes and a culture that together improve an organization's capacity for change.

Make no mistake: this new agenda for HR is a radical departure from the status quo. In most companies today, HR is sanctioned mainly to play policy police and regulatory watchdog. It handles the paperwork involved in hiring and firing, manages the bureaucratic aspects of benefits, and administers compensation decisions made by others. When it is more empowered by senior management, it might oversee recruiting, manage training and development programs, or design initiatives to increase workplace diversity. But the fact remains: the activities of HR appear to be--and often are--disconnected from the real work of the organization. The new agenda, however, would mean that every one of HR's activities would in some concrete way help the company better serve its customers or otherwise increase shareholder value.

Can HR transform itself alone? Absolutely not. In fact, the primary responsibility for transforming the role of HR belongs to the CEO and to every line manager who must achieve business goals. The reason? Line managers have ultimate responsibility for both the processes and the outcomes of the company. They are answerable to shareholders creating economic value, to customers for creating product or service value, and to employees for creating workplace value. It follows that they should lead the way in fully integrating HR into the company's real work. Indeed, to do so, they must become HR champions themselves. They must acknowledge that competitive success is a function of organizational excellence. More important, they must hold HR accountable for delivering it.

Of course, the line should not impose the new agenda on the HR staff. Rather, operating managers and HR managers must form a partnership to quickly and completely reconceive and reconfigure the function--to overhaul it from one devoted to activities to one committed to outcomes. The process will be different in every organization, but the result will be the same: a business era in which the question Should we do away with HR? will be considered utterly ridiculous.

Why HR Matters Now More Than Ever

Regardless of their industry, size, or location, companies today face five critical business challenges. Collectively, these challenges require organizations to build new capabilities Who is currently responsible for developing those capabilities? Everyone--and no one That vacuum is HR's opportunity to play a leadership role in enabling organizations to meet the following competitive challenges:

Globalization. Gone are the days when companies created products at home and shipped them abroad "as is." With the rapid expansion of global markets, managers are struggling to balance the paradoxical demand to think globally and act locally. That imperative requires them to move people, ideas, products, and information around the world to meet local needs. They must add new and important ingredients to the mix when making strategy: volatile political situations, contentious global trade issues, fluctuating exchange rates, and unfamiliar cultures. They must be more literate in the ways of international customers, commerce, and competition than ever before. In short, globalization requires that organizations increase their ability to learn and collaborate and to manage diversity complexity, and ambiguity.

Profitability Through Growth. During the past decade, most Western companies have been clearing debris, using downsizing, reengineering, delayering, and consolidation to

increase efficiency and cut costs. The gains of such yard work, however, have largely been realized, and executives will now have to pay attention to the other part of the profitability equation: revenue growth.

The drive for revenue growth, needless to say, puts unique demands on an organization. Companies seeking to acquire new customers and develop new products must be creative and innovative, and must encourage the free flow of information and shared learning among employees. They must also become more market focused--more in touch with the fast changing and disparate needs of their customers. And companies seeking growth through mergers, acquisitions, or joint ventures require other capabilities, such as the finely honed skills needed to integrate different organizations' work processes and cultures.

Technology. From videoconferencing to the Internet, technology has made our world smaller and faster. Ideas and massive amounts of information are in constant movement. The challenge for managers is to make sense and good use of what technology offers. Not all technology adds value. But technology can and will affect how and where work gets done. In the coming years, managers will need to figure out how to make technology a viable, productive part of the work setting. They will need to stay ahead of the information curve and learn to leverage information for business results. Otherwise, they risk being swallowed by a tidal wave of data--not ideas.

Intellectual Capital. Knowledge has become a direct competitive advantage for companies selling ideas and relationships (think of professional service, software, and technology-driven companies) and an indirect competitive advantage for all companies attempting to differentiate themselves by how they serve customers. From now on, successful companies will be the ones that are the most adept at attracting, developing, and retaining individuals who can drive a global organization that is responsive to both its customer and the burgeoning opportunities of technology. Thus the challenge for organizations making sure they have the capability to find, assimilate, develop, compensate, and retain such talented individuals.

Change, Change, and More Change. Perhaps the greatest competitive challenge companies face is adjusting to--indeed, embracing--nonstop change. They must be able learn rapidly and continuously, innovate ceaselessly, and take on new strategic imperatives faster and more comfortably. Constant change means organizations must create a healthy discomfort with the status quo, an ability to detect emerging trends quicker than the competition, an ability to make rapid decisions, and the agility to seek new ways of doing business. To thrive, in other words, companies will need to be in a never-ending state of transformation, perpetually creating fundamental, enduring change.

HR's New Role

The five challenges described above have one overarching implication for business: the only competitive weapon left is organization. Sooner or later, traditional forms of competitiveness--cost, technology, distribution, manufacturing, and product features--can be copied. They have become table stakes. You must have them to be a player, but they do not guarantee you will be a winner.

In the new economy, winning will spring from organizational capabilities such as speed responsiveness, agility, learning capacity, and employee competence. Successful organizations will be those that are able to quickly turn strategy into action; to manage processes intelligently and efficiently; to maximize employee contribution and commitment; and to create the conditions for seamless change. The need to develop those capabilities brings us back to the mandate for HR set forth at the beginning of this article. Let's take a closer look at each HR imperative in turn.

Becoming a Partner in Strategy Execution. I'm not going to argue that HR should make

strategy. Strategy is the responsibility of a company's executive team--of which HR is a member. To be full-fledged strategic partners with senior management, however, HR executives should impel and guide serious discussion of how the company should be organized to carry out its strategy. Creating the conditions for this discussion involves four steps.

First, HR should be held responsible for defining an organizational architecture. In other words, it should identify the underlying model of the company's way of doing business. Several well-established frameworks can be used in this process. Jay Galbraith's star model, for example, identifies five essential organizational components: strategy, structure, rewards, processes, and people. The well-known 7-S framework created by McKinsey & Company distinguishes seven components in a company's architecture: strategy, structure, systems, staff, style, skills, and shared values.

It's relatively unimportant which framework the HR staff uses to define the company's architecture, as long as it's robust. What matters more is that an architecture be articulated explicitly. Without such clarity, managers can become myopic about how the company runs--and thus about what drives strategy implementation and what stands in its way. They might think only of structure as the driving force behind actions and decisions, and neglect systems or skills. Or they might understand the company primarily in terms of its values and pay inadequate attention to the influence of systems on how work--that is, strategy execution--actually gets accomplished.

Senior management should ask HR to play the role of an architect called into an already-constructed building to draw up its plans. The architect makes measurements; calculates dimensions; notes windows, doors, and staircases; and examines the plumbing and heating infrastructures. The result is a comprehensive set of blueprints that contains all the building's parts and shows how they work together.

Next, HR must be accountable for conducting an organizational audit. Blueprints can illuminate the places in a house that require immediate improvement; organizational-architecture plans can be similarly useful. They are critical in helping managers identify which components of the company must change in order to facilitate strategy execution. Again, HR's role is to shepherd the dialogue about the company's blueprints.

Consider a company in which HR defined the organization's architecture in terms of its culture, competencies, rewards, governance, work processes, and leadership. The HR staff was able to use that model to guide management through a rigorous discussion of "fit" - did the company's culture fit its strategic goals, did its competencies, and so forth. When the answer was no, HR was able to guide a discussion of how to obtain or develop what was missing. (For an example of the questions asked in this discussion, see the chart "From Architecture to Audit.")

FROM ARCHITECTURE TO AUDIT

After HR has determined the company's underlying architecture, it can use a framework like the one below to guide the organization through the discussion and debate of the audit process.

	Question	Rating (1-10)	Description of best practice	Gap between company's current practice and best practice
SHARED	To what extent			

MIND-SET	does our company have the right culture to reach its goals?
COMPETENCE	To what extent does our company have the required knowledge, skills, and abilities?
CONSEQUENCES	To what extent does our company have the appropriate measures, rewards, and incentives?
GOVERNANCE	To what extent does our company have the right organizational structure, communications systems, and policies?
CAPACITY FOR CHANGE	To what extent does our company have the ability to improve work processes, to to change, and to learn?
LEADERSHIP	To what extent does our company have the leadership to achieve its goals?

The third role for HR as a strategic partner is to I identify methods for renovating the parts of the organizational architecture that need it. In other words, HR managers should be assigned to take the lead in proposing, creating, and debating best practices in culture change programs, for example, or in appraisal and reward systems. Similarly, if strategy implementation requires, say, a team-based organizational structure, HR would be responsible for bringing state-of-the-art approaches for creating this structure to senior management's attention.

Fourth and finally, HR must take stock of its own work and set clear priorities. At any given moment, the HR staff might have a dozen initiatives in its sights, such as pay-for-performance, global teamwork, and action-learning development experiences. But to be truly tied to business outcomes, HR needs to join forces with operating managers to systematically assess the impact and importance of each one of these initiatives. Which ones are really aligned with strategy implementation? Which ones should receive attention immediately, and which can wait? Which ones, in short, are truly linked to business results?

Because becoming a strategic partner means an entirely new role for HR, it may have to acquire new skills and capabilities. Its staff may need more education in order to perform

the kind of in-depth analysis an organizational audit involves, for example. Ultimately, such new knowledge will allow HR to add value to the executive team with confidence. In time, the concept of HR as a strategic partner will make business sense.

Becoming an Administrative Expert. For decades, HR professionals have been tagged as administrators. In their new role as administrative experts, however, they will need to shed their traditional image of rule-making policy police, while still making sure that all the required routine work in companies is done well. In order to move from their old role as administrators into their new role, HR staff will have to improve the efficiency of both their own function and the entire organization.

Within the HR function are dozens of processes that can be done better, faster, and cheaper. Finding and fixing those processes is part of the work of the new HR. Some companies have already embraced these tasks, and the results are impressive. One company has created a fully automated and flexible benefits program that employees can manage without paperwork; another has used technology to screen resumes and reduce the cycle time for hiring new candidates; and a third has created an electronic bulletin board that allows employees to communicate with senior executives. In all three cases quality of HR work improved and costs were lowered, generally by removing steps or leveraging technology.

But decreased costs aren't the only benefit of HR's becoming the organization's administrative expert. Improving efficiency will build HR's credibility, which, in turn, will open the door for it to become a partner in executing strategy. Consider the case of a CEO who held a very low opinion of the company's HR staff after they sent a letter to a job candidate offering a salary figure with the decimal point in the wrong place. (The candidate called the CEO and joked that she didn't realize the job would make her a millionaire.) It was only after the HR staff proved they could streamline the organization's systems and procedures and deliver flawless administrative service that the CEO finally felt comfortable giving HR a seat at the strategy table.

HR executives can also prove their value as administrative experts by rethinking how work is done throughout the organization. For example, they can design and implement a system that allows departments to share administrative services. At Amoco, for instance, HR helped create a shared-service organization that encompassed 14 business units. HR can also create centers of expertise that gather, coordinate, and disseminate vital information about market trends, for instance, or organizational processes. Such groups can act as internal consultants, not only saving the company money but also improving its competitive situation.

Becoming an Employee Champion. Work today is more demanding than ever--employees are continually being asked to do more with less. And as companies withdraw the old employment contract, which was based on security and predictable promotions, and replace it with faint promises of trust, employees respond in kind. Their relationship with the organization becomes transactional. They give their time but not much more.

That kind of curtailed contribution is a recipe for organizational failure. Companies cannot thrive unless their employees are engaged fully. Engaged I employees--that is, employees who believe they are valued--share ideas, work harder than the necessary minimum, and relate better to customers, to name just three benefits.

In their new role, HR professionals must be held accountable for ensuring that employees are engaged--that they feel committed to the organization and contribute fully. In the past, HR sought that commitment by attending to the social needs of employees--picnics, parties, United Way campaigns, and so on. While those activities must still be organized, HR's new agenda supersedes them. HR must now take responsibility for orienting and training line management about the importance of high employee morale and how to achieve it. In addition, the new HR should be the employees' voice in management

discussions offer employees opportunities for personal and professional growth; and provide resources that help employees meet the demands put on them.

Orienting and training line management about how to achieve high employee morale can be accomplished using several tools, such as workshops, written reports, and employee surveys. Such tools can help managers understand the sources of low morale within the organization--not just specifically, but conceptually. For instance, HR might inform the line that 82% of employees feel demoralized because of a recent downsizing. That's useful. But more than that, HR should be responsible for educating the line about the causes of low employee morale. For instance, it is generally agreed by organizational behavior experts that employee morale decreases when people believe the demands put upon them exceed the resources available to meet those demands. Morale also drops when the goals are unclear, priorities are unfocused, or performance measurement is ambiguous. HR serves an important role in holding a mirror in front of senior executives.

HR can play a critical role in recommending ways to ameliorate morale problems. Recommendations can be as simple as urging the hiring of additional support staff or as complex as suggesting that reengineering be considered for certain tasks. The new role for HR might also involve suggesting that more teams be used on some projects or that employees be given more control over their own work schedules. It may mean suggesting that line executives pay attention to the possibility that some employees are being asked to do boring or repetitive work. HR at Baxter Healthcare, for example, identified boring work as a problem and then helped to solve it by redesigning work processes to connect employees more directly with customers.

Along with educating operating managers about morale, HR staff must also be an advocate for employees--they must represent the employees to management and be their voice in management discussions. Employees should have confidence that when decisions are made that affect them (such as a plant closing), HR's involvement in the decision-making process clearly represents employees' views and supports their rights. Such advocacy cannot be invisible. Employees must know that HR is their voice before they will communicate their opinions to HR managers.

Becoming a Change Agent. To adapt a phrase, Change happens. And the pace of change today, because of globalization, technological innovation, and information access, is both dizzying and dazzling. That said, the primary difference between winners and losers in business will be the ability to respond to the pace of change. Winners will be able to adapt, learn, and act quickly. Losers will spend time trying to control and master change.

The new HR has as its fourth responsibility the fob of building the organization's capacity to embrace and capitalize on change. It will make sure that change initiatives that are focused on creating high-performing teams, reducing cycle time for innovation, or implementing new technology are defined, developed, and delivered in a timely way. new HR can also make sure that broad vision statements (such as, We will be the global leader in our markets) get transformed into specific behaviors by helping employees figure out what work they can stop, start, and keep doing to make the vision real. At Hewlett-Packard, HR has helped make sure that the company's value of treating employees with trust, dignity, and respect translates into practices that, for example, give employees more control over when and where they work.

Change has a way of scaring people--scaring them into inaction. HR's role as a change agent is to replace resistance with resolve, planning with results, and fear of change with excitement about its possibilities. How? The answer lies in the creation and use of a change model. (For an example of a very effective change model, developed with and used extensively by GE, see the chart "Change Begins by Asking Who, Why, What, and How.") HR professionals must introduce such a model to their organizations and guide executive teams through it--that is, steer the conversation and debate that answers the multitude of questions it raises. The model, in short, must be a managerial tool

championed by HR. It helps an organization identify the key success factors for change and assess the organization's strengths and weaknesses regarding each factor. The process can be arduous, but it is one of the most valuable roles HR can play. As change agents, HR professionals do not themselves execute change--but they make sure that it is carried out.

Consider the case of a company whose senior management team announced that "valuing diversity" was a top priority in 1996. Six months into the year, the team acknowledged that the diversity initiative had received more rhetoric than action. The company's HR professionals asked the team to spend several hours profiling the diversity initiative using a change model. (See the graph "Profile of a Change Initiative in Distress.") The resulting analysis revealed that the diversity initiative would fail unless the senior management team explored several critical questions, among them: Why are we seeking diversity? What will be the benefit to the business and its customers? What is the ideal form of diversity for this organization: Who needs to be supportive and involved to make the initiative come to life?

HR leaders spent several more hours with the management team guiding a conversation that answered those questions. Shortly afterward, they were able to present the team with an action plan for moving the diversity initiative forward. Thus HR did not decide what changes the organization was going to embrace, but it did lead the process to make them explicit.

Perhaps the hardest and most important challenge facing many companies in this era of flux is changing their culture. In helping to bring about a new culture, HR must follow four-step process:

* First, it must define and clarify the concept of culture change.

* Second, it must articulate why culture change is central to business success.

* Third, it must define a process for assessing the current culture and the desired new culture, as well as for measuring the gap between the two.

* And fourth, it must identify alternative approaches to creating culture change.

HR played an important part in changing the culture at Sears, which underwent a transformation of its business beginning in 1994. In facilitating that change, HR first took on the task of getting the organization to define and clarify the concept of culture. It helped lead the top 100 managers through discussions and debates of the questions, What are the top three things we want to be known for by our customers, and What do we do that is world class in those things? Ultimately, those conversations led to a consensus that Sears would define its culture as "the identity of the company in the minds of the best customers." In addition, HR at Sears took on the responsibility of making the business case for a transformation of the company's culture. It compiled data showing that ever small increase in employee commitment led to a measurable increase in customer commitment and store profitability. The data illustrate conclusively that Sears's transformation affected employees, customers, and investors.

HR at Sears guided the company's culture change in numerous other ways.(1) The specific details, however, are not nearly as important as their implications. HR can be the architect of new cultures, but to do so, its purpose must be redefined. Virtually every imperative of the new mandate for HR requires such a redefinition. And for it to happen, senior managers must lead the way.

Four Changes for the Line

The new mandate for HR requires dramatic changes in how HR professionals think and behave. But perhaps more important, it also requires that senior executives change what they expect from HR and how they behave toward the HR staff. The following are four ways senior operating managers can create an era in which HR is focused on outcome instead of activities:

Communicate to the organization that the "soft stuff" matters. At Hewlett-Packard, managing people was one of the two hoshin [major objectives] of the CEO for 1997. At General Electric, CEO Jack Welch claims he spends 40% of this time on people issues. Southern Company, senior managers are working to create an empowered organization to ensure faster and better decision making. The point? For HR to be taken seriously, senior managers must demonstrate that they believe typical HR issues--the soft stuff like culture change and intellectual capital--are critical to business success.

Operating managers can signal this belief in several ways. They can talk seriously about how organizational capabilities create value for investors, customers, and employees. They can invest the time needed to make sure organizational changes are debated and implemented. They can include HR professionals in strategy discussions and state explicitly that without the collaboration of HR, strategies are more hopes than realities, promises than acts, and concepts than results.

Explicitly define the deliverables from HR, and hold HR accountable for results. It is one thing to tell HR that it is responsible for employee contribution and quite another to set specific goal--say, a 10% increase in employee morale as measured by a survey. And once such specific goals are set, consequences must follow if they are missed.

The new mandate for HR is like any other business initiative in this way. A company has a much better chance of achieving its goals if senior managers state specifically what they expect from HR and then track, measure, and reward performance.

Invest in innovative HR practices. Like every other area of business, HR gets its share of new technologies and practices, and senior line executives should be always on the lookout for such practices. Conferences and management literature are always good places to hear of new ways of approaching HR, but senior managers should also be aware of innovative HR practices going on at other companies and of new practices that are being advocated by respected consultants.

Investing in new HR practices is another way to signal to the organization that HR is worthy of the company's money and attention. It is also a way to make sure that HR has the tools, information, and processes that it needs to execute its new mandate.

As new practices are identified, line managers should expect HR to adapt to them, not adopt them. Too often, after learning about an innovative idea, HR immediately tries to copy it wholesale. Such efforts often fail, and at a high emotional cost. Instead, investment in new HR practices should focus on learning not only what works elsewhere but also how a new practice should work in the company's unique competitive situation.

Upgrade HR professionals. Finally, the hardest but perhaps most important thing senior managers can do to drive forward the new mandate for HR is to improve the quality of the HR staff itself. Too often, HR departments are like computers made up of used parts. While the individual parts may work, they don't work well together. When more is expected of HR, a higher quality of HR professional must be found. Companies need people who know the business, understand the theory and practice of HR, can manage culture and make change happen, and have personal credibility. Sometimes, such individuals already exist within the HR function but need additional training. Other times, they have to be brought in from other parts of the company. In still other cases, they must be hired from outside.

Regardless, HR cannot expand its role in an organization without the requisite expertise. Becoming a strategic partner demands a degree of knowledge about strategy, markets, and the economy. Becoming an administrative expert demands some knowledge of reengineering, as well as the intricacies of what the line actually does. If HR is to effect real change, it must be made up of people who have the skills they need to work from base of confidence and earn what too often it lacks--respect.

Hard Work Ahead

To meet the increased expectations of their organizations, HR professionals must begin to act professionally. They must focus more on the deliverables of their work and less on just getting their work done. They must articulate their role in terms of the value they create. They must create mechanisms so that business results quickly follow. They must measure their effectiveness in terms of business competitiveness rather than employee comfort and lead cultural transformation rather than consolidate, reengineer, or downsized in order to turn a company around.

Senior executives who recognize the economic value and the benefit to their customers intellectual capital and organizational capability need to demand more of the HR function. They need to invest in HR as if it were a business. And they must get beyond the stereotype of HR professionals as incompetent value-sapping support staff. It's time to destroy that stereotype and unleash HR's full potential.

[GRAPH OMITTED]

CHANGE BEGINS BY ASKING WHO, WHY, WHAT, AND HOW

HR staff at GE used this change model to guide a transformation process at the compa

Key Success Factors for Change	Questions to Assess and Accomplish The Key Success Factors for Change
Leading change (Who is responsible?)	Do we have a leader...
	who owns and champions the change?
	who publicly commits to making it happen
	who will garner the resources necessary to sustain it?
	who will put in the personal time and attention needed to follow through?
Creating a shared need (Why do it?)	Do employees...
	see the reason for the change?
	understand why it is important?
	see how it will help them and the business in the short term and long term?
Shaping a vision (what will it look like when we are done?)	Do employees...
	see the outcomes of the change in behavioral terms (that is, in terms of what will do differently as a result of

	the change)?
	get excited about the results of accomplishing the change?
	understand how it will benefit customers and other stakeholders?
Mobilizing commitment (Who else needs to be involved?)	Do the sponsors of the change...
	recognize who else needs to be committed to the change to make it happen?
	know how to build a coalition of support for the change?
	have the ability to enlist support of key individuals in the organization?
	have the ability to build a responsibility matrix to make the change happen?
Modifying systems and structures (How will it be institutionalized?)	Do the sponsors of the change...
	understand how to link it to other HR systems such as staffing, training, appraisal, rewards, structure, and communication?
	recognize the systems implications of the change?
Monitoring process (How will it be measured?)	Do the sponsors of the change...
	have a means of measuring its success?
	plan to benchmark progress against both the results of the change and the process of implementing it?
Making it last (How will it get started and last?)	Do the sponsors of the change...
	recognize the first steps in getting started?
	have a short-term and long-term plan to keep attention focused on the change?
	have a plan to adapt the change over time?

