STUDY GUIDE
of
(Ph.D Education)

SPECIALIZATION IN EPM

HUMAN RESOURCE MANAGEMENT
Course Code: 4782

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HUMAN RESOURCE MANAGEMENT

Introduction

The main purpose of the course is to provide the readers an overview of what human resource management is, and why it is important for all managers of different organizations. HRM has emerged as very important discipline which helps better functioning of enterprises and organizations. It is the focus for a wide ranging debate concerning the nature of the contemporary employment relationship in many market economies. The nature of the employment relationship has experienced a series of important changes and adaptations over the past decade. These are both significant in itself and will provide the basis for further development in future.

With some understanding of why HRM has risen to prominence, one can undertake a more detailed examination of its nature of human resources. It is possible to isolate three key themes which inform, to some extent, most approaches which go under the name of HRM:

- Human relations psychology
- Strategic management theory
- Doctrines of flexibility and quality management

These approaches provide a convenient framework within which different 'schools' of HRM can be located.

Objectives:

– After going through this course the student / scholar should be able to:
– Understand the concepts and scope of HRM in Education.
– Analyze the process of HR Planning and SWOT analysis.
– Appreciate the concepts of types of training for personnel development.
– Manage stress or conflict situations.
– Apply global HRM practices in Pakistan.

COURSE TEAM

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FOREWORD

Professional experts are essential elements as human resource and play a significant role in the success of any organization. Their job needs to be up dated to meet the ever changing needs of the organization and society they serve. Not surprisingly, their status in some organization has also been elevated. Although personnel management and human resource management are frequently used interchangeably, yet is important to note that both the concepts are quite different. HRM has a broader vision that personnel management and cover all aspects of management.

Most experts agree that HRM is the process of training acquiring, appraising and compensating employees, which primarily is a basic need of human management.

The study guide on HRM is an effort to provide great deal of information and guidance to the PhD students enrolled at AIOU in EPM with a view to making them understand the technical knowledge and concepts of HRM.

I would like to extend my facilitation to the course coordinator on the successful completion of study guide which is of immense value to scholars of PhD-EPM programme.

Prof. Dr. Mahmood ul Hassan Butt
Vice Chancellor

PREFACE

Human Resource Management provides with a complete, comprehensive review of essential personnel management concepts and techniques in a highly readable and understandable form for the students in human resource management courses and practicing managers. As this new edition goes to press, I feel even more strongly than before when I wrote the first that all managers-not just HR managers—need a strong foundation in HR personnel management concepts and techniques to do their job better. Because all managers do have personnel related responsibilities, I again wrote Human Resource management, 11th edition, for all students of management, not just those who will some day carry the title of Human Resource Manager. This edition thus continues to focus on practical applications that all man-agreed need to deal with their HR related responsibilities. This publication is designed to provide accurate and authoritative information with regard to the subject matter covered, but it is not intended to be a source of legal or other professional advice for any purpose.

To the students taking this course: Welcome! You have been provided study guide (hard copy) and related web material on CD. Each unit of study guide is written on self instruction style and supported by web based resources and materials that will make the reader of the unit to have an access to further readings. These will also assist the readers for searching recent and related material for inclusion in the course for future students.

The writers have tried to establish link between the resource materials and the topic or subtopic of the main units for maintaining the consistency among reading.

I hope you will find this style interesting and workable. The material and study guide and presented for pilot testing. Your feedback will enable the coordinator to improve the course.

Thanks.

(Dr. Hamid Khan Niazi)
Chairman, EPPSL

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Unit–1

PERSPECTIVES OF HUMAN RESOURCE MANAGEMENT

1. Introduction

Human resource management (HRM) is the understanding and application of the policy and procedures that directly affect the people working within the project team and working group. These policies include recruitment, retention, reward, personal development, training and career development.

Many people find HRM to be a vague and elusive concept - not least because it seems to have a variety of meanings. Pinning down an acceptable definition can seem like trying to hit a moving target in a fog. This confusion reflects the different interpretations found in articles and books about human resource management. HRM is an elastic term (...). It covers a range of applications that vary from book to book and organization to organization.

2. Objectives

After going through this unit you would able to:
1.   Understand the concepts of Human Resource Management
2.   Visualize the Human Resource Management Environment
3.   Analyze the Human Resource Management in Pakistan

3. Concept of Human Resource Management

Human Resource management is the application of management functions of planning, organizing, leading and controlling in an organization. Many people find HRM to be a vague and elusive concept - not least because it seems to have a variety of meanings. Pinning down an acceptable definition can seem like trying to hit a moving target in a fog. This confusion reflects the different interpretations found in articles and books about human resource management. HRM is an elastic term (...). It covers a range of applications that vary from book to book and organization to organization.

Different authors defined HRM in their own perspectives. Some of the important definitions of HRM are given below:

i.   Human Resource Management (HRM) is a process of bringing people and organization together so that the goals of each are met. It is that part of the management process which is concerned with the management of human resources in an organization. It tries to secure the best from people by winning the whole hearted cooperation...

ii.   HRM may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner.

iii. All methods and functions concerning the mobilization and development of <u>personnel</u> as human resources, with the objective of efficiency and greater productivity in a company, government administration, or other organization.

iv.   Human resource management (HRM) is the understanding and application of the policy and procedures that directly affect the people working within the project team and working group. These policies include recruitment, retention, reward, personal development, training and career development.

4. Need and Scope of Human Resource Management

HRM is the <u>strategic</u> and <u>coherent</u> approach to the <u>management</u> of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business.[1] The terms "human resource management" and "human resources" (HR) have largely replaced the term "personnel management" as a description of the processes involved in managing people in organizations. In simple sense, Human Resource Management (HRM) means employing people, developing their resources, utilizing maintaining and compensating their services in tune with the job and organizational requirement.

HRM stands for Human Resource Management. It is the application of management, functions of Planning, Organizing, Leading and controlling to the Human Resource function.

The human resource department of an organization is responsible for job organization, job descriptions, job responsibilities, hierarchical structures, recruitment, selection, training and development of employees etc. It is very important for an organization because it helps in selection and grooming of the right employees.

> **For further details see Personnel Management in Transition, Stephen Bach (2005) given in unit one of the allied materials.**

5. Difference between HRM and Personnel Management

Some experts assert that there is no difference between human resources and personnel management. They state that the two terms can be used interchangeably, with no difference in meaning. In fact, the terms are often used interchangeably in help-wanted ads and job descriptions.

For those who recognize a difference between personnel management and human resources, the difference can be described as philosophical. Personnel management is more administrative in nature, dealing with payroll, complying with employment law, and handling related tasks. Human resources, on the other hand, are responsible for managing a workforce as one of the primary resources that contributes to the success of an organization.

When a difference between personnel management and human resources is recognized, human resources are described as much broader in scope than personnel management. Human resources is said to incorporate and develop personnel management tasks, while seeking to create and develop teams of workers for the benefit of the organization. A primary goal of human resources is to enable employees to work to a maximum level of efficiency.

> **For further details see paragraph 2 of allied materials.**

6. The Human Resource Management Environment

The four HRM activities don't exist in isolation. Rather, they are highly affected by what is occurring outside and inside the organization.

6.1   The External Influences

It is an important to recognize environmental influences because any activity undertaken in each of the HRM processes is directly or indirectly affected by these external elements. For example, lets say that when a company downsizes its workforce, does it layoff workers by seniority? If so, are an inordinate number of minority employees affected. Although any attempt to identify specific influences may prove insufficient, one can categorize them into four general areas - the dynamic environment, governmental legislation, labor unions and current management practice.

6.2   The Dynamic Environment of HRM

It's been stated that the only thing that remains constant during our lifetimes is change (and paying taxes!). We must, therefore, prepare ourselves for events that have a significant effect on our lives. HRM is no different. Many events help shape our field. Some of the more obvious ones include globalization, work-force diversity, changing skill requirements, corporate downsizing, total quality management, reengineering work processes, decentralized work sites, and employee involvement.

Globalization reflects the worldwide operations of many businesses today. One is no longer bound by continents or societal cultures. Work-force diversity includes the varied backgrounds of employees that are present in the companies today. Homogeneity of employees and their needs no longer exists. The work today is more complex, requiring employees with sophisticated skills. Without them, many employees will lack the basic abilities to successfully perform in tomorrow's organizations.

Corporate downsizing, total quality management, and reengineering relate to one another. As the world changed, U.S. companies had to compete harder to maintain their leading industrial status. This meant doing things differently. In an effort to become more productive, organizations downsized to create greater efficiency by eliminating certain jobs. Of the jobs and work processes remaining, total quality management (TQM) looks at ways of improving job effectiveness. By continuously improving on methods, techniques, processes, and the like, companies made constant efforts to improve what they produce. But what they produce, even if it's better, still doesn't satisfy the customer? In those cases, reorganization / restructuring engineering is necessary. Whereas TQM looks at new and improved ways of producing goods and services, reengineering looks at starting the processes over again from scratch. That is, instead of improving on an existing product, the organization would analyze what should be done and how they should do it. Searching for answers would not be constrained by current business practices.

Decentralized work sites are quickly becoming part of many organizations. With the technologies that are available (personal computers, fax machines, modems, etc.), work that was once done on the company premises may now be more cost-effectively handled at the employee's home. Lastly, employee involvement looks at how employees' lives are changing. Involved employees now have more control over their jobs. Certain activities, like goal setting were once the sole responsibility of managers, such an action today permits participation with employee involvement.

7.   Human Resource Management in Pakistan

National Commission for Human Development is an organization responsible for the Development of Human Resource in Pakistan. Pakistan is the first country to establish a Public-Private Partnership to mobilize global resources for Human Development following the Monterrey Conference for the International Financing of Development, March 2002. The Pakistan Human Development Fund (PHDF) is a public-private partnership that channels resources from the Government of Pakistan, private sector and the international donor community, into the NCHD and its programs.

Vision

The main objective of the fund is to consolidate efforts towards building human capabilities by supporting various programs and projects in the social sectors for the improvement and enhancement of education and literacy; primary health care; poverty alleviation; development of working skills; improvement of social service delivery. The Fund lends financial and other support to the efforts of the National Commission for Human Development (NCHD) to build the capacity, train and enhance the competency of the government functionaries, elected representatives and non-governmental organizations, working in the social sector at the district level, provinces as well as federal level. As a result the Government of Pakistan will incur no recurring expenditure. Although the Pakistan Human Development Fund is an integral part of the NCHD's Global Resource Mobilization program, it is an autonomous organization and a separate legal entity.

Global Support

The Pakistan Human Development Fund is supported by an initial grant of $32 million by the Government of Pakistan, seed capital of $2.5 million by individual philanthropists (expatriate and local Pakistanis), and $1.7 million by UNDP. Other international donor agencies, international foundations and corporate donors have also supported the initiative of Pakistan Human Development Fund.

Transparency & Accountability

An independent Board of Founding Directors, comprised of distinguished Pakistanis of international repute, will manage the Fund. President Islamic Republic of Pakistan is Patron-in-Chief of the Fund.

> **For further details study unit one of allied materials and visit the following website please.**

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Unit–2

HUMAN RESOURCE PLANNING PROCESS

1. Introduction of the Unit

Human resource basically means to fulfill the human capital no matter in any field. Apparently, most of the field requires human power to handle and to maintain in order to manage. The planning will consists of how to optimize this human capital in an organization for it to achieve the maximum profits.

Traditionally, Human Resource Planning has attempted to reconcile an organization's need for human resources with the available supply of labour in the local and national labour market. In essence, Human Resource Planners initially seek to estimate their current and future employment needs. However, the task of estimating employment needs is an extremely complicated process, and in large organizations it requires considerable specialization and expertise.

2. Objectives of the Unit

After studying this unit, you will be able to:

- Understand the concept of HR planning and why effective enterprises perform it.
- Name, describe and apply some tools and techniques of forecasting demand for employees.
- Distinguish among different forms of recruiting personnel
- Understand the concepts of interviews and their effective utilization.

3. Concept of Human Resource Planning

Employment planning is the personnel part of HRM that attempts to provide adequate human resources to achieve future organizational objectives. It includes forecasting future needs for employees of various types, comparing these needs with the present workforce and determining the numbers and types of employees to be recruited or fazed out of the organization's employment group.

In enterprises, the top management examines the environment, analyses the strategic advantages of the enterprises, and sets its objectives for the coming period. Then it makes strategic and operating decisions to achieve the objectives of the enterprise. The personnel capabilities of the enterprise are among the factors analyzed in the strategic management process. Once the strategy is developed, personnel do its part to assure the success of the strategy and achieve the enterprise's objectives. It does this by comparing the present supply of human resources with projected demand for them. This comparison leads to action decisions: add employees, cut employees, or reallocate employees internally.

4. Need for Human Resource Planning

Every organization has to plan for Human Resource due to:

1. The shortage of certain categories of employees and/or variety of skills despite the problem of unemployment.
2. The rapid changes in technology, marketing, management etc. and the consequent need for new skills and new categories of employees.

3. The changes in organization design and structure affecting manpower demand.
4. The demographic changes like the changing profile of the workforce in terms of age, sex, education etc.
5. The Government policies in respect to reservation, child labor, working conditions etc.
6. The labor laws affecting the demand and supply of labor.
7. Pressure from trade unions, politicians, sons of the soil etc.

For further details see

5. Scope of Human Resource Planning

The importance of HR or staff planning lies with the contribution it could make to reducing uncertainties within the employment patterns of large organizations. Staff planning is a critical managerial function because it provides management with information on resource flows that is used to calculate, amongst other things, recruitment needs and succession and development plans. All organizations perform HR or employment planning, informally or formally. The formal employment techniques are described here because the informal methods are increasingly unsatisfactory for organizations requiring skilled labour in a fast-changing labour market. It is important to point out that most enterprises do more talking about formal employment planning than performing it.

The major reasons for formal HR planning are to achieve:
▪ More effective and efficient use of human resources.
▪ More satisfied and more developed employees.
▪ More effective equal employment opportunity planning.

For further details please study unit 2 of Allied Materials

6. Recruitment and Selection

Recruitment and selection allow management to determine and gradually modify the behavioral characteristics and competences of the better workforce. The fashion for team working, for example, has focused on people with a preference for working with others as opposed to the individualist 'stars' preferred by recruiters in the 1980's. Attention has switched from rigid lists of skills and abilities to broader-based competences. In general - as we noted in the previous section - there is greater regard for personal flexibility and adaptability - a reorientation from present to future stability.

7. Recruitment: Marketing Jobs

Potential candidates may come from an internal trawl of the organization, or from the external job market. The latter are reached through channels such as recruitment advertising, employment agencies, professional associations or word of mouth. The approach differs according to the organization's resorting philosophy:

– Organizations with a strong culture are likely to seek malleable new employees at school-leaving or graduate levels. More senior jobs are filled from the internal job market.

– Companies looking for the 'right' (best fit for the job) person however may rule out internal applicants because they do not match the personnel specification prepared for the job.

8.   Informal Recruiting

Word-of-mouth applicants are likely to stay longer and may be more suitable than recruits obtained by advertising. But word-of-mouth is discriminatory, since it restricts applications to established communities and excludes recently arrived minority groups who had not time to become part of informal networks. At senior levels the informal method known as 'headhunting' or executive search has become common. Specialist consultancies aim to find 'outstanding' people to fill higher-paying jobs. Whether they really are 'outstanding' is questionable.

9.   Formal Recruiting

Equal opportunity demands equal access. This can only be achieved through public and open recruitment. The likelihood of attracting 'suitable' applicants depends on the detail and specificity of the recruitment advertisement or literature. Key factors such as salary, job title, career and travel opportunities obviously influence response rates. But remember that employers do not want to be swamped with large numbers of applications from unsuitable people. This section of Human Resource Management in a Business Context goes into further detail such as: quality of agency recruiters, comparison of different media channels, and cultural variation in recruitment practice.

10.   Recruitment and Succession Planning: Finding and Keeping Those Who are the Most 'Fit'

How do you attract and keep the best employees? It is recognized that employee recruitment and succession planning are critical HR processes in a highly competitive labor market. Businesses which do not follow these core processes are squandering their investment in recruitment and damaging their prospects of corporate growth.

Best PracticeDatabase.com analyzed the recruitment practices and tactics for retaining employees that have the best organizational "fit" in a number of top companies. They found that the most successful companies in their database indicated the following areas of concern when managing recruitment as an ongoing core process:

*   Designing an automated front end candidate screening process
*   Accurate corporate forecasting of recruitment needs
*   Tracking key recruitment measures
*   Implementing strategies to deal with recruitment advancements and trends

In the same way, they identified these key components of managing succession planning as an ongoing core process:

*   Assigning multi-level responsibilities for the process design, execution and refinement
*   Selecting key leadership criteria and providing an outstanding development process

* Screening employees to identify "high potentials"
* Measuring the results of the succession planning process for alignment with various goals

11. Researching Candidates

This section looks at the early stages of the selection process - often called pre-selection. The recruitment campaign should have attracted a pool of applicants from which selectors can make their choice. If a job analysis has been conducted, the criteria or competences which are deemed necessary have been identified. These may be well defined and focused on experience and skills, as in the 'right person' approach; or general and related to education, intellect and personality for the 'cultural fit' and 'flexible person' models.

12. Interviewing

The interview is a social ritual which is expected by all participants, including applicants. It is such a 'normal' feature of filling vacancies that candidates for a job would be extremely surprised not to be interviewed at least once.

12.1. Informal Interviews

Many employers invite applicants for informal interviews prior to the main selection procedure. These interviews are useful for information exchange, particularly in the case of professionals. They provide an opportunity to discuss the full nature of the job, the working environment, prospects for further development and promotion.

There seems to be some ambiguity as to whether informal interviews should be used as part of the pre-selection process by the employer rather than self-selection by the candidate. The crux of the issue depends on what interviewees have been told. If they have been led to believe that it is a truly informal information session they will not consider the process to be fair if they are subsequently told that they have not been short listed as a result.

12.2. Formal Interviews

Despite the existence of alternative methods of selection most employers regard the formal selection interview as the most important source of evidence in making the final decision. A selection interview can be neatly defined as a conversation with a purpose, but not infrequently the purpose is obscure to the point of invisibility. More often than not, pointless chat would be nearer the mark. The interview has attracted severe criticism for a very long time - being attacked on the grounds of its subjective nature, questionable validity and unreliability.

