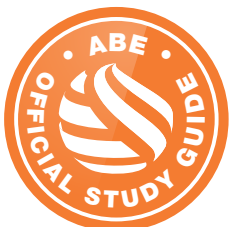


Your road to success

LEVEL 5 HUMAN RESOURCE MANAGEMENT



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ISBN: 978-1-911550-31-0

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First published in 2017 by ABE
5th Floor, CI Tower, St. Georges Square, New Malden, Surrey, KT3 4TE, UK
www.abeuk.com

All facts are correct at time of publication.

Author: Caroline Foster
Reviewer: Dr Stephen Littler

Editorial and project management by Haremi Ltd.
Typesetting by York Publishing Solutions Pvt. Ltd., INDIA

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Using your study guide

Welcome to the study guide for **L5 Human Resource Management**, designed to support those completing an ABE level 5 Diploma.

Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus).

Element of learning	Key capabilities
Element 1: Concept of HRM	<ul style="list-style-type: none">• Ability to discuss the key features of the HR function• Ability to identify the contribution of HR activities to business organisations• Ability to recognise how the HR function can be evaluated <i>Analysis, business performance, environmental analysis, internal analysis, HR practices</i>
Element 2: Application of HRM processes	<ul style="list-style-type: none">• Ability to identify the principles of developing HR policy and its operational impact <i>Policy development, HR strategy, organisational awareness, analysis, decision-making, HR operations</i>
Element 3: HRM procedures and practices	<ul style="list-style-type: none">• Ability to evaluate HR processes against relevant employment legislation and good practice <i>Communication, analysis, making reasoned judgements, application of theory, application of HR processes</i>
Element 4: Employment relationship	<ul style="list-style-type: none">• Ability to assess the role of employee relations practices in maintaining an employment relationship <i>Employment relationships, employee retention, analysis, role of social media</i>

This study guide follows the order of the syllabus, which is the basis for your studies. Each chapter starts by listing the syllabus learning outcomes covered and the assessment criteria.

L5 descriptor

Knowledge descriptor (the holder...)	Skills descriptor (the holder can...)
<ul style="list-style-type: none">• Has practical, theoretical or technological knowledge and understanding of a subject or field of work to find ways forward in broadly defined, complex contexts.• Can analyse interpret and evaluate relevant information, concepts and ideas. Is aware of the nature and scope of the area of study or work• Understands different perspectives, approaches or schools of thought and the reasoning behind them.	<ul style="list-style-type: none">• Determine, adapt and use appropriate methods cognitive and practical skills to address broadly defined, complex problems.• Use relevant research and development to inform actions. Evaluate actions, methods and results and their implications.

The study guide includes a number of features to enhance your studies:



'Over to you': activities for you to complete, using the space provided.



Case studies: realistic business scenarios to reinforce and test your understanding of what you have read.



'Revision on the go': use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.



'Need to know': key pieces of information that are highlighted in the text.



Examples: illustrating points made in the text to show how it works in practice.

Tables, graphs and charts: to bring data to life.

Reading lists: identifying resources for further study, including Emerald articles (which will be available in your online student resources).

Source/quotation information to cast further light on the subject from industry sources.

Highlighted words throughout denoting **glossary terms** located at the end of the study guide.

Note

Website addresses current as at October 2017.

Chapter 1

Concept of HRM

Introduction

It is the role of the Human Resources department to get the right people, in the right place, at the right time, with the right skills, at the right price. At each stage, **human resource management (HRM)** involves investing some value into the people via recruitment and selection of the right candidate, identifying and developing their knowledge and skills, and undertaking strategic activities such as workforce planning, developing employee engagement and **reward** strategies to add value to both employees and the organisation.

This chapter introduces you to the concept of HRM and its impact upon organisations. It will explore the concept of HRM in relation to the shift from traditional approaches to **personnel management** to HRM's emphasis on the relationship between the organisational strategies. It will also analyse the requirement for Human Resources (HR) departments to develop, implement and evaluate HR activities in response to internal and external factors to contribute to the organisation.