(1.) For more on the transformation of Sears, see The Employee-Customer-Profit Cha: Sears, by Anthony J. Rucci, Steven P. Kirn, and Richard T. Quinn, in this issue of HB

Dave Ulrich is a professor at the University of Michigan's School of Business in Ann Arbor. He is the author of Human Resource Champions: The Next Agenda for Adding Value and Delivering Results (Harvard Business School Press, 1997).

Mag.Coll.: 92C5873

Bus.Coll.: 105Z3863

View other articles linked to these subjects:

Human Resource Departments - Analysis
View 7 Periodical references
See also 59 other subdivisions
Human Resource Management - Analysis
View 907 Periodical references
See also 90 other subdivisions
Industry - Social Aspects
View 358 Periodical references
See also 152 other subdivisions

Harvard Business Review, Jan 1, 1998
View other articles in this issue

Print, e-mail, and other retrieval options

Browser Print — *Full Text* —
Reformat for printing (approximately 13 pages) from your browser. To return to InfoTrac, use the *back* function of your browser.

Acrobat Reader — *Full Text* —
Retrieve for viewing and printing from Acrobat™ Reader. Please allow a few minutes for th retrieval operation to complete (approximately 9 pages)

E-Mail Delivery — *Full Text* —

We will send a plain text version to the e-mail address you enter (e.g. *bettyg@library.com*).

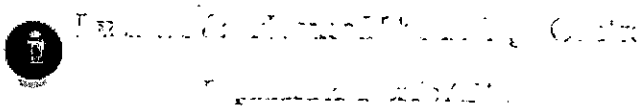
E-Mail Address:

Subject (defaults to title):

Submit E-mail Request

Article 11 of 20

Copyright and Terms of Use



Total Quality Management, Sept 2001 v12 i6 p773

Mark

Print

Current people management activities in world-class organizations. *SUSAN OAKLAND; JOHN S. OAKLAND.*

Full Text: COPYRIGHT 2001 Carfax Publishing Co.

ABSTRACT Many authors and practitioners now acknowledge that effective people management and development is one of the primary keys to achieving improvements in organizational performance. However, it is not always apparent just what activities constitute `effective people management'. This paper draws on the findings of a research project to describe some of the main people management activities that are currently being undertaken in the sample of world-class organizations, many of which are quality award-winning companies. It is argued that the organizations involved in the research invest in and value people through certain core activities, which include effective communication and teamwork, planned training and development, strategic alignment of human resource management policies, empowerment of employees and review and continuous improvement. Throughout, links are made between the activities and relevant management literature. The research findings should not only promote the spread of good practice in terms of people management, but also demonstrate the value, to business, of theory when it is put into practice.

Introduction

Over the past decade, the way in which people are managed and developed at work has come to be recognized as one of the primary keys to improved organizational performance (BQF, 1998; Collins & Porras, 1994; Kotter & Heskett, 1992; Marchington & Wilkinson, 1997; Phillips, 1997). This is reflected by popular idioms such as `people are our most important asset' or `people make the difference'. Indeed, such axioms now appear in the media and on corporate public relations documents with such regularity that the accuracy and integrity of such assertions have begun to be questioned (see, e.g. Maguire, 1995; Marchington & Wilkinson, 1997).

This paper draws on some of the results of a research project that was undertaken by the European Centre for Business Excellence (ECforBE), the research and education division of Oakland Consulting plc. Transco commissioned the research with support from both the British Quality Foundation (BQF) and the European Foundation for Quality Management (EFQM). Their remit was that the research should focus on world-class, successful and, in many cases, quality award-winning organizations. (See the Appendix for a list of the companies covered by the research.) This paper describes the main people management activities that are currently being used in these leading edge organizations.

Research background

For more than 20 years, organizations in the UK, Europe and beyond have come under increasing pressure to improve their business performance, measure

themselves against worldclass standards and focus their efforts on the customer. To assist this process, organizations have adopted various approaches or philosophies. These include total quality management (TQM) and business process re-engineering (BPR), whilst, more recently, many have turned to quality models such as the US Malcolm Baldrige National Award (MBNQA) or the European Foundation for Quality Management's Business Excellence Model (BEM)--promoted in the UK by the British Quality Foundation.

The BEM shown in Fig. 1 illustrates key business areas, `enablers' and `results', which are typically addressed by organizations striving for superior business performance. This particular model includes nine main categories, such as customer satisfaction, people satisfaction and impact on society achieved through leadership driving policy and strategy, people management, resources and processes, leading ultimately to excellence in business results--both financial and non-financial. Financial measures may include profit, sales, cash flow, working capital and liquidity; non-financial targets may include reduction of non-quality costs, service level achievements, market share, product delivery time, batch processing time or inventory turnover time. The Baldrige model is now very similar to the BEM, being based on seven basic criteria supplemented by business results and impact on society sections. Self-assessment to a model such as the Baldrige or BEM involves an organization in the regular and systematic review of its enablers and results, allowing the identification of strengths and areas for improvement.

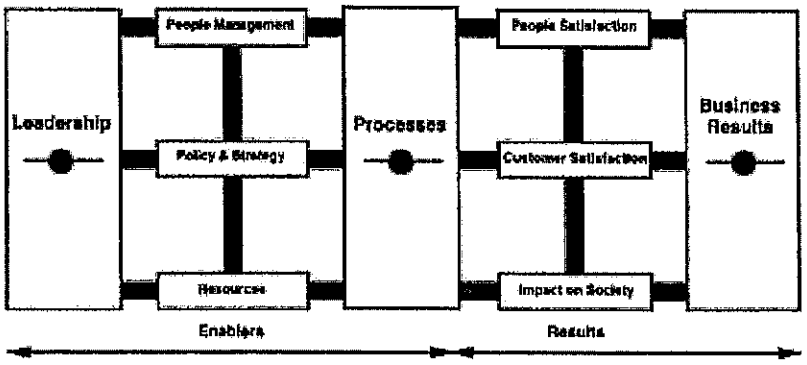


Figure 1. The Business Excellence Model used by the European Quality Award and the UK Quality Award for Business Excellence—subsequently renamed as The Excellence Model in 1999 (EFQM).

Various awards have been set up to encourage adoption of business excellence principles and provide a platform for measurement or self-assessment against world-class standards--The MBNQA was launched in 1987, the European Quality Award was first awarded in 1992 and the UK Quality Award established in 1994. Guidelines for the implementation of business excellence and self-assessment are available from the EFQM and BQF.

Research objectives

The main objectives of the research were:

* To establish whether links exist between certain TQM/business excellence-type activities and sustained business results and performance. Details of the findings relating to this objective are described in The X Factor: Winning Performance through Business Excellence, published by the BQF in conjunction with the ECforBE (BQF, 1998).

* To identify current activities in areas recognized as criteria for quality management or business excellence, such as leadership, people management, policy and strategy and so on. This paper focuses on the findings relating to people management.

Methodology

The research methodology involved:

(1) A literature review comprising books, journal articles, papers and reports from the UK, Europe and the USA.

(2) Content analysis of 20 submission documents relating to European and UK Business Excellence Award winners (over the last 6 years). For this phase of the methodology, the research team was given access, at the EFQM offices, to 14 European Quality/ Business Excellence Award submission documents made up of all the 1996 and 1997 finalists plus the winners in 1994 and 1995. At the BQF offices, the team was also permitted to analyse the content of six award-winning submission documents, but for reasons of confidentiality it is not possible to name the companies. To maximize reliability of the content analyses, random sections from each document were independently analysed and coded by another member of the team (Patton, 1987).

(3) Structured interviews with senior managers in four award-winning companies: British Telecommunications plc, Hewlett Packard UK, ST Microelectronics (formerly SGS Thomson) and TNT UK Ltd. The interviews were designed to explore when, why and how quality management/business excellence principles had been introduced into the companies and to determine the benefits, potential drawbacks and plans for the future.

(4) The development of a `route to business excellence' was the final phase of the methodology in which the research team developed an affinity/interrelationship diagram or map called a `route to business excellence'. A detailed discussion of the route to business excellence can be found in BQF (1998), but for the purposes of this paper, suffice it to say that this phase of the research identified people management activities as central to, or the fulcrum of, achieving excellence in both business and results. This paper, therefore, focuses on the people management activities identified in this research that are currently being used in some leading edge organizations.

Current people management activities

The research identified an overwhelming amount of evidence that successful organizations pay much more than lip service to the axiom `People are our most important resource'. On a general level, successful organizations share a fundamental philosophy to value and invest in their employees (e.g. Anand, 1997; Kotter & Heskett, 1992; Maguire, 1995). More specifically, the research indicated that world-class organizations value and invest in their people through the following activities:

* strategic alignment of human resource management (HRM) policies;

* effective communication;

* employee empowerment and involvement;

* training and development;

* teams and teamwork;

* review and continuous improvement.

Strategic alignment of HRM policies

From the literature review and analyses of award submission documents it was clear that leading edge organizations adopt a common approach or plan, illustrated in Fig. 2, to align their human resource (HR) policies with the overall business strategy.

Key elements of the HR strategy (e.g. skills, recruitment and selection, health and safety, appraisal, employee benefits, remuneration, training, etc.) are first identified, usually by the HR Director, who then reports regularly to the Board. The HR plan, typically spanning 3 years, is then aligned with the overall business objectives and is an integral part of company strategy. For example, if a business objective is to expand at a particular site, then the HR plan provides the necessary additional manpower with the appropriate skills profile and training support. The HR plan is revised as part of the overall strategic planning process. Divisional boards then liaise with the HR Director to ensure that the HR plan supports and is aligned with overall policy.

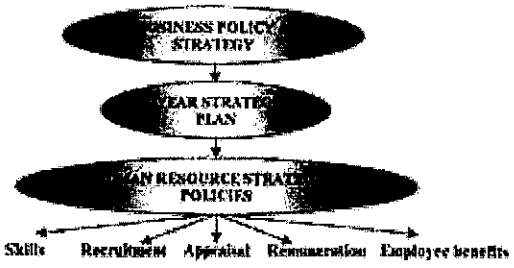


Figure 2. Strategic alignment of HRM policies.

In addition, the HR Director holds regular meetings with key personnel from employee relations, health and safety, training and recruitment, etc. to review and monitor the HR plan, drawing upon published data and benchmarking activities in all relevant areas of policy and practice. Divisional managing directors and the HR Director report to the quality committee or Board on the progress of how the HR plan is supporting the business. An overview of this HR process is illustrated in Fig. 3.

Although it was beyond the scope of the research project to make a detailed examination of HR policy, it is prudent to outline briefly some of the common practices that emerged from the research relating to selection and recruitment, skills and competencies, appraisal, and employee reward, recognition and benefits.

Selection and recruitment. The following practices were common amongst the organizations studied regarding selection and recruitment:

(1) Ensure fairness by using standard tools and practices for job descriptions and job evaluations.

(2) Enhance `transparency' and communication through jargon-free booklets that provide detailed information to new recruits about performance, appraisal, job conditions and so on.

(3) Ensure that job descriptions are responsibility rather than task-oriented.

(4) Train all managers and supervisors in interviewing and other selection techniques.

(5) Align job descriptions and competencies so that people with the appropriate skills and attributes for the job are identified.

(6) Compare the organization's employment terms and conditions (on a regular basis) with published data on best practice and documents such as the Institute of Personnel and Development circulars to ensure that the highest standards are being met.

(7) Review HR policies regularly to ensure that they fully reflect legislative and regulatory changes together with known best practice.

Skills/competencies. Since the publication of The Competent Manager (Boyatsis, 1982), the terms competence and competency have been widely used and underpin the work of the National Council for Vocational Qualifications in the UK as well as that of bodies such as the Employment Occupational Standards Council. In line with this, the organizations involved in this study had skills/competence-based HRM policies underpinning selection and recruitment, training and development, promotion and appraisal.

Although numerous lists of generic management competencies have been published (e.g. Mathis & Jackson, 1991; Schuler, 1992; Woodruffe, 1992), in essence they are very similar and are closely allied with the core management competencies identified in this research underpinning HR policies: leadership, motivation, people management skills, team-working skills, comprehensive job knowledge, planning and organizational skills, customer focus, commercial and business awareness, effective communication skills, oral and written, change management skills coupled with drive for continuous improvement.

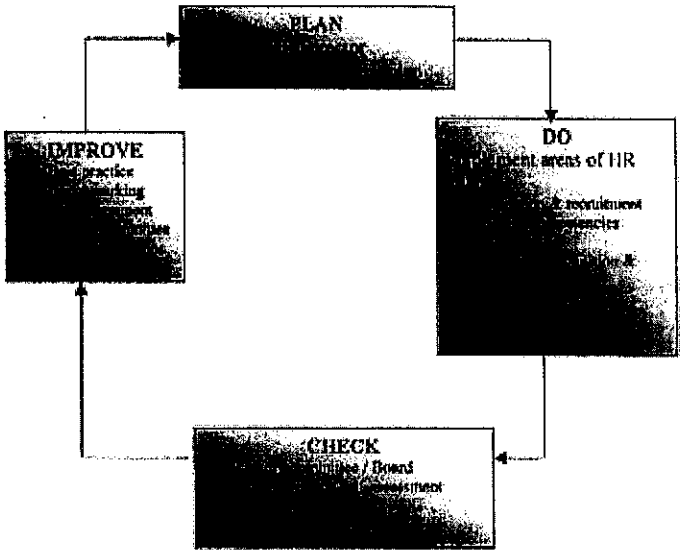


Figure 3. Human resource process.

Appraisal process. As with other HR policies, the main thrust of the appraisal process in the organizations studied, was alignment--alignment of personal, team and corporate goals coupled with appraisals to help individuals achieve their full potential (see Fig. 4).

Without exception, the appraisal systems described in the award-winning submission documents were based on objectives. Agreed objectives were also time-based so that completion dates provided the opportunity for automatic review processes.

Typically, employees are appraised annually and the managers conducting appraisals attend training in appraisal skills. Before each appraisal, the appraisee and appraiser each complete preparation forms, thus making the interview a two-way discussion on performance against objectives during, say, the previous 12 months. Training and development work to achieve the objectives is agreed and, if necessary, additional help is available in the form of advice and counselling.

Employee reward, recognition and benefits. Although an in-depth study of the policies and practices relating to financial reward and recognition was beyond the scope of the research, it is possible to highlight activities that were common amongst the organizations studied in the research. For employee reward and recognition these were:

* Rewards are based on consistent, quality-based performance.

* Awards are given to employees but also to customers, suppliers, universities, colleges, students, etc.

* Financial incentives are offered for company-wide suggestions and new idea schemes.

* Internal promotion, for example from non-supervisory roles to divisional managing directors, encourages a highly motivated workforce and enhances job security.

* Commendations include ad hoc recognition for length of service, outstanding contributions, etc.

* Recognition is given through performance feedback mechanisms, development opportunities, pay progressions and bonuses.

* Recognition systems operate at all levels of the organization but with particular emphasis on informal recognition ranging from a personal `thank you' to recognition at team meetings and events.

With regard to employee benefits, it is well documented that benefits are seen as a tangible expression of the psychological bond between employers and employees. However, to maximize effectiveness, benefits packages should be able to be selected on the basis of what is good for the employee as well as the employer (Marchington & Wilkinson, 1997). Moreover, when employees can design their own benefits package both they and the company benefit (Shapiro & Sherman, 1987).

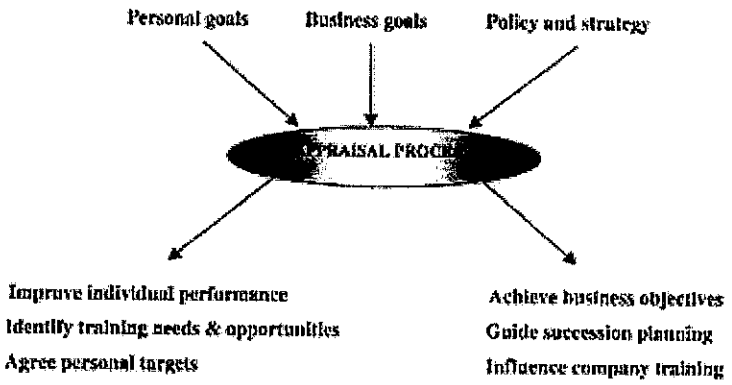


Figure 4. Appraisal process.

In line with theory, the research showed that leading edge organizations favour a `cafeteria' approach to employee benefits to good effect. In recent years there has been increasing interest in this idea of cafeteria benefits to maximize flexibility and choice, particularly in the area of fringe benefits, which can make up a high proportion of the total remuneration package. Under this scheme, the company provides a core package of benefits to all employees (including salary) and a `menu' of other costed benefits (e.g. personal medical care, dental care, company car, health insurance, etc.) from which the employee can select their personal package.

Some of the ideas underpinning cafeteria benefits sit well with the literature on motivation to emphasize that different individuals have different needs and expectations from work. Moreover, through communicating the benefits package and providing employees with benefit flexibility, the positive impact is increased further; not only are employees more likely to get what benefits they want, but also communication makes them more aware of the benefits they are gaining thus informing and increasing morale (Murino, 1990).

Effective communication

Effective communication emerged from the research as an essential facet of people management--be it communication of the organization's goals, vision, strategy and business policies, or the communication of facts, information and data (Collins & Porras, 1994; Larkin & Larkin, 1994; Purser & Cabana, 1997; Yingling, 1997). For business success, regular, two-way communication, particularly face-to-face with employees, was identified as an important factor in establishing trust and a feeling of being valued (Fourtou, 1997; Mumford & Hendricks, 1996). In the organizations studied, two-way communication was regarded as both a core management competency and as a key management responsibility. For example, a typical list of management responsibilities for effective communication is:

* regularly to meet all their people;

* ensure people are briefed on key issues in language free of technical jargon;

* communicate honestly and as fully as possible on all issues which affect their people;

* encourage team members to discuss company issues and give upward feedback;

* ensure issues from team members are fed back to senior managers and timely replies given.

In all the organizations studied, however, regular two-way communication also involved customers, shareholders, financial communities and the general public.

Communications process. Content analysis of the award-winning submission documents revealed that successful organizations follow a systematic process for ensuring effective communications, as shown in Fig. 5.

PLAN

Typically, the HR function (e.g. the HR Director) is responsible for the communication process. He/she assesses the communication needs of the organization and liaises with divisional directors, managers or local management teams to ensure that the communication plans are in alignment with overall business policy and strategy. A communication programme accompanies any major changes on organization policy or objectives.

DO

The organizations in the research used a comprehensive mix of diverse media to support effective communication throughout their organization. These include:

Videos Surveys Magazines Newsletters Appraisals Posters Campaigns Briefings Conferences Meetings Open-door policies E-mail Notice boards Internet/Intranet Focus groups

It was evident that the introduction of electronic systems has brought about radical changes in communications. In some of the organizations studied, all employees are able to access databases, spreadsheets, word processing, e-mail and diary facilities. Information on business performance, market intelligence and quality issues can also be easily and quickly cascaded. Further, video conferencing is used to facilitate internal face-to-face communications with major customers across the world, resulting in substantial savings on costs such as passenger miles. Furthermore, provision is made for depots, units, regions, divisions, departments, etc. to hold meetings and conferences. Feedback questionnaires then check that events are valuable and help the planning of future events.

CHECK

Quality steering or review committees, people surveys, appraisal and company-wide self-assessment are used to review the effectiveness of the communications process. Appraisal and staff survey data are analysed to ensure that the communications process is continuing to deliver effective upward, downward and lateral communications. Reports are then made on a quarterly, 6-monthly and/or annual basis to the Chief Executive and/or the Board on the effectiveness and relevance of the communications process. The people survey data are also used to ascertain employee perceptions and to keep in touch with current opinion.

IMPROVE

The results of the various review processes highlight areas for improvement and results are verified by benchmarking against, for instance, a MORI survey.

Quality steering committees then put forward recommendations for future planning and continuous improvements.

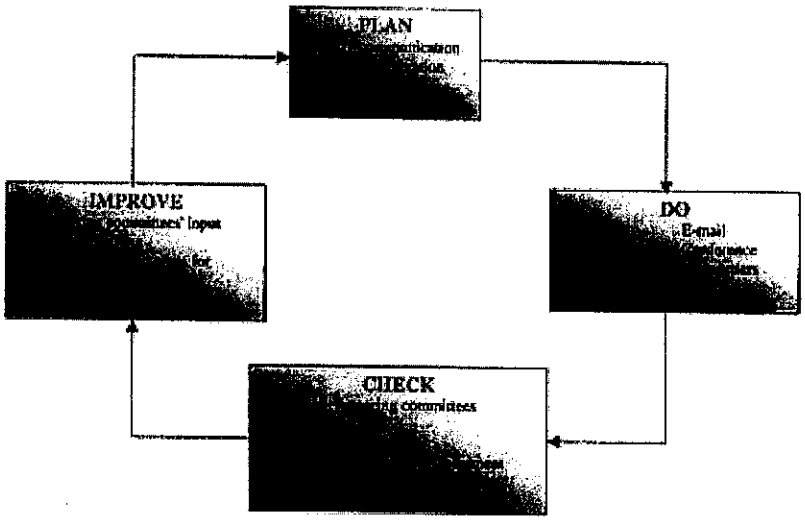


Figure 5. Best practice communications process.