For details of types of formal interviews study unit 2 of allied materials

13. Employees Movement and Replacement

Employees who leave jobs within the organization must be replaced unless the organization is downsizing. Employees who are leaving are a valuable source of feedback about the

organization itself and the entire process of employee movement provides information for assessing the organization's job analysis. Employees leave their jobs in five ways:

- **Promotion.** The happiest way for employees to leave their jobs is through promotion, which is the elevation of an employee to a different job that pays better or is higher in the chain of command.
- **Transfer.** Employees may also leave their positions through transfer, which is a lateral move to a different job of similar pay and responsibility within the organization.
- **Demotion.** Employees who do not perform their jobs adequately or who are dissatisfied with the amount of work or responsibility required by their position are candidates for demotion, which is moving an employee to a lower status position. This isn't always viewed as a negative outcome, however; in a few cases, employees appreciate the opportunity of trying a higher-level job and returning to a lower-level position if they find that the job isn't a good match for their skills and interests.
- **Voluntary Severance.** Managers also have to provide for the loss of employees who voluntarily leave the organization. Employees can leave because a spouse has been transferred, because they've found more attractive jobs in other organizations, because of serious illness or injury, or for other personal reasons.
- **Termination.** Employees may leave an organization involuntarily if they are surplus to the organization's needs or if they are unacceptable to the organization because of discipline or performance problems. Any dismissal of an employee is called a termination. Terminations of employees for strategic reasons that are not connected with employee performance are called layoffs. Layoffs can be permanent (when caused by reorganization or by elimination of surplus employees-hired as a result of poor planning, for example) or temporary (when caused by economic factors such as recessions or by seasonal factors such as winter in a summer resort).
  The last step in the human resource management process leads back to the first two steps because replacing organization members involves planning and staffing functions. Finding replacements for organization members can be difficult, and an inability to replace organization members could require changes in strategic planning.
  If employees are leaving the organization voluntarily, it is important to know why. An organization can get valuable feedback about employees and its own performance through an exit interview, which is a formal conversation with a departing employee to learn why the employee is leaving the organization. Exit interviews can help the organization find and correct problems with employee morale, job design, planning, and other aspects of the human resource management process. In the case of involuntarily terminated employees, exit interviews offer human resource managers the chance to clarify the employee's rights of appeal, to head off or gauge the potential for a future wrongful discharge law-suit by the employee, and to help avoid strong negative feeling among employees who remain at the organization. Because they can provide candid feedback about employment situations, exit interviews (and performance evaluations with current employees) are a valuable source of information for job analysis and the overall task of human resource management.

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Unit–3

STRATEGIC HUMAN RESOURCE MANAGEMENT

1. Introduction

Strategic human resource management is a complex process which is constantly evolving and being studied and discussed by academics and commentators. Its definition and relationships with other aspects of business planning and strategy is not absolute and opinion varies between writers. The definitions below are from the CIPD book *Strategic HRM: the key to improved business performance*[1] within which there is comprehensive coverage of the various definitions and approaches to HRM, strategy and strategic HRM.

Strategic HRM can be regarded as a general approach to the strategic management of human resources in accordance with the intentions of the organisation on the future direction it wants to take. It is concerned with longer-term people issues and macro-concerns about structure, quality, culture, values, commitment and matching resources to future need.

2. Objectives

After going through this unit you would be able to:
i.   Understand the concepts of Strategic Human Resource Management.
ii. Apply Strategic Human Resource Planning Model and SWOT Analysis
iii. Formulate Functional-Level Strategy for Your Organization.

3. Concept of Strategic Human Resource Management

Strategic human resource management is a complex process which is constantly evolving and being studied and discussed by academics and commentators. Its definition and relationships with other aspects of business planning and strategy is not absolute and opinion varies between writers to writer. The definitions below are from the CIPD book *Strategic HRM: the key to improved business performance*[1] within which there is comprehensive coverage of the various definitions and approaches to HRM, strategy and strategic HRM.

Strategic HRM can be regarded as a general approach to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. It is concerned with longer-term people issues and macro-concerns about structure, quality, culture, values, commitment and matching resources to future need. It has been defined as:

- All those activities affecting the behaviour of individuals in their efforts to formulate and implement the strategic needs of business.
- The pattern of planned human resource deployments and activities intended to enable the forms to achieve its goals.

Strategic HRM can encompass a number of HR strategies. There may be strategies to deliver fair and equitable reward, to improve performance or to streamline structure. However, in itself these strategies are not strategic HRM. Strategic HRM is the overall framework which determines the shape and delivery of the individual strategies.

Boxall and Purcell argue that strategic HRM is concerned with explaining how HRM influences organizational performance. They also point out that strategy is not the same as strategic plans. Strategic planning is the formal process that takes place, usually in larger organisations, defining how things will be done. However strategy exists in all

organisations even though it may not be written down and articulated. It defines the organization's behaviour and how it tries to cope with its environment.

Strategic HRM is based on HRM principles incorporating the concept of strategy. So if HRM is a coherent approach to the management of people, strategic HRM now implies that is done on a planned way that integrates organizational goals with policies and action sequences.

4. Strategic Human Resource Planning

A comprehensive Human Resource Strategy plays a vital role in the achievement of an organization's overall strategic objectives and visibly illustrates that the human resources function fully understands and supports the direction in which the organization is moving. A comprehensive HR Strategy will also support other specific strategic objectives undertaken by the marketing, financial, operational and technology departments.

In essence, an HR strategy should aim to capture "the people element" of what an organization is hoping to achieve in the medium to long term, ensuring that:-

- it has the right people in place
- it has the right mix of skills
- employees display the right attitudes and behaviour, and
- employees are developed in the right way.

If, as is sometimes the case, organization strategies and plans have been developed without any human resource input, the justification for the HR strategy may be more about teasing out the implicit people factors which are inherent in the plans, rather than simply summarizing their explicit "people" content.

An HR strategy will add value to the organization if it:

- articulates more clearly some of the common themes which lie behind the achievement of other plans and strategies, which have not been fully identified before; and
- identifies fundamental underlying issues which must be addressed by any organization or business if its people are to be motivated, committed and operate effectively.

The first of these areas will entail a careful consideration of existing or developing plans and strategies to identify and draw attention to common themes and implications, which have not been made explicit previously.

The second area should be about identifying which of these plans and strategies are so fundamental that there must be clear plans to address them before the organization can achieve on any of its goals. These are likely to include:

- workforce planning issues
- succession planning
- workforce skills plans
- employment equity plans
- black economic empowerment initiatives
- motivation and fair treatment issues

- pay levels designed to recruit, retain and motivate people
- the co-ordination of approaches to pay and grading across the organization to create alignment and potential unequal pay claims
- a grading and remuneration system which is seen as fair and giving proper reward for contributions made
- wider employment issues which impact on staff recruitment, retention, motivation etc.
- a consistent performance management framework which is designed to meet the needs of all sectors of the organization including its people
- career development frameworks which look at development within the organization at equipping employees with "employability" so that they can cope with increasingly frequent changes in employer and employment patterns
- policies and frameworks to ensure that people development issues are addressed systematically: competence frameworks, self-managed learning etc.

The HR strategy will need to show that careful planning of the people issues will make it substantially easier for the organization to achieve its wider strategic and operational goals.

In addition, the HR strategy can add value by ensuring all its other plans, the organization takes account of and plans for changes in the wider environment, which are likely to have a major impact on the organization, such as:

- changes in the overall employment market - demographic or remuneration levels
- cultural changes which will impact on future employment patterns
- changes in the employee relations climate
- changes in the legal framework surrounding employment
- HR and employment practice being developed in other organizations, such as new flexible work practices.

Finding the right opportunity to present a case for developing an HR Strategy is critical by ensuring that there will be support for the initiative, and that its initial value will be recognized by the organization.

Giving a strong practical slant to the proposed strategy may help gain acceptance for the idea, such as focusing on good management practice. It is also important to build "early or quick wins" into any new strategy.

Other opportunities may present the ideal moment to encourage the development of an HR Strategy:-

- a major new internal initiative could present the right opportunity to push for an accompanying HR strategy, such as a restructuring exercise, a corporate acquisition, joint venture or merger exercise.
- a new externally generated initiative could similarly generate the right climate for a new HR strategy - e.g. Black economic empowerment initiatives.

In some instances, even negative news may provide the "right moment", for example, recent industrial action or employee dissatisfaction expressed through a climate survey.

5.   A Strategic Human Resource Planning Model

There is no single approach to develop a Human Resources Strategy. The specific approach will vary from one organization to another. Even so, an excellent approach towards an HR Strategic Management System is evident in the model presented below. This approach identifies six specific steps in developing a HR Strategy:-

1.   Setting the strategic direction
2.   Designing the Human Resource Management System
3.   Planning the total workforce
4.   Generating the required human resources
5.   Investing in human resource development and performance
6.   Assessing and sustaining organizational competence and performance

Strategic Direction

The strategic direction & outcomes that the organisation seeks to achieve.

HRM System

Shaping HRM for organisation success

Planning the Total Workforce.

Deciding the numbers and competence of personnel the organisation requires

Assessing & Sustaining Organisational Competence & Performance

Measuring the organisation's progress towards its desired outcomes and adjusting the system accordingly

Generating Required Human Resources

Attracting, accessing and initially assigning the people needed in the organisation's total workforce

Investing in Human Resource Development & Performance

Developing & reinforcing competence and performance in individual groups and teams in the organisation's total workforce

Source: A Strategic Human Resource Management System for the 21st Century. Naval Personnel Task Force, September 2000

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6. Human Resource Database

The Human Resources database is where transactions relating to payroll processing, position management, time and attendance, recruitment, benefits, and other human resources data collection protocols are recorded, stored and retrieved in a variety of ways. The transactions recorded ensure the timely payment of employees and provide information to business staff, managers, leaders, and local and state government for the purpose of making decisions and accountability reporting.

6.1 Establishing Organizational Objectives

Mutually establishing and reviewing with employees the expectations that guide and motivate them toward objectives.

Research indicates that setting challenging, attainable program goals that are accepted by management and employees leads to high performance. Establishing Performance Goals (Objectives) will ensure that the performance of each employee contributes to your objectives and the plan of the organization. Goals help employees to establish clear courses of action and remove any uncertainties about the job. Accomplishment of goals provides a sense of achievement.

6.2 Key Behaviors:

- Sets challenging and attainable expectations for employees based on program goals.
- Involves employees in setting program goals.
- Finds ways to measure achievement of program goals.
- Reviews progress toward goals with employees as needed.
- Gains employees' commitment to program goals.
- Ties goals to department and organization objectives.

6.3 Assessing and sustaining organizational competence and performance

Assessing & Sustaining Organisational Competence & Performance

Measuring the organisation's progress towards its desired outcomes and adjusting the system accordingly

Organisational culture ⟷ Assessing organisational performance & evaluating effectiveness of HR Strategy

Succession planning

Balanced scorecard
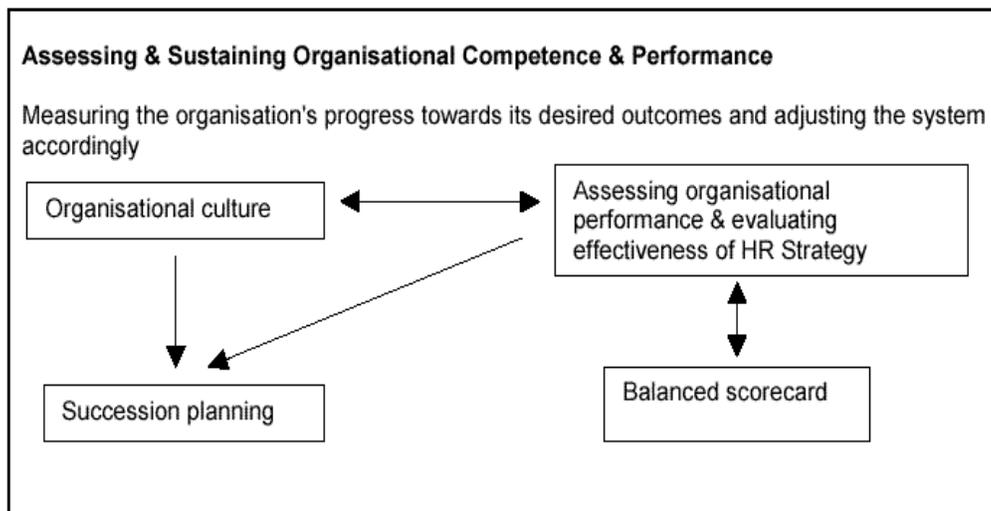
Finally, few organizations effectively measure how well their different inputs affect performance. In particular, no measures may be in place for quantifying the contribution people make to organizational outcomes or, more important for estimating how changes in policies and practices, systems, or processes will affect that contribution. Implementing clear quantifiable measures, identifying milestones in the achievement of specific organizational goals, and using concepts such as a "balanced scorecard" will articulate the results of the HR Strategic Plan in measurable terms. Regular evaluation of the plan will also assist in fine-tuning the HR strategic plan itself.

6.4. Recommended actions:-
- Evaluate organization culture and climate
- Implement succession planning
- Evaluate HR strategy using quantifiable measures, e.g. balanced scorecard
- Revise and adapt HR strategy

7. SWOT Analysis
Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis are a tool that matches internal organizational strengths and weaknesses with external opportunities and threats.

SWOT Analysis is the Key Component of Strategic Development. It can prompt actions and responses. Successful businesses build on their strengths, correct their weaknesses and protect against internal vulnerabilities and external threats. They also keep an eye on their overall business environment and spot and <u>exploit new opportunities</u> <u>faster than competitors</u>. SWOT analysis is a tool that helps many businesses in this process.
SWOT analysis is based on the assumption that if managers can carefully review such strengths, weaknesses, opportunities, and threats, a useful strategy for ensuring organizational success will become evident to them.

7.1 Strengths
Two factors contribute to your strengths: <u>ability</u> and resources available.
Ability is evaluated on 3 counts:

1. *Versatility:* your <u>ability to adapt</u> an ever changing environment.
2. *Growth:* your ability to maintain a continuing growth.
3. *Markets:* your ability to penetrate or create new markets.

The strength of **resources** has three dimensions:

1. *Availability:* your ability to obtain the resources needed.
2. *Quality:* the quality and up-to-datedness of the resources employed.
3. *Allocation:* your ability to distribute resources both effectively and efficiently.

7.2 Weaknesses
Your weaknesses are determined through failures, defeats, losses and inability to match up with the dynamic situation and rapid change. The weaknesses may be rooted in lack of

managerial skills, insufficient quality, technological backwardness, inadequate systems or processes, slow deliveries, or shortage of resources. There are three possible outcomes to the analysis of your weaknesses.[1]

1. *Correction* of an identified defect.
2. *Protection* through cover-up and prevention strategies to reduce the exposure of your weaknesses.
3. *Aggression* to divert the attention from your weaknesses.

7.3 Opportunities

Opportunities are abundant. You must develop a formula which will help you to define what comes within the ambit of an opportunity to focus on those areas and pursue those opportunities where effectiveness is possible. The formula must define product/service, target market, capabilities required and resources to be employed, returns expected and the level of risk allowed.

Threats

Weaknesses of your competitors are also opportunities for you. You can exploit them in two following ways:

1. *Marketing warfare:* attacking the weak position of leader and focusing all your efforts at that point, or making a surprise move into an uncontested area.
2. *Collaboration:* you can use your complementary strengths to establish a strategic alliance with your competitor.

8. Low Cost Strategy

Under which a firm offers a relatively low price to stimulate demand and gain market share. It is one of three generic marketing strategies (see differentiation strategy and focus strategy for the other two) that can be adopted by any firm, and is usually employed where the product has few or no competitive advantage or where economies of scale are achievable with higher production volumes. Also called low price strategy.

9. Differentiation Strategy

Your differentiation strategy is an integrated set of action designed to produce or deliver goods or services that customers perceive as being different in ways that are important to them. It calls for you to sell non-standardized products to customers with unique needs.

10. Formulating Functional-Level Strategy

The final level of strategy in the organization is the strategy developed by the major functional departments. These action plans support the accomplishment of the business-level strategies. The major functions include marketing, production, human resources, finance, and research and development.

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Unit–4

TRAINING AND PERSONNEL DEVELOPMENT

1.   Introduction

Training needs can be assessed by analyzing three major human resource areas: the organization as a whole, the job characteristics and the needs of the individuals. This analysis will provide answers to the following questions:

- Where is training needed?
- What specifically must an employee learn in order to be more productive?
- Who needs to be trained?

Once you have determined where training is needed, concentrate on the content of the program. Analyze the characteristics of the job based on its description, the written narrative of what the employee actually does. Training based on job descriptions should go into detail about how the job is performed on a task-by-task basis. Actually doing the job will enable you to get a better feel for what is done.

Individual employees can be evaluated by comparing their current skill levels or performance to the organization's performance standards or anticipated needs. Any discrepancies between actual and anticipated skill levels identify a training need and a program to fill the gap.

2.   Objectives

After studying this unit you are expected to be able to:

i.   Understand the concept of training and its purpose
ii.   Appreciate different types of training methods
iii. Training and development for motivation and retention

3.   Concept of Training

Summary of a training course or program that highlights its key features such as type of training, presentation environment, teaching techniques, and the benchmarks by which the learning performance will be measured.

The quality of employees and their development through training and education are major factors in determining long-term profitability of a small business. If you hire and keep good employees, it is good policy to invest in the development of their skills by sending into reputable organization internally and externally, so they can increase their productivity.

Training often is considered for new employees only. This is a mistake because ongoing training for current employees help them to adjust in rapidly changing job requirements.

4.   Purpose of Training and Development

Reasons for emphasizing the growth and development of personnel include
- Creating a pool of readily available and adequate replacements for personnel who may leave or move up in the organization.

- Enhancing the company's ability to adopt and use advances in technology because of a sufficiently knowledgeable staff.
- Building a more efficient, effective and highly motivated team, which enhances the company's competitive position and improves employee morale.
- Ensuring adequate human resources for expansion into new programs.

Research has shown specific benefits that a small business receives from training and developing its workers, including:

- Increased productivity.
- Reduced employee turnover.
- Increased efficiency resulting in financial gains.
- Decreased need for supervision.

Employees frequently develop a greater sense of self-worth, dignity and well-being as they become more valuable to the firm and to society. Generally they will receive a greater share of the material gains that result from their increased productivity. These factors give them a sense of satisfaction through the achievement of personal and company goals.