Learning outcome

On completing the chapter, you will be able to:

- 1 **Analyse the concept of human resource management (HRM) and its impact upon organisations**

Assessment criteria

- 1 **Analyse the concept of human resource management (HRM) and its impact upon organisations**
 - 1.1 Discuss the concept of HRM in relation to the traditional approach of personnel management
 - 1.2 Analyse the main HR activities involved within HRM
 - 1.3 Analyse the external and internal factors influencing HRM practice
 - 1.4 Evaluate the ways the HR function contributes to the organisation
 - 1.5 Discuss the ways in which the HR function can be evaluated

Level 5 Human Resource Management

Background

The term “human resource management (HRM)” is a relatively new term in management science and Human Resources (HR) practices, replacing personnel management, **employee relations** and industrial relations during the 1980s. The reason for its introduction was that both academics and **practitioners** were struggling to describe an emerging recognition from organisations that there was a need to properly manage their people as a resource.

“ Human resource management can be defined as a strategic, integrated and coherent approach to employment, development and well-being for the people working in organizations. ”

Armstrong and Taylor (2014)¹

During the 1980s and 1990s, the field of HRM began to develop. Personnel departments were renamed and job titles were changed. Although, to begin with, this could have been seen as a simple relabelling exercise, it went hand-in-hand with a growing sophistication and body of research which sought to enhance the credibility of the HR profession as a strategic force within organisations. Since the late 1990s, HR departments and professionals have incorporated organisation design and development into their work. However, HRM is not a pure science, and although there have been clear trends to further the understanding of methods and practices that can be used to improve organisational effectiveness and performance through people management, how this should be achieved is as much driven by philosophy as it is by evidence-based research.

What the emergence of HRM did represent was a fundamental shift away from a function which was purely administrative and focused on **employee wellbeing**, offering “tea and tissues”, to a function that seeks to have a seat at the boardroom table and aims to drive forward the organisation’s strategic agenda. This push toward becoming a strategic function does, however, come with a warning, with some argument regarding whether it is really a “new” and “distinctive” practice or whether it should instead be viewed as “old wine in new bottles” (Bratton and Gold, 2012).²

¹ Armstrong, M., and Taylor, S. (2014), *Armstrong’s Handbook of Human Resource Management Practice*. Kogan Page Publishers, p. 5

² Bratton, J., and Gold, J. (2012), *Human Resource Management: Theory and Practice*. 5th Edition. Palgrave Macmillan, p. 3

 OVER TO YOU

Activity 1: Hard to define

Using your own words, write a paragraph describing HRM to a colleague or friend.

1.1 The concept of HRM

It is important to understand that HRM is a multifaceted discipline. There are diverging philosophies within HRM, which make defining the concept difficult. Some practitioners will place an emphasis on the *human* in “Human Resources”, focusing on employee satisfaction, education, motivation, development and reward.

“ Human resource management (HRM) is a strategic approach to managing employment relations which emphasizes that leveraging people’s capabilities and commitment is critical to achieving sustainable competitive advantage or superior public services. This is accomplished through a distinctive set of integrated employment policies, programmes and practices, embedded in an organizational and societal context. ”

Bratton and Gold (2012)³

A different approach is putting the emphasis on the *resources* in “Human Resources”, with a focus on HR strategies which optimise **human capital (HC)** and take care of the relationship between the management of the organisation and the effective utilisation of resources.

“ Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques. ”

Storey (2007)⁴

³ Bratton, J., and Gold, J. (2012), *Human Resource Management: Theory and Practice*. 5th Edition. Palgrave Macmillan, p. 3
⁴ Storey, J. (2007), *Human Resource Management: A Critical Text*. 3rd Edition. Cengage Learning, p. 7

However, in all its guises, HRM is underpinned by the belief that human capital can be considered the main source of competitive advantage for an organisation.

“A philosophy of people management 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.”

Price (2011)⁵

The foundations of HRM

HRM emerged during a period of substantial political and economic ideological change. In Western industrialised nations, there was a shift from traditional manufacturing industries towards a knowledge economy. This shift away from industry to service-based activities increased the focus on workforce management. The hierarchical structures and authoritarian command-and-control management styles no longer worked in an environment where the organisation was demanding that employees be innovative, flexible, creative and agile. Getting employees to go the extra mile for the organisation required HRM to develop keys to unlocking “untapped reserves of human resourcefulness” (Blyton and Turnbull, 1998).⁶ New **high commitment models** of HRM were developed to emphasise the investment that was required by organisations in their employees’ learning, development and career management in order to increase employee engagement and productivity. Several new HRM models were developed during the 1980s and 1990s.