Communications structure. The successful organizations involved in this research place great emphasis on communication channels that enable people at all levels in the organization to feel able to talk to each other. Consequently, managers are not only trained but "are committed to being open-minded, honest, more visible and approachable" (TNT, 1998). Many formal and informal communication mechanisms exist, all designed to foster an environment of open dialogue, shared knowledge, information and trust in an effective upward, downward, lateral and cross-functional structure such as the one illustrated in Fig. 6.

TNT, for example, winners of the 1998 European Quality Award and the 1994 UK Award, have a regional structure that provides a link between local and central management which ensures that the chain of communication is complete so that information can cascade down and rise up. Briefings of senior managers by executives are followed by briefings of middle managers and so on all the way down the line. The same chain also works in reverse to facilitate bottom-up communications.

Employee empowerment and involvement

To encourage employee commitment and involvement, successful organizations place great importance on empowering their employees. The positive effects of employee empowerment are well documented in the management literature (e.g. Kotter & Heskett, 1992; Milliken, 1996; Mumford & Hendricks, 1996; Scotto, 1996). However, the notion of empowering people has also been challenged, with some writers claiming that it is not possible to empower people--rather, it is possible only to create a climate and a structure in which people will take responsibility. None the less, it was clear that the organizations studied in this research considered empowerment to be a key issue and made efforts to create a working environment that was conducive to the employees taking responsibility.

The Dana Commercial Credit Corporation (DCC), for example, a 1996 Baldrige winner, subscribes to the importance of employee empowerment for its impressive customer satisfaction scores, which are two points higher than the industry average (on a five-point scale). DCC empowers people by encouraging

employees to:

* set their own goals;

* judge their own performance;

* take ownership of their actions;

* identify with DCC (e.g. to become stock shareholders).

In their 1998 award submission document, TNT report that "All employees are empowered to respond to normal and extraordinary situations without further recourse" and that they have "worked hard to create a no blame culture where our people are empowered to take decisions to achieve their objectives".

People empowerment is also a key issue in Texas Instruments (TI) Europe, the Transnational Excellence winners (see European Quality, 1995, Vol. 2, No. 5, pp. 40-46). Here empowerment is built into the TI operational approach, organized around processes, by stimulating creativity and encouraging quality teams.

Along the same lines, the 1997 UK Award winners, Hewlett-Packard, advocate teamwork and high levels of empowerment combined with a strong setting of objectives and freedom for employees to achieve them. Similarly, the Eastman Chemical Company, another Baldrige winner, describe how they focus on employee empowerment and have learnt that a company cannot empower employees who do not care, do not have authority and do not have the appropriate skills.

To address the above issues, management mapped out processes to provide employees with the necessary authority and skills. In addressing the issue of not caring, an employee survey revealed that the appraisal system was a major roadblock and the appraisal process was duly revised (Milliken, 1996).

Common initiatives for empowerment/involvement. Three common initiatives emerged from the research. Successful organizations place great store by:

(1) Corporate employee suggestion schemes: these provide a formalized mechanism for promoting participative management, empowerment and employee involvement.

(2) Company-wide culture change programmes: in the form of workshops, ceremonies and events used to raise awareness and to empower individuals and teams to practise continuous improvement.

(3) Measurement of key performance indicators (KPIs): whereby the effectiveness of staff involvement and empowerment is measured by improvements in HR KPIs such as labour turnover, accident rate, absenteeism and lost time through accidents. Typically, KPI measurements, coupled with appraisal feedback and survey results, are regularly reviewed by the HR Director who uses the information as the basis for reports and suggestions for improvements to the Board.

On a more general level, the research showed that successful organizations increase commitment by empowering and involving more and more of their employees in formulating plans that shape the business vision. As more people

understand the business and where it is planning to go, the more they become involved in and committed to developing the organization's goals and objectives (Bemowski, 1997; Collins & Porras, 1994; Huselid, 1995; Mumford & Hendricks, 1996; Oakland, 1997; Purser & Cabana, 1997; Storey, 1992; Pfeffer, 1994; Wood, 1995).

Training and development

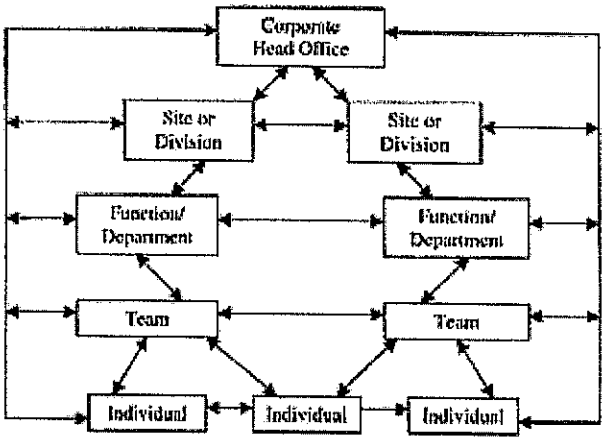


Figure 6. Multi-directional communication structure (adapted from TNT's 1998 Award Submission Document).

The training and development of people at work has increasingly come to be recognized as an important part of HRM. Through the 1980s, major changes in many organizations resulted in increasing workloads, the introduction of new technology and wider ranges of tasks, all of which required training provision. During the 1990s, initiatives such as TQM, BS 5750, ISO 9000, Investors in People and benchmarking and self-assessment against models such as the BEM have further highlighted the need for training employees (DeToro & McCabe, 1997; Marchington & Wilkinson, 1997).

It is widely acknowledged that many writers and practising managers sing the praises of training saying it is a "symbol of the employers' commitment to staff", or that it shows an organization's strategy is based on "adding value rather than lowering costs" (Storey & Sisson, 1993). However, others claim that a lack of effective training predominates in many organizations today and that serious doubts remain as to whether or not management actually does invest in the training of their human resources (Marchington & Wilkinson, 1997).

It is perhaps not surprising then that this research on successful and award-winning organizations revealed an ongoing commitment to investing in the provision of planned, relevant and appropriate training. Training was found to be carefully planned through training needs analyses processes that linked the training needs with those of the organization, groups, departments, divisions and individuals. To maintain training relevancy and currency, databases of training courses are widely available on site and, to encourage diversification, employees are able to realize their full potential by training in quality, job skills, general education, health and safety and so on through exams, qualifications, NVQs, Assessor NVQ training, etc. Typically, training strategies in these organizations required managers to:

* play an active role in training delivery (cascade training) and support (including quality tools and techniques);

* receive training and development based on personal development plans;

* fund training and improvement activities to allow autonomy at 'local' levels for short pay-back investments;

* co-ordinate discussions and peer assessments to develop tailored training plans for individuals.

TI Europe, for instance, has a development and performance management (DPM) process that uses discussion and peer assessment to help create individually tailored training plans with business objectives through policy deployment. Similarly, Trident Precision Manufacturing Inc., a 1996 Baldrige winner, manages and motivates their employees through training. In Trident, training is provided in quality, skills related to the job, general education and safety and, since 1989, they have invested an average of 4.4% of the payroll on training--a figure that represents almost three times the average for all US industries. In addition, Trident encourages employees to diversify their abilities and, currently, 80% of their employees are trained in at least two job functions (Bemowski, 1997). As a producer of precision sheet metal components for office equipment, medical and other industries, Trident boasts business benefits such as:

* an increase in sales volume from 4.4 million [pounds sterling] in 1988 to 14.3 million [pounds sterling] in 1995;

* never losing a customer to a competitor during 18 years of business;

* a dramatic decline in employee turnover from 41% in 1988 to 5% in 1995.

What is particularly noteworthy about the training activities identified in this research is that they are almost identical to those processes and activities commonly found in the management literature on the theory of training. For example, many writers have developed models of the training process (e.g. Arnold et al., 1991; Storey & Sisson, 1993; Taylor, 1989), but basically these can be summarized into the four phases shown in Fig. 7.

The assessment phase identifies what is needed (the content of the training) at the organizational, group and individual levels. This may involve some overlap, e.g. an individual's poor sales performance may be a symptom of production problems at the group level as well as a need for more product innovation at the organizational level (Taylor, 1989). The assessment phase thus involves identifying training needs by assessing the gap between future requirements of a job and the current skills, knowledge or attitudes of the person in the job. So the organization looks at what is presently happening and what should or could be happening. Any differences between the two will give some indications of training needs.

The planning/design phase (see, e.g. Oakland, 1999) identifies where and when the training will take place and involves such question as:

* Who needs to be trained?

* What competencies are required?

* How long will training take?

* What are the expected benefits of training?

* Who/how many will undertake the training?

* What resources are needed, e.g. money, equipment, accommodation, etc.?

Typically, the organizations involved in this study planned their training programme (e.g. annually) according to the needs of the business and circulated a list of available courses well in advance of the training dates. Thus, the list ensures all managers are aware of what is provided and they are then able to schedule attendance by their staff. The strategic training plan is supported by an annual budgeting and planning system with quarterly board meetings to monitor and review performance. The budgeting and planning process with its integral HR element is cascaded throughout the organization to teams at all locations.

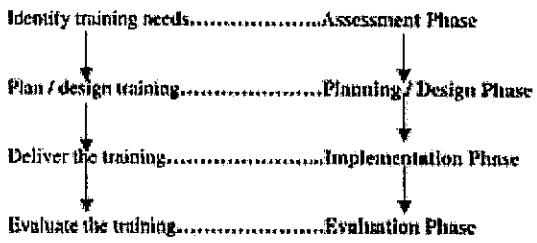


Figure 7. A systematic model of training.

The implementation phase involves the actual delivery of the training. This might be on site or away from the premises and will include training techniques such as: simulators; business games; case studies; coaching and mentoring; planned experience; and computer-assisted instruction. Demonstration or `sitting next to Nellie' is another commonly used training technique.

Moreover, the research revealed that induction and devolved training form an integral part of the training implementation phase. In the organizations studied, new employees attend induction courses and are issued with personal development documents giving details of what training and assessment will take place in the first few months of employment as well as copies of the vision and mission statements. At regular intervals throughout the induction period (e.g. every 3 or 4 weeks) new employees are then reviewed to identify training and development needs for the remainder of the year.

In addition, the research showed that much of the training is devolved to line managers through facilitation and facilitator packs. This requires the training and development of all levels of managers and supervisors in facilitation skills. Line managers then identify team members to be trained as facilitators. Adopting this approach is said to create an environment in which everyone is aware of training and development issues for themselves and their colleagues.

The evaluation phase is widely acknowledged as one of the most critical steps in the training process and can take many forms, such as observation, questionnaires, interviews, etc. For example, in this phase the overall effectiveness of training is evaluated and this provides feedback for the trainers, for future improvements to the programme, for senior managers and the trainees themselves. Providing trainees with a set of training objectives will help them know what they need to learn and give them feedback on their progress. This will then influence their attitudes towards future training and even the company itself (Taylor, 1989).

In sum, it seems that successful organizations approach training and development in a planned and systematic way involving training needs analysis, assessment of training content, carefully planned implementation and continuous

evaluation and review--a convincing argument for the value of theory when it is put into practice.

Teams and teamwork

It was clear from the research that leading edge organizations place great emphasis on the value of people working together in teams. This is hardly surprising as a great deal of theory and research indicates that people are motivated and work better when they are part of a team. Teams can also achieve more through integrated efforts and problem-solving (Beck & Yeager, 1996; Crom & France, 1996; DTI, 1997; Katzenbach & Smith, 1994; Kern, 1997; Milliken, 1996; Robie, 1997).

In her paper `No team is an island', Kern argues that teams are a management tool and are most effective when team activity is clearly linked to organizational strategy. For this, the strategy must be communicated to influence team direction, which then links to the production of team mission statements and the use of team agendas and scorecards. Importantly though, many writers emphasize the value of cross-functional teams, which proved to be a common feature in many of the organizations studied. Here, teams which had originally evolved out of the old functional departments or units within an organization gained experience and benefited from team building and become cross-functional. For example, as Milliken states when reporting on the Eastman company: "Over the past decade, the Eastman Corporation has developed a quality focus which has expanded from individuals to the concept of interlocking teams".

By 1995, 99% of Eastman employees actively participated in teams, some of which were cross-functional. Each team was required to identify its customers, the customer requirements and what measures needed to be used to ensure that those requirements were being satisfied.

Cross-functional teams are also an important feature in TI Europe. Here, almost every employee belongs to at least one team, ranging from managers on quality steering teams, to operators on quality improvement teams, to fully empowered, self-directed work teams. Cross-functional teams are used to address the entire process.

Review and continuous improvement

In all the organizations involved in the research, processes for reviewing performance and continuous improvement exist at the individual, team, departmental/divisional and organizational levels. These include such processes as:

* Annual staff surveys and subsequent actions, which are viewed as the cornerstones of continuous improvement. The people surveys are also critically reviewed against data from other world-class organizations and the Institute of Personnel Management to determine best practice and feed into the continuous improvement processes.

* Quality committees, the HR Department and cross-functional teams drawn from depots, regions and divisions review feedback from surveys as well as the format of the surveys.

* Ongoing performance feedback and development through on-the-job coaching plus regular one-to-one individual and team reviews.

Conclusions

This paper has highlighted the main people management activities that are currently being used in some world-class organizations. A general conclusion from the research reported here is that successful organizations pay much more than lip service to the popular idiom `people are our most important asset'. Indeed, this research shows that the successful organizations studied, value and invest in their people in a never-ending quest for effective management and development of their employees. This involves rigorous planning of processes, skilful implementation, regular review of processes and continuous improvement practices.

From a theoretical viewpoint, it could be argued that these findings about current people management activities in some successful organizations are hardly surprising, since the management literature is strewn with examples of the benefits of systematic planning, followed by strategic implementation, regular review and continuous improvement. None the less, from a practical viewpoint, the real value of the findings reported here is twofold. Firstly, the findings encourage the spread of good practice by fleshing out, in some detail, those people management activities that are currently being used to good effect in some world-class companies. Secondly, the research findings described in this paper present a compelling argument for the real value of putting management theory into practice.

References

ANAND, K.N. (1997) Give success a chance, Quality Progress, March, pp. 63-64.

ANOLD, J., RORERTSON, I. & COOPER, C. (1991) Work Psychology: Understanding Human Behaviour in the Workplace (London, Pitman).

BECK, J.D.W. & YEAGER, N.M. (1996) How to prevent teams from failing, Quality Progress, March, pp. 27-31.

BEMOWSKI, K. (1997) How did they do that?, Quality Progress, March, pp. 37-42.

BOYATSIS, R. (1982) The Competent Manager: A Model for Effective Performance (New York, Wiley).

BQF (1998) The X Factor--Winning Performance through Business Excellence (British Quality Foundation).

COLLINS, J. & PORRAS, J. (1994) Built to Last: Successful Habits of Visionary Companies (New York, Harper Collins).

CROM, S. & FRANCE., H. (1996) Teamwork brings breakthrough improvements in Quality and Climate, Quality Progress, March, pp. 39-42.

DETORO, I. & MCCABE, T. (1997) How to stay flexible and elude fads, Quality Progress, March, pp. 55-60.

FOURTOU, J. (1997) The passionate leader, Measuring Business Excellence, 1, No. 2, pp. 24-28.

KATZENBACH, J.R. & SMITH, D.K. (1994) The Wisdom of Teams Singapore (New York, McGraw-Hill).

KERN, A. (1997) No team is an island, Quality Progress, May, pp. 110-113.

KOTTER, J.P. & HESKETT, J.L. (1992) Corporate Culture and Performance (New York, The Free Press).

LARKIN, T.J. & LARKIN, S. (1994) Communicating Change (New York, McGraw-Hill).

MAGUIRE, S. (1995) Learning to change, European Quality, 2, p. 8.

MARCHINGTON, M. & WILKINSON, A. (1997) Core Personnel and Development (London, Institute of Personnel and Development).

MATHIS, R.L. & JACKSON, J.H. (1991) Personnel/Human Resource Management (New York, West Publishing Co.).

MILLIKEN, W.F. (1996) The Eastman way, Quality Progress, October, pp. 57-62.

MUMFORD, E. & HENDRICKS, R. (1996) Business process reengineering R.I.P., People Management, May, pp. 24-28.

MURINO, C. (1990) What benefit is communication?, Personnel Journal, February, pp. 36-39.

OAKLAND, J.S. (1999) Total Organizational Excellence (Oxford, Butterworth-Heinemann).

OAKLAND, J.S. (1997) Interdependence and co-operation: the essentials of total quality management, Total Quality Management, 8, Nos 2/3, pp. 31-35.

PATTON, M.Q. (1987) How to Use Qualitative Methods in Evaluation (London, Sage Publications).

PFEFFER, J. (1994) Competitive Advantage Through People (Boston, Harvard Business School Press).

PHILLIPS, R. (1997) New measures for business, Measuring Business Excellence, 1, No. 1, pp. 4-7.

PURSER, R.E. & CABANA, S. (1997) Involve employees at every level of strategic planning, Quality Progress, May, pp. 66-71.

ROBIE, R.S. (1997) Is your organisation spooked by ghostly team performances?, Quality Progress, May, pp. 98-101.

SCHULER, R.S. (1992) Managing Human Resources (St. Paul, MN, West Publishing Co.).

SCOTTO, M.J. (1996) Seven ways to make money from ISO 9000, Quality Progress, June, pp. 39-41.

SHAPIRO, R. & SHERMAN, L. (1987) Flexible benefits: A wave of the future?, Compensation and Benefits Review, September/October, pp. 27-31.

STOREY, J. (1992) Developments in the Management of Human Resources (Oxford, Blackwell).

STOREY, J. & SISSON, K. (1993) Managing Human Resources & Industrial Relations (Buckingham, Open University Press).

TAYLOR, D.S. (1989) Training. In: C. MOLANDER (Ed.) Human Resource Management (Sweden, Chartwell-Bratt).

TNT (1998) Award submission document.

WOOD, S. (1995) The four pillars of human resource management: are they connected? Human Resource Management Journal, 5, No. 5, pp. 49-59.

WOODRUFFE, C. (1992) What is meant by a competency? In: R. BOAM & P. SPARROW (Eds) Designing and Achieving Competency (Maidenhead, McGraw-Hill).

YINGLING, R. (1997) How to manage key business processes, Quality Progress, April, pp. 107-110.

Appendix: Companies covered in the research

ABB Atoms
ADAC Laboratories
AT & T Transmission Systems
AT & T Universal Card Services
Armstrong World Industries
Borden Chemicals
Brisa
British Airways
British Telecommunications
BVQI
Cadillac Motor Car Company
Chrysler
Ciba
Corning TPD
Courtaulds
Credit Card Sentinel
Customs and Excise
D2D
Dana Credit Corporation
Dow Chemical Company
Eastman Chemical Company
Elida Faberge
Ericsson
Exxon
Federal Express Corporation
Ford
General Motors
Globe Metallurgical Inc.
GPT Business Systems
Granite Rock Company
GTE Directories Corporation
Halifax Building Society
Hewlett-Packard

IBM
Ispat
Kodak
Lloyds TSB
3M
Marks & Spencer
Marlow Industries Inc.
Meredith Corporation
Microsoft
Milliken
Mortgage Express
Motorola Inc.
Oxford Automotive Components
Procter and Gamble
Rover
Sainsbury
Samsung
Shell
Solectron Corporation
Tesco
Texas Instruments
Thorn EMI
Time Insurance
TNT Express
Trident Precision Manufacturing
Wallace Co. Inc.
Westinghouse Electric Corp.
Western Digital
UPS Europe
Xerox Quality Services
Zytec Corporation

SUSAN OAKLAND(1) & JOHN S. OAKLAND(2)

(1) European Centre for Business Excellence, Oakland Consulting plc, 33 Park Square West, Leeds LS1 2PF, UK & (2) Leeds University Business School, Leeds, UK

Correspondence: S. Oakland, European Centre for Business Excellence, Oakland Consulting plc, 33 Park Square West, Leeds LS1 2PF, UK. Tel: 0113 234 1944; Fax: 0113 234 1988; E-mail: www.ecforbe.com

View other articles linked to these subjects:

Human Resource Management - Technique
View 2893 Periodical references
See also 90 other subdivisions
International Business Enterprises - Management
View 803 Periodical references
See also 74 other subdivisions
Management - Technique
View 2772 Periodical references
See also 133 other subdivisions
Organizational Change - Management
View 647 Periodical references

See also 67 other subdivisions

Total Quality Management, Sep 1, 2001
View other articles in this issue

Print, e-mail, and other retrieval options

Browser Print — *Full Content* —
Reformat article with full size graphics for printing (approximately 15 pages) from your browser. To return to InfoTrac, use the *back* function of your browser.

Acrobat Reader — *Full Content* —
Retrieve article in originally published format for viewing and printing from Acrobat™ Reader. Please allow a few minutes for the retrieval operation to complete (16 full pages PDF)

E-Mail Delivery — *Text Only* —

We will send a plain text version to the e-mail address you enter (e.g. *bettyg@library.com*).