5. Training Process

The model below traces the steps necessary in the training process:
- Organizational Objectives
- Needs Assessment
- Is There a Gap?
- Training Objectives
- Select the Trainees
- Select the Training Methods and Mode
- Choose a Means of Evaluating
- Administer Training
- Evaluate the Training

Your business should have a clearly defined strategy and set of objectives that direct and drive all the decisions made especially for training decisions. Firms that plan their training process are more successful than those that do not. Most business owners want to succeed, but do not engage in training design that promise to improve their chances of success. Why? The five reasons most often identified are:

Time – Small businesses managers find that time demands do not allow them to train employees.

Getting familiar – Most small business managers have not practiced training employees. The training process is unfamiliar.

Broad expertise – Managers tend to have broad expertise rather than the specialized skills needed for training and development activities.

Lack of trust and openness – Many managers prefer to keep information to themselves. By doing so they keep information collected from subordinates and others who could be useful in the training and development process.

Skepticism as to the value of the training – Some small business owners believe the future cannot be predicted or controlled and their efforts, therefore, are best centered on current activities i.e., making money today.

A well-conceived training program can help your firm succeed. A program structured with the company's strategy and objectives in mind has a high probability of improving productivity and other goals that are set in the training mission.

6. Training Strategy
For any business, formulating a training strategy requires addressing a series of questions.

- Who are your customers? Why do they buy from you?
- Who are your competitors? How do they serve the market? What competitive advantages do they enjoy? What parts of the market have they ignored?
- What strengths does the company have? What weaknesses?
- What social trends are emerging that will affect the firm?

The purpose of formulating a training strategy is to answer two relatively simple but vitally important questions: (1) What is our business? and (2) What should our business be? Armed with the answers to these questions and a clear vision of its mission, strategy and objectives, a company can identify its training needs.

7. Training Methods
There are two broad types of training available to small businesses: on-the-job and off-the-job techniques. Individual circumstances and the "who," "what" and "why" of your training program determine which method to use.

7.1 On-the-Job- Training
This is delivered to the employees while they perform their regular jobs. In this way they do not lose time while they are learning. After a plan is developed for what should be taught, employees should be informed of the details. A timetable should be established with periodic evaluations to inform employees about their progress. On-the-job techniques include orientations, job instruction training, apprenticeships, internships and assistantships, job rotation and coaching.

7.2 Off-the-Job- Techniques
This method includes lectures, special study, films, television conferences or discussions, case studies, role playing, simulation, programmed instruction and laboratory training.

Most of these techniques can be used by small businesses although, some may be too costly.

7.3   Orientations

This is used for new employees. The first several days on the job are crucial in the success of new employees. This point is illustrated by the fact that 60 percent of all employees who quit during first ten days. Orientation training should emphasize the following topics:

- The company's history and mission.
- The key members in the organization.
- The key members in the department, and how the department helps fulfill the mission of the company.
- Personnel rules and regulations.

Some companies use verbal presentations while to others have written presentations. Many small businesses convey these topics in one-to-one orientations. No matter what method is used, it is important that the newcomer understand his or her new place of employment.

7.4   Lectures

Lectures present training material verbally and are used when the goal is to present a great deal of material to many people. It is more cost effective to lecture to a group than to train people individually. Lecturing is one-way communication and as such may not be the most effective way to train. Also, it is hard to ensure that the entire audience understands a topic on the same level; by targeting the average attendee you may under train some and lose others. Despite these drawbacks, lecturing is the most cost-effective way of reaching large audiences.

7.5   Role playing and Simulation

These are training techniques that attempt to bring realistic decision making situations to the trainee. Likely problems and alternative solutions are presented for discussion. The adage there is no better trainer than experience is exemplified with this type of training. Experienced employees can describe real world experiences, and can help in and learn from developing the solutions to these simulations. This method is cost effective and is used in marketing and management training.

7.6   Audiovisual Methods

IT includes different media, such as television, videotapes and films are the most effective means of providing real world conditions and situations in a short time. One advantage is that the presentation is the same no matter how many times it's played. This is not true with lectures, which can change as the speaker is changed or can be influenced by outside constraints. The major flaw with the audiovisual method is that it does not allow for questions and interactions with the speaker, nor does it allow for changes in the presentation for different audiences.

7.7   Job Rotation

Job rotation involves moving an employee through a series of jobs so he or she can get a good feel for the tasks that are associated with different jobs. It is usually used in training for supervisory positions. The employee learns a little about everything. This is a good strategy for small businesses because of the many jobs an employee may be asked to do.

7.8   Apprenticeships

Apprenticeships develop employees who can do many different tasks. They usually involve several related groups of skills that allow the apprentice to practice a particular trade, and they take place over a long period of time in which the apprentice works for, and with the senior skilled worker. Apprenticeships are especially appropriate for jobs requiring production skills.

7.9   Programmed Learning

Programmed learning, computer-aided instruction and interactive video all have one thing in common: they allow the trainee to learn at his or her own pace. Also, they allow material already learned to be bypassed in favor of material with which a trainee is having difficulty. After the introductory period, the instructor need not be present, and the trainee can learn as his or her time allows. These methods sound good, but may be beyond the resources of some small businesses.

7.10   Laboratory Training

Laboratory training is conducted for groups by skilled trainers. It usually is conducted at a neutral site and is used by upper- and middle management trainees to develop a spirit of teamwork and an increased ability to deal with management and peers. It can be costly and usually is offered by larger small businesses.

8.   Identifying Training Needs (Task Analysis)

Training needs can be assessed by analyzing three major human resource areas: the organization as a whole, the job characteristics and the needs of the individuals. This analysis will provide answers to the following questions:

- Where is training needed?
- What specifically must an employee learn in order to be more productive?
- Who needs to be trained?

Begin by assessing the current status of the company, how it does, what it does, best abilities of your employees to do these tasks. This analysis will provide some benchmarks against which the effectiveness of a training program can be evaluated. Your firm should know where it wants to be in five years from its long-range strategic plan. What you need is a training program to take your firm from here to there.

Second, consider whether the organization is financially committed to supporting the training efforts. If not, any attempt to develop a solid training program will fail.

Next, determine exactly where training is needed. It is foolish to implement a companywide training effort without concentrating resources where they are needed most. An internal audit will help point out areas that may benefit from training. Also, a skills inventory can help determine the skills possessed by the employees in general. This inventory will help the organization determine what skills are available now and what skills are needed for future development.

Also, in today's market-driven economy, you would be negligent about your customers what they like about your business and what areas they think should be improved. In summary, the analysis should focus on the total organization and should tell you (1) where training is needed and (2) where it will work within the organization.

Once you have determined where training is needed, concentrate on the content of the program. Analyze the characteristics of the job based on its description, the written narrative of what the employee actually does. Training based on job descriptions should go into detail about how the job is performed on a task-by-task basis. Actually doing the job will enable you to get a better feel for what is done.

Individual employees can be evaluated by comparing their current skill levels or performance to the organization's performance standards or anticipated needs. Any discrepancy between actual and anticipated skill levels identifies a training need.

9. Development of Personnel
Development of personnel may be achieved through the following processes:

9.1 Training and Development of Human Resources
In every company, Human Resources (HR) training in many employee-related and legally-related topics is mandatory, especially for managers and supervisors. We need to equip our employees to handle their employee relations responsibilities competently. But, for maximum positive impact and learning, we need to make the HR training motivational and engaging.

The right employee training, development and education at the right time provides big payoffs for the employer in increased productivity, knowledge, loyalty, and contribution. Learn the approaches that will guarantee a return on your investment in training.

9.2 Training and Development for Motivation and Retention
One key factor in employee motivation and retention is the opportunity to continue to grow and develop job and career enhancing skills. There are a couple of secrets to what employees want from training and development opportunities, however, training and development opportunities are not just found in training classes and seminars. Learn more about what employees want in training and development opportunities.

10. Employee Recruitment and Development

You can hire the best and develop the rest of your employees. These seven practices will help you develop a high performance, superior workforce that is focused on continuous improvement. And, what's more important than that for you?

These leadership and management tips will help you to develop the talented workforce you need for progress, resiliency and agility. This leadership and management tips about training and development will help to make training work more effective and more result oriented.

10.1 Job Rotation

This is an approach to <u>management development</u> where an individual is moved through a <u>schedule</u> of assignments designed to give him or her breadth of exposure to the entire operation.

Job rotation is also practiced to allow qualified <u>employees</u> to gain more insights into the processes of a <u>company</u>, and to reduce boredom and increase job satisfaction through job variation.

The term job rotation can also mean the scheduled exchange of persons in offices, especially in <u>public offices</u>, prior to the end of incumbency or the <u>legislative</u> period. This has been practiced by the <u>German green party</u> for some time but has been discontinued.

At the senior management levels, job rotation - frequently referred to as management rotation, is tightly linked with <u>succession planning</u> - developing a pool of people capable of stepping into an existing job. Here the goal is to provide learning experiences which facilitate changes in thinking and perspective equivalent to the "horizon" of the level of the succession planning.

For lower management levels job rotation has normally one of two purposes: promotability or skill enhancement.

In many cases senior managers seem unwilling to risk instability in their units by moving qualified people from jobs where the lower level manager is being successful and reflecting positively on the actions of the senior manager.

Many military forces use the job rotation strategy to allow the soldiers to develop a wider range of experiences, and an exposure to the different jobs of an occupation.

The evolution of this formal discipline has been influenced by and enhanced through the incorporation of pertinent maxims from other fields of study including personal development philosophies, adult education practices, elements of psychology (sports, clinical, developmental, organizational, social and industrial) and other organizational or leadership principles. Since the mid 1970's, coaching has developed into a more

independent discipline and has a set of training standards (Davidson & Gasiorowski, 2006).

10.2 Coaching

Today, coaching is a recognized discipline used by many professionals engaged in people development. However, as a distinct profession it is relatively new and self-regulating. There are six self-appointed accreditation bodies for business and life coaching: the International Coaching Council (ICC), the International Coach Federation (ICF), the International Association of Coaching (IAC), the Certified Coaches Federation (CCF), the European Coaching Institute (ECI) and the International Guild of Coaches (IGC). No independent supervisory board evaluates these programs and they are all privately owned. These bodies all accredit various coaching schools as well as individual coaches, except the IAC and ECI which only accredits individuals.

According to Davidson & Gasiorowski (2006) ICF has been "key in identifying training criteria and ethical standards in this rapidly evolving field" (p.189).

It is important for future clients to distinguish between coaches who are professionally trained and/or accredited and those who "hang their name plate" out as a coach. Professional coaching skills are transferable across the variety of areas in which a coach may be employed. Whitworth, et al (1998) stated that "the coach's experience is confined to the coaching process. The coach's job is to help clients articulate their dreams, desires and aspirations, help them clarify their mission, purpose and goals, and help them achieve that outcome" (p.5) in any area of life (i.e. personal, professional, relationship, health etc...).

10.3 Orientation

The orientation process has three stages:

- A general orientation
- A departmental orientation, and
- A specific job orientation

They are conducted by different parties. The General Orientation is usually managed by either the Training Department or the Human Resources Department, with the Departmental Orientation by the Department Head or first Assistant, while the specific Job Orientation can be carried out by an experienced and trained employee (trained on how to train).

For further details study Unit 4 of the Allied Materials enclosed

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Unit–5

PERSONNEL PERFORMANCE APPRAISAL

1.   Introduction

Managers cite performance appraisals or annual reviews as one of their most disliked tasks. Performance management eliminates the performance appraisal or annual review and evaluation as the focus and concentrates instead on the entire spectrum of performance management and improvement strategies. These include employees performance improvement, performance development, training, cross-training, challenging assignments, 360 degree feedback and regular performance feedback.

2.   Objectives

After studying this unit you should be able to:

i.   Understand the concept of performance appraisal and different steps in a Performance Review
ii.   To identify key factors to an effective performance appraisal program design
iii. Appreciate different appraisal methods
iv.   To identify some commonly encountered conflicts in performance appraisal and suggest remedial steps.

3.   Definition & Concepts

Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of employees. The focus of the performance appraisal is measuring and improving the actual performance of the employees and also the future potential of the employees. Its aim is to measure what an employee does.

According to Flippo, a prominent personality in the field of human resources, "performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job." Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future.
It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals.

By focusing the attention on performance, performance appraisal goes to the heart of human resource management and reflects the management's interest in the progress of the employees.

4.   Objectives of <u>Performance Appraisal</u>

- To review the performance of the employees over a given period of time.
- To judge the gap between the actual and the desired performance.
- To help the management in exercising organizational control.
- Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
- To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.

- To provide feedback to the employees regarding their past performance.
- Provide information to assist in the other personal decisions in the organization.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- To reduce the grievances of the employees.

5. Performance Appraisal Information

Performance appraisal (PA) is one of the important components in the rational and systemic process of human resource management. The information obtained through performance appraisal provides foundations for recruiting and selecting new hires, training and development of existing staff, and motivating and maintaining a quality work force by adequately and properly rewarding their performance. Without a reliable performance appraisal system, a human resource management system falls apart, resulting in the total waste of the valuable human assets a company has.

There are two primary purposes of performance appraisal: evaluative and developmental. The evaluative purpose is intended to inform people of their performance standing. The collected performance data are frequently used to reward high performance and to punish poor performance. The developmental purpose is intended to identify problems in employees performing the assigned task. The collected performance data are used to provide necessary skills training or professional development.

The purpose of performance appraisal must be clearly communicated both to raters and ratees, because their reactions to the appraisal process are significantly different depending on the intended purpose. Failure to inform about the purpose or misleading information about the purpose may result in inaccurate and biased appraisal reports.

Critical Criteria of Developing a PA System:
In order for performance appraisal information to be useful, the PA system must be able to consistently produce reliable and valid results. Measurement items in the performance appraisal system must be designed in such a way that the results of rating are consistent regardless of the raters and the timing of the assessment.

Another critical criteria in developing a PA system is the validity of the measurements. It is important to make sure that the appraisal items are really measuring the intended performance or target behavior. If they are not, the PA system encourages the wrong kind of work behaviors and produces unintended, frequently negative, organizational outcomes. For instance, if the number of traffic violation tickets issued is an item in performance appraisal of police officers, it encourages them to sit on a corner of a street and pull over as many violators as possible during heavy traffic hours. The true purpose of a police force, which is public safety, may become secondary to issuing a large number of tickets.

6.   What to Evaluate?

The first important step in developing a PA system is to determine which aspects of performance to evaluate. The most frequently used appraisal criteria are traits, behaviors, and task outcomes.

6.1   Traits.

Many employees are assessed according to their traits, such as personality, aptitudes, attitudes, skills, and abilities. Traits are relatively easy to assess once a rater gets to know ratees. But traits are not always directly related to job performance. Trait-based assessment lacks validity and thus frequently raises legal questions.

6.2   Behaviors.

For many jobs, performance is so broadly defined or so conceptual in nature— such as ensuring public safety in the police department—that it is hard to come up with reliable performance measures. In such cases, desirable behaviors can be identified and assessed in the belief that such behaviors lead to successful performance. Such behavior-focused assessment encourages employees to adopt desirable behavioral patterns in the workplace.

6.3   Task outcomes.

When information about task outcomes is readily available, it is the most appropriate factor to use in evaluating performance. When an organization has a clear and measurable goal as in the case of a sales force, this approach is recommended. However, it has its own pitfalls. There is a problem if employee behaviors are not directly related to the task out-come. Too narrow a focus on measuring out-come only sometimes results in unintended negative consequences. When sales staff narrowly focuses on target sales figures to increase their performance measure, for example, they are encouraged to help a few large-volume customers and to ignore many smaller buyers. This may result in poor customer service on the floor.

7.   Who Evaluates?

The most common raters of performance are employees' immediate supervisors, who are usually in the best position to know and observe the employees' job performance. They are also responsible for employees' work. Their evaluation is a powerful tool in motivating employees to achieve successful and timely completion of tasks. However, as a result of working together over a long time with the same employees, the immediate supervisor may build up a fixed impression about each employee and use it every time he or she has to evaluate performance.

Some companies find that subordinates, are in an excellent position to observe and evaluate their managers' performance, especially when it comes to measuring effective management of their department. While there is merit in asking subordinates to evaluate how they are managed, such evaluation may turn into a popularity contest. Accurate and objective assessment may not be obtained if employees are fearful of possible retaliation

from their supervisors. Anonymity of the evaluators is key to the successful use of subordinates for objective evaluation.

Other raters who are frequently used in some companies include peers, customers, and the employees themselves. Peer evaluation is particularly useful when <u>teamwork</u> and collegiality are important to successful task performance. Peer pressure is sometimes a powerful motivator in encouraging teamwork among members. Customer satisfaction is vital to a company's success and can be used in performance appraisal. Many companies systematically collect performance information from customers, typically through anonymous surveys and interviews. Self-assessment is also a useful means, especially when the performance appraisal is intended to identify the training and development needs of potential employees.

Each of these raters contributes to assessing certain aspects of performance. Since job performance is multidimensional in nature, it is important to use different raters or a combination of multiple raters depending on the goal of a performance appraisal system. This multirating evaluation, or so-called 360-degree feedback system, is becoming increasingly popular among many American corporations, including General Electric, AT&T, Warner Lambert, and Mobil Oil.

8.   Performance Appraisal Methods

To ensure the reliability and validity of a PA system, a company must design the evaluation process carefully and develop appropriate measuring scales. Among the many assessment methods developed by human resource management experts, commonly used ones include the Graphic Rating Scale, Behaviorally Anchored Rating Scale, Narrative Technique, Critical-Incident Method, Multiperson Comparison Method, Forced Choice Method, and Forced Distribution Method.

The Graphic Rating Scale is the simplest and most popular method for performance appraisal. The Graphic Rating Scale offers a list of areas related to job performance. A manager rates each employee on the listed areas according to a numerical score. Although this method is relatively simple and quick to complete, some experts question its validity and reliability. Without elaborate description, appraisal items and scores are subject to various interpretations of raters.

In order to overcome pitfalls of the Graphic Rating Scale, numerous other methods have been developed. The Behaviorally Anchored Rating Scale (BARS), offers rating scales for actual behaviors that <u>exemplify</u> various levels of performance. Because raters check off specific behavior patterns of a ratee, PA results of BARS are more reliable and valid than those of the Graphic Rating Scale. Human resource managers must carefully analyze each job and develop behavior patterns <u>pertinent</u> to various levels of performance for the job before they use the BARS.

The Narrative Technique is a written essay about an employee's job performance prepared by a rater. The essay typically describes the rate's job-related behaviors and

performance. Without standard performance description, it is a <u>cumbersome</u> task for raters to write an essay for several employees. For example, a rater can be asked to describe the activities, achievements, and level of performance of the employee in a completely open-ended format (<u>unstructured</u> narration). Alternatively, the rater can be provided with some structure to use in the evaluation; for example, "Describe briefly the activities, achievements, and level of performance of the staff member in the following areas: (1) work habits, (2) planning and organizing the tasks, (3) management skills, communications, and development of others."