OVER TO YOU

Activity 2: HRM timeline

Watch this YouTube video:

“An animated timeline of the history of HR”: https://youtu.be/RpHX03q_3UI

Research the history of HRM in your country, and in an organisation you know. Highlight 10 key events that have contributed to the way HRM is practiced today.

⁵ Price, A. (2011), *Human Resource Management*. 4th edition. Cengage Learning, p. 29

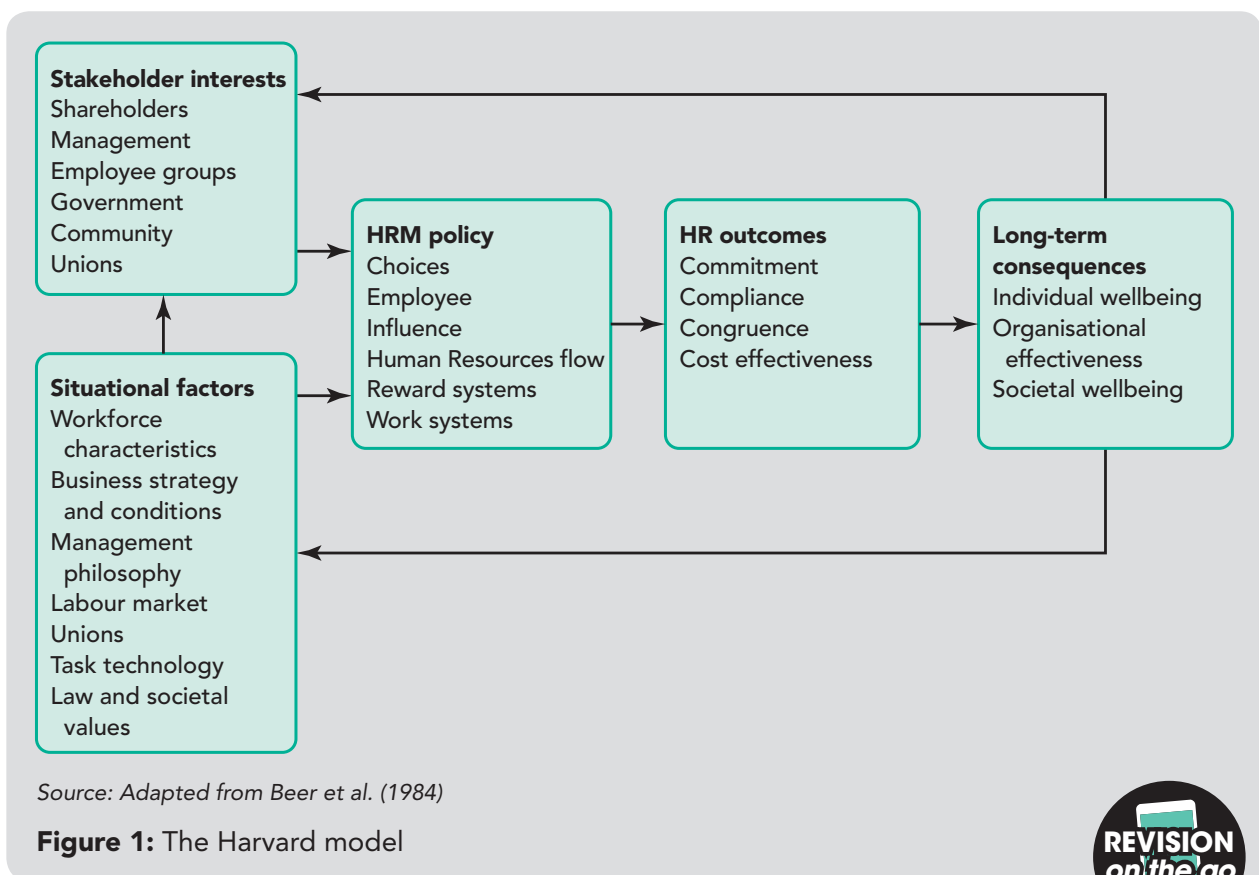
⁶ Blyton, P., and Turnbull, P. (1998), *The Dynamics of Employee Relations*. Palgrave Macmillan

The Harvard model

The Harvard model (Beer et al., 1984)⁷ evaluates how effective HRM processes are within an organisation, emphasising the achievement of HRM outcomes regarding the “4 Cs”, which are listed below.