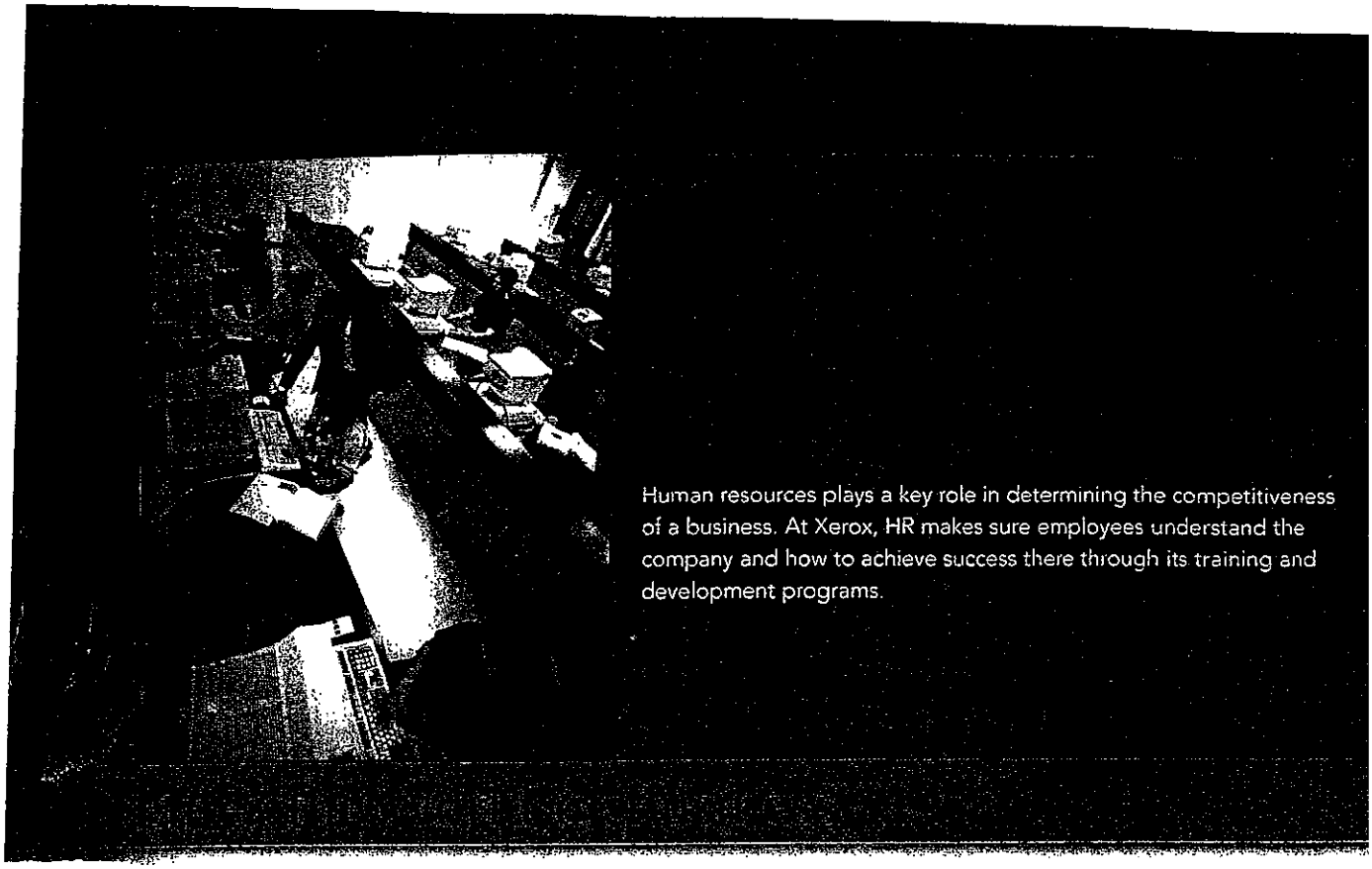
E-Mail Address:

Subject (defaults to title):

Submit E-mail Request

Article 111 of 873

THOMSON GALE Copyright and Terms of Use



Human resources plays a key role in determining the competitiveness of a business. At Xerox, HR makes sure employees understand the company and how to achieve success there through its training and development programs.

At Xerox, Human Resource Management Excellence Helps Company Rebound

Anne M. Mulcahy, Xerox Chairman and CEO, explains, "At Xerox, our digital strategy is committed to world-class products and services for our customers, and a world-class work environment for our employees. . . . That means, we must attract and retain world-class people. Our new Employment Brand trademark, *eXpress yourself*, distinguishes Xerox as a place where the passion, diversity, ideas and contributions of every member of the Xerox family define our capability for bold innovation and a leading edge work environment. It's hard to believe that just a few years ago human resource management initiatives like employee branding were not at the forefront of Xerox human resource management initiatives, but company survival was!"

In 2000, Xerox was $17 billion in debt, and by 2001 the company's stock price had dropped from a high of $63 to about $4. Xerox suffered seven straight losing quarters. The company also faced an accounting investigation by the

Today the company has shifted its main business from small copiers to desktop copiers for offices and high-quality printers for publishers. Xerox has experienced a remarkable comeback. Fourth quarter net income for 2003 rose to $222 million or 22 cents a share from $19 million or 1 cent a share in 2002. Recent stock prices have been in the $15 range and are expected to go higher. The company's operations are guided by customer-focused and employee-centered core values such as social responsibility, diversity, and quality and a passion for innovation, speed, and adaptability. How did the company save itself? Among the steps taken by the CEO included sales of international operations and business units, early retirements, attrition, layoffs—and the strategic involvement of human resource management.

Since 1993 Xerox has been one of the innovators in using technology for HR functions such as employee and manager self-service, benefits enrollment, and other employee transactional processes. The HR function is a shared services organization in which pay, bonuses, staffing, recruiting, benefits, diversity, learning, and HR systems are all part of corporate HR. When business became difficult in 1999, HR came through with several alignment

opportunity was the consolidation and expansion of the HR Service Center. The center started with transactional work (e.g., address and employment change information), web-based processes were added, and the center now provides research and analysis to HR professionals working in Xerox operating units and handles employee relations issues for most U.S. employees. This has enabled HR to reduce its staff without reducing the level of service it provides to managers and employees.

HR has also provided support for the business strategy as it evolved to help the company survive. HR played a key role in helping the company conduct workforce reductions and sell off businesses, which resulted in losing 30,000 employees. HR helped treat employees with dignity throughout the downsizing process. Xerox's separation package offered up to one year of salary, with full benefit coverage for employees with 30 or more years of service. The company also allowed employees close to retirement age up to a year of inactive, unpaid status to reach the required age or service needed for retirement. Despite the layoffs, Xerox continued with its yearly employee attitude surveys and focus groups designed to determine if employees understood the company's direction and their willingness to support the company. Results indicated that the employees understood the direction but they weren't willing to commit to it. Another key HR issue that Xerox faced was how to keep the most talented employees from leaving. The HR department created a series of strategies which included a "we really care" message communicated using town meetings, audio, and video. Another strategy was to offer a solid cash-bonus compensation package to employees who stayed.

Today, HR continues to ensure that talented employees get the right experiences, job assignments, visibility, and learning opportunities including international experience and general management positions to prepare them for leadership positions in the company. Internal training and development at Xerox includes a reliance on virtual learning and technology to increase the number of employees who have access to training, while reducing training time. For example, Xerox's new management development program is a two-month program that uses e-learning, virtual learning programs, coaching, and one week of classroom training. Another important role that HR plays is to ensure that employees understand the "new" Xerox and how to achieve success. HR has focused on building three key initiatives: an employee value proposition, building a high performance culture, and developing a pipeline of three candidates for every position within the business. The employee value proposition represents both the expectations that the employee has of the company and what the company can expect in return. According to the vice president of human resources, "Everyone says we want the best talent. We want to keep them. We want to motivate them. But how do you do that? It all comes down to the point of inclusion, and I mean inclusion in the broadest sense of the word, one that allows an employee to bring his or her uniqueness to the table and allows [him or her] to make a difference. All practices, policies, and initiatives must put forth those value propositions—if not we'll be in trouble."

Source: T. Starner, "Processing a Turnaround," *Human Resource Executive* (May 16, 2004), pp. 1, 16–24, www.xerox.com.

CHAPTER 2

Strategic Human Resource Management

Chapter Summary

This chapter describes the concept of strategy and develops the strategic management process. The levels of integration between the HRM function and the strategic management process during the strategy formulation stage are then discussed. A number of common strategic models are reviewed, and, within the context of these models, types of employee skills, behaviors, and attitudes are noted. Ways in which HRM practices aid the firm in implementing its strategic plan are described. Finally, a model that views the HRM function as a separate business within a given firm is presented, making it easier for the student to understand the need for strategic thinking among HRM practitioners.

Learning Objectives

After studying this chapter, the student should be able to:

1. Describe the differences between strategy formulation and strategy implementation.
2. List the components of the strategic management process.
3. Discuss the role of the HRM function in strategy formulation.
4. Describe the linkages between HRM and strategy formulation.
5. Discuss the more popular typologies of generic strategies and the various HRM practices associated with each.
6. Describe the different HRM issues and practices associated with various directional strategies.

II. What is a Business Model?

A. A business model is a story of how a firm will create value for customers, and more importantly, how it will do so profitably.

B. There are a few accounting terms to familiarize students with in order to understand a business model. Fixed costs are generally considered the costs that are incurred regardless of the number of units produced. Variable costs are costs that vary directly with the units produced. Contribution margin is the difference between what you charge for your product and the variable costs of the product. Gross margin is the total amount of margin you made.

C. The business model of Chrysler, from the opening vignette, is illustrated in Figure 2.1.

Competing Through Technology

Wal-Mart Leverages Technology to Lower Labor Costs

Wal-Mart is best known for using information technology to lower their inventory costs, but this same technology is also enabling them to reduce their labor costs. The company is taking advantage of their scheduling optimization system to allow their employees to have more flexible shifts that better match customer buying patterns. This system will allow Wal-Mart to reduce their labor costs by more effectively using their human capital. The intent of this system is to reduce labor costs and improve their customers checkout experience.

III. What Is Strategic Management?

A. Strategic Management is a process for analyzing a company's competitive situation, developing the company's strategic goals, and devising a plan of action and allocation of resources (human, organizational, and physical) that will increase the likelihood of achieving those goals.

B. **Strategic human resource management** is the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals.

C. Components of the Strategic Management Process—There are two distinct phases of this process (Figure 2.1 in the text).

1. **Strategy Formulation:** During this phase, strategic planning groups decide on a strategic direction by defining the company's mission and goals, its external opportunities and threats, and its internal strengths and weaknesses.

2. **Strategy Implementation:** During this phase, the organization follows through on the strategy that has been chosen. This includes structuring the organization, allocating resources, ensuring that the firm has skilled employees in place, and developing reward systems that align employee behavior with the strategic goals.

D. Linkage between HRM and the Strategic Management Process: The strategic choice really consists of answering questions about competition. These decisions consist of addressing the issues of where to compete, how to compete, and with what to compete (See Figure 2.2).

E. The Role of HRM in Strategy Formulation—Both strategy formulation and strategy implementation involve people-related issues and therefore necessitate the involvement of the HR function. Four levels of integration exist between the HR function and the strategic management function, as shown in Figure 2.4 in the text).

1. Administrative Linkage—This is the lowest level of integration, in which the HRM function's attention is focused on day-to-day activities. No input from the HRM function to the company's strategic plan is given.

2. One-Way Linkage—The firm's strategic business planning function develops the plan and then informs the HRM function of the plan. HRM then helps in the implementation.

3. Two-Way Linkage—This linkage allows for consideration of human resource issues during the strategy formulation process. The HRM function is expected to provide input to potential strategic choices and then help implement the chosen option.

4. Integrative Linkage—This is based on continuing, rather than sequential, interaction. The HR executive is an integral member of the strategic planning team.

III. Strategy Formulation—This includes five major components (see Figure 2.5 in the text).

1. A mission is a statement of the organization's reasons for being; it usually specifies the customers served, the needs satisfied and/or the value received by the customers, and the technology used.

2. **Goals** are what the organization hopes to achieve in the medium- to long-term future; they reflect how the mission will be operationalized.

3. **External analysis** consists of examining the organization's operating environment to identify strategic opportunities and threats.

4. **Internal analysis** attempts to identify the organization's strengths and weaknesses.

5. **Strategic choice** is the organization's strategy, which describes the ways the organization will attempt to fulfill its mission and achieve its long term goals.

   Example: Delta Airlines and HRM's Role in Strategy Formulation—Delta's employees were so loyal to the company that in the 1980's the employees pitched in and bought the airline a new plane. The "Leadership 7.5" program arguably got rid of Delta's only competitive advantage. Ideas could have been generated to find a more effective way of cost cutting in an alternative strategy.

IV. Strategy Implementation—Five variables determine success in strategy implementation (see Figure 2.6 in the text).

HR has responsibility for three of these: task, people, and reward systems. The role of the HRM function is one of (1) ensuring that the company has the number of appropriately skilled workers and (2) developing "control" systems that ensure that those employees contribute to goal achievement. This is accomplished through various HR practices (see text Figure 2.7).

Competing Through Sustainability

Patagonia's Passion for the Planet Attracts Talent

In today's market, companies are constantly trying to reconfigure their compensation packages to attract and retain top talent. Patagonia is attracting talented employees not because of high salaries, but rather because of their company's mission; to produce the highest quality products while doing the least possible harm to the planet. Employees receive perks such as a two month fully paid sabbatical to work for environmental groups. Patagonia's corporate philosophy proves that there is more to attracting top talent than just money.

A. HRM Practices—The HR function has six "menus" of practices from which companies can choose to fit their strategic direction (see Table 2.2 in the text).

1. **Job analysis** is the process of getting detailed information about jobs. **Job design** deals with making decisions about what tasks should be grouped into a particular job. Jobs can range from very narrow sets of tasks that demand a limited set of skills to a complex array of tasks that requires multiple, high-level skills. Many jobs today are being broadened.

2. **Recruitment** is the process through which the organization seeks applicants for employment. **Selection** refers to the process of identifying applicants with the appropriate knowledge, skills, and ability to help the company achieve its goals.

3. Frequently, employees need new skills when jobs are modified. **Training** refers to a planned effort to facilitate learning of job-related knowledge, skills, and behavior. **Development** involves the acquisition of knowledge, skills, and behavior that improves employees' ability to meet the challenges of a variety of existing jobs or jobs that do not yet exist. TQM programs require extensive training of employees.

4. **Performance management** is used to ensure that employee activities and outcomes are congruent with the organization's objectives.

5. Pay structure, incentives, and benefits have an important role in implementing strategies. High pay levels help to attract and retain high-quality employees. Performance-based pay plans help motivate appropriate performance. The pay system includes the base pay as well as incentives and benefits.

6. Labor and employee relations refer to the general approach the company takes in interacting with its employees, whether unionized or not. Companies can choose to treat employees as assets, resources to be invested in for the long term.

B. Strategic Types—Several different "typologies" of strategies exist.

Porter's Generic Strategies—Michael Porter has hypothesized that competitive advantage comes from creating value by (1) reducing costs (overall cost leadership) **or** (2) charging a premium price for a differentiated product or service (differentiation).

C. HR Needs in Strategic Types—Different strategies require different types of employees with different skills and also require employees to exhibit different "role behaviors." **Role behaviors** are the behaviors required of an individual in his or her role as a jobholder in a social work environment.

1. Cost strategy firms seek efficiency and therefore carefully define the skills they need in employees and use worker participation to seek cost-saving ideas.

2. Differentiation firms need creative risk takers.

D. Directional Strategies—Five types follow. The human resource implications of each of these strategies are quite different:

1. **External growth strategies** include vertical and horizontal integration as well as diversification.

2. **Concentration strategies** focus a company on what it does best in its established markets.

3. **Internal growth strategies** include market development, product development, innovation, or joint ventures.

4. Mergers and Acquisitions include consolidation within industries and mergers across industries.

5. **Downsizing** is the planned elimination of large numbers of personnel, designed to enhance organizational effectiveness. Table 2.3 lists the results of a survey that indicates that only about one-third of the companies that went through downsizings actually achieved their goal to increase productivity.

Downsizing presents a number of challenges and opportunities for HRM: careful reduction of the work force, boosting the morale of employees who remain, increasing fresh ideas, and changing the company's culture.

Example: Delta Air Lines and HRM's Role in Strategy Implementation—HRM seemed to play a significant role in Delta's "Leadership 7.5" strategy's implementation. Costs were cut $1.6 billion through workforce reductions because labor costs are the largest single controllable cost for an airline. The negative outcome of the strategy in terms of employee morale, customer service, and operational performance have stemmed from the strategy itself, but one wonders if the same strategy might have been implemented differently with less negative impact.

E. Strategy Evaluation and Control—This is the final component of the strategic management process that includes the monitoring of the effectiveness of strategic choice and implementation.

V. The Role of Human Resources in Providing Strategic Competitive Advantage

A. Emergent Strategies—Those that evolve from the grass roots of the organization: that is, what actually is done versus what is planned. HR plays an important role in facilitating the communication of emergent strategies between levels in the hierarchy.

Example: When Compaq Computer was founded, building compact computers that were free of defects was its *intended strategy*. In 1992, after a difficult period of price competition, Compaq's strategy was changed to being a low-cost producer.

B. Enhancing Firm Competitiveness—By developing a rich pool of talent, HR can assure the company's ability to adapt to a dynamic environment.

CHAPTER 2

Strategic Human Resources Management: a Review of the Literature and a Proposed Typology

Cynthia A. Lengnick-Hall and Mark L. Lengnick-Hall

Competitive advantage encompasses those capabilities, resources, relationships, and decisions that permit a firm to capitalize on opportunities and avoid threats within its industry (Hofer & Schendel, 1978). Porter (1985) argued that human resource management can help a firm obtain competitive advantage by lowering costs, by increasing sources of product and service differentiation, or by both. Achieving competitive advantage through human resources requires that these activities be managed from a strategic perspective. This article provides a framework for strategists who wish to make better competitive use of their firm's human resources and for human resource managers who hope to enhance the human resource function's contribution to the strategic objectives of the firm. We do not attempt to review or critique human resource practices in general. (Readers interested in the practice of strategic human resource management are referred to Schuler & Jackson, 1987.) Rather, we explore how human resource management activities might be considered in light of a firm's strategic objectives and competitive position. Likewise this article does not evaluate strategy formulation or implementation techniques or alternatives. (Readers interested in strategy formulation are referred to Hofer & Schendel, 1978, or Porter, 1985. Readers interested in strategy implementation are referred to Galbraith & Kazanjian, 1986, or Hrebiniak & Joyce, 1984.) Instead, we propose a typology that guides researchers and managers in considering human resources as a way to gain an improved competitive position.

Some writers on strategic human resources management have focused in specific areas: (a) human resource accounting, which attempts to assign value to human resources in an effort to quantify this organizational capacity (Flamholtz, 1971; Frantzreb, Landau, & Lundberg, 1977), (b) human resources planning (Baird, Meshoulam, & DeGive, 1983; DeSanto, 1983; Galosy, 1983; Olian & Rynes, 1984; Russ, 1982; Stumpf & Hanrahan, 1984), (c) responses to a strategic change in the environment (Ellis, 1982; Fombrun, 1982; Lindroth, 1982; Maier,

1982; Warner, 1984), or (d) matching human resources to strategic or organizational conditions (Gerstein & Reisman, 1983; Harvey, 1983; Leontiades, 1982; Migliore, 1982; Miles & Snow, 1978; Sweet, 1982). In this last category recruiting, selection, and retention (Galosy, 1983); compensation systems (Migliore, 1982); domain choice (Miles & Snow, 1978); productivity (Deutsch, 1982); and other specific elements are examined. However, few offer prescriptions for global human resource strategies.

Other researchers have examined the broader scope of human resources strategies (Dyer, 1984; Smith, 1982b; Tichy, Fombrun, & Devanna, 1982; Wils & Dyer, 1984). These researchers noted that the strategic management of human resources is a multidimensional process with multiple effects. They further pointed out that although strategic human resource management is beneficial, significant costs must be considered. Such costs stem from additional decision complexity, greater potential for information overload, commitments to organizational growth that are incompatible with industry conditions, commitments to employees regarding job security and work rules that may make the firm less competitive over time, allocating a disproportionate amount of the firm's financial resources to human resource activities, and an overconcern with employee reactions to a strategic choice at the expense of a concern with marketplace realities. An accurate evaluation of costs as well as benefits is rarely presented by proponents of specific strategic human resource management practices. As a result, it is difficult to compare approaches. Further, it is difficult to evaluate strategic solutions to human resource problems or human resource solutions to strategic problems relative to the more traditional approach of using human resource management-based solutions to human resource problems and strategic solutions to deal with competitive threats.

The computer industry provides an example of using human resources to solve a strategic problem. One of the forces that increases competitive pressure in the computer industry is low switching costs; in other words, customers face few prohibitive expenses or difficulties in changing from one manufacturer to another. In order to counter this, IBM has, for many years, taught programming skills to customers' employees (Schuler & MacMillan, 1984). As a result, loyalty and commitment of programmers is high and is shared by both IBM and the customer. The customer gains a stronger tie with IBM, and IBM gains a programmer that is intimately aware of their own and the customer's needs and corporate climate. The combination of these factors raises the switching costs of IBM relative to other manufacturers and, thus, improves the firm's competitive position. However, the stronger tie also may increase the customer's expectation of responsiveness from IBM and, over time, this responsiveness may become more difficult or expensive to provide. In addition, an important human resource precedent is set. Programmers are hired from outside the organization, and certain career paths are blocked for existing IBM employees. Again, the short-term outcome is beneficial, but the long-run evaluation is uncertain. Therefore, although integration between human resource management and competitive strategy often is proposed in the literature, this example illustrates the complex repercussions of such integration. Clearly, integration should not be a unidirectional process from either perspective if undesirable consequences are to be minimized.

Why is it desirable to integrate human resources management and strategic

choice despite these difficulties? First, integration provides a broader range of solutions for solving complex organizational problems. Second, integration ensures that human, financial, and technological resources are given consideration in setting goals and assessing implementation capabilities. Third, through integration organizations must explicitly consider the individuals who comprise them and must implement policies. Finally, reciprocity in integrating human resource and strategic concerns limits the subordination of strategic considerations to human resource preferences and the neglect of human resources as a vital source of organizational competence and competitive advantage (MacMillian & Schuler, 1985). This reduces a potential source of suboptimization.

Because the human resources management and strategic management literatures are vast, we placed our investigation at the intersection of both streams of research. Dyer (1985) suggested that two dichotomies are important to consider: (a) separating organizational level from functional level strategic human resource concerns, and (b) differentiating content issues from process elements. The former contrasts corporate direction from strategy operationalization at lower levels in the hierarchy. Such distinctions partition much of the strategic management literature. Content concerns specific choices, that is, policies and practices in strategic human resource management, whereas process focuses on the means by which these policies and practices are derived and implemented. Content versus process distinctions prevail throughout both streams of research. Our typology concentrates on the organizational level of analysis. It is directed toward strategic human resource content, but the interaction effects between process and content also are considered.