The performance review form at a college asks an evaluator to describe the activities, accomplishments, and creative works of the professors in the areas of (1) teaching and (2) research/creative activity. A dean of the college writes about the professor's teaching performance: "Dr. Michael Johnson has been nominated by his students for the Outstanding Teacher Award several times during his service. He introduced many teaching innovations into his classes. His teaching record is <u>exemplary</u>." In the area of creative activity, the dean writes: "Dr. Johnson has a strong and productive research record with a defined focus in organizational leadership. His research has been recognized with several awards given by professional organizations. His creative activity is exemplary."

Similar to the Narrative Technique is the Critical-Incident Method, which involves keeping a running log of effective and <u>ineffective</u> job performance. For example, the PA log of an employee, Mr. Campbell, contains unsatisfactory incidents as follows: 1/28/2000: "Refused to try a new work procedure," and 2/15/2000: "Argued with a customer about the origin of error in the <u>paperwork</u>." The log also contains satisfactory incidents as follows: 1/20/2000: "Volunteered to help Charlie complete his assignment in time"; 2/19/2000: "Trained new employees in safety regulations."

The Multiperson Comparison Method asks raters to compare one person's performance with that of one or more others. It is intended to effectively eliminate the possibility of giving the same rating to all employees. In order to separate performance scores among multiple employees, the Forced Choice or Forced Distribution Methods are adopted. Raters must choose one high performer from the list of employees or distribute certain scores to employees at different ranks.

For example, only one top person will get 40 percent, two second-rank persons 20 percent, and the bottom one person 10 percent. The Paired Comparison Method is a special case of the Multiperson Comparison Method. Everyone in the evaluation pool is compared against everyone else as a pair and recorded "plus" or "minus" when the target ratee is better or worse, respectively, than his/her comparison. The final performance ranks are determined by the numbers.

8.1   Subjectivity and Objectivity
Accuracy is critical to performance appraisal. In order to obtain accurate performance information, raters must provide objective and <u>unbiased</u> ratings of employees. But, because it is almost impossible to develop a perfectly accurate performance <u>checklist</u>,

managers' subjective opinions are frequently called for. Many companies use some combination of subjective and objective assessment for actual performance appraisal.

Yet there are numerous problems in the actual assessment of employee performance, mainly due to rater bias. Some raters tend to rate all employees at the positive end rather than to spread them throughout the performance scale; this is called "leniency." Alternatively, "central tendency", which places most employees in the middle of the scale, also raises concern about possible appraisal error.

Another common error in performance appraisal is the halo effect. This occurs when a manager's general impression of an employee, after observing one aspect of performance, influences his/her judgment on other aspects of the employee's performance.

Researchers have found that personal preferences, prejudices, appearances, first impressions, race, and gender can influence many performance appraisals. Sometimes raters' personal opinions or political motives creep into the performance appraisal process. They intentionally inflate or deflate performance ratings of certain employees as a way to punish them or promote them out of the department.

Using unreliable and invalidated performance appraisals may cause a legal problem. A number of court cases have ruled that the performance appraisal systems used by many companies were discriminatory and in violation of Title VII of the Civil Rights Act.

In order to avoid legal problems, companies must develop an appraisal system based on careful job analysis and establish its reliability and validity. They must give clear written instructions to raters for completing evaluations and provide them adequate training if necessary. The company must allow employees to review the results of the appraisals. Human resources departments must play a key role in the development and implementation of an effective performance appraisal system.

9.   Approaches to Performance Development
There are different approaches which are being used for the performance development. These are discussed in the following paragraphs:

9.1   Performance Appraisal - Traditional approach
Traditionally, performance appraisal has been used as just a method for determining and justifying the salaries of the employees. Than it began to be used a tool for determining rewards (a rise in the pay) and punishments (a cut in the pay) for the past performance of the employees.

This approach was a past oriented approach which focused only on the past performance of the employees i.e. during a past specified period of time. This approach did not consider the developmental aspects of the employee performance i.e. his training and development needs or career developmental possibilities. The primary concern of the

traditional approach is to judge the performance of the organization as a whole by the past performances of its employees.

Therefore, this approach is also called as the overall approach. In 1950s the performance appraisal was recognized as a complete system in itself and the Modern Approach to performance appraisal was developed

9.2   Performance Appraisal - Modern Approach
The modern approach to performance development has made the performance appraisal process more formal and structured. Now, the performance appraisal is taken as a tool to identify better performing employees from others, employees' training needs, career development paths, rewards and bonuses and their promotions to the next levels.

Appraisals have become a continuous and periodic activity in the organizations. The results of performance appraisals are used to take various other HR decisions like promotions, demotions, transfers, training and development, reward outcomes. The modern approach to performance appraisals includes a feedback process that helps to strengthen the relationships between superiors and subordinates and improve communication throughout the organization.

The modern approach to Performance appraisal is a future oriented approach and is developmental in nature. This recognizes employees as individuals and focuses on their development.

10.   Appraisal Methods
In a landmark study, Locher & Teel (1977) found that the three most common appraisal methods in general use are rating scales (56%), essay methods (25%) and results-oriented or MBO methods (13%). For a description of each, follow the button links on the left. Certain techniques in performance appraisal have been thoroughly investigated, and some have been found to yield better results than others.

10.1   Rating Scales
The rating scale method offers a high degree of structure for appraisals. Each employee trait or characteristic is rated on a bipolar scale that usually has several points ranging from "poor" to "excellent" (or some similar arrangement).

The traits assessed on these scales include employee attributes such as cooperation, communications ability, initiative, punctuality and technical (work skills) competence. The nature and scope of the traits selected for inclusion is limited only by the imagination of the scale's designer, or by the organization's need to know.

The one major provision in selecting traits is that they should be in some way relevant to the appraisee's job. The traits selected by some organizations have been unwise and have resulted in legal action on the grounds of discrimination.

1. Advantages

The greatest advantage of rating scales is that they are structured and standardized. This allows ratings to be easily compared and contrasted - even for entire workforces.

Each employee is subjected to the same basic appraisal process and rating criteria, with the same range of responses. This encourages equality in treatment for all appraisees and imposes standard measures of performance across all parts of the organization.

Rating scale methods are easy to use and understand. The concept of the rating scale makes obvious sense; both appraisers and appraisees have an intuitive appreciation for the simple and efficient logic of the bipolar scale. The result is widespread acceptance and popularity for this approach.

2. Disadvantages

Despite its popularity this method has following disadvantages:

i.   *Trait Relevance*

Are the selected rating-scale traits clearly relevant to the jobs of all the appraisees? It is inevitable that with a standardized and fixed system of appraisal that certain traits will have a greater relevance in some jobs than in others.

For example, the trait "initiative" might not be very important in a job that is tightly defined and rigidly structured. In such cases, a low appraisal rating for initiative may not mean that an employee lacks initiative. Rather, it may reflect that fact that an employee has few opportunities to use and display that particular trait. The relevance of rating scales is therefore said to be context-sensitive. Job and workplace circumstances must be taken into account.

ii.   Systemic Disadvantage

Rating scales, and the traits they purport to measure, generally attempt to encapsulate all the relevant indicators of employee performance. There is an assumption that all the true and best indicators of performance are included, and all false and irrelevant indicators are excluded.

This is an assumption and very difficult to prove in practice. It is possible that an employee's performance may depend on factors that have not been included in the selected traits. Such employees may end up with ratings that do not truly or fairly reflect their effort or value to the organization. Employees in this class are systemically disadvantaged by the rating scale method.

iii.   Perceptual Errors

This includes various well-known problems of selective perception (such as the horns and halos effect) as well as problems of perceived meaning. Selective perception is the human tendency to make private and highly subjective assessments of what a person is "really like", and then seek evidence to support that view (while ignoring or downplaying evidence that might contradict it).

This is a common and normal psychological phenomenon. All human beings are affected by it. In other words, we see in others what we want to see in them.

An example is the supervisor who believes that an employee is inherently good (halo effect) and so ignores evidence that might suggest otherwise. Instead of correcting the slackening employee, the supervisor covers for them and may even offer excuses for their declining performance.

On the other hand, a supervisor may have formed the impression that an employee is bad (horns effect). The supervisor becomes unreasonably harsh in their assessment of the employee, and always ready to criticize and undermine them.

The horns and halo effect is rarely seen in its extreme and obvious forms. But in its more subtle manifestations, it can be a significant threat to the effectiveness and credibility of performance appraisal.

iv.   Perceived Meaning
Problems of perceived meaning occur when appraisers do not share the same opinion about the meaning of the selected traits and the language used on the rating scales.

For example, to one appraiser, an employee may demonstrate the trait of initiative by reporting work problems to a supervisor. To another appraiser, this might suggest an excessive dependence on supervisory assistance - and thus a lack of initiative.

As well, the language and terms used to construct a scale - such as "Performance exceeds expectations" or "Below average skill" - may mean different things to different appraisers.

v.   Rating Errors
The problem here is not so much errors in perception as errors in appraiser judgment and motive. Unlike perceptual errors, these errors may be (at times) deliberate.

The most common rating error is central tendency. Busy appraisers, or those wary of confrontations and repercussions, may be tempted to dole out too many passive, middle-of-the-road ratings (e.g., "satisfactory" or "adequate"), regardless of the actual performance of a subordinate. Thus the spread of ratings tends to clump excessively around the middle of the scale.

This problem is worsened in organizations where the appraisal process does not enjoy strong management support, or where the appraisers do not feel confident with the task of appraisal.

10.2 Essay Method
In the essay method approach, the appraiser prepares a written statement about the employee being appraised.

The statement usually concentrates on describing specific strengths and weaknesses in job performance. It also suggests courses of action to remedy the identified problem areas.

The statement may be written and edited by the appraiser alone, or it be composed in collaboration with the appraisee.

i.   Advantages
The essay method is far less structured and confining than the rating scale method. It permits the appraiser to examine almost any relevant issue or attribute of performance. This contrasts sharply with methods where the appraisal criteria are rigidly defined.

Appraisers may place whatever degree of emphasis on issues or attributes that they feel appropriate. Thus the process is open-ended and very flexible. The appraiser is not locked into an appraisal system the limits expression or assumes that employee traits can be neatly dissected and scaled.

ii.   Disadvantages
Essay methods are time-consuming and difficult to administer. Appraisers often find the essay technique more demanding than methods such as rating scales.

The techniques greatest advantage - freedom of expression - is also its greatest handicap. The varying writing skills of appraisers can upset and distort the whole process. The process is subjective and, in consequence, it is difficult to compare and contrast the results of individuals or to draw any broad conclusions about organizational needs.

10.3 Management By Objectives (MBO)
The use of management objectives was first widely advocated in the 1950s by the noted management theorist Peter Drucker.

MBO (management by objectives) methods of performance appraisal are results-oriented. That is, they seek to measure employee performance by examining the extent to which predetermined work objectives have been met.

Usually the objectives are established jointly by the supervisor and subordinate. An example of an objective for a sales manager might be: Increase the gross monthly sales volume to $250,000 by 30 June.

Once an objective is agreed, the employee is usually expected to self-audit; that is, to identify the skills needed to achieve the objective. Typically they do not rely on others to locate and specify their strengths and weaknesses. They are expected to monitor their own development and progress.

i.   Advantages
The MBO approach overcomes some of the problems that arise as a result of assuming that the employee traits needed for job success can be reliably identified and measured.

Instead of assuming traits, the MBO method concentrates on actual outcomes.

If the employee meets or exceeds the set objectives, then he or she has demonstrated an acceptable level of job performance. Employees are judged according to real outcomes, and not on their potential for success, or on someone's subjective opinion of their abilities.

The guiding principle of the MBO approach is that direct results can be observed, whereas the traits and attributes of employees (which may or may not contribute to performance) must be guessed at or inferred.

The MBO method recognizes the fact that it is difficult to neatly dissect all the complex and varied elements that go to make up employee performance.

MBO advocates claim that the performance of employees cannot be broken up into so many constituent parts - as one might take apart an engine to study it. But put all the parts together and the performance may be directly observed and measured.

ii.   Disadvantages

MBO methods of performance appraisal can give employees a satisfying sense of autonomy and achievement. But on the downside, they can lead to unrealistic expectations about what can and cannot be reasonably accomplished.

Supervisors and subordinates must have very good "reality checking" skills to use MBO appraisal methods. They will need these skills during the initial stage of objective setting, and for the purposes of self-auditing and self-monitoring.

Unfortunately, research studies have shown repeatedly that human beings tend to lack the skills needed to do their own "reality checking". Nor are these skills easily conveyed by training. Reality itself is an intensely personal experience, prone to all forms of perceptual bias.

One of the strengths of the MBO method is the clarity of purpose that flows from a set of well-articulated objectives. But this can be a source of weakness also. It has become very apparent that the modern organization must be flexible to survive. Objectives, by their very nature, tend to impose certain rigidity.

Of course, the obvious answer is to make the objectives more fluid and yielding. But the penalty for fluidity is loss of clarity. Variable objectives may cause employee confusion. It is also possible that fluid objectives may be distorted to disguise or justify failures in performance.

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Unit–6

COMPENSATION MANAGEMENT

1. Introduction

Studies revealed that nearly two-thirds of today's senior executives name pay-for-performance as the number one tool for achieving positive financial results at their companies. But this type of compensation structure in different organizations is much easier said than done.

Compensation Management helps managers significantly boost the performance of their employees via compensation rewards, creating a more engaged workforce that's willing to go the extra mile for their organization. This provide the a clear visibility into individual employee performance when it comes time to make critical compensation planning decisions.

2. Objectives

After going through this unit you will be able to:

i. Understand the concept of compensation management
ii. Apply equity theory and fairness in your organization
iii. Analyze and apply the employee risk management
iv. Understand how costs reduction of workers is attached.

3. Concept of Compensation Management

Studies reveal that nearly two-thirds of today's senior executives name pay-for-performance as a major tool for achieving positive financial results at their companies. But as you've probably discovered, instituting this type of compensation structure at your organization is much easier said than done.

Compensation Management helps you significantly boost the performance of your employees via compensation rewards, creating a more engaged workforce that's willing to go the extra mile for your organization. Plus you'll enjoy clearer visibility into individual employee performance when it comes time to make critical compensation planning decisions.

3.1. True Pay-for-Performance Culture

Provide a clear linkage for employees between their compensation and your performance expectations.

3.2. Improved Retention

Recognize employees for a job well done using variable pay and other proven methods. So your top performers stay happy—and more likely to stay with your company.

3.3. Budget Optimization

Run "what-if" scenarios and instantly see how increasing merit pay to your best employees would impact your budget.

3.4. Cost Savings.
Save your business thousands of dollars every year by making sure you're not unfairly compensating those employees who fall short in their efforts to help your company achieve its key objectives.

4. Determining Pay Rates (Developing Pay Structure)

The interaction between 13 factors affects the actual pay rates employees receive, according to Richard I. Henderson, author of *Compensation Management in a Knowledge-Based World.* While each factor is straightforward when considered in isolation, it becomes far more complicated when considered alongside the other factors. The 13 factors are:

1. Types and levels of skills and knowledge required.
2. Type of business.
3. Union affiliation or no union affiliation.
4. Capital-intensive or labor-intensive.
5. Company size.
6. Management philosophy.
7. Complete compensation package.
8. Geographic location.
9. Labor supply and demand.
10. Company profitability.
11. Employment stability.
12. Gender Difference.
13. Length of employment and job performance.

5. Equity Theory and Fairness

Equity theory is a theory about fairness. Its application to close relationships has been primarily advanced by Elaine Hatfield (previously known as Elaine Walster) and her colleagues in the book *Equity: Theory and Research* (Walster, Walster, and Berscheid 1978). The book outlines four interlocking propositions of equity theory and discusses the application of equity theory to different types of relationships, including intimate ones. The propositions are:

Proposition 1: Individuals will try to maximize their outcomes (where outcomes equal rewards minus costs).

Proposition 2: Groups can maximize collective reward by evolving accepted systems for equitably apportioning resources among members. Thus, groups will evolve such systems of equity, and will attempt to induce members to accept and adhere to these systems.

Proposition 2b: Groups will generally reward members who treat others equitably, and generally punish (increase the costs for) members who treat others inequitably.

Proposition 3: When individuals find themselves participating in inequitable relationships, they become distressed. The more inequitable the relationship, the more distressed the individuals feel.

Proposition 4: Those Individuals who discover they are in an inequitable relationship attempt to eliminate their distress by restoring equity. The greater the inequity that exists, the more distress they feel, and the harder they try to restore equity.

As noted in Proposition 1, equity theory rests on the assumption that people are self-interested and will try to maximize their personal gains. This proposition has sometimes been questioned by researchers who believe that the nature of close relationships differs from other types of relationships. They argue that close relationships should not be based on individual calculations of costs and rewards and a self-interested focus on maintaining relationships solely for the personal profit they may provide. Instead, they argue that relationships should be based on a mutual concern for each others' welfare or needs (Clark and Chrisman 1994; Clark and Mills 1979).

Three primary ways of dealing with challenges to this assumption exist. One is to consider that individuals may vary in "exchange orientation" or the importance they give to monitoring equity in their relationships (Murstein, Cerreto, and Mac-Donald 1977). For example, some individuals may be high in exchange orientation, constantly keeping track of how much they and their partners put into or get out of a relationship. Other individuals may be low in exchange orientation, not paying attention to inputs, outputs, costs, and rewards of their relationships at all.

Measuring exchange orientation may be a way of measuring self-interest in relationships. Research by Susan Sprecher (1998) has supported this notion. Her findings suggest that different motivations for "keeping score" of costs and benefits in a relationship have different effects on relationship quality. People who keep track of inputs and outputs to make sure they are not under benefited by the relationship seem to be less satisfied by their relationship whereas people who keep track of inputs and outputs to make sure they are not over-benefited by the relationship seem to be more satisfied by it.

A second way to account for differences in philosophies regarding self-interest in relationships is to include relational-level outcomes such as mutuality, sharing, and respect as types of benefits that individuals can receive from relationships. Relational partners may see themselves as a unit, with both of them maximally benefiting from the relationship. In this type of relationship, where identities of the individual partners have merged, what benefits one partner will also benefit the other. Relational-level outcomes have not regularly been considered in equity research, although similar concepts arise during discussions of entitlement processes (Desmarais and Lerner 1994) and fairness rules (Clark and Chrisman 1994) in close relationships.