- **Commitment** – employees buying into the organisational goals and showing commitment in their work. HR policies need to help enhance employee commitment to the organisation.
- **Competence** – attracting employees with a high degree of skill and retaining these employees through ongoing learning and development. HR policies need to contribute to developing the competence of employees through performance appraisal, training and development.
- **Congruence** – reducing conflict between interest groups. HR policies will support the development of mutual trust between the organisation and employees, reducing conflict, stress and the need for **disciplinary** action or **grievance** procedures.
- **Cost effectiveness** – minimising costs as far as possible, ensuring that HRM policies are cost effective.

The Harvard model proposes that shaping HR policies and practices to enhance commitment, competence, congruence and cost effectiveness will increase the organisation’s ability to adapt and its capacity to respond to the demands from the competitive environment.

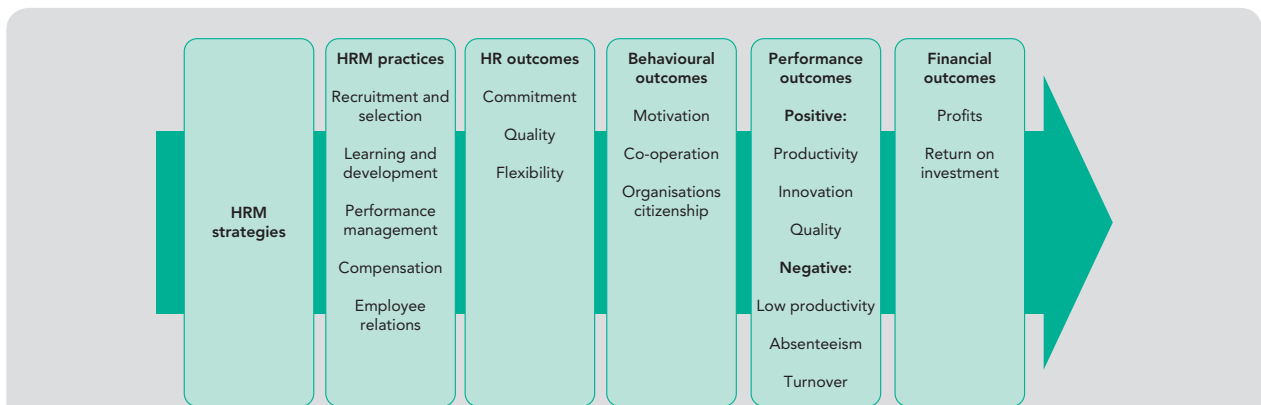


⁷ Beer, M., Spector, B., Lawrence, P., Quinn Mills, D., and Walton, R. (1984), *Managing Human Assets*. New York: Free Press

The Guest model

The Guest model (Guest, 1989 and 1997)⁸ of HRM focuses on specific strategies that the HR manager can adopt. Depending on the strategy adopted, specific HRM practices will be needed. Successful performance of these practices will result in HR, behavioural, performance and financial outcomes. Specific HR outcomes include:

- **Commitment** – the employee has a strong sense of identification with the organisation and their job role.
- **Quality** – there are three aspects to this outcome: (1) the recruitment and development of high-quality employees; (2) employees doing a high-quality job resulting in high-quality organisational performance; and (3) quality of reputation which attracts potential candidates that are desirable to the organisation.
- **Flexibility** – this includes functional flexibility (where employees can perform a wide range of tasks or change roles within their own function) and organisational flexibility (relating to the organisation’s ability to respond appropriately to threats and opportunities to maintain competitive advantage, such as introducing new products or changing the way a service is delivered).



Source: Adapted from Guest (1989 and 1997)

Figure 2: The Guest model



OVER TO YOU

Activity 3: The necessity of HRM

Based upon your reading or work experience, do you believe that HRM is inevitable? Explain your answer by examining whether HRM as a process is necessary to organise work and manage people.

⁸ Guest, D. (1989), "Human Resource Management and Industrial Relations", *Journal of Management Studies*, Vol. 24, Issue 5, pp. 503–521

Guest, D. (1997), "Human Resource Management and Performance: A Review and Research Agenda", *The International Journal of Human Resource Management*, Vol. 8, Issue 3, pp. 263–275

The hard HRM model

Karen Legge (1998)⁹ has written extensively on the shift from personnel management to HRM and was one of the first people to identify the prevalence of the **hard HRM** model, acknowledging the managerialism prevalent in the process of integrating HR policies with the strategy of the business.