We observed four common characteristics of organizational strategic human resource management models based on a literature review and interaction with managers. *First*, strategic human resource management models emphasize implementation over strategy formulation. Human resources are considered means, not part of generating or selecting strategic objectives. Rarely are human resources seen as a strategic capacity from which competitive choices should be derived. When human resources are used to determine strategic direction, the approach is unidirectional from human resource problems to strategic solutions, rather than interactive. Consequently, the potential contribution that human resources might make to the competitive position of the firm is unnecessarily limited. *Second*, traditional models focus on matching people to strategy, but not on matching strategy to people. This assumes that people are more adaptable than strategy. It also implies that cause and effect relationships are unidirectional. When firms occasionally attempt to match strategy to people, the causal direction is merely reversed. The process does not become more multidirectional. Means-ends reversal is a likely consequence of this characteristic. *Third*, many models rely too heavily on organization or product life cycles as single and uncontrollable catalysts of change. This implies little management choice and an external dominance of the firm. Although life cycles are part of organization climate, organization stages are derived from rather than shape strategic choices (Chandler, 1962; Rumelt, 1974; Scott, 1971). Consequently, organizations may underestimate their potential for choice and influence. *Fourth*, most strategic human resource management models emphasize fit, or congruence, and do not recognize the need for lack of fit during organization transitions and when

organizations have multiple and conflicting goals. Organization change then becomes difficult to implement and is perceived as less desirable. Additional information on these characteristics is provided in the following literature review.

Background and Literature Summary

Human resources valuation

In many firms labor costs account for more than 50 percent of the total costs of doing business (Fombrun, 1982). Russ (1982) argued that "human resources are probably the last great cost that is relatively unmanaged." Cheek (1973) indicated that personnel departments cannot effectively manage cost improvements through productivity increases due to inadequate staff and an inability to channel resources to alternate undertakings. Human resources valuation considers the economic risk and opportunity losses caused by ineffective manpower management.

There are two human resource accounting methods: (a) those using a cost approach, or (b) those using a value approach (Cascio, 1987b). The difference centers on whether an employee is viewed in terms of costs-to-date or in terms of expected contributions. These differences reflect quite distinct organization cultures. Cost approaches focus on historical costs incurred to hire, train, and maintain employees, or on replacement costs that would be incurred if an employee were replaced. Value approaches consider present value of the employee's stream of net future contributions to the firm. Salary frequently is used as a proxy for expected contribution. These approaches do not provide for comparison of human resource costs with costs of other, perhaps mechanical, resources which could be used to accomplish similar objectives.

There are difficulties in assessing human costs and contributions. Experts do not agree on who should judge an employee's worth to the organization. It is unclear how employee valuation information will improve managerial decisions. Methods that comprehensively consider both costs and benefits of employee contributions are cumbersome as well as expensive. Finally, it is not clear that the information benefits of valid and reliable human resource valuation data are worth the costs involved in obtaining such data. As a result, this method of approaching strategic human resource issues permits either an evaluation of implementation costs or a comparison of various strategic options relative to human costs, but does not provide insight into valuation of human resources given competitive strategy. More important, no information is provided on benefits of using human resources in one way versus another, nor is information obtained on improving the value of human resources within the firm. Valuation approaches are limited to providing partial answers to strategy implementation questions.

Human resources planning

Human resources planning is broadly defined as anticipating future business and environmental demands on organizations and meeting the personnel requirements dictated by those conditions (Cascio, 1987a). This implies that human resources planning could be an important input into strategic plans. Unfortunately, evidence suggests that the link between human resources planning and strategic management often is not emphasized in practice (Baird et al., 1983; De-Santo,

1983; Olian & Rynes, 1984; Rowland & Summers, 1981).

A partial explanation for this lack of use may be found in the focus of human resources planning literature. Most research focuses on human resource supply and demand forecasting (Zedeck & Cascio, 1984). Many statistical techniques are available for making such forecasts (e.g., Markov analysis), but political issues involved in fostering their use generally are ignored. For example, great care may be taken in designing a statistical model of manpower planning, whereas little thought is given to gaining managerial acceptance of the model's output. Thus a large gap exists between available techniques and their use because important organizational realities are not incorporated in the models (Zedeck & Cascio, 1984).

Managerial succession planning, however, has been linked with strategic business planning (Stumpf & Hanrahan, 1984). Identifying potential managers and providing developmental career sequences has long been the practice of many firms, but as discussed earlier, managers are chosen to implement strategy. Less effort is aimed at adapting strategy to managers than vice versa, and almost no effort is aimed at selecting managers to devise a strategy. Such practices are particularly evident in multidivisional firms that have products at various stages of the product life cycle. Managerial succession planning in these firms seems unduly dependent on having sufficient start-up projects for the firm's entrepreneurs and having sufficient mature products for the firm's efficiency experts. Achieving *fit* appears to be the guiding premise underlying much of the work in managerial succession planning. Fit can be counterproductive from a competitive perspective because it may inhibit innovativeness and constrain the firm's repertoire of skills Fit approaches to strategic human resource planning often create as many problems as they solve. Hence, managerial succession planning also has been underutilized as an input in the strategic business plan (Gutteridge & Otte, 1983; Reypert, 1981).

Response to strategic changes in the environment

Environmental factors such as uncertainty (Ellis, 1982), technological innovation (Maier, 1982), and demographic changes (Fombrun, 1982) affect human resources strategy. Numerous environmental characteristics have been investigated to determine how they constrain human resources or strategy formulation. Fombrun (1982), for example, studied how changes in information processing, automation, inflation, productivity, demographics, elitism, and interest-group politics affect organizational structure and human resource issues. Fombrun contended that changes in the technological environment have the greatest effect on service jobs and on general retraining. He saw changes in the economic environment as having the most direct effect on compensation alternatives and initial employee training. Changes in the social environment are related to shifts in organizational development, to promotion, and to formal appraisal systems, whereas the political environment is hypothesized to have the strongest effect on definitions for success, on organizational commitment, and on career counseling.

A generalist approach to managing human resources in the face of environmental change also has been explored. Ellis (1982) identified environmental challenges such as raw material price increases, supply shortages, rapid changes in demand, international competition, and

social activists and recommended a generic solution rather than differential responses to specific problems. He advocated a management style that is pragmatic, active rather than passive, sensitive rather than stoic, and based on a philosophy of generating numerous alternatives and initiatives. He viewed managing human resources as creating an organizational climate that is conducive to flexibility, practicality, and participation.

Other researchers, such as Lindroth (1982) and Maier (1982), studied a specific environmental change and posited appropriate human resource management responses. Lindroth (1982) noted that according to the Bureau of Labor Statistics, the rate of increase in the work force will be less than the rate of increase in new jobs (typically created by technological advances) in the 1980s and 1990s. She claimed this will lead to a labor shortage particularly in lower paying, less desirable jobs. Lindroth suggested utilizing the fringe labor population (e.g., retirees, part-time workers, temporary help). Maier (1982) investigated innovation cycles and the qualitative and quantitative labor force requirements at each stage of the cycle. He recommended reallocation of educational resources, increased worker mobility both within firms and from organization to organization, and increased industry-wide coordination of technological innovation.

Several problems emerge from past efforts to manage environmental change through human resource management strategies. When a comprehensive environmental perspective has been adopted, the research has been limited to correlation studies of environmental conditions with various elements of structure or organization processes. For example, Dimick and Murray (1978) discussed the effect of competitive markets and lack of special advantages on recruiting and manpower planning. They did not, however, explore how the resulting human resource policies interact with other organization processes or influence strategic position. The more narrowly environmental conditions are defined, the more problematic the recommended solutions become. Lenz (1981) discussed several contingency relationships, but offered no conclusions regarding how an improved fit between particular environmental and organization process contingencies affects economic or competitive performance. In a turbulent environment, the search for fit involves a constantly moving target. Miles, Snow, Meyer, & Coleman (1978) argued that if the firm permits the environment to dictate its strategic choices in a reactive manner, the chances of long-term survival are reduced. If, on the other hand, a firm develops a coherent strategy which considers, but is not solely dependent upon, environmental conditions, a more successful strategy is likely to result. Further, they argued that a firm may be able to influence its environment and that this potential should not be ignored. In a similar manner, a firm's human resources policies may alter its market position and, thereby, change the contingencies that should be accommodated.

Matching human resources to strategic or organizational conditions

Gerstein & Reisman (1983), Harvey (1983), Leontiades (1982), Migliore (1982), Sweet (1982), and many others have described human resources strategies as developing a match between certain strategic or organizational conditions and certain specified aspects of human resource processes or skills. Although the notion of fit, or congruence, is appropriate,

narrow focus seriously limits its usefulness. Most studies deal exclusively with managers, often looking no deeper in the organization than the chief executive officer or top management team.

One approach involves matching managerial skills and interests with the general characteristics of the product/market environment. Such approaches assume that the environment will change very slowly, if at all. Gerstein & Reisman (1983), for example, recommended a diagnosis of the "business situation" primarily in terms of the product life cycle as a precondition for matching executive characteristics to situational requirements. Their approach included using role descriptions of executive function, technical and managerial responsibilities, key relationships, and a list of skill requirements for the executive position. Although these authors provided steps for implementation, they did little to overcome the problems of identifying and analyzing the appropriate information to either characterize the strategic situation or clarify the manager's role under a specific set of conditions. Further, they did not consider the inevitable need for change as new products and technologies enter the marketplace (Cooper & Schendel, 1976) or as cost drivers, factors that define the cost structure for a firm, or sources of differentiation, factors that contribute to a product's unique value, shift (Porter, 1985).

Other researchers (e.g., Leontiades, 1982) focus on expansion strategy (Chandler, 1962) rather than product life cycles. These researchers look at vertical integration (engaging in more activities along the chain from raw materials to distribution of the product), related diversification, or global expansion, for example, rather than emerging, growing, and maturing product cycles. However, the managerial characteristics that receive attention do not vary as substantially as the types of expansion efforts and strategic conditions vary. Gerstein & Reisman (1983), Migliore (1982), and Sweet (1982) claimed that one intent of this approach is to diminish belief in the "universal manager" myth, yet nearly all studies reveal similar clusters of successful managerial talents. Although the "universal manager" may have lost credibility, the "universal management team configuration" seems to have gained popularity.

An alternate approach to creating fit is to match the firm's human resources policies and processes with specific strategic choices (Smith, 1982a). Smith pointed out that although financial, marketing, and technical plans frequently are altered to reflect changing strategies, the human resources management function often appears to have been forgotten. He argued that human resource policies should be tailored to reflect the needs of the future, rather than mirroring current conditions or past practices. An important problem is identified, yet little is offered toward resolution. Milkovich & Newman (1987) furthered this approach, but adopted a more restricted focus. They argued that the compensation mix, comprised of base pay, incentives, and benefits, should be uniquely constructed for each phase of the firm's expansion cycle. Here a specific solution is offered, yet the option is not sufficiently comprehensive to influence the total human resource strategy of the firm.

The whole issue of fit deserves reassessment. Research has shown that achieving fit is not always desirable. Further, a focus on maximizing fit can be counterproductive if organization change is needed or if the firm has adopted conflicting competitive goals to correspond to a complex competitive environment (Lengnick-Hall, 1986; Lengnick-Hall & McDaniel, 1984).

Summary of the literature

In summary, then, past approaches to strategic human resources management have suggested ways to match managerial style or personnel activities with strategic efforts, have offered methods for forecasting manpower requirements given certain strategic objectives, and have presented ways to achieve fit among human resource management processes, strategy, and structure. Each of these approaches has three assumptions in common. They assume strategic direction has been decided. They assume that strategy implementation deals solely with means to achieve strategic ends and has no explicit role in strategy formulation. They assume that the basic issue – whether it is employee skills, forecasting, processes for career planning, retention, or training – remains the same; only the answer changes as strategic conditions change.

Assumptions Leading to the Proposed Typology

The proposed typology relies on a different set of assumptions. *First*, we assume that the choice of strategy has not been made. *Second*, we assume the management of human resources should contribute directly to strategy formulation and to strategy implementation. We do not, however, assume that human resource considerations should be the sole, or even the primary, factor considered in selecting a firm's strategic direction. *Third*, we assume that as strategic conditions vary, the fundamental questions that must be addressed also vary because strategic issues reflect strategic contingencies. Conditions that influence what types of questions should be asked are not the same contingencies that determine the answers to those questions. The questions which are asked primarily reflect organizational outcomes and environmental threats and opportunities. These issues vary with bottom-line expectations and prior organization choices. The answers to these questions depend heavily on organization strengths, weaknesses, and culture, and the firm's ability to implement change. Both asking the right questions *and* making acceptable choices are necessary for sustained high performance. Further, this typology suggests ways to address the limitations of prior approaches while integrating their contributions.

Human resources valuation approaches were limited by expense, the difficulty of putting a dollar value on human resources, and problems with using results. We suggest substituting firm- and industry-specific skills versus firm- and industry-nonspecific skills (Perry, 1986) as a proxy that overcomes these obstacles. Firm- and industry-specific skills have value only within a particular context. For example, knowing a firm's filing system is firm-specific. Technical jargon is often industry-specific. Neither of these skills is valuable in a different firm or different industry context. To the extent that an employee's skills are specific to a certain organization, their mobility and transferability are reduced, their value to the firm is enhanced, and their replacement costs are increased.

A major problem with human resources planning approaches is overreliance on supply and demand forecasting and response at the expense of other organization realities. We propose specific consideration of a firm's values, philosophy, and culture in strategic human resource management decisions to help alleviate this difficulty. This recommendation is linked with the concept of human resource valuation. If, for example, a firm values long-term employment and does not expect major strategic shifts, an investment in

creating firm-specific and industry-specific skills is wise. As Perry (1986) pointed out, firm-specific skills increase the costs of turnover to the employees as well as to the firm. Agencies such as NASA and private firms such as Hewlett-Packard use this approach. Other firms in which greater tenure flexibility is desired, such as McDonald's and many universities, may invest in creating industry-specific skills to enhance their current competitive position, but are wise to avoid investing in substantial development of firm-specific skills that inhibit mobility.

Approaches that focus on responding to environmental change or matching human resources to existing conditions suffer from an excessive concern with developing fit and presume fixed goals and directions. We suggest that fit be considered the opposite end of the continuum from flexibility, and that firms explicitly choose a position along the continuum to coincide with their assessment of upcoming competitive conditions.

A Typology for the Strategic Management of Human Resources

The "Growth/Readiness" matrix depicted in Figure 2.1 captures the basic features of our typology. Corporate growth expectations are a proxy for the goals of the organization (Chandler, 1962; Leontiades, 1982). High growth generally means increased opportunities, multiple strategic and competitive options, high cash flow, and expansion. Much strategic management research centers on goal selection and attainment (Porter, 1985). Organizational readiness measures availability or obtainability of human resources skills, numbers, styles, and experience needed for strategy implementation. Readiness is a

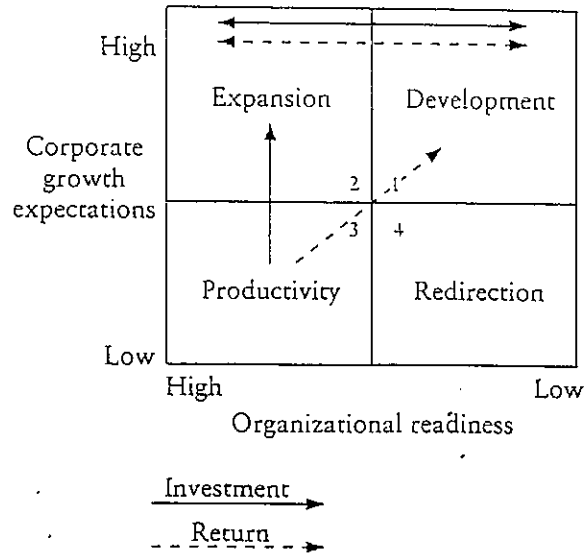


Figure 2.1 Growth readiness matrix

proxy for implementation feasibility and indicates how well resources meet the needs of the situation. The four quadrants represent four conditions under which organization strategy and, we recommend, human resource strategy are formulated.

Evolutionary forces, such as industry and product maturation, apply pressure to move the strategic situation from left to right (from high readiness to obsolescence) as technologies and strategies change. In most industries, technological change makes current skills or techniques less competitive over time (Hofer & Schendel, 1978). Industries also change from a focus on marketing and research and development in emerging industries to a focus on production and manufacturing in more mature industries (Porter, 1980). Evolution also moves conditions from top to bottom (from high growth expectations to lower growth goals) as markets become saturated and as new competitors enter the marketplace. As industries and products mature, growth becomes less feasible because there are fewer opportunities, because these are more expensive, and because market share must be taken away from competitors.

Although these evolutionary forces are well documented (Day, 1986; De Kluyver, 1977; Hayes & Wheelwright, 1979; Porter, 1980), in prior research they have been considered in a deterministic manner. We contend that movement from one quadrant to another results from an interaction between environmental conditions and organizational choice. In past research on organizational life cycles the manager's responsibility determines the current stage of development. Once that has been accomplished, the appropriate response is relatively fixed. We propose a contingency approach in which organization choices influence the rate and direction of organization life stages.

In summary, the construct of strategic human resource management has two dimensions: organizational goals and availability/obtainability of human resources. Organizational choice has a dominant effect on organizational goals and investment decisions. Environmental constraints and opportunities have a dominant effect on potential for return. Both choice and environment influence human resources availability and obtainability. This typology explores these complex, multivariate relationships in a systematic fashion. The normative statements regarding strategic human resource management decisions can be translated into hypothetical statements to allow for further refinement and future empirical testing. In fact, we propose that case studies examining the issues we describe may further illuminate relationships and lead to improved strategic human resource management theory construction and testing.

Quadrant 1: Development

The Development quadrant is characterized by high growth expectations and a poor level of readiness between strategy and human resource skills. The first-order choice is strategy formulation (Pitts & Snow, 1986). There are three options: (a) a firm may choose to invest heavily in its human resources to improve implementation feasibility, for example, Hyatt's investment in retraining Braniff employees after acquisition; (b) a firm may decide to change corporate goals to reflect the lack of readiness, such as Sambo's shift in focus from growth to profit after 1983 financial difficulties; or (c) a firm may choose to change the corporate operating strategy to capitalize on the skills and resources that are currently available. Anheuser-Busch's withdrawal from the soft drink industry and entry into the bakery and snack industries provides an example of this decision. The last option retains the growth goals by altering the competitive advantage used to achieve such goals.

Effective strategy formulation is based on assessments of functional and technical capabilities, strengths and weaknesses of the firm, and realistic goals (Pitts & Snow, 1986). If a firm is not meeting its objectives, a number of analytic steps should be taken. First, the cause of poor readiness should be diagnosed. This determines whether or not current goals can be obtained with additional investment in human resource capabilities. Anheuser-Busch determined that they could not "train" employees to become more competitive in the soft drink industry. Sambo's management decided there was insufficient time to make the major changes needed and still achieve the original goals. If increased readiness is not feasible, goals or strategic approaches to goal attainment must be changed. This is an example of reciprocal human resource and strategic decision making.

Second, the reasonableness of corporate growth expectations given product life

cycle, industry conditions, and the competitive position of the firm must be determined (Porter, 1980). A firm that attempts to grow rapidly in a mature industry, Safeway for example, will require greater resource expenditures and a more significant competitive advantage than a firm such as Genentech, a genetic engineering firm, that intended to grow rapidly during early phases of industry development.

Third, if the firm is not in a single business, choices regarding a particular business and the overall growth and diversification pattern of the company need to be reconciled (Day, 1986). Valuation concerns suggest that compatibility of industry-specific and firm-specific skills across businesses should be considered. Investments have a greater potential for payoff if businesses and, consequently, skills are related.

Fourth, the potential for long-term investment effectiveness needs to be determined (Perry, 1986). Here the organization's culture should be considered. If the skills are firm-specific, but not unit-specific, they provide greater flexibility. This is a plus if the firm is committed to employment security and promotion from within. If culture demonstrates a preference for external hiring, reliance on firm-specific skills should be reduced because such investments provide only short-term benefits.

Finally the fit/flexibility continuum should be considered. If goals represent a long-term commitment and if strategic conditions are supportive, greater investments in achieving organizational readiness are warranted (Hrebiniak & Joyce, 1984). Under these conditions, working toward fit is desirable. If, on the other hand, goals are temporary or if strategy is likely to change, large investments in fit are unwise. For example, it may be shrewd to invest in developing capabilities for dealing with a consolidation in the supplier industry or a major technological shift, but wasteful to invest in skills designed to deal with a temporary shortage or distribution problems resulting from a strike. These five analytic steps provide a template for strategic human resource management under "development" conditions.

Quadrant 2: Expansion

The Expansion quadrant is characterized by high growth expectations and good readiness indications between strategy and skills. These conditions apply to firms in established competitive positions in the mainstream of a growth industry, for example, McNeilab's position in the ethical drug industry or the position of Target Stores in the retail industry. Under these conditions, the first-order question involves resource allocation. What proportion of resources should be devoted to achieving continued growth, and what proportion should be channeled into managing the effects of growth (e.g., updating planning systems, managing information, socializing new employees)? Resolution depends on (a) the level of human resource investment required to maintain desired growth and continued readiness, (b) profitability, and (c) other performance measures that are important to the firm.