Finally, equity in a relationship may be seen as its own reward. This idea is suggested by *Proposition 2* that attempts to account for the development of rules, or norms, that limit self-interest behavior. If individuals were to continually strive for the most resources, anarchy and violence would dominate society as each member tried to gain more. However, *Proposition 2* asserts that societies, groups, and couples will develop rules that foster fairness to each member in order to prevent such a condition. People who follow the rules of fairness will be rewarded, and people who do not will be punished. Thus, behaving equitably becomes a means to maximize one's outcomes, and fairness, more than self-interest, becomes the norm.

Understanding the concept of *fairness* is essential to understanding equity theory. Elaine Hatfield (Walster) and her colleagues (Walster, Walster, and Berscheid 1978) argue that

fairness rules are culturally bound, indicating that generally one of three rules of fairness can apply: proportionality, equality, or need. Rules based upon proportionality mean that individuals receive "equal *relative gains* from the relationship" (p. 10, emphasis in original). In other words, each person should get out of the relationship gains that are *in proportion* to what they have put into the relationship. The *equality rule,* on the other hand, means that regardless of how much each person has put into the relationship, they should each reap equal rewards. Finally, the *need-based rule* indicates that need should be the determining factor in what partners get from a relationship, regardless of their individual contributions to it (Deutsch 1985).

Understanding fairness rules is very important to students, scholars, and practitioners interested in equity theory because distinct bodies of research have developed based on the different fairness rules. Moreover, considerable scholarly debate centers around which fairness rule is best applied to close relationships. Finally, the term *equity* has become synonymous with the use of the *proportionality rule* (e.g., Clark and Chrisman 1994), and theorists seem to fall into two categories: proportionality researchers who are identified as equity theorists and equality researchers who are identified as social (or distributive) justice researchers. Work from researchers who examine other fairness rules, such as the need-based rule, can be found in both bodies of work. Because equity theory as outlined in the four principles above is primarily concerned with perceived fairness in relationships, the term *equity* as used here will apply to fairness. *Proportionality* and *equality* will be used to refer to research and findings based on their respective rules. However, one should note that in the majority of the literature, the term equity is synonymous with the term proportionality, and equity and equality are the two terms that one will find most fruitful when searching databases and libraries for information.

Equity theorists have realized the importance of fairness rules and have debated their application to the study of close relationships. Although Elaine Hatfield (Walster) and her colleagues (1978) propose proportionality as the appropriate fairness rule, Margaret Clark and K. Chrisman (1994) note "we could not find work clearly documenting that people actually do tend to follow an equity [proportionality] norm more often than other possible norms in their intimate relationships" (p. 67). After reviewing relevant research regarding all three fairness rules, they argue that the need-based fairness rule is the most appropriate for intimate relationships. They also suggest that certain factors, such as the stage of development of the relationship, may affect the application of fairness rules. The idea that people may invoke different rules under different circumstances has also been supported by other theorists. For example, Linda Keil and Charles McClintock (1983) review literature that indicates situational factors may interact with age related cognitive and social process to make certain fairness rules salient. Serge Desmarais and Melvin Lerner (1994) propose that situational and contextual cues, such as strong feelings of "weness" in a relationship determine which fairness rules are appropriate, and Morton Deutsch (1975) contends that people choose the fairness rule they believe will be most effective for them in reaching their particular relational goals.

One situational variable that has received much attention in examining fairness in close relationships is power. Hatfield W. and her colleagues (1978) address the role of power in

equity theory by postulating that due to their self-interested nature, people will try to persuade others that their contributions are more valuable than the others' contributions. Those who successfully accomplish this will receive more benefits, will be able to persuade others that they are entitled to more benefits, and will develop ideologies that reinforce their right to receive more benefits. Over time, people will see this lopsided allocation of benefits as normal and acceptable. However, as Hatfield (Walster) and her colleagues note, a marked shift in social power would enable under benefited individuals to feel entitled to more and encourage them to begin efforts to change the allocation of benefits. It is interesting to note that parallels can be drawn between this scenario, gender relations in the United States over the past few decades, and research regarding marital relationships.

Researchers across disciplines have noted changes in marital relationships over the past few decades. This is not surprising because marital relationships across time and cultures differ with the social circumstances in which they exist. Among other factors, the feminist movement in the 1960s and 1970s has influenced changes in the labor market, with more and more women entering the workforce. Research on intimate relationships has shown that higher income for one partner can be associated with increased relational power (Blumstein and Schwartz 1983), and researchers often cite the increased numbers of women in the workforce as having affected changes in women's power, in sex-role expectations, and in marital ideals (VanYperen and Buunk 1994). One particular change is that marital partners are striving for more equality in the distribution of domestic, economic, and emotional contributions to their relationships (Scanzoni and Scanzoni 1988).

Even with changes in social and relational power between men and women, many researchers suggest that judgments of fairness in heterosexual relationships should not be based on the proportionality rule but should be based on the equality rule. Reasons for this assertion come in two forms. First, it is argued that because we live in a social system that values men's contributions more than women's, proportionality-based evaluations of contributions to a relationship can never be fair; for even though men and women may contribute equally to a relationship, men's contributions will be valued more that would, therefore, entitle them to more (Steil 1997). Research examining the perceived value of different relational contributions has been sparse, and mixed results have been found. For example, Janice Steil and Karen Weltman (1991) found support for gender-based valuing of careers when their research showed that women's careers are often not perceived as important as men's. However, Pamela Regan and Susan Sprecher (1995) found that men and women valued their own and their partner's contributions similarly on sixteen of twenty-two characteristics such as having a prestigious and important career, being easy to get along with, being passionate and taking care of inside chores.

The second reason for equality-based rules of fairness is rooted in research related to equity theory that focuses on the outcomes of inequitable relationships by asserting that individuals in inequitable relationships will become distressed. Researchers exploring the area of equitable outcomes in marital relationships often measure outcomes through reports or observations of behaviors rather than perceptions. This is because individuals' perceptions of their relationships can become skewed through gender-biased valuing of

relational inputs, because an incongruence often exists between perception of one's behavior and the actual behavior itself, and because people in low-power positions often feel entitled to less that leads them to perceive an unfair situation as fair. Given this caveat, people do still report perceived inequity in their relationships, and it has been associated with negative outcomes, including less sexual intimacy, less sexual satisfaction, less commitment to the relationship, decreased happiness and satisfaction with the relationship, and relationship breakup (Sprecher 1995).

In 1972, Jesse Bernard published her book *The Future of Marriage* and argued that the outcome of marriage is unequal for men and women in terms of psychological well-being or distress. Well-being differences have been reported between married men and women in many studies, with women reporting more instances of psychosomatic illnesses, such as depression, distress, and headaches (Gove, Hughes, and Style 1983), even when they report satisfaction within their marriages (Steil and Turetsky 1987). According to *Proposition 3,* the presence of distress in a relationship can indicate the presence of inequity.

On the flip side of the coin, inequality is costly to men as well, although in different ways. Men become alienated from their families and do not participate in the domestic sphere or with their children. They have a reduced capacity for intimacy (Kaufman 1994). Furthermore, wives often resent their husbands' absence from the family (Schwartz 1994) and children become unhappy with their fathers' lack of emotional and physical participation in their lives (Kaufman 1994; Schwartz 1994; Silberstein 1992). Disconnection from the family often results in relational boredom and increases the potential for divorce (Schwartz 1994).

Support for the equality rule of fairness comes from researchers interested in close relationships and equality. Pepper Schwartz (1994; Blumstein and Schwartz 1983) and other researchers have found qualitative differences between couples who are able to create equality in their relationships and couples who are not or who come close but do not quite make it (Blaisure and Allen 1995; Hochschild and Machung 1989; Knudson-Martin and Mahoney 1998). Their findings show that equality is the essential ingredient for prevention of these negative outcomes. When marital equality is present, men are relieved of the pressures associated with the provider role and they have more intimate, more meaningful, and more satisfying relationships with their families (Steil 1997). Higher levels of marital satisfaction are related to equality in shared decision making and shared task control (Gray-Little and Burks 1983), and higher levels of wives' well-being have been associated with men's participation in housework (Steil 1997). Furthermore, husbands do not suffer from shouldering domestic duties. In fact, in marital relationships where economic and domestic responsibilities are shared equally, both husbands and children benefit from increased family time (Schwartz 1994); male empathy, understanding, and attentiveness (Coltrane 1996); more intimate and stable parent-child bonds; and more intimate and stable marital bonds (Schwartz 1994).

Given all the costs of relationship inequality, it is not surprising that states people involved in inequitable relationships will try to restore equity. Hatfield (Walster) and her colleagues (1978)

provide two ways that a person can restore equity to a relationship: by restoring actual equity or by restoring psychological equity (the perception that equity actually exists when it does not). As noted earlier, researchers who use behavior to measure relational equity instead of perceptions may do so because they believe partners in an inequitable relationship do not see the inequity. This assumption is congruent with the concept of restoring psychological equity.

Research examining equity-restoring behaviors is scant but supportive of the proposition. In a study asking participants to imagine they were in an inequitable relationship, Sprecher (1992) found that participants expected that they would engage in equity-restoring behaviors, including increasing their partner's rewards, asking their partners to contribute more to the relationship, or changing their perceptions of the relationship so that it seemed fair. She also found that women were more likely to expect to engage in equity-restoring activities than men. Women in inequitable relationships have also reported engaging in or wanting to engage in extramarital sexual behavior. Engaging in sex outside of one's marriage may be a way of restoring perceived inequity (Sprecher 1995).

Proposition 4 of equity theory can provide an interesting framework for examining negative family behavior, such as extramarital relationships. Although it may be unpleasant to think about, the restoration of equity can help explain parent-child abuse. In this framework, abuse may be perceived as a way to restore equity to an inequitable parent-child relationship. Parents who feel exploited by their children may attempt to restore equity by retaliating against their children with verbal or physical abuse or by psychologically or physically abandoning their children (Walster, Walster, and Berscheid 1978). Furthermore, research regarding family violence has examined and supported a relationship between domestic violence and inequitable gender perceptions (Bryant 2001). Finally, the equitable or inequitable division of inheritance property may be another way for families to reestablish equity among its members (Stum 1999).

6.   Compensation Costs

Compensation cost is a measure closely related to labour cost, although it does not entirely correspond to the ILO definition of total labour cost contained in the 1966 ILO resolution concerning statistics of labour cost, adopted by the 11th International Conference of Labour Statisticians (ICLS) in that it does not include all items of labour costs

In particular, the costs of recruitment, employee training, and plant facilities and services, such as cafeterias, medical clinics and welfare services, are not included

As work environments become safer, the number of workers' compensation claims continues to decline. At the same time, the cost per claim has continued to rise along with the rising cost of health care in general, making the business costs substantial. Along with death and taxes, workers' compensation

7.   Employee Risk Management: Reduce Your Workers' Compensation Costs

By working with your risk management insurance carrier, you can implement both pre- and post-claims programs that will reduce your workers' compensation costs overall.

Besides implementing procedures that make your business a more desirable client in terms of insurance rates, you can save even more on your risk management costs by implementing the following practices:

- When paying an employee time and a half for overtime, you may only have to report the regular wages, decreasing the amount of payroll that determines your insurance premiums.
- Implement programs that bring workers back into the workforce at a faster rate, even if it means bringing them back part time or in a limited capacity. Rising workers' compensation costs are primarily due to increased use of benefits and longer duration of disability. The more time an employee spends on disability, the more wage replacement and medical services increase in cost.
- Look for a pattern to claims. Do some locations or areas in your business have fewer claims than others? Determine the reason why. Reducing the number of workers' compensation claims gives your business a better safety record. This makes you a much better risk to an insurance company, making it more likely they will give you better rates in the long run. Overall, this is the best way to reduce your risk management expenses.

8.   Achieving Cost Reductions through Workers Compensation Reform

Workers compensation systems are very dynamic and can change significantly from year to year. In some instances the benefits paid to injured workers become inadequate over time because maximum benefit rates have not kept pace with inflation or eligibility rules are stretched to unanticipated limits by court decisions. A workers compensation system can reach the point where it is totally out of balance because it provides either inadequate benefit to injured employees or unbearable costs for employers who must pay the bill. In some instances, workers compensation systems produce both inadequate benefits and extremely high costs at the same time.

Each year, a number of states review their workers compensation legislation and regulations and make an attempt to restore balance to the system. The process is commonly referred to as "reform." Frequently the goal of reform is to increase benefits for injured workers while making technical corrections designed to reduce fraud or waste. The reduced costs resulting from technical corrections are expected to partially offset the higher costs resulting from benefit increases.

Employers and insurer representatives are usually asked to participate in the reform process. This article provides a list of issues that employers should consider when there is an opportunity to reform their state's workers compensation system.

9.   Problems with Performance Pay
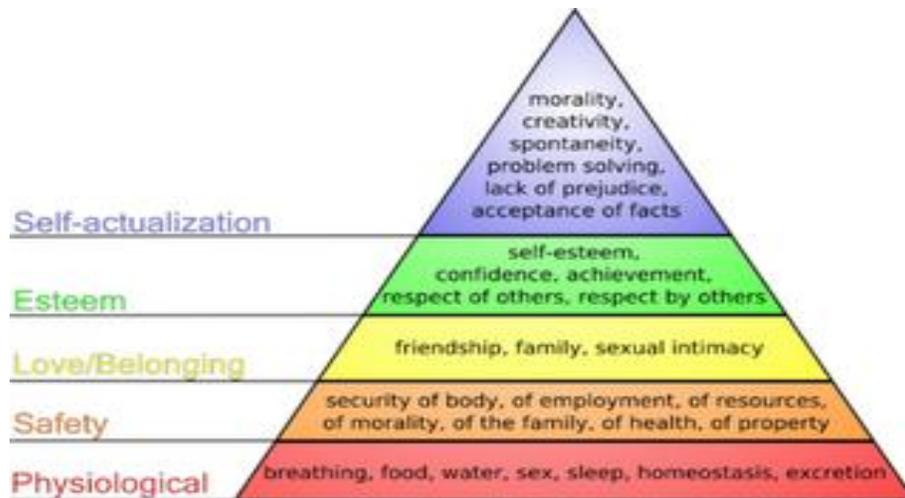
Graphic: This diagram shows Maslow's hierarchy of needs, represented as a pyramid with the more primitive needs at the bottom.

Julie Bishop, the Minister for Education in Australia's Howard Government, has announced that the Commonwealth Government intends to force the introduction of performance based pay for teachers in Australia's public schools.

Background

For the benefit of my international readers, education is a state responsibility under Australia's Federal Constitution.

Each state maintains a centrally managed public school system intended to make universal education available to all, but also sets curriculum, standards and final examinations for the whole education system, including the growing non-government sector.

While the Commonwealth Government does not have constitutional responsibility for education, Commonwealth Governments of all political persuasions have become increasingly active in the education area in recent years through provision of funds. Now Minister Bishop wants to use this leverage to force new teacher pay arrangements on the states.

Performance based pay arrangements exist to some degree in the non-governmental sector. The proposal to extend the concept has met with strong opposition from State Governments and teachers' unions.

10.   Money as Motivator

Does money motivate? Does higher pay, or the chance of higher pay, lead to improved performance? I have seen little evidence to suggest that it does, although I have to be careful how I phrase this.

Clearly, all firms operate in the marketplace for talent. They need to set pay structures that will attract and retain the people they want. One of the reasons why Australia has had a problem attracting teachers is that pay scales for teachers have been too low relative to other opportunities.

Individual firms also adopt specific recruitment and pay policies targeting the type of person they want (can afford). This includes specific areas like sales or corporate finance where performance pattern including commissions are common. This may but need not lead to commercial success.

All this said, there is little hard data that I am aware of to say that higher pay or performance pay will improve performance at sector level beyond the market pay required to attract and hold people in the first place.

In fact this <u>study</u> is of the transition of firms from good to great, Jim Collins found that there was no link between remuneration and performance. The only discernible difference between the good to great and the rest was that the good to great companies in fact paid their senior executives slightly less!

11. Pay and the Hygiene Factor

To understand some of the reasons why performance pay may not work and even are counter productive we need to look at the work of Herzberg.

<u>Frederick </u>Herzberg (1923 - 2000) was a noted psychologist who became one of the most influential names in business management. He is possibly most famous for his work in <u>job enrichment</u> and <u>Motivator-Hygiene theory</u>. According to Wikipedia (link above) his 1975 publication "*One More Time, How Do You Motivate Workers?*" is still the most requested article from the Harvard Business Review.

In 1959, Herzberg proposed the two factor theory of human motivation in the workplace. According to his theory people are influenced by two factors:

- Satisfaction and psychological growth are a result of motivation factors. These include achievement, recognition, work identity, responsibility, promotion, growth.
- Dissatisfaction is a result of a lack of hygiene factors. These include pay, fringe benefits, relationship with co-workers, physical environment, and supervisor-employee relations.

So Herzberg puts pay in the hygiene class, something that can de-motivate if it's wrong, but not a motivator in its own right.

Now link this to the work of <u>Abraham </u>Maslow (1908-1970).

In 1943 Maslow proposed his <u>hierarchy of needs</u>. This is often depicted as a pyramid (see graphic) consisting of five levels: the four lower levels are grouped together as deficiency

needs associated with physiological needs, while the top level is termed growth needs associated with psychological needs.

While deficiency needs must be met, growth needs are continually shaping behaviour. The basic concept is that the higher needs in this hierarchy only come into focus once all the needs that are lower down in the pyramid are mainly or entirely satisfied. Growth forces create upward movement in the hierarchy, whereas regressive forces push prepotent needs further down the hierarchy.

I have never been a supporter of all the detail in Maslow, but his work does explain why I think that Herzberg was correct to classify money as a hygiene factor. It all comes back to the impact of pay and changes in pay on Herzberg's motivational factors and the higher levels in the Maslow pyramid including especially esteem.

12.   Cloudy Relationships
Problems become more complex where the relationship between those things being measured and the success of the organisation are more complex or even contradictory.

Take time based charging, a common practice in many parts of the professional sector. If, as is usually the case, performance measurement focuses on billings, this creates an incentive to maximize billings at the expense of the client. Problems here have been well explored on Chris Marston's Inside the Firm of the Future blog as well as on blogs such as Adam Smith Esq or David Maister's. David's latest post actually provides a specific example of assessment problems.

Problems arise too where you actually want your people to perform across a range of dimensions.