“*Sadly, in a world of intensified competition and scarce resources, it seems inevitable that, as employees are used as means to an end, there will be some who will lose out. They may even be in the majority. For these people, the soft version of HRM may be an irrelevancy, while the hard version is likely to be an uncomfortable experience.*”

Legge (1998)

The hard model of HRM views employees as a resource to be managed to achieve maximum return on investment. This differs from **soft HRM**, which views employees and their skills, adaptability and commitment to performance as organisational assets which can deliver competitive advantage.

Soft HRM and hard HRM

Storey (1989)¹⁰ was one of the first theorists to distinguish between the “hard” and “soft” versions of HRM. Like Legge (1998), Storey thought that hard HRM emphasised people as important economic resources which could be acquired and required development whilst being strategically used to the benefit of the organisation. The approach was managed using **quantitative accountancy methods**.

The roots of soft HRM highlight the interest in people, including job satisfaction, collegial working and the importance of good supervision. The emphasis was on achieving competitive advantage through developing high-quality performance and winning the hearts and minds of employees through building trust, employee **involvement** and engaging leadership.

! NEED TO KNOW

Hard HRM	Soft HRM
Workers viewed as a cost to the company	Workers viewed as assets
Individualistic	Employee involvement and commitment encouraged
Rejection/marginalisation of industrial and employee relations	Emphasis on employee relations
Viewpoints of managers and employees regarded as similar	Concern for employees' views
Focus on efficiency	Development of core employees
Financialisation	Humanist thinking

Table 1: Hard HRM and soft HRM



⁹ Legge, K. (1998), “The morality of HRM” in C. Mabey, D. Skinner and T. Clark (eds.), *Experiencing Human Resource Management*. Sage, London

¹⁰ Storey, J. (1989), *New Perspectives on Human Resource Management*. Cengage Learning

CASE STUDY: A CHANGING PARADIGM

Retail goes soft

The senior leaders of a large national retail company identified that a change in the business **culture** would be needed if the organisation was to survive in a rapidly changing environment and with increased internal workforce **diversity**.



HRM approaches

The organisation had for some years invested significantly in the HR department to minimise costs and manage employees as a resource. However, employees were deployed dispassionately and in a formal rational manner. The changes in the environment meant that a tightly managed and controlled approach to HRM was endangering the organisation's competitive advantage.

A recent change in senior leadership, including the employment of a new director of HR, caused the business unit heads to recognise that a change in HRM approach was required.

The new approach included:

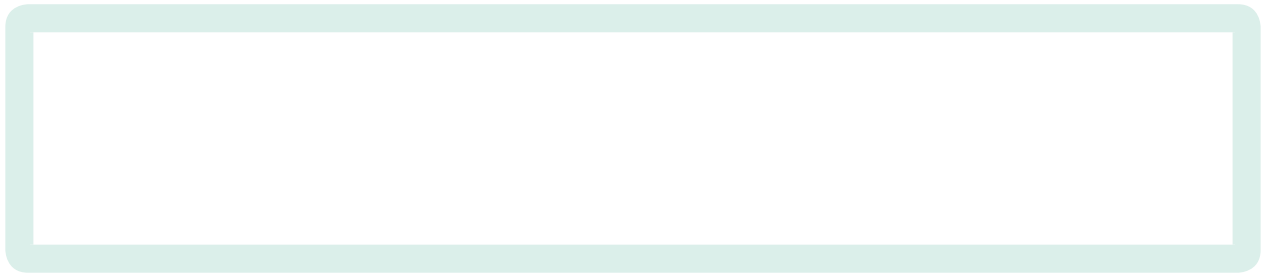
- reducing any conflicts and operational barriers;
- employing dynamic and good leadership;
- implementing more teamwork and collaborative decision-making, ensuring that employees were integrated into the change process management;
- developing a culture of communication, including an emphasis on improved interpersonal communication skills for all organisational members;
- rewarding employees, considering employee motivations and the need for employees to feel a sense of achievement;
- increasing staff involvement and **participation** to contribute to their sense of responsibility and ownership;
- developing an effective two-way flow of information and communication to inform everyone about changes and prevent misunderstandings and dissatisfaction.