Again organization culture and the need for firm-and industry-specific skills play a crucial role (Perry, 1986). Culture places both demands and limits on organization processes (Galbraith & Kazanjian, 1986). For example, military organizations can expand rapidly without substantial changes in organization systems because their cultures are relatively uniform and rely heavily on standardization, division of labor, hierarchy, and socialization to coordinate and control activities. Such

organizations can devote most resources to achieving growth. Other firms, for example, Apple Computers, have a culture that presumes individuality and idiosyncratic behavior. As the firm expands, organization processes are expected to change to reflect the personalities and skills of new members. In this type of firm, more resources must be allocated to managing the effects of growth and the organization systems needed to accommodate expansion. A high need for firm-specific skills (e.g., fighter pilots) or industry-specific skills (e.g., negotiating defense contracts) makes a given level of growth more expensive to achieve, leaving fewer resources available for managing growth.

The issue of fit versus flexibility is also important. High growth and strong readiness are conducive to maximal fit. This is supported by human resources planners (Stumpf & Hanrahan, 1984) and those who recommend responsiveness to organization and environmental contingencies (Lawrence, 1984; Lenz, 1981). The price is an increased likelihood of means-ends goal reversal (MacMillan & Jones, 1986). Although good fit may make growth easier to achieve, it also makes continued growth the primary means to achieve organizational rewards. Thus, continued growth is likely to become a means to achieve financial and status benefits even if continued growth is no longer cost effective within the industry setting. Sambo's restaurants experienced this problem with their "fraction of the action plan" (whereby franchise owners participated in the rewards of expansion). The result was near bankruptcy and corporate takeover.

A number of analytic steps contribute to sound resource allocation decisions. First, relevant trends in product, organization, and industry life cycles need to be identified (Day, 1986; Porter, 1985). Planning horizons and profitability can be predicted from an assessment of the industry's structure. Industry analysis, along with an evaluation of hiring and training needs, capacity expansion requirements, and so forth, allows a firm to assess the direct costs and benefits of achieving growth.

Second, a firm should identify indirect costs of achieving growth; among the most important of these is a consideration of fit versus flexibility (Pitts & Snow, 1986). As the need for firm-specific or unit-specific skills increases, personal power of successful employees also increases. Because this power is contingent on maintaining existing organization conditions, there is a strong incentive to resist change (MacMillan & Jones, 1986). Further, mobility of these employees is reduced. Resistance to change coupled with organization clout and few alternatives can make a firm uncompetitive as environmental conditions change.

Third, a firm should identify costs of managing growth (Porter, 1985). At this point a firm should identify specific structural and organizational process changes that need to accompany growth. Often while firms are growing, the seeds for future problems are being sowed if organization design does not keep pace with organization accomplishments.

Fourth, costs of achieving and maintaining growth should be compared with the revenue that additional growth is expected to provide (Porter, 1985). Reciprocity between human resources and competitive strategy is important. It is not unusual for growth to be competitively feasible yet have little payoff due to implementation costs. Nor is it unusual for growth expectations that are the outcome of prior human resource policies to become competitively undesirable. If there is a resulting deficit, a reassessment of goals, or the means to achieve growth, is in order. If a surplus

results, an appropriate allocation strategy for these resources is needed. For example, if a growth pattern is expected to be long-term and in a relatively stable environment, resources might be appropriately allocated to managing the stress of continued expansion and elevated performance expectation. If growth is expected to be long-term but under changing marketplace conditions, resources might be appropriately allocated to research and development or training in an effort to anticipate competitive trends. If growth is expected to be short-term, resources might be most appropriately allocated to preparing for organizational transition. These four steps provide guidelines for strategic human resource management under "expansion" conditions.

Quadrant 3: Productivity

The Productivity quadrant is characterized by low growth expectations and strong readiness for strategy implementation, for example, the positions established by Mercedes Benz or the Kroger Stores. Because a firm has an established competitive advantage and is not trying to expand rapidly, operations usually are highly effective and efficient. There is less concern with establishing a position, as in the development stages, or with extending the market, as in the expansion stage. Rather, the key question is how to channel the results of productive activities (Day, 1986; Porter, 1980). Such firms are highly profitable and their resources should not be wasted. Stated differently, the basic choice is where to channel resources and efforts that are no longer required simply to maintain growth objectives.

There are several alternatives. The focus can be on preparing for anticipated changes in the particular business in question. Financial services firms such as American Express made this choice in the face of deregulation. Resources can be invested in related or unrelated businesses in the portfolio. General Electric provides a good example of this approach. The focus can be on improving the current competitive position, a strategy taken by the major television networks that continue escalating investment despite low growth prospects. This last focus includes using resources to improve socialization, mentoring, developing of succession plans, and the like, in order to compensate for or correct organizational weaknesses. A firm can begin planning for exit from the business, often a choice if substitute products are serious threats. Under conditions of low growth and high productivity, a strategic focus predominates because choices concern trade-offs between current actions and future options.

Undoubtedly some degree of fit already has been established, and the issue becomes whether continued fit should be rewarded to increase profits and efficiency or whether the first steps toward organization change should be encouraged. The role a particular business plays in the overall corporate plan inevitably changes as the unit shifts from a cash user to a cash generator (Day, 1986; Hofer & Schendel, 1978). If diverse businesses are managed interdependently, businesses that receive investments to aid their own competitive position may, over time, be expected to contribute to the growth and competitiveness of other units. If fit, rather than flexibility, has been emphasized, this shift in perspective presents a monumental challenge (MacMillan & Jones, 1986).

Unit-, firm-, and industry-specific skills also contribute to or inhibit organization transition (Perry, 1986). If businesses are related and firm-specific and industry-specific skills have been emphasized,

employees may feel more secure, even though their future prospects may be uncertain. If, on the other hand, businesses are unrelated and unit-specific skills have been emphasized, employees have a vested interest in maintaining an existing strategic posture for the business, even if it is sub-optimal for the firm as a whole.

Several analytic steps are useful. First, evaluating competitive trends helps to determine a reasonable time horizon for planning (Porter, 1985). How to sustain the current competitive advantage should be assessed as the product and industry mature. Is the current competitive position viable with a flat level of investment (e.g., Coke's position in the soft drink industry) or is competitive position dependent on escalating investments (e.g., research and development required to maintain position in the computer industry)? Can the current competitive advantage be protected and sustained? Because competition increases during low growth periods, mimicry and aggression also increase.

Second, industry structure should be assessed (Porter, 1980). As growth slows, supplier firms and buyers often consolidate or further increase their segmentation. Substitute products often gain popularity while a firm is focusing on efficiency. The marketplace may become unattractive over time regardless of competitive position. The natural tendency is for management to be internally focused to increase profits, yet low growth industries require extensive environmental analysis.

Third, an understanding of the current strategy's viability and the long-term attractiveness of the industry is important for allocating human and other resources (Day, 1986; Hofer & Schendel, 1978). If the planning horizon is short, fit should be de-emphasized, resources should be channeled to other units, and skills that are necessary for transition should be rewarded. If the planning horizon is long, fit should be balanced with flexibility, sufficient resources should be reinvested in the unit to maintain competitiveness, and unit-, firm-, and industry-specific skills should continue to receive rewards.

Quadrant 4: Redirection

The fourth quadrant, Redirection, is characterized by low growth expectations and poor readiness. Typically, firms facing these conditions are in declining industries or have maintained obsolete products or manufacturing processes that are no longer competitive (Porter, 1980). Examples include small breweries and many family farms. This situation often arises in firms that focus on excessive fit between skills, culture, procedures, and strategy. Their choice is either turnaround or exit from the industry. Stated differently, a firm must decide whether to redirect employee activities or to alter the business focus. Both human resource and competitive considerations are paramount. If turnaround is chosen, retraining, restructuring, and realignment are needed. If exit is selected, turnover (both voluntary and involuntary) and relocation within the firm are often required.

Organization culture and employment philosophy (e.g., commitment to employment security) must be examined (MacMillan & Jones, 1986). Often when a firm reaches this stage of development, organization culture is firmly established. Equally often, values that have dominated during times of growth and implementation are maladaptive when the firm is faced with end-game choices such as harvesting, developing a niche, or preparing for quick divestment in a particular business (Porter, 1980). Most organization cultures do not help the firm avoid premature

divestiture nor do they reduce the likelihood of creating a cash trap. If turnaround is infeasible, these are the likely outcomes. An additional cultural issue concerns diversification strategy. With related diversification, severe organizational conflict may arise from attempts to remain competitive in a product area that has undergone major technical changes. It is not uncommon for technical changes in a product or the production process to cause functional conflict rather than functional synergy in firms that have technically related product groups.

The need for human resources in other areas of the firm (e.g., are there growth areas that require new human resources?) should be considered (Day, 1986; Hofer & Schendel, 1978). If new employment options exist, the importance of firm-specific and/or industry-specific skills must be considered in evaluating costs and effectiveness.

A number of analytic steps are appropriate. First, it is important to determine whether the industry is experiencing widespread decline (e.g., has a substitute product curtailed demand) or whether the firm is poorly positioned (e.g., small textile mills facing industry consolidation). If the industry is declining, any turnaround strategy would have a short-term payback. Second, if lack of readiness reflects a poor organizational strategy, analysis to determine a source of competitive advantage is needed.

Third, an evaluation of turnaround and exit feasibility depends, in part, on the extent to which firm- and industry-specific skills are present and the extent to which these skills meet the needs of the current competitive environment (Perry, 1986; Porter, 1980). If firm- and industry-specific skills comprise a high proportion of the human resource skill base, and such skills are compatible with the competitive environment, turnaround feasibility depends on whether additional skills can be learned in a timely manner. Examples include hotels and restaurants that have improved service and made a comeback. Exit, under these circumstances, is less desirable. If firm- and industry-specific skills comprise a high proportion of the human resource skill base and do not meet competitive needs, turnaround will create grave organizational conflict, but exit will be quite difficult. This is, perhaps, the most painful choice, as the issues about what to do with family farms illustrate. If firm- and industry-specific skills comprise a low proportion of the skill base, but those that exist fit well with the competitive conditions (e.g., software development firms), turnaround is feasible if appropriate new skills can be acquired, and if not, exit is less complicated by organization values. If firm- and industry-specific skills are low but incompatible with competitive conditions, as in many steel companies, both competitive restructuring and a shift in firm and/or industry values is needed to effect a turnaround. Exit is a desirable choice in a multibusiness firm. In single-business organizations, merger or acquisition of new skills and new values is a typical response.

These three steps, evaluation of the industry condition, assessment of the competitive position, and analysis of feasibility, are key to strategy and human resource choices under conditions of low growth and poor readiness. Often, no choice is truly desirable, and most contain significant risks. If consideration of the future is incorporated during "productivity" phases, these problems can be reduced.

Concluding Comments

Reciprocal interdependence between a firm's business strategy and its human

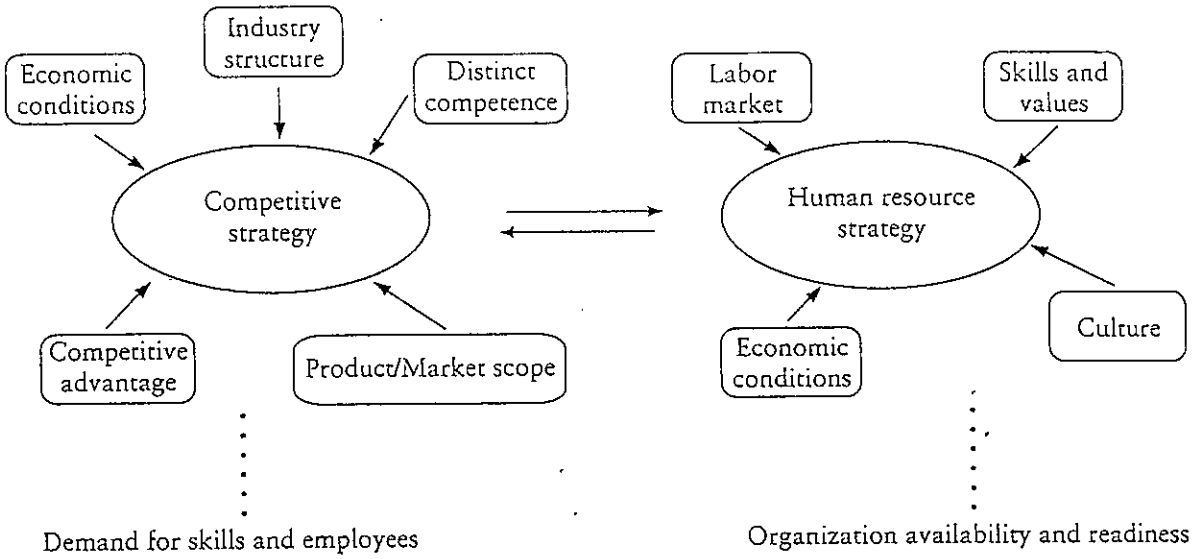


Figure 2.2 A perspective on business strategy and human resource strategy interdependence

resources strategy underlies the proposed approach to the strategic management of human resources. This perspective is depicted in Figure 2.2. Both human resource strategy and business strategy are seen as composite outcomes because in each, many functions, events, and relationships influence organizational results. The crucial interaction is between multidimensional demand and multifaceted readiness. Each is an input to and a constraint on the other.

We propose a broader perspective of strategic human resource management than has been offered in the literature or in practice. Previous efforts have captured some of the important relationships among key variables, but have ignored the truly multidimensional nature of this process. In part, this can be attributed to meshing two areas that have developed independent of one another (at least in the academic arena). Related to this has been the temptation of researchers and practitioners in one field to gain only a superficial understanding of the other field before attempting to integrate the two. This produces inadequate theory formulation at best and does a disservice to the field (strategic management or human resources management) that is slighted. Greater cross-fertilization of ideas is justified at this stage of theory development to provide a better understanding of two complex processes.

The intent of this paper is not to argue that all firms should adopt a strategic human resources management perspective, although Hypothesis I suggests this as a testable concept:

> *Hypothesis 1*: Firms that engage in a strategy formulation process that systematically and reciprocally considers human resources and competitive strategy will perform better (using multiple measures of effectiveness) over the long term than firms that manage competitive strategy and human resources independently of each other.

Rather, our intent is to highlight some of the advantages and disadvantages of integrating human resources management within the strategic management process. If a firm elects not to adopt a strategic human resource perspective, it must solve

human resource problems through human resource means and, by implication, it must solve competitive problems with other types of resources. This view may, over time, deplete the human resources of the firm. From this approach, human resources are seen as constraints on business policy.

If a strategic human resource management perspective *is* adopted, then human resource considerations must be intimately linked with strategic choices. This view assumes that the human resources are critical to achieving competitive success. There are opportunity costs associated with this view as well, however. A firm's outlook often becomes more inwardly focused, making it more difficult to accurately predict and interpret environmental events. Further, if human resource considerations are used to determine strategic position, a firm may become less competitive than firms that have greater internal flexibility. Finally, linking human resources management intimately with strategic management may overemphasize human resource matters in strategy formulation. Excessive attention may prove to be as detrimental as the prior neglect. To limit these negative effects we argue that a reciprocal interdependence is most appropriate. This view is presented in Hypotheses 2 and 3.

> *Hypothesis 2*: Firms that engage in a strategy formulation process that systematically and reciprocally considers human resources and competitive strategy will perform better (using multiple measures of effectiveness) over the long term than firms that manage competitive strategy primarily as a means to solve human resources issues.

> *Hypothesis 3*: Firms that engage in a strategy formulation process that systematically and reciprocally considers human resources and competitive strategy will perform better (using multiple measures of effectiveness) over the long term than firms that manage human resources primarily as a means to solve competitive strategy issues.

The typology proposed in this paper takes a broader perspective of strategic human resources management. It defines some boundaries of the concept and presents a set of propositions that need further testing. To date, there is little *empirical* evidence to suggest that strategic human resource management directly influences organizational performance or competitive advantage. However, there is much anecdotal evidence to suggest that such a relationship does exist. More attention needs to be paid to research issues that will provide the necessary support or disconfirmation (see especially Dyer, 1984). From the viewpoint of practicing managers, it is too early to adopt one theory of strategic human resource management and expect a blueprint for decision making. Our typology clarifies many of the issues that researchers and managers believe are important for sustained organizational performance. The typology suggests avenues of research that should yield a greater awareness of two complex organizational processes, better understanding of their interaction, and more informed decision making in the future. By classifying organizations through the proposed typology, researchers can explore how organizations facing similar contingencies create strategic plans, implement those plans, manage their human resources, and succeed or fail in the marketplace. Moreover, the classifications we propose allow the results of organization decisions within a single firm to be evaluated longitudinally because it is recognized that critical issues as well as desired outcomes change over

time. Without some means of categorization, comparative and other methods of empirical research become difficult, if not impossible.

Contributors' note

The authors thank Robert Eder for his critique and comments on earlier drafts of this article.

Source

Academy of Management Review, Vol. 13, No. 3 (1988): 454–70.

References

Baird, L., Meshoulam, L., & DeGive, G. (1983) Meshing human resources planning with strategic business planning: A model approach. *Personnel*, 60(5), 14–25.

Cascio, W. (1987a) *Applied psychology in personnel management* (3rd ed.). Englewood Cliffs, NJ: Prentice-Hall.

Cascio, W. (1987b) *Costing human resources: The financial impact of behavior in organizations*. Boston, MA: PWS-Kent Publishing Co.

Chandler, A. T., Jr. (1962) *Strategy and structure: Chapters in the history of the American enterprise*. Cambridge, MA: MIT Press.

Cheek, L. M. (1973) Cost effectiveness comes from the personnel function. *Harvard Business Review*, 51(3), 96–105.

Cooper, A. C., & Schendel, D. (1976) Strategic responses to technological threats. *Business Horizons*, 19(1), 1–9.

Day, G. S. (1986) *Analysis for strategic market decisions*. St. Paul: West.

De Kluyver, C. A. (1977) Innovation and industrial product life cycles. *California Management Review*, 20(1), 21–33.

DeSanto, J. F. (1983) Work force planning and corporate strategy. *Personnel Administrator*, 28(10), 33–42.

Deutch, A. (1982) How employee retention strategies can aid productivity. *Journal of Business Strategy*, 2(4), 106–109.

Dimick, D. E., & Murray, V. V. (1978) Correlates of substantive policy decisions in organizations: The case of human resource management. *Academy of Management Journal*, 21, 611–623.

Dyer, L. (1983) Bringing human resources into the strategy formulation process. *Human Resource Management*, 22(3), 257–271.

Dyer, L. (1984) Studying human resource strategy: An approach and an agenda. *Industrial Relations*, 23(2), 156–169.

Dyer, L. (1985) Strategic human resources management and planning. In K. M. Rowland & G. R. Ferris (Eds.), *Research in personnel and human resources management* (pp. 1–30). Greenwich, CT: JAI Press.

Ellis, R. J. (1982, Winter) Improving management response in turbulent times. *Sloan Management Review*, 23(2), 3–12.

Flamholtz, E. (1971) A model for human resource valuation: A stochastic process with service rewards. *Accounting Review*, 46(2), 253–267.

Fombrun, C. (1982) Environmental trends create new pressures on human resources. *Journal of Business Strategy*, 3(1), 61–69.

Frantzreb, R. B., Landau, L. T., & Lundberg, D. P. (1974) The valuation of human resources. *Business Horizons*, 17(3), 73–80.

Galbraith, J. R., & Kazanjian, R. J. (1986) *Strategy implementation*: Structure, system and process (2nd ed.). St. Paul: West.

Galosy, J. R. (1983) Meshing human resources planning with strategic business planning: One company's experience. *Personnel*, 60(5), 26–35.

Gerstein, M., & Reisman, H. (1983) Strategic selection: Matching executives to business conditions. *Sloan Management Review*, 24(2), 1–18.

Gutteridge, T., & Otte, F. L. (1983) *Organizational career development: State of practice*. Washington, DC: ASTD Press.

Harvey, L. J. (1983) Effective planning for human resource development. *Personnel Administrator*, 28(10), 45–52.

Hayes, R. H., & Wheelwright, S. C. (1979) The dynamics of process-product life cycles. *Harvard Business Review*, 57(2), 127–136.

Hrebiniak, L. G., & Joyce, W. F. (1984) *Implementing strategy*. New York: Macmillan.

Hofer, C. W., & Schendel, D. (1978) *Strategy formulation: Analytical concepts*. St. Paul: West.

Lawrence, P. (1984, May 9–11) *Executive summary – The history of resource management in America*. Human Resource Management Future Conference, Harvard Business School.

Lenz, R. T. (1981) Determinants of organizational performance: An interdisciplinary review. *Strategic Management Journal*, 2(2), 131–154.

Lengnick-Hall, C. A. (1986) *A reassessment of strategy–structure fit: Parallel achievement versus reconciliation*. Working Paper 86–8. University of Minnesota, Duluth, Bureau of Business and Economic Research.

Lengnick-Hall, C. A., & McDaniel, R. R., Jr. (1984) Scanning policies, structure and adaptability in human service systems. *American Business Review*, 2(1), 12–23.

Leontiades, M. (1982) Choosing the right manager to fit the strategy. *Journal of Business Strategy*, 2(2), 58–69.

Lindroth, J. (1982) How to beat the coming labor shortage. *Personnel Journal*, 61(4), 268–272.

MacMillan, I. C., & Jones, P. E. (1986) *Strategy formulation: Power and politics* (2nd ed.). St. Paul: West.

MacMillan, I. C., & Schuler, R. S. (1985) Gaining a competitive edge through human resources. *Personnel*, 62(4), 24–29.

Maier, H. (1982) Innovation, efficiency, and the quantitative and qualitative demand for human resources. *Technological Forecasting and Social Change*, 21, 15–31.

Migliore, R. H. (1982) Linking strategy, performance and pay. *Journal of Business Strategy*, 3(1), 90–94.

Miles, R. E., & Snow, C. C. (1978) *Organizational Strategy, Structure and Process*. New York: McGraw-Hill.

Miles, R., Snow, C. C., Meyer, A. D., & Coleman, H. J., Jr. (1978) Organization strategy, structure, and process. *Academy of Management Review*, 3, 546–662.

Milkovich, G. T., & Newman, J. M. (1987) *Compensation* (2nd ed.). Dallas: Business Publications.