Assume that you want staff to take a degree of personal responsibility for marketing, but measure only billings and focus on that in remuneration. You can be sure marketing will be ignored.

Assume that you need your staff to work in teams, but focus instead on individual performance. You can be sure that team work will suffer.

Particular problems can also arise where elements of performance depend on factors outside individual control or are not directly measurable.

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Unit–7

MANAGING CHANGE, CONFLICT AND STRESS

1.   Introduction

Organizational change and increased stress levels seem to be life partners these days. To help workers to cope with the stress of change, a colleague and I developed a Stress Management Programme using the concepts of Rational Emotive Behaviour Therapy. REBT is based on the assumption that emotional and behavioural reactions are largely caused by conscious and unconscious beliefs (Ellis, 1998). During organizational change, self defeating internal self talk may cause employees to experience strong self defeating emotions such as resentment, hostility, anxiety, depression, and the like.

REBT focuses on providing employees with strategies and tools that can lead to professional growth and development, better workplace relationships and less conflict and stress. These can be used individually or as part of a team to accept change and come to terms with the difficulties involved.

The Stress Management programme described in this article is designed to show the links between change and stress, identify common work place stressors and the physical and emotional consequences to employees, and teach REBT strategies and tools to help minimize these effects. The programme is intended for organization employees who are not in any life threatening situation or specifically seeking treatment, so the format is different than when using REBT as a clinical/therapeutic intervention.

2.   Objectives:

After going through this unit you will be able to:

v.   Differentiate between change, conflict and stress
vi.   To identify the barriers to resistance to change
vii.   Determine management strategies to resolve conflicts and stresses

3.   Change

Nothing is as upsetting to your people as change. Nothing has greater potential to cause failures, loss of production, or falling quality as changes. Yet nothing is as important to the survival of your organization as change. History is full of examples of organizations that failed to change and that are now extinct. The secret to successfully managing change, from the perspective of the employees, is definition and understanding.

Resistance to change comes from a fear of the unknown or an expectation of loss. The front-end of an individual's resistance to change is how they perceive the change. The back-end is how well they are equipped to deal with the change they expect.

An individual's degree of resistance to change is determined by whether they perceive the change as good or bad, and how severe they expect the impact of the change to be on them. Their ultimate acceptance of the change is a function of how much resistance the person has and the quality of their coping skills and their support system.

Your job as a leader is to address their resistance from both ends to help the individual reduce it to a minimal, manageable level. Your job is not to bulldoze their resistance so you can move ahead.

On the front end, you need to define the change for the employee in as much detail and as early as you can. Provide updates as things develop and become clearer. In the case of the desk that has to be moved, tell the employee what's going on. "We need to bring in more workers. Our sales have increased by 40% and we can't meet that demand, even with lots of overtime. To make room for them, we'll have to rearrange things a little." You could even ask the employees how they think the space should be rearranged. You don't have to accept their suggestions, but it's a start toward understanding.

Definition is a two-way street. In addition to defining the problem, you need to get the employees to define the reasons behind their resistance.

4.   Barriers to Change

Kotter and Schlesinger identified basic causes of resistance to change. These are discussed under following headings:

i.   Parochial self interest
- Individuals are more concerned with the implications for themselves

ii.   Misunderstanding
- Communications problems
- Inadequate information

iii.   Low tolerance of change
- Sense of insecurity
- Different assessment of the situation

iv.   Disagreement over the need for change
- Disagreement over the advantages and disadvantages

Some negative comments often received on proposed changes:
- "My needs are already being met"
- "There is no justification for change"
- "I don't like the way they propose to do it"
- "The risks outweigh the benefits"
- "It will now be harder for me to meet my own needs"

5.   Organizational Barriers to Change
- Structural inertia
- Existing power structures
- Resistance from work groups
- Failure of previous change initiatives

6.   Individual Barriers to Change
- Tradition and set ways:

- Loyalty to existing relationships
- Failure to accept the need for change
- Insecurity
- Preference for the existing arrangements
- Break up of work groups
- Different person ambitions
- Fear of:

  Loss of power
  Loss of skills
  Loss of income
  The unknown

- Redundancy

7.   Conflict

Conflict is a natural disagreement resulting from individuals or groups that differ in attitudes, beliefs, values or needs. It can also originate from past rivalries and personality differences. Other causes of conflict include trying to negotiate before the timing is right or before needed information is available.

8.   The Ingredients of Conflict

8.1. Needs

Needs are things that are essential to our well-being. Conflicts arise when we ignore others' needs, our own needs or the group's needs. Be careful not to confuse needs with desires (things we would like, but are not essential).

8.2. Perceptions

People interpret reality differently. They perceive differences in the severity, causes and consequences of problems. Misperceptions or differing perceptions may come from: self-perceptions, others' perceptions, differing perceptions of situations and perceptions of threat.

8.3. Power

How people define and use power is an important influence on the number and types of conflicts that occur. This also influences how conflict is managed. Conflicts can arise when people try to make others change their actions or to gain an unfair advantage.

8.4. Values

Values are beliefs or principles we consider to be very important. Serious conflicts arise when people hold incompatible values or when values are not clear. Conflicts also arise when one party refuses to accept the fact that the other party holds something as a value rather than a preference.

8.5. Feelings and Emotions

Many people let their feelings and emotions become a major influence over how they deal with conflict. Conflicts can also occur because people ignore their own or others' feelings and emotions. Other conflicts occur when feelings and emotions differ over a particular issue.

Conflict is not always negative. In fact, it can be healthy when effectively managed. Healthy conflict can lead to the following:

i.   Growth and innovation
ii. New ways of thinking
iii. Additional management options

If the conflict is understood, it can be effectively managed by reaching a consensus that meets both the individual's and society's needs. This results in mutual benefits and strengthens the relationship. The goal is for all to "win" by having at least some of their needs met.

9. Managing Conflicts

There are five steps to managing conflicts. These steps are:
i.   Analyze the conflict
ii. Determine management strategy
iii. Pre-negotiation
iv. Negotiation
v.   Post-negotiation

Step 1: Analyze the conflict

The first step in managing conflict is to analyze the nature and type of conflict. To do this, you'll find it helpful to ask questions.

Answers may come from your own experience, your partners or local media coverage. You may want to actually interview some of the groups involved. Additional information regarding analyzing conflicts can be found in the Guide to Information and Resources.

Step 2: Determine management strategy

Once you have a general understanding of the conflict, the groups involved will need to analyze and select the most appropriate strategy. In some cases it may be necessary to have a neutral facilitator to help move the groups toward consensus.

10. Conflict Management Strategies

Collaboration
Compromise
Competition
Accommodation
Avoidance

10.1. Collaboration

This results from a high concern for your group's own interests, matched with a high concern for the interests of other partners. The outcome is "win/win." This strategy is generally used when concerns for others are important. It is also generally the best strategy when society's interest is at stake. This approach helps build commitment and reduce bad feelings. The drawbacks are that it takes time and energy. In addition, some partners may take advantage of the others' trust and openness. Generally regarded as the best approach for managing conflict, the objective of collaboration is to reach consensus. (See the *Building Local Partnerships* guide for more information about consensus.)

10.2. Compromise

This strategy results from a high concern for your group's own interests along with a moderate concern for the interests of other partners. The outcome is "win some/lose some." This strategy is generally used to achieve temporary solutions, to avoid destructive power struggles or when time pressures exist. One drawback is that partners can lose sight of important values and long-term objectives. This approach can also distract the partners from the merits of an issue and create a cynical climate.

10.3 Competition

This strategy results from a high concern for your group's own interests with less concern for others. The outcome is "win/lose." This strategy includes most attempts at bargaining. It is generally used when basic rights are at stake or to set a precedent. However, it can cause the conflict to escalate and losers may try to retaliate.

10.4 Accommodation

This result from a low concern for your group's own interests combined with a high concern for the interests of other partners. The outcome is "lose/win." This strategy is generally used when the issue is more important to others than to you. It is a "goodwill gesture." It is also appropriate when you recognize that you are wrong. The drawbacks are that your own ideas and concerns don't get attention. You may also lose credibility and future influence.

10.5. Avoidance

This result from a low concern for your group's own interests coupled with a low concern for the interests of others. The outcome is "lose/lose." This strategy is generally used when the issue is trivial or other issues are more pressing. It is also used when confrontation has a high potential for damage or more information is needed. The drawbacks are that important decisions may be made by default.

11.   Interpersonal Conflict

Conflict is an expressed struggle between at least two interdependent parties who perceive incompatible goals, scarce rewards, and interference from the other party in achieving their goals (Joyce Hocker and William Wilmot)

Look at the circumstances, and think about the style that may be appropriate.

Then use the process below to resolve the conflict:

Step One: Set the Scene
If appropriate to the situation, agree the rules of the <u>IBR Approach</u> (or at least consider using the approach yourself.) Make sure that people understand that the conflict may be a mutual problem, which may be best resolved through discussion and negotiation rather than through raw aggression.

If you are involved in the conflict, emphasize the fact that you are presenting your perception of the problem. Use <u>active listening</u> skills to ensure you hear and understand other's positions and perceptions.
- Restate
- Paraphrase
- Summarize

And make sure that when you talk, you're using an adult, <u>assertive</u> approach rather than a submissive or aggressive style.

Step Two: Collect Information
Here you are trying to get to the underlying interests, needs, and concerns. Ask for the other person's viewpoint and confirm that you respect his or her opinion and need his or her cooperation to solve the problem.

Try to understand his or her motivations and goals, and see how your actions may be affecting these.

Also, try to understand the conflict in objective terms: Is it affecting work performance? damaging the delivery to the client? disrupting team work? hampering decision-making? or so on. Be sure to focus on work issues and leave personalities out of the discussion.

- Listen with empathy and see the conflict from the other person's point of view
- Identify issues clearly and concisely
- Use "I" statements
- Remain flexible
- Clarify feelings

Step Three: Agree the Problem
This sounds like an obvious step, but often different underlying needs, interests and goals can cause people to perceive problems very differently. You'll need to agree the problems that you are trying to solve before you'll find a mutually acceptable solution.
Sometimes different people will see different but interlocking problems - if you can't reach a common perception of the problem, then at the very least, you need to understand what the other person sees as the problem.

Step Four: Brainstorm Possible Solutions
If everyone is going to feel satisfied with the resolution, it will help if everyone has had fair input in generating solutions. Brainstorm possible solutions, and be open to all ideas, including ones you never considered before.

Step Five: Negotiate a Solution
By this stage, the conflict may be resolved: Both sides may better understand the position of the other, and a mutually satisfactory solution may be clear to all.
However you may also have uncovered real differences between your positions. This is where a technique like <u>win-win negotiation</u> can be useful to find a solution that, at least to some extent, satisfies everyone.

12.   Stress
This refers to the physical and mental response of the body to demands made upon it. It is the result of our reaction to outside events, not necessarily the events themselves.

Not all stress is bad. We each function best and feel best at our own optimal level of physiological arousal. We need some stress to get everyday things done. Too little can lead to boredom and "rust out" - but too much can produce "burn out".

Adaptive stress helps us rise to life's challenges. Adrenaline, nor-adrenaline and glucose flow into our blood: *we get a buzz of energy and feel alert, focused, and creative*. Negative stress occurs when our ability to cope with life's demands crumbles. If we don't break down the stress chemicals (e.g. through physical activity) they stay in the blood, preventing us from relaxing. Eventually this results in a permanent state of stress. That initial buzz turns to worry, irritability or panic. Challenges become threats; we doubt our ability to do even simple things and problems appear insurmountable.

13.   Managing stress
The key to success is to think positively; take control of your stress and anxiety by learning effective techniques to combat it. Relaxing bodily tension in order to reduce the physical sensations of stress is a good place to start. If your body is free of tension your mind tends to be relaxed. This helps you concentrate and study, take decisions and solve problems. When you are relaxed, you can view each task as a positive challenge, and use stress as a stimulus to help you to carry it out giving you a relaxing glow of achievement afterwards.

13.1. Looking after you
Be kind to yourself. Give yourself "me time" in which you can choose what you want to do: Rest; do nothing; try a relaxation technique, massage or yoga; have a long hot bath; spend time with friends; treat yourself to something special. Taking proper breaks and eating well do help to combat stress.

13.2. Confronting the problem

Try to stand back and look at the problem carefully. Break it down into manageable parts. Talk it through with someone else, brainstorm solutions, or get help if you need it. Try to manage your time effectively and learn to say "NO". Avoidance won't make the problem go away and can often make it worse. Leaving everything to the last minute is a major source of stress for students. Think about why you are finding it hard to get started: uncertainty about how to do the assignment, fear of being judged or failing? Starting a piece of work effectively reduces stress levels as it frees your mind, putting the thoughts of failure back into perspective. If you've had a row or a misunderstanding with someone, it rarely helps to avoid the issue. Talking it through with the other person or with someone outside the situation, often helps you express your feelings, regain a sense of proportion, and identify a way of resolving the differences.

13.3. Find some distractions

Sport and physical activity helps you to relax physically and also releases endorphins in the body which produce a real feeling of well-being. Walk, cycle, swim, and join a gym or a sports team. Joining a club or society, maintaining an existing hobby or learning something new, talking to other people... can all help you to take a mental and physical break.

13.4. Express yourself

Talk about it, write about it, shout or moan about it: expressing your feelings can help to relieve stress. Acknowledging a problem to you and to others can be the first step in dealing with it. Sometimes having a good cry or bashing a pillow can release emotional pressure and calm your feelings of anxiety.

13.5. Tackling anxiety

Anxiety is a normal response to danger or stress: it prepares us for coping with stress. Anxiety is only a problem when it is out of proportion to a situation or goes on for too long. Then our thoughts may become muddled and we may experience physical symptoms such as rapid breathing, racing heart, sweaty palms, and tense muscles. Anxiety can lead to panic attacks. Learn how to breathe efficiently and practice it in order to prevent over breathing (too much oxygen in the blood). This causes a series of unpleasant physical symptoms i.e. tingling hands and face, muscle cramps and tremors, dizziness, breathing difficulties and feelings of fatigue. These sensations can be controlled by breathing slowly and smoothly through the nose, filling the lungs completely.

13.6. Breathing exercise

Place one hand on your chest and one on your stomach. As you breathe in through your nose allow your stomach to swell. This means that you are using the diaphragm to breathe in and allowing air right down into your lungs. Try to keep the movement in your upper chest to a minimum and keep the movement gentle. Slowly and evenly breathe out through your nose. Repeat and get a rhythm going . You are aiming to take 8-12 breaths a minute: breathing in and breathing out again counts as one breath. Practice until it becomes a habit and switch to regular breathing when you next become anxious. Learn

how to really relax and develop a skill which will enable you to reduce unnecessary physical tension whenever you need to. Information sheets and relaxation tapes are available from the Medical Centre. Learn how to combat worrying thoughts because worrying thoughts keep the anxiety going then the symptoms of anxiety maintains the worrying thoughts. Try simple distraction techniques such as physical exercise or refocusing your mind by concentrating hard on one thing to absorb all your attention.

13.7. Panic Attacks
A panic attack is the body's natural "fight or flight" reaction to a sudden threat. If there is no real external threat, the adrenaline pumping around the body is experienced as a panic attack: the heart beats fast and hard, we may sweat, feel faint or nauseous. All these symptoms can be very frightening. If you experience a panic attack, it is important to remind yourself that none of these feelings can harm you - you are not going to have a heart attack, faint, or be sick. Although you may feel very strange, no-one else is likely to notice anything wrong. Try to deepen your breathing and relax. Distract yourself by thinking about something else or focusing on an item in the room. Block any panicky or worrying thoughts. As you manage the panic in this way, your brain and body begins to recognize that there is no real danger, the supply of adrenaline to the blood is cut off, and the symptoms will subside. Follow the breathing exercises above to help you manage your panic attack.

13.8. Workplace Stress
This is the time of year when we all may feel a little more stress due to the demands of the holidays. Unfortunately, stress at work can be a year-round issue further exacerbated during these months.

Work organization and job stress are topics of growing concern in the occupational safety and health field and at NIOSH. The expressions "work organization" or "organization of work" refer to the nature of the work process (the way jobs are designed and performed) and to the organizational practices (e.g., management and production methods and accompanying human resource policies) that influence the design of jobs.

Job stress results when there is a poor match between job demands and the capabilities, resources, or needs of workers. Stress-related disorders encompass a broad array of conditions, including psychological disorders (e.g., depression, anxiety, post-traumatic stress disorder) and other types of emotional strain (e.g., dissatisfaction, fatigue, tension), maladaptive behaviors (e.g., aggression, substance abuse), and cognitive impairment (e.g., concentration and memory problems). In turn, these conditions may lead to poor work performance or even injury. Job stress is also associated with various biological reactions that may lead ultimately to compromised health, such as cardiovascular disease.

Stress is a prevalent and costly problem in today's workplace. About one-third of workers report high levels of stress, and high levels of stress are associated with substantial increases in health service utilization. Additionally, periods of disability due to job stress tend to be much longer than disability periods for other occupational injuries and

illnesses. Evidence also suggests that stress is the major cause of turnover in organizations.

Attention to stress at work has intensified in the wake of sweeping changes in the organization of work. Organizational downsizing and restructuring, dependence on temporary and contractor-supplied labor, and adoption of lean production practices are examples of recent trends that may adversely influence aspects of job design (e.g., work schedules, work load demands, job security) that are associated with the risk of job stress.

There is also growing appreciation that work organization can have broader implications for the safety and health of workers—not just for stress-related outcomes. For example, long hours of work may increase exposures to chemical and physical hazards in the workplace, or night shifts may expose workers to heightened risk of violence.

14. Managing Personal Stress

i. Self help
- If you are feeling under pressure, acknowledge it and try to identify the causes.
- Talk to colleagues, friends or family about how you are feeling. They may be able to give you a different perspective on how to tackle your problems
- Seek professional help if you feel out of control
- Manage your time effectively. Try to prioritize work. Make time to think about this.
- Be assertive and learn to say no if you cannot cope.
- Take advantage of training opportunities to extend your knowledge and skills for personal and professional development
- Take a proper break at lunchtime.
- Learn to delegate. Try not to control every aspect of work processes. This can be stressful to both you and other work colleagues
- Celebrate your successes
- Take care of your physical health. Exercise even for half an hour each day can have significant benefits to both physical and mental health. You do not have to join a gym. Walking, cycling or swimming is all very effective and convenient ways of taking regular exercise.
- Avoid depending on caffeine, alcohol, cigarettes or other stimulants to get you through the day. They can often make stress symptoms much worse.
- Enjoy your time away from work. Make time for activities you enjoy and which you find relaxing. Plan regular treats to give yourself something to look forward to.

ii. Sources of support at work
- If you are experiencing stress or a mental health problem you should consider discussing the matter with your manager or Human Resources.