The important issue for the retail business was to build upon the organisation's strengths whilst trying to overcome the threats posed by the rapidly changing external environment. The change in approach required time and energy to enable managers to learn new methods, develop new skills and build capacity.

OVER TO YOU

Activity 4: Hard or soft HRM

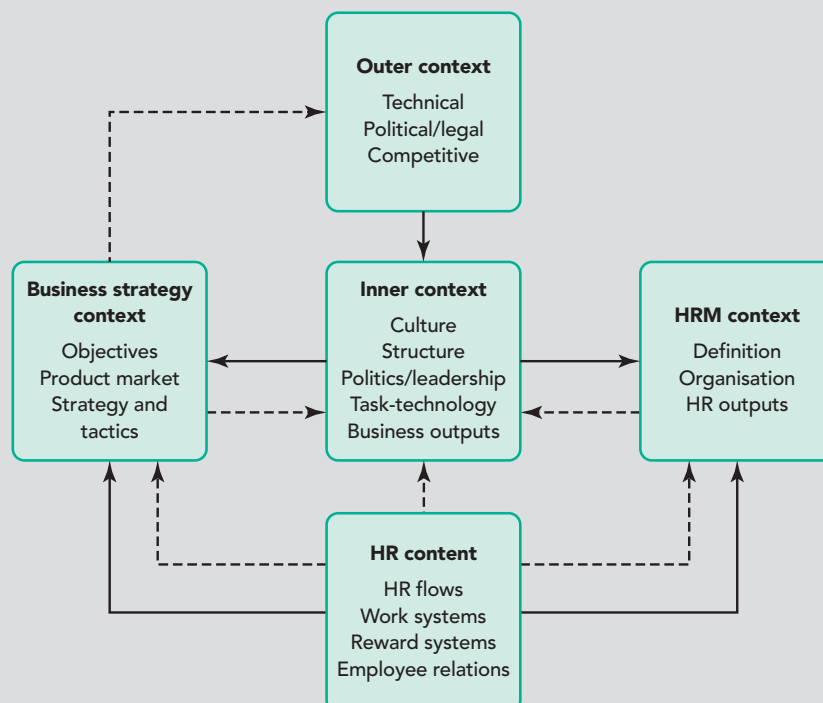
Review a HR department of an organisation with which you are familiar. How would you categorise the HR function: as personnel or HRM? Give reasons for your answer.



The Warwick model

The Warwick model (Hendry and Pettigrew, 1990)¹¹ uses knowledge of **business strategy**, HR practices and the environmental context to identify important influences on HRM and develop an understanding of the process by which HRM adapts to the changing environment. The main aim is to achieve alignment between the external environment and the organisational response. The Warwick model is made up of five elements.

- 1 **Outer context** – macro-environmental forces.
- 2 **Inner context** – organisation specific or micro-environmental forces.
- 3 **Business strategy content** – specific business objectives, competitive position and financial performance.
- 4 **HRM context** – important environmental influences relating specifically to HRM; this will include both the internal and external environment.
- 5 **HRM content** – HR processes such as reward, training and development and recruitment.



Source: Adapted from Hendry and Pettigrew (1990)

Figure 3: The Warwick model



¹¹ Hendry, C., and Pettigrew, A. (1990), "Human resource management: an agenda for the 1990s", *International Journal of Human Resource Management*. Vol. 1, Issue 1, pp. 17–43

The characteristics of HRM vs personal management

When reviewing the emergence of HRM as a profession, it is important to consider the changing landscape of employment and the employment market. How much has been driven by the emergence of the theory and practice of HRM and how much of HRM has been driven by the changing context is difficult to ascertain. However, context and HRM go hand in hand, and HRM is now a leading perspective of managing the people resource in business. But this has not always been the case.

The forerunner to HRM was personnel (which is short for “personnel management”). This can be described as an administrative, record-keeping function that focuses on maintaining equitable terms and conditions of employment. On the other hand, HRM provides management with the tools it needs to organise the human resources within an organisation.