Olian, J. D., & Rynes, S. L. (1984) Organizational staffing: Integrating practice with strategy. *Industrial Relations*, 23(2), 170–183.

Perry, L. T. (1986) Least-cost alternatives to layoffs in declining industries. *Organizational Dynamics*, 14(4), 48–61.

Pitts, R. A., & Snow, C. C. (1986) *Strategies for competitive success*. New York: Wiley.

Porter, M. E. (1980) *Competitive strategy*. New York: Free Press.

Porter, M. E. (1985) *Competitive advantage*. New York: Free Press.

Reypert, L. S. (1981) Succession planning in the ministry of transportation and communications, province of Ontario. *Human Resource Planning*, 4(3), 151–156.

Rowland, K. M., & Summers, S. L. (1981) Human resource planning: A second look. *Personnel Administrator*, 26(12), 73–80.

Rumelt, R. P. (1974) *Strategy, structure and economic performance in large American industrial corporations*. Boston: Harvard Graduate School of Business Administration.

Russ, C. F., Jr. (1982) Manpower planning systems: Part II. *Personnel Journal*, 119–123.

Schuler, R. S., & MacMillan, I. C. (1984) Gaining competitive advantage through human resource management practices. *Human Resource Management*, 23(3), 241–256.

Schuler, R. S., & Jackson, S. E. (1987) Linking competitive strategies with human resource management practices. *Academy of Management Executive*, 1, 207–219.

Scott, B. R. (1971) *Stages of corporate development – Part 1* (Case No 9–371–294). Boston, MA: Intercollegiate Case Clearinghouse.

Smith, E. C. (1982a) Strategic business planning and human resources: Part 1. *Personnel Journal*, 61(8), 606–610.

Smith, E. C. (1982b) Strategic business planning and human resources: Part II. *Personnel Journal*, 61(9), 680–682.

Stumpf, S. A., & Hanrahan, N. M. (1984) Designing organizational career management practices to fit the strategic management objectives. In R. S. Schuler & S. A. Youngblood (Eds.), *Readings in personnel and human resource management* (2nd ed.) (pp. 326–348). St. Paul: West.

Sweet, J. (1982) How manpower development can support your strategic plan. *Journal of Business Strategy*, 3(1), 77–81.

Tichy, N. M., Fombrun, C. J., & Devanna, M. A. (1982) Strategic human resource management. *Sloan Management Review*, 23(2), 47–61.

Warner, M. (1984) New technology, work organizations, and industrial relations. *Omega*, 12(3), 203–210.

Wils, T., & Dyer, L. (1984, August) *Relating business strategy to human resource strategy: Some preliminary evidence*. Paper presented at the meeting of the Academy of Management, Boston.

Zedeck, S., & Cascio, W. F. (1984) Psychological issues in personnel decisions. *Annual Review of Psychology*, 35, 461–518.

CHAPTER 9

Linking Competitive Strategies with Human Resource Management Practices

Randall S. Schuler and Susan E. Jackson

Over the past several years there has been increased recognition that there is a need to match the characteristics of top managers with the nature of the business. According to Reginald H. Jones, former chairman and CEO of the General Electric Company,

> When we classified . . . [our] . . . businesses, and when we realized that they were going to have quite different missions, we also realized we had to have quite different people running them.[1]

Within academia there has been similar growing awareness of this need. Although this awareness is being articulated in several ways, one of the most frequent involves the conceptualization and investigation of the relationship between business strategy and the personal characteristics of top managers.[2] Here, particular manager characteristics such as personality, skills, abilities, values, and perspectives are matched with particular types of business strategies. For example, a recently released study conducted by Hay Group Incorporated, in conjunction with the University of Michigan and the Strategic Planning Institute, reports that when a business is pursuing a growth strategy it needs top managers who are likely to abandon the status quo and adapt their strategies and goals to the marketplace. According to the study, insiders are slow to recognize the onset of decline and tend to persevere in strategies that are no longer effective; so, top managers need to be recruited from the outside.

> Recruiting outsiders as a part of strategy has been successful for Stroh Brewing Co., once a small, family-run brewery in Detroit. Some 20% of its senior management team of 25 executives, including President Roger T. Fridholm, have been brought into Stroh since 1978. They've been instrumental in transforming it into the third-largest U.S. brewer.[3]

The result of such human resource staffing practices has been rather significant:

> Growth companies that staffed 20% of their top three levels with outsiders exceeded their expected return on

> investment by 10%. Those that relied on inside talent fell short of their goals by 20%. The same holds true for companies in declining industries: companies with outsiders in one out of every five top managements jobs exceeded expected returns by 20%; those with a low proportion of outsiders fell 5% short.[4]

Outsiders, of course, are not always helpful. When a business is pursuing a mature strategy, what is needed is a stable group of insiders who know the intracacies of the business.

The results of the Hay study suggest that the staffing practices of top management be tied to the nature of the business because different aspects of business demand different behaviors from the individuals running them. The implication, then, is that selecting the right top manager is an important staffing decision.

Another perspective holds that top managers are capable of exhibiting a wide range of behavior, and all that is needed is to match compensation and performance appraisal practices with the nature of the business. Peter Drucker, commenting on the relationship between compensation and a strategy of innovation, observed that:

> I myself made this mistake [thinking that you can truly innovate within the existing operating unit] 30 years ago when I was a consultant on the first major organizational change in American history, the General Electric reorganization of the early 1950s. I advised top management, and they accepted it, that the general managers would be responsible for current operations as well as for managing tomorrow. At the same time, we worked out one of the first systematic compensation plans, and the whole idea of paying people on the basis of their performance in the preceding year came out of that.
>
> The result of it was that for ten years General Electric totally lost its capacity to innovate, simply because tomorrow produces costs for ten years and no return. So, the general manager – not only out of concern for himself but also out of concern for his group – postponed spending any money for innovation. It was only when the company dropped this compensation plan and at the same time organized the search for the truly new, not just for improvement outside the existing business, that GE recovered its innovative capacity, and brilliantly. Many companies go after this new and slight today and soon find they have neither.[5]

Similar results illustrating the power of performance appraisal and compensation to affect individual behavior have been reported in the areas of reinforcement, behavior modification, and motivation theories.[6] However, while there has been much written on matching the behavior of top managers with the nature of the business, less attention has been given to the other employees in the organization. Nevertheless, it seemed reasonable to assume that the rest of the workforce would also have to be managed differently, depending on the business.. This, then, became our focus of attention.

A critical choice we had to make in our study concerned which aspects of the business we were going to use. Consistent with previous studies, we decided to use the general notion of organizational strategy.[7] On the basis of previous studies that looked at strategy and human resource practices, we decided to adapt Porter's framework of competitive strategy.[8] Using the competitive strategy framework, we developed three archetypes of competitive strategy – PHRM practices combinations. These were derived from the literature, secondary sources, and our previous research. We then examined each of the three archetypes in-depth, using additional

secondary data and field results, and addressed issues regarding implementation and revision of the archetypes. All are presented in this article.

First, we shall review the nature and importance of competitive strategy, and then we shall describe the concept of needed role behavior that enabled us to link competitive strategies and HRM practices.

Competitive Strategies

Crucial to a firm's growth and prosperity is the ability to gain and retain competitive advantage. One way to do this is through strategic initiative. MacMillan defines strategic initiative as the ability to capture control of strategic behavior in the industries in which a firm competes.[9] To the extent one company gains the initiative, competitors are obliged to respond and thereby play a *reactive* rather than proactive role. MacMillan argues that firms that gain a strategic advantage control their own destinies. To the extent a firm gains an advantage difficult for competitors to remove, it stays in control longer and therefore should be more effective.

The concept of competitive advantage is described by Porter as the essence of competitive strategy.[10] Emerging from his discussion are three competitive strategies that organizations can use to gain competitive advantage: innovation, quality enhancement, and cost reduction. The *innovation strategy* is used to develop products or services different from those of competitors; the primary focus here is on offering something new and different. Enhancing product and/or service quality is the primary focus of the *quality enhancement strategy*. In the *cost reduction strategy*, firms typically attempt to gain competitive advantage by being the lowest cost producer. Although we shall describe these three competitive strategies as pure types applied to single business units or even single plants or functional areas, some overlap can occur. That is, it is plausible to find business units, plants, or functional areas pursuing two or more competitive strategies simultaneously. This, and how to manage it, is discussed later.

Competitive Strategy: Needed Role Behaviors

Before developing a linkage between competitive strategy and HRM practices, there must be a *rationale* for that linkage. This rationale gives us a basis for predicting, studying, refining, and modifying both strategy and practices in specific circumstances.

Consistent with previous research, the rationale developed is based on what is needed from employees apart from the specific technical skills, knowledges, and abilities (SKAs) required to perform a specific task.[11] Rather than thinking about task-specific SKAs, then, it is more useful to think about what is needed from an employee who works with other employees in a social environment.[12] These needed employee behaviors are actually best thought of as needed role behaviors.[13] The importance of roles and their potential dysfunction in organizations, particularly role conflict and ambiguity, is well documented.[14]

Based on an extensive review of the literature and secondary data, several role behaviors are assumed to be instrumental in the implementation of the competitive strategies. Exhibit 9.1 shows several dimensions along which employees' role behaviors can vary. The dimensions shown are the ones for which there are

likely to be major differences across competitive strategies. This can be illustrated by describing the various competitive strategies and their necessary organizational conditions in more detail, along with the needed role behaviors from the employees.

Innovation strategy and needed role behaviors

Because the imperative for an organization pursing an innovation strategy is to be the most unique producer, conditions for innovation must be created. These conditions can be rather varied. They can be created either formally through official corporate policy or more informally. According to Rosabeth Moss Kanter:

> Innovation [and new venture development] may originate as a deliberate and official decision of the highest levels of management or there may be the more-or-less "spontaneous" creation of mid-level people who take the initiative to solve a problem in new ways or to develop a proposal for change. Of course, highly successful companies allow both, and even official top management decisions to undertake a development effort benefit from the spontaneous creativity of those below.[15]

To encourage as many employees as possible to be innovative, 3M has developed an informal doctrine of allowing employees to "bootleg" 15% of their time on their own projects. A less systematic approach to innovation is encouraging employees to offer suggestions for new and improved ways of doing their own job or manufacturing products.

Overall, then, for firms pursuing a competitive strategy of innovation, the profile of employee role behaviors includes

- a high degree of creative behavior;
- a longer-term focus;
- a relatively high level of cooperative, interdependent behavior;
- a moderate degree of concern for quality;
- a moderate concern for quantity;
- an equal degree of concern for process and results;
- a greater degree of risk taking; and

Exhibit 9.1 Employee role behaviors for competitive strategies

1	Highly repetitive, predictable behavior	v. Highly creative, innovative behavior
2	Very short-term focus	v. Very long-term behavior
3	Highly cooperative, interdependent behavior	v. Highly independent, autonomous behavior
4	Very low concern for quality	v. Very high concern for quality
5	Very low concern for quantity	v. Very high concern for quantity
6	Very low risk taking	v. Very high risk taking
7	Very high concern for process	v. Very high concern for results
8	High preference to avoid responsibility	v. High preference to assume responsibility
9	Very inflexible to change	v. Very flexible to change
10	Very comfortable with stability	v. Very tolerant of ambiguity and unpredictability
11	Narrow skill application	v. Broad skill application
12	Low job (firm) involvement	v. High job (firm) involvement

Source: Adapted from R. S. Schuler, "Human Resource Management Practice Choices," in R. S. Schuler, S. A. Youngblood, and V. L. Huber (Eds) *Readings in Personnel and Human Resource Management*, 3rd ed., St. Paul, MN: West Publishing, 1988

- a high tolerance of ambiguity and unpredictability.[16]

The implications of pursuing a competitive strategy of innovation for managing people may include selecting highly skilled individuals, giving employees more discretion, using minimal controls, making a greater investment in human resources, providing more resources for experimentation, allowing and even rewarding occasional failure, and appraising performance for its long-run implications. As a consequence of these conditions, pursuing an innovation strategy may result in feelings of enhanced personal control and morale, and thus a greater commitment to self and profession rather than to the employing organization. Nevertheless, benefits may accrue to the firm as well as the employee, as evidenced by the success of such innovative firms as Hewlett-Packard, the Raytheon Corporation, 3M, Johnson & Johnson, and PepsiCo.

Thus, the innovation strategy has significant implications for human resource management. Rather than emphasizing managing people so they work *harder* (cost-reduction strategy) or *smarter* (quality strategy) on the same products or services, the innovation strategy requires people to work *differently*. This, then, is the necessary ingredient.[17]

Quality-enhancement strategy and needed role behaviors

At Xerox, CEO David Kearns defines quality as "being right the first time every time." The implications for managing people are significant. According to James Houghton, chairman of Corning Glass Works, his company's total quality approach is about people. At Corning, good ideas for product improvement often come from employees, and in order to carry through on their ideas Corning workers form short-lived corrective action teams to solve specific problems.

> Employees [also] give their supervisors written "method improvement requests," which differ from ideas tossed into the traditional suggestion box in that they get a prompt formal review so the employees aren't left wondering about their fate. In the company's Erwin Ceramics plant, a maintenance employee suggested substituting one flexible tin mold for an array of fixed molds that shape the wet ceramic product baked into catalytic converters for auto exhausts.[18]

At Corning, then, quality improvement involves getting employees committed to quality and continual improvement. While policy statements emphasizing the total quality approach are valuable, they are also followed up with specific human resources practices: feedback systems are in place, team work is permitted and facilitated, decision making and responsibility are a part of each employee's job description, and job classifications are flexible.

Quality improvement often means changing the processes of production in ways that require workers to be more involved and more flexible. As jobs change, so must job classification systems. At Brunswick's Mercury Marine division, the number of job classifications was reduced from 126 to 12. This has permitted greater flexibility in the use of production processes and employees. Machine operators have gained greater opportunities to learn new skills. They inspect their own work and do preventive maintenance in addition to running the machines.[19] It is because of human resource practices such as these that employees become committed to the firm and, hence, willing to give more. Not

only is the level of quality likely to improve under these conditions, but sheer volume of output is likely to increase as well. For example, in pursuing a competitive strategy involving quality improvement, L.L. Bean's sales have increased tenfold while the number of permanent employees has grown only fivefold.[20]

The profile of employee behaviors necessary for firms pursuing a strategy of quality enhancement is:

- relatively repetitive and predictable behaviors;
- a more long-term or intermediate focus;
- a modest amount of cooperative, interdependent behavior;
- a high concern for quality;
- a modest concern for quantity of output;
- high concern for process (*how* the goods or services are made or delivered);
- low risk-taking activity; and
- commitment to the goals of the organization.

Because quality enhancement typically involves greater employee commitment and utilization, fewer employees are needed to produce the same level of output. As quality rises, so does demand, yet this demand can be met with proportionately fewer employees than previously. Thanks to automation and a cooperative workforce, Toyota is producing about 3.5 million vehicles a year with 25,000 production workers – about the same number as in 1966 when it was producing one million vehicles. In addition to having more productive workers, fewer are needed to repair the rejects caused by poor quality. This phenomenon has also occurred at Corning Glass, Honda, and L.L. Bean.

Cost-reduction strategy and needed role behaviors

Often, the characteristics of a firm pursuing the cost-reduction strategy are tight controls, overhead minimization, and pursuit of economies of scale. The primary focus of these measures is to increase productivity, that is, output cost per person. This can mean a reduction in the number of employees and/or a reduction in wage levels. Since 1980, the textile industry's labor force decreased by 17%, primary metals, almost 30%, and steel, 40%. The result has been that over the past four years, productivity growth in manufacturing has averaged 4.1% per year, versus 1.2% for the rest of the economy.[21] Similar measures have been taken at Chrysler and Ford and now are being proposed at GM and AT&T. Reflecting on these trends, Federal Reserve Governor Wayne D. Angell states, "We are invigorating the manufacturing sector. The period of adjustment has made us more competitive."[22]

In addition to reducing the number of employees, firms are also reducing wage levels. For example, in the household appliance industry where GE, Whirlpool, Electrolux, and Maytag account for 80% of all production, labor costs have been cut by shifting plants from states where labor is expensive to less costly sites. The result of this is that a new breed of cost-effective firms are putting U.S. manufacturing back on the road to profitability.[23]

Cost reduction can also be pursued through increased use of part-time employees, subcontractors, work simplification and measurement procedures, automation, work rule changes, and job assignment flexibility. Thus, there are several methods for reducing costs. Although the details are vastly different, they all

share the goal of reducing output cost per employee.

In summary, the profile of employee role behaviors necessary for firms seeking to gain competitive advantage by pursuing the competitive strategy of cost reduction is as follows:

- relatively repetitive and predictable behaviors;
- a rather short-term focus;
- primarily autonomous or individual activity;
- modest concern for quality;
- high concern for quantity of output (goods or services);
- primary concern for results;
- low risk-taking activity; and
- a relatively high degree of comfort with stability.

Given these competitive strategies and the needed role behaviors, what HRM practices need to be linked with each of the three strategies?

Typology of HRM Practices

When deciding what human resource practices to use to link with competitive strategy, organizations can choose from six human resource practice "menus." Each of the six menus concerns a different aspect of human resource management. These aspects are planning, staffing, appraising, compensating, and training and development.

A summary of these menus is shown in Exhibit 9.2. Notice that each of the choices runs along a continuum. Most of the options are self-explanatory, but a rundown of the staffing menu will illustrate how the process works. A more detailed description of all menus is provided elsewhere.[24]

Recruitment

In each of these areas, a business unit (or a plant) must make a number of decisions; the first choice involving where to recruit employees. Companies can rely on the internal labor market, e.g., other departments in the firm and other levels in the organizational hierarchy, or they can rely on the external labor market exclusively. Although this decision may not be significant for entry-level jobs, it is very important for most other jobs. Recruiting internally essentially means a policy of promotion from within. While this policy can serve as an effective reward, it commits a firm to providing training and career development opportunities if the promoted employees are to perform well.

Career paths

Here, the company must decide whether to establish broad or narrow career paths for its employees. The broader the paths, the greater the opportunity for employees to acquire skills that are relevant to many functional areas and to gain exposure and visibility within the firm. Either a broad or a narrow career path may enhance an employee's acquisition of skills and opportunities for promotion, but the time frame is likely to be much longer for broad skill acquisition than for the acquisition of a more limited skill base. Although promotion may be quicker under a policy of narrow career paths, an employee's career opportunities may be more limited over the long run.

Promotions

Another staffing decision to be made is whether to establish one or several promotion ladders. Establishing several ladders

enlarges the opportunities for employees to be promoted and yet stay within a given technical specialty without having to assume managerial responsibilities. Establishing just one promotion ladder enhances the relative value of a promotion and increases the competition for it.

Part and parcel of a promotion system are the criteria used in deciding who to promote. The criteria can vary from the

Exhibit 9.2 Human resource management practice menus

	Planning choices	
Informal	- - - - - - - - -	Formal
Short term	- - - - - - - - -	Long term
Explicit job analysis	- - - - - - - - -	Implicit job analysis
Job simplification	- - - - - - - - -	Job enrichment
Low employee involvement	- - - - - - - - -	High employee involvement
	Staffing choices	
Internal sources	- - - - - - - - -	External sources
Narrow paths	- - - - - - - - -	Broad paths
Single ladder	- - - - - - - - -	Multiple ladders
Explicit criteria	- - - - - - - - -	Implicit criteria
Limited socialization	- - - - - - - - -	Extensive socialization
Closed procedures	- - - - - - - - -	Open procedures
	Appraising choices	
Behavioral criteria	- - - - - - - - -	Results criteria
Purposes: development, remedial, maintenance		
Low employee participation	- - - - - - - - -	High employee participation
Short-term criteria	- - - - - - - - -	Long-term criteria
Individual criteria	- - - - - - - - -	Group criteria
	Compensating choices	
Low base salaries	- - - - - - - - -	High base salaries
Internal equity	- - - - - - - - -	External equity
Few perks	- - - - - - - - -	Many perks
Standard, fixed package	- - - - - - - - -	Flexible package
Low participation	- - - - - - - - -	High participation
No incentives	- - - - - - - - -	Many incentives
Short-term incentives	- - - - - - - - -	Long-term incentives
No employment security	- - - - - - - - -	High employment security
Hierarchical	- - - - - - - - -	High participation
	Training and development	
Short term	- - - - - - - - -	Long term
Narrow application	- - - - - - - - -	Broad application
Productivity emphasis	- - - - - - - - -	Quality of work life emphasis
Spontaneous, unplanned	- - - - - - - - -	Planned, systematic
Individual orientation	- - - - - - - - -	Group orientation
Low participation	- - - - - - - - -	High participation

Source: Adapted from R. S. Schuler "Human Resource Management Practice Choices," in R. S. Schuler, S. A. Youngblood, and V. L. Huber (Eds) *Reading in Personnel and Human Resource Management*, 3rd ed., St. Paul, MN: West Publishing, 1988

very explicit to the very implicit. The more explicit the criteria, the less adaptable the promotion system is to exceptions and changing circumstances. What the firm loses in flexibility, the employee may gain in clarity. This clarity, however, may benefit only those who fulfill the criteria exactly. On the other hand, the more implicit the criteria, the greater the flexibility to move employees around to develop them more broadly.

Socialization

After an employee is hired or promoted, he or she is next socialized. With minimal socialization, firms convey few informal rules and establish new procedures to immerse employees in the culture and practices of the organization. Although it is probably easier and cheaper to do this than to provide maximum socialization, the result is likely to be a more restricted psychological attachment and commitment by the employee to the firm, and perhaps less predictable behavior from the employee.

Openness

A final choice to be made in the staffing menu is the degree of openness in the staffing procedures. The more open the procedures, the more likely there is to be job posting for internal recruitment and self-nomination for promotion. To facilitate a policy of openness, firms need to make the relevant information available to employees. Such a policy is worthwhile; since it allows employees to select themselves into jobs, it is a critical aspect of attaining successful job–person fit. The more secret the procedures, the more limited the involvement of employees in selection decisions, but the faster the decision can be made.