- If the problem is work related or exacerbated by work you have a legal obligation to declare the problem to your line manager or to a member of the human resources team.
- There may be circumstances when you may prefer to seek confidential advice before following a more formal route.
- The Staff Counseling Service offers a free and confidential support. Alternatively the Occupational Health nurse is able to advise on strategies for combating work related stress.
- Trade Unions are able to offer support advice and information on work related stress.
- If the problem is related to harassment, the Organization has a number of harassment advisers who can offer confidential support and advice if you do not feel able to discuss the matter with your manager or the Human Resources Department.

15. Employee Assistance Programs (EAPs)

EAR refers to employee benefit programs offered by many employers, typically in conjunction with a health insurance plan. EAPs are intended to help employees deal with personal problems that might adversely impact their work performance, health, and well-being. EAPs generally include assessment, short-term counseling and referral services for employees and their household members.

Note: For details study unit 7 of allied materials please.

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Unit–8

EMPLOYEE MOTIVATIONS

1.   Introduction

People in organizations typically spend over 75% of their time in an interpersonal situation; thus it is no surprise to find out the root of problem of a large number of organizational is poor communications. Effective communication is an essential component of organizational success whether it is at the interpersonal; inter group, intra group, organizational, or external levels.

In this Unit we will cover the basic process of communication and then we will cover some of the most difficult communication issues managers face-providing constructive and effective feedback and performance appraisal.

2.   Objectives

After going through this unit you will be able to:
i.   Understand the different types of communication process
ii.   Identify barriers to effective communication and suggest steps to overcome these problems
iii.   Understand the concept of different types of control
iv.   Designing effective control systems for effective communication

3.   Communication Process

Although all of us have been communicating with others since our infancy, the process of transmitting information from an individual (or group) to another is a very complex process with many sources of potential error.

Consider the simple example:

*   Terry: "I won't make it to work again tomorrow; this pregnancy keeps me nauseous and my doctor says I should probably be reduced to part time.
*   Boss: Terry, this is the third day you've missed and your appointments keep backing up; we have to cover for you and this is messing all of us up.

In any communication at least some of the "meaning" lost in simple transmission of a message from the sender to the receiver. In many situations a lot of the true message is lost and the message that is heard is often far different than the one intended. This is most obvious in cross-cultural situations where language is an issue. But it is also common among people of the same culture.

Look at the example. Terry has what appears to be a simple message to convey-she won't make it to work today because of nausea. But she had to translate the thoughts into words and this is the first potential source of error. Was she just trying to convey that she would be late; was she trying to convey anything else. She was upset because she perceived that her co-workers weren't as sympathetic to her situation as they should be. Her co-workers, however, were really being pressured by Terry's continued absences, and her late calls. They wished she would just take a leave of absence, but Terry refuses because she would have to take it without pay.

Thus what appears to be a simple communication in reality is quite complex. Terry is communicating far more than that she would miss work; she is conveying a number of complex emotions, complicated by her own complex feelings about pregnancy, work, and her future.

She sent a message but the message is more than the words; it includes the tone, the timing of the call, and the way she expressed herself.

Similarly, the boss goes through a complex communication process in "hearing" the message. The message that Terry sent had to be decoded and given meaning. There are many ways to decode the simple message that Terry gave and the way the message is heard will influence the response to Terry.

In this case the boss heard far more than a simple message that Terry won't be at work today. The boss "heard" hostility from Terry, indifference, lack of consideration, among other emotions. Terry may not have meant this, but this is what the boss heard.

Communications is so difficult because at each step in the process there major potential for error. By the time a message gets from a sender to a receiver there are four basic places where transmission errors can take place and at each place, there are a multitude of potential sources of error. Thus it is no surprise that social psychologists estimate that there is usually a 40-60% loss of meaning in the transmission of messages from sender to receiver.

It is critical to understand this process, understand and be aware of the potential sources of errors and constantly counteract these tendencies by making a conscientious effort to make sure there is a minimal loss of meaning in your conversation.

It is also very important to understand that a majoring of communication is non-verbal. This means that when we attribute meaning to what someone else is saying, the verbal part of the message actually means less than the non-verbal part. The non-verbal part includes such things as body language and tone.

4. Barriers to Effective Communication

There are a wide number of sources of noise or interference that can enter into the communication process. This can occur when people now each other very well and should understand the sources of error. In a work setting, it is even more common since interactions involve people who not only don't have years of experience with each other, but communication is complicated by the complex and often conflicted relationships that exist at work. In a work setting, the following suggests a number of sources of noise:

- Language: The choice of words or language in which a sender encodes a message will influence the quality of communication. Because language is a symbolic representation of a phenomenon, room for interpretation and distortion of the meaning exists. In the above example, the Boss uses language (this is the third day you've missed) that is likely to convey far more than objective information. To Terry it conveys indifference to her medical problems. Note that the same words

will be interpreted different by each different person. Meaning has to be given to words and many factors affect how an individual will attribute meaning to particular words. It is important to note that no two people will attribute the exact same meaning to the same words.

- defensiveness, distorted perceptions, guilt, project, transference, distortions from the past
- misreading of body language, tone and other non-verbal forms of communication (see section below)
- noisy transmission (unreliable messages, inconsistency)
- receiver distortion: selective hearing, ignoring non-verbal cues
- power struggles
- self-fulfilling assumptions
- language-different levels of meaning
- managers hesitation to be candid
- assumptions -e.g. assuming others to see situation same as you feel
- distrusted source, erroneous translation, value judgment, state of mind of two people
- Perceptual Biases: People attend to stimuli in the environment in very different ways. We each have shortcuts that we use to organize data. Invariably, these shortcuts introduce some biases into communication. Some of these shortcuts include stereotyping, projection, and self-fulfilling prophecies. Stereotyping is one of the most common. This is when we assume that the other person has certain characteristics based on the group to which they belong without validating that they in fact have these characteristics.
- Interpersonal Relationships: How we perceive communication is affected by the past experience with the individual. Perception is also affected by the organizational relationship two people have. For example, communication from a superior may be perceived differently than that from a subordinate or peer
- Cultural Differences: Effective communication requires deciphering the basic values, motives, aspirations, and assumptions that operate across geographical lines. Given some dramatic differences across cultures in approaches to such areas as time, space, and privacy, the opportunities for miscommunication while we are in cross-cultural situations are plentiful.

5. Reading Nonverbal Communication Cues

A large percentage (studies suggest over 90%) of the meaning we derive from communication, we derive from the non-verbal cues that the other person gives. Often a person says one thing but communicates something totally different through vocal intonation and body language. These mixed signals force the receiver to choose between the verbal and nonverbal parts of the message. Most often, the receiver chooses the nonverbal aspects. Mixed messages create tension and distrust because the receiver senses that the communicator is hiding something or is being less than candid.

Nonverbal communication is made up of the following parts:
1.   Visual
2.   Tactile
3.   Vocal
4.   Use of time, space, and image

5.1.   Visual

This often called body language and includes facial expression, eye movement, posture, and gestures. The face is the biggest part of this. All of us "read" people's faces for ways to interpret what they say and feel. This fact becomes very apparent when we deal with someone with dark sunglasses. Of course we can easily misread these cues especially when communicating across cultures where gestures can mean something very different in another culture. For example, in American culture agreement might be indicated by the head going up and down while in Iran showing this gesture mean negative.

We also look to posture to provide cues about the communicator; posture can indicate self-confidence, aggressiveness, fear, guilt, or anxiety. Similarly, we look at gestures such as how we hold our hands, or a handshake. Many gestures are culture bound and susceptible to misinterpretation.

5.2.   Tactile

This involves the use of touch to impart meaning as in a handshake, a pat on the back, an arm around the shoulder, a kiss, or a hug.

5.3   Vocal

The meaning of words can be altered significantly by changing the intonation of one's voice. Think of how many ways you can say "no"-you could express mild doubt, terror, amazement, anger among other emotions. Vocal meanings vary across cultures. Intonation in one culture can mean support; another anger

6.   Nonverbal Communication

The use of gestures, movements, material things, time, and space can clarify or confuse the meaning of verbal communication. In the above example, factors such as Terry's tone, the time of Terry's call, will probably play a greater role in how the message is interpreted than the actual words themselves. Similarly the tone of the boss will probably have a greater impact on how his message is interpreted than the actual words.

A "majority" of the meaning we attribute comes not from the words themselves, but from nonverbal factors such as gestures, facial expressions, tone, body language, etc. Nonverbal cues can play five roles:

1.   Repetition: they can repeat the message the person is making verbally
2.   Contradiction: they can contradict a message the individual is trying to convey.
3.   Substitution: they can substitute for a verbal message. For example, a person's eyes can often convey a far more vivid message than words and often do.

4. Complementing: they may add to or complement a verbal message. A boss who pats a person on the back in addition to giving praise can increase the impact of the message.
5. Accenting: non-verbal communication may accept or underline a verbal message. Pounding the table, e.g. can underline a message.

Skillful communicators understand the importance of nonverbal communication and use it to increase their effectiveness, as well as use it to understand more clearly what someone else is really saying.

7.   Communication Success Tips:
Following tips will assist in successful communication:

7.1   Listen to Understand
These leadership and management tips will help you create a profitable business and develop the talented workforce you need for progress, resiliency and agility. This leadership and management tip about communication will speed up your progress and profitability.

In an attempt to be rational and egalitarian, bureaucracies attempt to come up with a set of abstract impersonal rules to cover all possible events. Crozier gives the example of the competitive examinations, which mean that one of the examinations are passed, promotion become simply a matter of seniority and avoiding damaging conflicts. The result, he argues, is that hierarchical relationships decline in importance or disappear completely which means that higher level in the bureaucracy have effectively lost the power to govern the lower levels.

8.   Controlling
Controlling is a four-step process of establishing performance standards based on the firm's objectives, measuring and reporting actual performance, comparing the two, and taking corrective or preventive action as necessary.

Performance standards come from the planning function. No matter how difficult, standards should be established for every important task. Although the temptation may be great, lowering standards to what has been attained is not a solution to performance problems. On the other hand, a manager does need to lower standards when they are found to be unattainable due to resource limitations and factors external to the business.

Corrective action is necessary when performance is below standards. If performance is anticipated to be below standards, preventive action must be taken to ensure that the problem does not reoccur. If performance is greater than or equal to standards, it is useful to reinforce behaviors that led to the acceptable performance.

9.   Bureaucratic Control
Bureaucratic control is the use of rules, policies, and hierarchy of authority, written documentation, reward systems, and other formal mechanisms to influence employee

behavior and assess performance. Bureaucratic control can be used when behavior can be controlled with market or price mechanisms.

Control through a system of rules and standard operating procedures (SOPs) that shape the behavior of divisions, functions, and individuals.

o   Rules and SOPs tell the worker what to do.
o   Standardized actions so outcomes are predictable.
o   Still need output control to correct mistakes.

10.   Problems of Bureaucratic Control:
o   Rules easier to make than delete. Leads to red tape.
o   Firm can become too standardized and not flexible.
o   Best used for routine problems.

11.   Characteristics of the Control Process
The control process is cyclical which means it is never finished. Controlling leads to identification of new problems that in turn need to be addressed through establishment of performance standards, measuring performance etc.

Employees often view controlling negatively. By its very nature, controlling often leads to management expecting employee behavior to change. No matter how positive the changes may be for the organization, employees may still view them negatively.

Control is both anticipatory and retrospective. The process anticipates problems and takes preventive action. With corrective action, the process also follows up on problems.

Ideally, each person in the business views control as his or her responsibility. The organizational culture should prevent a person walking away from a small, easily solvable problem because "that isn't my responsibility." In customer driven businesses, each employee cares about each customer. In quality driven dairy farms, for example, each employee cares about the welfare of each animal and the wear and tear on each piece of equipment.

Controlling is related to each of the other functions of management. Controlling builds on planning, organizing and leading.

12.   Management Control Strategies
Managers can use one or a combination of three control strategies or styles: market, bureaucracy and clan. Each serves a different purpose. External forces make up market control. Without external forces to bring about needed control, managers can turn to internal bureaucratic or clan control. The first relies primarily on budgets and rules. The second relies on employees wanting to satisfy their social needs through feeling a valued part of the business.

Self-control, sometimes called adhocracy control is complementary to market, bureaucratic and clan control. By training and encouraging individuals to take initiative in addressing problems

on their own, there can be a resulting sense of individual empowerment. This empowerment plays out as self-control. The self-control then benefits the organization and increases the sense of worth to the business in the individual.

13.   Designing Effective Control Systems
Effective control systems have the following characteristics:

1.   Control at all levels in the business
2.   Acceptability to those who will enforce decisions
3.   Flexibility
4.   Accuracy
5.   Timeliness
6.   Cost effectiveness
7.   Understandability
8.   Balance between objectivity and subjectivity
9.   Coordinated with planning, organizing and leading

14.   Dysfunctional Consequences of Control
Managers expect people in an organization to change their behavior in response to control. However, employee resistance can easily make control efforts dysfunctional. The following behaviors demonstrate means by which the manager's control efforts can be frustrated:
1.   Game playing control is something to be beaten, a game between the "boss and me and I want to win."
2.   Resisting control a "blue flu" reaction to too much control
3.   Providing inaccurate information --> a lack of understanding of why the information is needed and important leading to "you want numbers, we will give you numbers."
4.   Following rules to the letter people following dumb and unprofitable rules in reaction to "do as I say."
5.   Sabotaging, stealing, discrediting other workers, chasing customers away, gossiping about the firm to people in the community
6.   Playing one manager off against another exploiting lack of communication among managers, asking a second manager if don't like the answer from the first manager.

15.   Types of Control
Management can implement controls before an activity commences, while the activity is going on, or after the activity has been completed. The three respective types of control based on timing are feed forward, concurrent, and feedback.

15.1. Feed forward Control
Feed forward control focuses on the regulation of inputs (human, material, and financial resources that flow into the organization) to ensure that they meet the standards necessary for the transformation process.

Feed forward controls are desirable because they allow management to prevent problems rather than having to cure them later. Unfortunately, these controls require timely and

accurate information that is often difficult to develop. Feed forward control also is sometimes called preliminary control, pre-control, preventive control, or steering control.

However, some authors use term "steering control" as separate types of control. These types of controls are designed to detect deviation some standard or goal to allow correction to be made before a particular sequence of actions is completed.

15.2. Concurrent Control
Concurrent control takes place while an activity is in progress. It involves the regulation of ongoing activities that are part of transformation process to ensure that they conform to the organizational standards. Concurrent control is designed to ensure that employee work activities produce the correct results.

Since concurrent control involves regulating ongoing tasks, it requires a thorough understanding of the specific tasks involved and their relationship to the desired and product.

Concurrent control sometimes is called screening or yes-no control, because it often involves checkpoints at which determinations are made about whether to continue progress, take corrective action, or stop work altogether on products or services.

15.3. Feedback Control
This type of control focuses on the outputs of the organization after transformation is complete. Sometimes called post action or output control, fulfils a number of important functions. For one thing, it often is used when feed forward and concurrent controls are not feasible or are too costly.

Sometimes, feedback is the only viable type of control available. Moreover, feedback has two advantages over feed forward and concurrent control. First, feedback provides managers with meaningful information on how effective its planning effort was. If feedback indicates little variance between standard and actual performance, this is evidence that planning was generally on target.

If the deviation is great, a manager can use this information when formulating new plans to make them more effective. Second, feedback control can enhance employee's motivation.

The major drawback of this type of control is that, the time the manager has the information and if there is significant problem the damage is already done. But for many activities, feedback control fulfils number important functions.

15.4. Multiple Controls
Feed forward, concurrent, and feedback control methods are not mutually exclusive. Rather, they usually are combined into a multiple control systems. Managers design control systems to define standards of performance and acquire information feedback at strategic control points.

15.5. Strategic Control Points are those activities that are especially important for achieving strategic objectives. When organizations do not have multiple control systems that focus on strategic control points, they often can experience difficulties that cause managers to re-evaluate their control processes.

15.6. Clan Control
Clan control represents cultural values almost the opposite of bureaucratic control. Clan control relies on values, beliefs, corporate culture, shared norms, and informal relationships to regulate employee behaviors and facilitate the reaching of organizational goals.

Organizations that use clan control require trust among their employees. Given minimal direction and standards, employees are assumed to perform well - indeed, they participate in setting standards and designing the control systems.

16.   The Primary Types of Organizational Control
There are three primary types of organizational control: strategic control, management control, and operational control.

16.1. Strategic Control, the process of evaluating strategy, is practiced both after the strategy is formulated and after it is implemented.

16.2. Management Control focuses on the accomplishment of the objectives of the various sub strategies comprising the master strategy and the accomplishment of the objectives of the intermediate plans (for example, "are quality control objectives being met?").

16.3. Operational Control is concerned individual and group performance as compared with the individual and group role prescriptions required by organizational plans (for example, "are individual sales quotes being met?").

Each of these types of control is not a separate and distinct entity and in fact may be indistinguishable from others. Moreover, similar measurement techniques may be used for each type of control.

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Unit–9

INTERNATIONAL HUMAN RESOURCES MANAGEMENT

1.   Introduction

International Human Resource Management explores both comparative and international HRM, discussing leading practices and the controversies that surround them. Developed from the authors' extensive experience in the field, it presents a comprehensive treatment of the subject from a truly global perspective, including material from the Pacific Rim, China and India. Units are grounded in academic research and include case studies, activities and a range of other features to test and reinforce students' understanding. International Human Resource Management is a critically engaging yet student-friendly text, ideal for use as a core text on modules in International Human Resource Management, whether undergraduate or postgraduate. It is also suitable for the CIPD's International Personnel and Development Module and for international students studying HRM. Coverage has been expanded in this new edition to closely match most comparative modules and the book's pedagogy improved for ease of use. 'I am amazed how much is contained in such a relatively small book. Apart from reading the IHRM journal and seeking out original sources a student would be able to get a very good overview as well as an in-depth perspective on IHRM. I would say that this critically engaging book is the best in its field.' Dr David Vickers, Lancashire Business School, University of Central Lancashire, UK

A philosophy of people management is based on the belief that human resources are uniquely important in sustained business success. An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. HRM is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies.

2.   Objectives

After going through this unit you will be able to:

i.   Analyze the approaches to international human resource management reforms
ii.   Compare and contrast human resource development in the Asia Pacific: issues, challenges and responses
iii.   Differentiate among different Maps and Models of HRM

3.   Approaches to Human Resource Management Reforms

The introduction of New Public Management in the public services of many countries brought with it not only changes in epistemology but new methods and techniques for managing resources. With the advent of New Public Management, for instance, techniques such as contracting out, divestment and the desegregation of the public services into separate self contained units were employed by many governments to increase output and reduce cost in the public sector. However, it was also recognized that another resource, namely how employees are managed, needed to be reformed as well. This concern for proper management of human resources was implicit in one of the primary tenets of New Public Management, which stressed that managers should be "free to manage. This "freedom to manage" principle involved more than changes in the process of decision-making. Indeed, it led to a radical attempt on the part of various states to replace the former systems of personnel administration with the "new" private sector

system of human resource management. This article examines the attempts to reform human resource management systems in the public services of two of the larger countries in the Commonwealth Caribbean—Jamaica, Trinidad and Tobago. It argues that although these two countries share a remarkable commonality in terms of historical backgrounds, political and economic developments, the human resource systems that were introduced under the wider ambit of administrative reform varied. Moreover, it was evident that Jamaica was far more successful in the actual implementation of human resource systems than Trinidad and Tobago. What is even more striking is the fact that reformers in both countries took only what they wanted from the reform package and in some cases amended them in the light of factors such as ethnicity, political culture, party dominance, or levels of economic development.

This article examines the attempts made in the public services of Jamaica, Trinidad and Tobago to replace the traditional systems of personnel administration with new systems of human resource management. The article argues that even in countries that share a number of basic underlying values and traditions and where political and administrative institutions are similar, the kind of systems or mechanisms that may be implemented may vary due to factors such as ethnicity, political culture, party dominance or level of economic development. The article accordingly offers explanations for the different application of human resource management systems in Jamaica, Trinidad and Tobago.

Both Jamaica and the twin Island State of Trinidad and Tobago were formerly under British rule, or what were commonly referred to as Crown Colonies. The legacy left by the departing colonials was found not only in the political system, the Westminster Whitehall model, but was also duplicated in the administrative systems and institutions as well. Indeed, one of the lasting legacies of Colonial Administration was the Public Service Commission that had been introduced in the Caribbean in the 1950s, and today is still the most important institution with responsibility for the management of employees in the wider public services.

In both countries, the critical impetus for reform was to a large extent due to external pressures. Indeed, as another study pointed out, comprehensive reform of the public services was not internally driven but rather was one of the conditions imposed by the international lending agencies, the World Bank and the International Monetary Fund. La Guerre also noted that while structural adjustment conditions involved economic reform, it also included reform of the public services as well. The reforms in both countries were comprehensive and included budgetary, financial, structural, legislative, and relational reforms. The attempt to redefine the responsibilities of the various actors accordingly called for changes in the personnel systems as well.

It should be noted, though, that these reforms were not confined to the Commonwealth Caribbean. As the 1990 report of the Organization for Economic Cooperation and Development demonstrated countries all over the world were also engaged in similar exercises. One reason for this "global revolution" as it was termed by Osborne and Gaebler was largely due to fiscal stresses brought about by changes in the international

economic system. Kaul has also suggested that the collapse of the centrally planned economic systems not only led to a rethinking of the economic implications of managing a big bureaucracy but it underscored the poor performance of government services worldwide. These factors, no doubt, set the pace for the introduction of New Public Management, which not only stressed parsimony in resource use, but also competition and privatization as part of its policies.

However, while many countries introduced central tenets or some of the underlying philosophies of New Public Management, it was not evenly adopted. Hood, in a more recent article, contends that most writers have identified a set of dimensions of change. For instance, he suggested that there have been variations in the degree of hands-on management; in the degree to which public organizations operate with explicit and measurable standards of performance; in the degree to which public organizations were controlled by output measures; in the degree to which organizations were disaggregated; and in the degree to which public sector management stressed discipline and parsimony in resource use. Indeed, the conclusion that can be drawn from Hood's article was that no one tenet or principle of New Public Management has been consistently applied in any two countries.

These seven dimensions, on which countries varied, however, provided Hood with a point of entry for looking at cross-national variations in public management reform in OECD countries. He accordingly advanced a number of explanations such as what he termed "English awfulness," party politics, past or economic management performance, size of government, and "other factors" including the role of the core public sector and the degree to which there was a stress on collectivism as opposed to individualism. While no doubt, the explanations by Hood and also the methodological issues raised by Peters are useful for investigating variations across a spectrum, it is suggested in this article that these issues do not sufficiently explain variations that may occur in countries with similar backgrounds and institutions. Indeed, then, as this article suggests, while investigations at the macro-level may provide a broad measure of analysis, it may also be useful to investigate variations from a micro-level as well, including factors such as ethnicity and culture.

4.   From Personnel Administration to Human Resource Management
Public services globally are characterized by day-to-day interactions, activities, and exchanges in which the roles of the employer and the employee are defined. Each public service has a number of common elements, for example, they are governed by rules and regulations, civil service employment and tenure, rules of appointment other than direct election, and each public service organization is arranged in a centralized, hierarchical fashion.

There were a number of advantages to be derived from this kind of arrangement, including the prevention of mismanagement, the focus on controlling input, the prevention of patronage, and the concern with providing equitable services. Yet, recently, the public services have been criticized for being counterproductively, functional, composed of slothful, inefficient and wasteful paper pushers and overshadowed by a general sense that "something is not right. It has also been suggested that the public services of many countries are too large and are counterproductive.

Because of concerns and criticisms about the structure and the performance of the systems by which public services were delivered, many countries embarked on comprehensive reform of their public services. Possibly dictated by economic considerations, many countries, including those in the Commonwealth Caribbean, embraced the principles offered by the new discipline--New Public Management. However, these principles were often in opposition to the operational procedures that were in place. For instance, one of the central features of the New Management was that managers should be free to manage. This of course would have a number of implications for the way decisions and particularly policies, were to be formulated. The introduction of New Public Management also meant the demise of a monolithic public service, but more significantly it meant that the public service could no longer be used by the state as an employment agency. More than this, though, New Public Management meant that the state was retreating from its former welfare position to that of a facilitator.

Because delivery of public services was now to be more "competitive," it was believed that the public service, or what remained of it, would now be more competitive and more market oriented. The mechanism to achieve what the private sector so fondly referred to as the "cutting edge" was simple--employ techniques that were successfully applied in the private sector. One major area of change, for example, was the way by which employees were managed in the public service.

In Britain, and in many of the ex-colonial societies such as New Zealand and Australia, the Service Commissions have been transformed into Executive Agencies with responsibility for formulating and monitoring human resource policies. Kaul suggested that the establishment of Executive Agencies in the UK allowed for a clear delineation between the functions of policy formulation and policy implementation. In this way, he observed, areas of relative freedom from bureaucratic constraint had been created in which a more business-like climate could be maintained.[31] In these countries, also, many areas involved in the delivery of public service were contracted out. Within this "contracted" public service, there were various attempts to introduce new and what are perceived to be more and efficient systems of management including new methods of recruitment, promotion, personnel evaluation, training, and development. In addition, because there was a new emphasis on delivery by way of contracting out and a re-focusing on the customer, many governments also embarked on the introduction of regulatory frameworks. Increasingly, many governments also attempted to re-structure the control and co-ordination agencies at the centre of their public services to provide smaller, simplified and more effective management units. These units were expected to represent the collective interests of government to coordinate the increasingly autonomous ministries, agencies and departments; and to meet the corporate requirements for more collective consultation on policy issues and setting of common management standards. While the goals to be achieved in the Caribbean were similar to those of more developed countries such as the UK and the US, it was clear that while some new systems and methods were being introduced, others were not. Indeed, there were variations in the systems that were adopted in Jamaica, Trinidad and Tobago. Thus,

some items in the reform package were selected while others were rejected. In some cases there were modifications of the original reform measure to suit the local needs.

5. Human Resource Development in the Asia Pacific: Issues, Challenges and Responses

The Asia Pacific region is easily the next growth pole as it contains dynamic economies like China, those in the newly industrializing economies (NIEs), the Association of South East Asian Nations (ASEAN) and some major countries in the Organisation of Economic Cooperation and Development (OECD) bordering the Pacific coast. Some of these economies are members of the Pacific Economic Cooperation Council (PECC), a tripartite organization involving government, business and academic representatives; the Pacific Basin Economic Council (PBEC) representing business interests as well as the Asia Pacific Economic Cooperation (APEC), a governmental body, but all dedicated to economic cooperation.

This paper aims to provide an overview and analysis of the human resource development (HRD) dimensions of this growth area in terms of HRD policies and outlook as well as all important phenomenon of human resource movement (HRM) which inevitably accompanies economic growth and development. Both HRD and HJM are spurred by direct foreign investment (DFI) flows which criss-cross the Asia Pacific region, as much pulled by Asian dynamism as pushed by recessions in major Anglo-Saxon economies.[2] Among the issues and challenges, we will highlight in particular the movement of high-level manpower (Ong, Cheng & Evans, 1991) in contrast to low-level manpower as the level of development and industrialization in many Asia Pacific countries becomes more complex and sophisticated.[3] We will also consider other challenges to HRD and HRM posed by the changing business environment due to regional integration and globalization of production.

Following this introduction, Section 2 will draw some important caveats and special considerations to be noted. It is crucial that we highlight these limitations at the beginning because any paper spanning the Asia Pacific in general, and on labour and capital flows in particular, is a tremendous challenge. Section 3 provides the main trends and characteristics of development in the Asia Pacific region and some broad human resource profiles. The issues related to DFI-induced high- level manpower movement are then discussed in Section 4. The last section summarizes the conclusions and highlights possible policy implications related to HRD and HRM.

6. Broad Development Indicators in Asia Pacific

6.1. Macro Socio-Economic Trends

The basic indicators of development in the PECC region reflects the variation in the size, structure and relative stages of development of the member countries noted in the caveats above. Between 1980 and 1990, the Asian NIEs comprising Chinese Taipei, Hong Kong, Singapore and Korea, enjoyed higher growth in GNP per capita growth with fairly tolerable rates of growth of inflation compared to the industrial countries. On the next rung is China, followed by Indonesia, Thailand and Malaysia while the industrialized countries languish in growth terms, although they have absolutely higher levels of development.

Though the ASEAN and ANIEs in the Asian Pacific region show diverse productive structures, some convergent trends are observed as they adopt similar export-led (Klein, 1990, Gray, 1991) and foreign investment-led growth strategies. Taking the lead away from traditional industrial countries' sources, DFI from the NIEs is flowing rapidly into the ASEAN and other developing economies in the region. This replicates the growth synergy which traditionally radiated from the industrial countries to the developing ones. It means that the ANIEs are following in Japan's footsteps and have come of age in the Asia Pacific region. Accompanying capital flows inevitably are labour and technology, making HRD an appropriate conduit and mechanism for economic cooperation.

By the early 1990s, a decline in the relative importance of agricultural activities in the ASEAN region (excluding Brunei and Singapore), China and Korea was observed with a relative rise of industrial, especially manufacturing, activities. In the city states of Hong Kong and Singapore, agriculture as a share of GDP had virtually disappeared by 1991. Instead, reflecting their entrecote and urban economies, their service sectors approximate the relative shares of those in the industrial countries. These structural changes have repercussions on employment, sect oral and occupational labour movement as well as on the labour market's skill structure.

Thus, one can immediately appreciate problems of rural-urban migration as millions of Chinese peasants are causing a social upheaval by trying to get better jobs and standards of living in industrial areas. The same thing is happening, albeit to a lesser extent, in Indonesia, Malaysia and elsewhere in Asia Pacific both within and across national borders as the labour supply in one country tries to match the labour demand of another. Thousands of Malaysian crosses the causeway to work in Singapore and many more do so clandestinely and illegally.

> **For further details study pp.6-24 of unit 9 of allied materials.**

7.   Maps and Models of HRM
This section begins with a discussion of various approaches to HRM, including Keenoy's hologram comparison and Sisson's 4 main features of HRM models. A key concept is that of Hard and Soft HRM:

'Storey (1989) has distinguished between hard and soft forms of HRM, typified by the Michigan and Harvard models respectively. 'Hard' HRM focuses on the resource side of human resources. It emphasizes costs in the form of 'headcounts' and places control firmly in the hands of management. Their role is to manage numbers effectively, keeping the workforce closely matched with requirements in terms of both bodies and behaviour. 'Soft' HRM, on the other hand, stresses the 'human' aspects of HRM. Its concerns are with communication and motivation. People are led rather than managed. They are involved in determining and realizing strategic objectives.'

Activity 1. To answer this activity question you should be aware that a fundamental element of most rhetorical accounts of HRM is that one of the distinctive features of

human resource management (as opposed to personnel management) is that it is 'holistic'. In other words it is concerned with the 'big picture' and the way that different aspects of people management fit together.

Activity 2. Comparing the different typologies can be difficult because they do not use the same underlying logic. But does that mean that individual typologies are not of value?

Activity 3. Each of these commentators is a 'management guru' to some extent. They have been particularly influential in the USA in the last decade. Fitz-Enz is, perhaps, the least well-known but has been instrumental in developing the notion that HR initiatives and their results can (should?) be measured.

7.1.   A Harder Approach - People as Human Resources
A different view of HRM is associated with the Michigan Business School (Fombrun, Tichy and Devanna, 1984). There are many similarities with the Harvard 'map' but the Michigan model has a harder, less humanistic edge, holding that employees are resources in the same way as any other business resource. People have to be managed in a similar manner to equipment and raw materials. They must be obtained as cheaply as possible, used sparingly and developed and exploited as much as possible.

The Michigan model is also known as the 'matching model' or 'best-fit' approach to human resource management. In essence, it requires that human resource strategies have a tight fit to the overall strategies of the business. As such, it limits the role of HR to a reactive, organizational function and under-emphasizes the importance of societal and other external factors. For example, it is difficult to see how the current concern for work life balance could be integrated into this model.

Fombrun *et al* identified four common HR processes performed in every organization:

- **Selection**: matching people to jobs
- **Appraisal** of performance
- **Rewards**: emphasizing the real importance of pay and other forms of compensation in achieving results
- **Development** of skilled individuals

These processes are linked in a human resource cycle.

The matching model has attracted criticism. At a conceptual level, it is seen to depend on a rational, mechanical form of organizational decision-making. In reality, strategies are often determined and operational on a more intuitive, political and subjective level. Certainly, the decision-making is more complex than the model allows. It is also both prescriptive and normative, implying that the fit to business strategy should determine HR strategy.

Randall Schuler and colleagues subsequently presented a more complex version of the matching model that took into account significant wider factors such as technology,

organizational structure and size, unionization and industry sector. These accounts were heavily influenced by <u>Michael Porter</u>'s writing on business strategy.

See pages 45-46 of *Human Resource Management in a Business Context* 2/e for more

7.2. Guest's Model of HRM

David Guest's (1989, 1997) model of HRM has 6 dimensions of analysis:

- HRM strategy
- HRM practices
- HRM outcomes
- Behaviour outcomes
- Performance outcomes
- Financial outcomes

The model is prescriptive in the sense that it is based on the assumption that HRM is distinctively different from traditional personnel management (rooted in strategic management, etc.).

It is idealistic, implicitly embodying the belief that fundamental elements of the HRM approach (essentially those of the Harvard map) such as commitment have a direct relationship with valued business consequences.

However, Guest has acknowledged that the concept of commitment is 'messy' and that the relationship between commitment and high performance is (or, perhaps, was - given the age of this material) difficult to establish. It also employs a 'flow' approach, seeing strategy underpinning practice, leading to a variety of desired outcomes.

Like its American predecessors, this UK model is unitarist (tying employee behaviour and commitment into the goals of strategic management) and lukewarm on the value of trade unions. The employee relationship is viewed as one between the individual and the organization.

7.3. The Harvard Map of HRM

A large part of this section is devoted to the Harvard 'map' of HRM. This is probably the most seminal model of HRM and has had a major influence on academic debate on the subject.

'We noted that the Harvard Business School generated one of the most influential models of HRM. The Harvard interpretation sees employees as resources. However, they are viewed as being fundamentally different from other resources – they cannot be managed in the same way. The stress is on people as *human* resources. The Harvard approach recognizes an element of mutuality in all businesses, a concept with parallels in Japanese people management, as we observed earlier. Employees are significant stakeholders in an organization. They have their own needs and concerns along with other groups such as shareholders and customers.'

The <u>Harvard Map</u> or model outlines four HR policy areas:

1. **Human Resource Flows** – recruitment, selection, placement, promotion, appraisal and assessment, promotion, termination, etc.
2. **Reward Systems** – pay systems, motivation, etc.
3. **Employee Influence** – delegated levels of authority, responsibility, power
4. **Work Systems** – definition/design of work and alignment of people.

Which in turn lead to the 'four C's' or HR policies that have to be achieved:

- Commitment
- Congruence
- Competence
- Cost effectiveness

7.4. Alternative HRM Models

The terminology used in academic human resource literature is problematic because some authors distinguish between '**the** HRM model' as distinct from 'the Personnel model' (e.g. Bratton and Gould, 1999: 17) while others identify a number of different HRM models (including Bratton and Gould, a paragraph later).

For the purposes of this discussion, we accept that there are numerous models and at least as many ways of classifying them - for example, 'hard and soft', 'normative and prescriptive'. Legge has produced a four-way classification, dividing models into the following types:

- Normative
- Descriptive-Functional
- Descriptive-Behavioural
- Critical Evaluative

Tyson, on the other hand, has a three-way breakdown: normative, descriptive and analytical. Unfortunately, even these terms have contested meanings so that the Harvard model, for example, can be viewed as analytical or prescriptive - or a mixture of both.

Taking our analysis to its most basic level, we can consider HRM models from two fundamental perspectives:

- What are the similarities between them?
- Conversely, how do they differ?

Bratton and Gould (1999: 17) argue that: "Many of the key elements of the HRM model are drawn from organizational behaviour theories, such as motivation, team building and leadership." They go on to cite Legge (1989) as a reference for the assertion that 'most normative HRM models, whether US or British, assert that the organization's 'human resources' are valued assets, not a variable cost, and emphasis the commitment of

employees as a source of competitive advantage.' They identify the classic theories of Maslow (1954) and Herzberg (1966) as being at the root of assumptions about the nature and exploitation of human potential while McGregor's Theory Y underpins notions of commitment and trust.

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