A key aspect of the choices within the staffing activity or any other HRM activity is that different choices stimulate and reinforce different role behaviors. Because these have been described in detail elsewhere, their impact is summarized below.

Hypotheses of Competitive Strategy–HRM Archetypes

Based on the above descriptions of competitive strategies and the role behaviors necessary for each, and the brief typology of HRM practices, we offer three summary hypotheses.

Innovation strategy

Firms pursuing the innovation strategy are likely to have the following characteristics:

- jobs that require close interaction and coordination among groups of individuals;
- performance appraisals that are more likely to reflect longer-term and group-based achievements;
- jobs that allow employees to develop skills that can be used in other positions in the firm;
- compensation systems that emphasize internal equity rather than external or market-based equity;
- pay rates that tend to be low, but that allow employees to be stockholders and have more freedom to choose the mix of components (salary, bonus, stock options) that make up their pay package; and
- broad career paths to reinforce the development of a broad range of skills.

These practices facilitate cooperative, interdependent behavior that is oriented

toward the longer term, and foster exchange of ideas and risk taking.[25]

Quality-enhancement strategy

In an attempt to gain competitive advantage through the quality-enhancement strategy, the key HRM practices include:

- relatively fixed and explicit job descriptions;
- high levels of employee participation in decisions relevant to immediate work conditions and the job itself;
- a mix of individual and group criteria for performance appraisal that is mostly shortterm and results-oriented;
- relatively egalitarian treatment of employees and some guarantees of employment security; and
- extensive and continuous training and development of employees.[26]

These practices facilitate quality enhancement by helping to ensure highly reliable behavior from individuals who can identify with the goals of the organization and, when necessary, be flexible and adaptable to new job assignments and technological change.[27]

Cost-reduction strategy

In attempting to gain competitive advantage by pursuing a strategy of cost reduction, key human resource practice choices include:

- relatively fixed (stable) and explicit job descriptions that allow little room for ambiguity;
- narrowly designed jobs and narrowly defined career paths that encourage specialization, expertise, and efficiency;
- short-term, results-oriented performance appraisals;
- close monitoring of market pay levels for use in making compensation decisions; and
- minimal levels of employee training and development. These practices maximize efficiency by providing means for management to monitor and control closely the activities of employees.

An Innovative Strategy: One Company's Experience

Frost, Inc., is one company that has made a conscious effort to match competitive strategy with human resource management practices. Located in Grand Rapids, Michigan, Frost is a manufacturer of overhead conveyor trolleys used primarily in the auto industry, with sales of $20 million.[28] Concerned about depending too heavily on one cyclical industry, President Charles D. "Chad" Frost made several attempts to diversify the business, first into manufacturing lawn mower components and later into material-handling systems, such as floor conveyors and hoists. These attempts failed. The engineers didn't know how to design unfamiliar components, production people didn't know how to make them, and sales people didn't know how to sell them. Chad Frost diagnosed the problem as inflexibility. "We had single-purpose machines and single-purpose people," he said, "including single-purpose managers."

Frost decided that automating production was the key to flexibility. Twenty-six old-fashioned screw machines on the factory floor were replaced with 11 numerical-controlled machines paired within 18

industrial robots. Frost decided to design and build an automated storage-and-retrieval inventory control system, which would later be sold as a proprietary product, and to automate completely the front office to reduce indirect labor costs. The new program was formally launched in late 1983.

What at first glance appeared to be a hardware-oriented strategy turned out to be an exercise in human resource management. "If you're going to reap a real benefit in renovating a small to medium-size company, the machinery is just one part, perhaps the easiest part, of the renovation process," says Robert McIntyre, head of Amprotech, Inc., an affiliated consulting company Frost formed early in the automation project to provide an objective, "outside" view. "The hardest part is getting people to change."

Frost was clearly embarking on a strategy of innovation. As it turns out, many of the choices the company made about human resource practices were intended to support the employee role behaviors identified as being crucial to the success of an innovation strategy.

For example, the company immediately set out to increase employee identification with the company by giving each worker 10 shares of the closely held company and by referring to them henceforth as "shareholder-employees." The share ownership, which employees can increase by making additional purchases through a 401(d) plan, are also intended to give employees a long-term focus, which is another behavior important for an innovation strategy to succeed. Additional long-term incentives consist of a standard corporate profit-sharing plan and a discretionary profit-sharing plan administered by Chad Frost.

Frost's compensation package was also restructured to strike a balance between results (productivity) and process (manufacturing). In Frost's case, the latter is a significant consideration, since the production process is at the heart of the company's innovation strategy. Frost instituted a quarterly bonus that is based on companywide productivity, and established a "celebration fund" that managers can tap at their discretion to reward significant employee contributions. The bonuses serve to foster other needed employee role behaviors. By making the quarterly bonus dependent on companywide productivity, the company is encouraging cooperative, interdependent behavior. The "celebration fund," meanwhile, can be used to reward and reinforce innovative behavior. (Even the form of the celebration can be creative. Rewards can range from dinner with Chad Frost to a weekend for an employee and spouse at a local hotel, to a belly dancing performance in the office.)

Frost encourages cooperative behavior in a number of other ways as well. Most offices (including Chad Frost's) lack doors, which is intended to foster openness of communication. Most executive perks have been eliminated, and all employees have access to the company's mainframe computer (with the exception of payroll information) by way of more than 40 terminals scattered around the front office and factory floor.

In our view, a vital component of any innovation strategy is getting employees to broaden their skills, assume more responsibilities, and take risks. Frost encourages employees to learn new skills by paying for extensive training programs, both at the company and at local colleges. It even goes further, identifying the development of additional skills as a prerequisite for advancement. This is partly out of necessity, since Frost has compressed its 11 previous levels of hierarchy into four. Because this has made it harder to reward employees through traditional methods of

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,

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

"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

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

The authors wish to thank John W. Slocum, Jr., C. K. Prahalad, and John Dutton for their many helpful suggestions, and the Human Resource Planning Society, the Center for Entrepreneurial Studies, New York University, and the University of Michigan for their financial support of this project.

Source

Academy of Management Executive, Vol. 9, No. 3 (1987): 207–19.

Notes

1. C. Fombrun, "An Interview with Reginald Jones," *Organizational Dynamics*, Winter 1982, p. 46.
2. D. C. Hambrick and P. A. Mason, "Upper Echelons: The Organization as a Reflection of Its Top Managers," *Academy of Management Review*, 9, 1984, 193–206; A. K. Gupta, "Contingency Linkages Between Strategy and General Manager Characteristics: A Conceptual Examination," *Academy of Management Review*, 9, 1984, 399–412; A. K. Gupta and V. Govindarajan, "Build, Hold, Harvest: Converting Strategic Intentions into Reality," *Journal of Business Strategy*, 4, 1984a, 34–47; A. K. Gupta and V. Govindarajan, "Business Unit Strategy, Managerial Characteristics, and Business Unit Effectiveness at Strategy Implementation," *Academy of Management Journal*, 9, 1984b, 25–41; M. Gerstein and H. Reisman, "Strategic Selection: Matching Executives to Business Conditions," *Sloan Management Review*, Winter 1983, pp. 33–49; D. Miller, M. F. R., Kets de Vries, and J. M. Toulouse, "Top Executives' Locus of Control and Its Relationship to Strategy-Making, Structure, and Environment," *Academy of Management Journal*, 25, 1982, 237–253; A. D. Szilagyi and D. M. Schweiger, "Matching Managers to Strategies: A Review and Suggested Framework," *Academy of Management Review*, 9, 1984, 626–637; and J. D. Olian and S. L. Rynes, "Organizational Staffing: Integrating Practice with Strategy," *Industrial Relations*, 23, 1984, 170–183.
3. Lee J. A. Byrne and A. Leigh Cowan, "Should Companies Groom New Leaders or Buy Them?" *Business Week*, September 22, 94–95.
4. Ibid.

5. A. J. Rutigliano, "Managing the New: An Interview with Peter Drucker," *Management Review*, January 1986, 38–41.
6. D. Q. Mills, *The New Competitors*, New York: The Free Press, 1985; and M. Beer, B. Spector, P. R. Lawrence, D. Q. Mills, and R. E. Walton, *Managing Human Assets*, New York: Macmillan, Inc., 1984; R. M. Kanter, "Change Masters and the Intricate Architecture of Corporate Culture Change," *Management Review*, October 1983, 18–28; and R. M. Kanter, *The Change Masters*, New York: Simon and Schuster, 1983.
7. J. L. Kerr, "Diversification Strategies and Managerial Rewards: An Empirical Study," *Academy of Management Journal*, 28, 1985, 155–179; J. W. Slocum, W. L. Cron, R. W. Hansen, and S. Rawlings, "Business Strategy and the Management of Plateaued Employees," *Academy of Management Journal*, 28, 1985, 133–154; D. C. Hambrick and C. C. Snow, "Strategic Reward Systems," in C. C. Snow (Ed.) *Strategy, Organization Design and Human Resources Management*, Greenwich, CT: JAI Press, 1987.
8. For detailed examples of how firms use their human resource practices to gain competitive advantage, see R. S. Schuler and I. C. MacMillan, "Gaining Competitive Advantage Through Human Resource Management Practices," *Human Resource Management*, Autumn 1984, 241–255; R. S. Schuler, "Fostering and Facilitating Entrepreneurship in Organizations: Implications for Organization Structure and Human Resource Management Practices," *Human Resource Management*, Winter 1986, 607–629; and M. E. Porter, *Competitive Strategy*, New York: The Free Press, 1980; and M. E. Porter, *Competitive Advantage*, New York: The Free Press, 1985.
9. For an extensive discussion of competitive initiative, competitive strategy, and competitive advantage see I. C. MacMillan's "Seizing Competitive Initiative," *Journal of Business Strategy*, 1983, 43–57.
10. See Endnote 18, Porter, 1980, 1985.
11. B. Schneider, "Organizational Behavior," *Annual Review of Psychology*, 1985, 36, 573–611.
12. D. Katz and R. L. Kahn, *The Social Psychology of Organizations*, 2nd Ed., New York: John Wiley, 1978.
13. J. C. Naylor, R. D. Pritchard, and D. R. Ilgen, *A Theory of Behavior in Organizations*, New York: Academic Press, 1980; T. W. Dougherty and R. D. Pritchard, "The Measurement of Role Variables: Exploratory Examination of a New Approach," *Organizational Behavior and Human Decision Processes*, 35, 1985, 141–155.
14. J. R. Rizzo, R. J. Hose, and S. I. Lirtzman, "Role Conflict and Ambiguity in Complex Organizations," *Administrative Science Quarterly*, 14, 1970, 150–163; S. E. Jackson and R. S. Schuler, "A Meta-Analysis and Conceptual Critique of Research on Role Ambiguity and Role Conflict in Work Settings," *Organizational Behavior and Human Decision Processes*, 36, 1985, 16–78.
15. R. M. Kanter, "Supporting Innovation and Venture Development in Established Companies," *Journal of Business Venturing*, Winter 1985, 47–60.
16. H. DePree, *Business as Unusual*. Zeeland, MI: Herman Miller, 1986.
17. The following discussion is based on our survey and observations, and findings reported on by others. For a review of what others have reported, see R. S. Schuler's "Human Resource Management Practice Choices," *Human Resource Planning*, March 1987, 1–19.
18. M. McComas, "Cutting Costs Without Killing the Business," *Fortune*, October 13, 1986, p. 76.
19. For a detailed presentation of Marine Mercury's program to improve quality, see Endnote 18 above.
20. S. E. Prokesch, "Bean Meshes Man, Machine," *The New York Times*, December 23, 1985, pp. 19, 21.
21. S. E. Prokesch, "Are America's Manufacturers Finally Back on the Map?" *Business Week*, November 17, 1986, pp. 92, 97.
22. Ibid., p. 92.

23. Ibid., p. 97. For more on Electrolux's human resource practices, see B. J. Feder's "The Man Who Modernized Electrolux," *The New York Times*, December 31, 1986, p. 24.
24. Schuler, 1987.
25. E. E. Lawler III, "The Strategic Design of Reward Systems," in R. S. Schuler and S. A. Youngblood (Eds.), *Readings in Personnel and Human Resource Management*, 2nd Ed., St. Paul, MN: West Publishing, 1984, pp. 253–269; and R. S. Schuler, "Human Resource Management Practice Choices," in R. S. Schuler, S. A. Youngblood, and V. L. Huber (Eds.) *Readings in Personnel and Human Resource Management*, 3rd Ed., St. Paul, MN: West Publishing, 1988. Other factors that can influence the human resource practices are top management, hierarchical considerations, what other firms are doing, what the firm has done in the past, the type of technology, size and age of firm, unionization status, and the legal environment and its structure (see R. K. Kazanjian and R. Drazin, "Implementing Manufacturing Innovations: Critical Choices of Structure and Staffing Roles," *Human Resource Management*, Fall 1986, 385–404).
26. P. F. Drucker, *Innovation and Entrepreneurship*, New York: Harper & Row, 1985; K. Albrecht and S. Albrecht, *The Creative Corporation*, Homewood, IL: Dow Jones-Irwin, 1987.
27. P. F. Drucker, "Quality Means a Whole New Approach to Manufacturing," *Business Week*, June 8, 1987, 131–143; P. F. Drucker, "Pul-eeze! Will Somebody Help Me?" *Time*, February 2, 1987, 48–57; and R. L. Desatnick, *Managing to Keep the Customer*, San Francisco: Jossey-Bass, 1987.
28. This description is expanded upon in detail by S. Galante, "Frost, Inc.," *Human Resource Planning*, March 1987, 57–67.
29. For additional collaborating information, see J. Merwin, "A Tale of Two Worlds," *Forbes*, June 16, 1986, 101–105; and S. Chira, "At 80, Honda's Founder Is Still a Fiery Maverick," *The New York Times*, January 12, 1987, p. 35.
30. As reported in Schuler and MacMillan, "Gaining Competitive Advantage Through Human Resource Management Practices," *Human Resource Management*, Autumn 1984, 249–250.
31. D. Machalaba, "United Parcel Service Gets Deliveries Done by Driving Its Workers," *The Wall Street Journal*, April 22, 1986, pp. 1 and 23.
32. M. McComas, "Cutting Costs Without Killing the Business," *Fortune*, October 13, 1986, p. 77.
33. Ibid.
34. M. McComas, "How A&P Fattens Profits by Sharing Them," *Business Week*, December 22, 1986, p. 44. For an excellent discussion of the difficulties to be overcome in dealing with changing from human resource practices based on hierarchy or status to those based on performance or what's needed, see R. M. Kanter, "The New Workforce Meets the Changing Workplace: Strains, Dilemmas, and Contradictions in Attempts to Implement Participative and Entrepreneurial Management," *Human Resource Management*, Winter 1986, 515–538.
35. For a discussion of relevant issues, see D. Q. Mills, "When Employees Make Concessions," *Harvard Business Review*, May–June 1983, 103–113; and R. R. Rehder and M. M. Smith, "Kaizen and the Art of Labor Relations," *Personnel Journal*, December 1986, 83–94.
36. *The Boston Globe*, January 27, 1985.
37. Recent attacks on public and private firms have been summarized by the use of the word "corpocracy." A description of corpocracy is found in M. Green and J. F. Berry's "Takeovers, a Symptom of Corpocracy," *The New York Times*, December 3, 1986.
38. The application of these human resource practices to strategy can be done by a firm on itself and even upon other firms that may be upstream or downstream of the local firm. For a further description, see Schuler and MacMillan (Endnote 30).

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 th 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 man- s 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

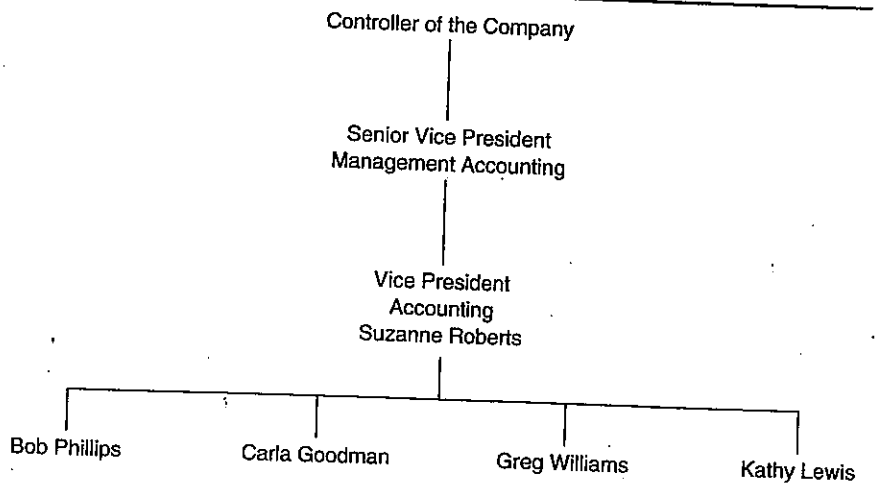


EXHIBIT 1.3 (*Continued*)

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.

WHO MAKES PROGRESS?
HEALTHCARE TELECOMMUNICATIONS
PUBLISHING & PRINTING RETAIL

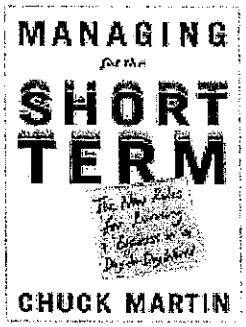
HOMELAND SECURITY

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

ADVERTISEM
Answer you can to expl strategi
Do you trading i generate capital g
Yes
No
No like
Submi

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						
		Potentially Qualified	Accepted Interview	Offered Job	Accepted Job	One-Year Survival	Above-Average Rating	Average (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).

Result List | Refine Search Print E-mail Save
Formats: Citation HTML Full Text PDF Full Text

Title: Maximizing E-Learning to Train the 21st Century Workforce.

Subject(s): EDUCATIONAL technology; EDUCATIONAL innovations; INSTRUCTIONAL systems; LABOR supply -- Effect of education on

Author(s): Pantazis, Cynthia

Source: Public Personnel Management, Spring2002, Vol. 31 Issue 1, p21, 6p

Abstract: Discusses enabled-learning, or e-learning, as a way to significantly improve workforce development in the 21st Century. Discussion of the benefits of e-learning, including how the approach customizes content to meet individual needs; The report 'A Vision for E-Learning for America's Workforce' by the American Society for Training and Development and the National Governors' Association; The challenge to realize the full potential of e-learning.

AN: 6413253

ISSN: 0091-0260

Database: Business Source Premier

* * *

MAXIMIZING E-LEARNING TO TRAIN THE 21ST CENTURY WORKFORCE

Contents

Why E-learning?

A Vision of E-Learning for America's Workforce

The Vision [1]

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

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

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

The Road Ahead

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...

Notes

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.

~~~~~~~~~

By Cynthia Pantazis, Cynthia M. Pantazis, Director of Policy and Public Leadership, American Society for Training & Development (ASTD), 1640 King Street, Box 1443, Alexandria, Virginia, 22313-2043, (703) 683-8100 or (800) 628-2783

Cynthia Pantazis is the Director of Policy and Public Leadership for the American Society for Training and Development (ASTD), a professional organization representing 70,000 members in the training industry. She works with Congress, the Administration, and federal agencies to promote public policies that encourage workplace-based education and training.

Copyright of **Public Personnel Management** is the property of International Personnel Management Association-USA and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.
Source: Public Personnel Management, Spring2002, Vol. 31 Issue 1, p21, 6p.
Item Number: 6413253
~~~~~~~~~

◆ 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?

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.

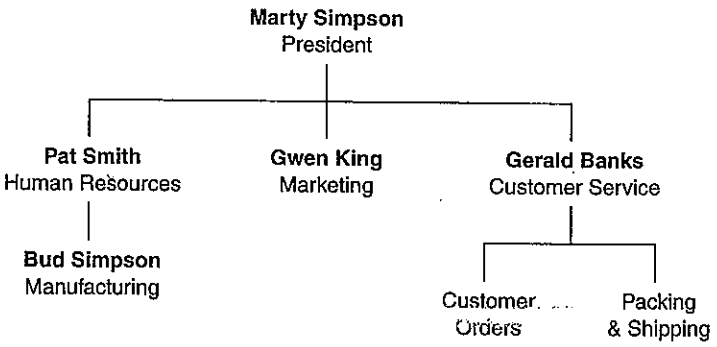
*Contributed by Steve Long.

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 proble and complaints. To familiarize you with the company and the job customer order representative, an organizational chart and job de 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. A employees must receive training, yet service must still be availab customers (i.e., you cannot put everyone through the training at t same time of the day or there will be no one to handle incoming from customers).

PROBLEMS IDENTIFIED BY A NEEDS ASSESSMENT

- The majority of merchandise returns (78 percent) are due to p lems in size, features, and/or color selection.
- The majority of these errors (54 percent) result from mistakes tering the order data correctly into the computer system.
- Many of the errors in sizing or features could be avoided if cu tomer service representatives were more knowledgeable about products' sizing and features (e.g., certain items run larger tha standard sizing).
- Incorrect labeling and inventory of products are responsible fo fewer than 8 percent of order errors.
- Customer order representatives have never been formally train 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 prod features and sizing (e.g., suitable climate range for a sleeping
- Create a positive image of Backwoods Company to customers employees.
- Reduce sizing errors by having representatives check custome knowledge of differently sized items (e.g., that jacket runs larg
- Encourage representatives to check with mail-order customers 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

Originally published in . . .

Labor Management Decisions

Volume 7, Number 1, Winter-Spring 1998

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.

Neil Bodine is Board President of The Workplace Institute. He is also Senior Partner of Beeson Tayer & Bodine.

Ed Miller is Executive Director of The Workplace Institute. Until 1995 he was Vice President of Human Resource Management, Tri-Valley Growers.

LMD Contents Page | LMD Main Page | APMP Home

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.

top

|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

UP

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.

UP

Home Prev Next

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.