! NEED TO KNOW

HRM	Personnel
Approach is focused on the organisation’s values and mission	Attaches importance to norms, customs and established practices
Proactive	Reactive
Integrated with the organisation’s strategy, aligning workforce to achievement of corporate goals	Functions independently of core organisational activities
Involves line management and operations staff heavily	Little involvement from line managers

Table 2: Differences between HRM and personnel



Legge (1989 and 1995)¹² argues that the differences between personnel and HRM are small, but the differences that do exist are important ones. The key differences are:

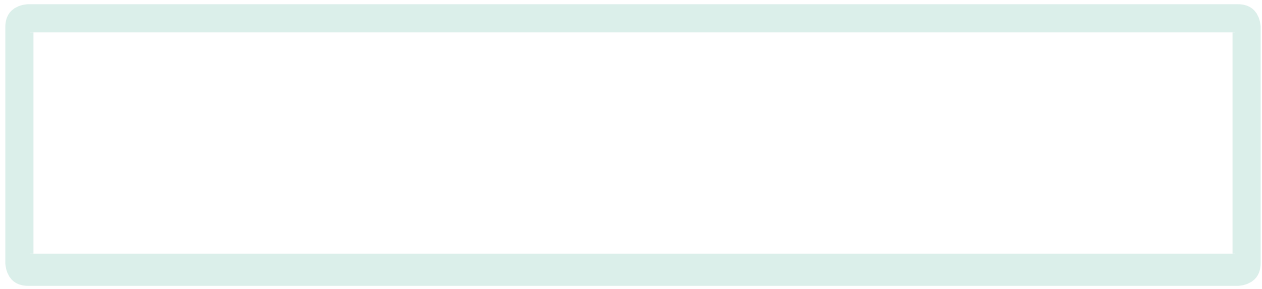
- 1 HRM focuses on managerial needs.
- 2 HRM supports line managers in proactively managing the people resources.
- 3 HRM ensures that the responsibility for managing culture lies with the senior manager.

✎ OVER TO YOU

Activity 5: The concept of HRM

Working with a study partner, if possible, write down your own definition of HRM.

¹² Legge, K. (1989), “Human resource management: a critical analysis”, in J. Storey (ed.), *New Perspectives on Human Resource Management*. Cengage Learning, pp.19–40
 Legge, K. (1995), *Human Resource Management: Rhetorics and Realities*. Chippenham: MacMillan Business



1.2 The main activities involved in HRM

The HR function covers a number of different areas relating to employment practices, people management, development and activities to improve performance at an individual, team and organisation level. HR professionals can be involved in both strategic and operational activities. There are many practices that contribute to different aspects of people management in organisations. HRM activities include: organisation development (OD), human capital management (HCM), people **resourcing**, learning and development (L&D), reward management, employee relations (ER), employee wellbeing, diversity, **performance management**, talent management, employee wellbeing and corporate social responsibility (CSR).

Resourcing

People resourcing covers a wide range of employment activities ranging from the development of a strategic workforce plan to recruitment. Resourcing is an essential activity which ensures that the organisation has the right people with the right skills and knowledge available when the organisation needs them. The expectation is the HR function will partner with the business to deliver the capability required to help the organisation achieve sustainable performance and competitive advantage. Further activities within resourcing include:

- workforce planning;
- employer branding;
- employer value proposition;
- recruitment and selection;
- talent management and succession planning;
- absence and turnover management;
- managing employee retention (including **induction**);
- managing flexibility (including operational flexibility and flexible working);
- downsizing.

People resourcing balances an organisation's present need for highly capable employees with the need for adaptability and flexibility in the future to respond to changing employment requirements.



Figure 4: People resourcing activities



OVER TO YOU

Activity 6: People resourcing activities

Working alone or in a small group, choose one of the people resourcing activities listed in Figure 4 and research the subject. Create a poster to present to your class (if possible) covering the following.

- A brief description of is the activity.
- How HR carry out the activity.
- Why the activity is necessary.

Reward

Reward management covers a range of strategies, policies and processes which recognise and reward the value employees add in contributing to the achievement of organisational goals. The purpose of reward management is to ensure that a balance is achieved between satisfying the needs of the organisation and simultaneously delivering a fair and equitable reward system which employees understand and feel motivated by. Further activities of reward management include:

- design, implementation and maintenance of reward systems;
- **job evaluation**;
- benchmarking;
- the design and management of grade and pay structures;
- performance management processes;
- creating reward and recognition schemes (including financial and non-financial rewards);
- providing employee benefits (including financial and non-financial benefits).

Reward management is more than simply ensuring employees are on the payroll. It goes beyond financial rewards such as pay to reflect the motivational and engagement benefits of non-financial rewards such as recognition, personal development and increased job responsibility.

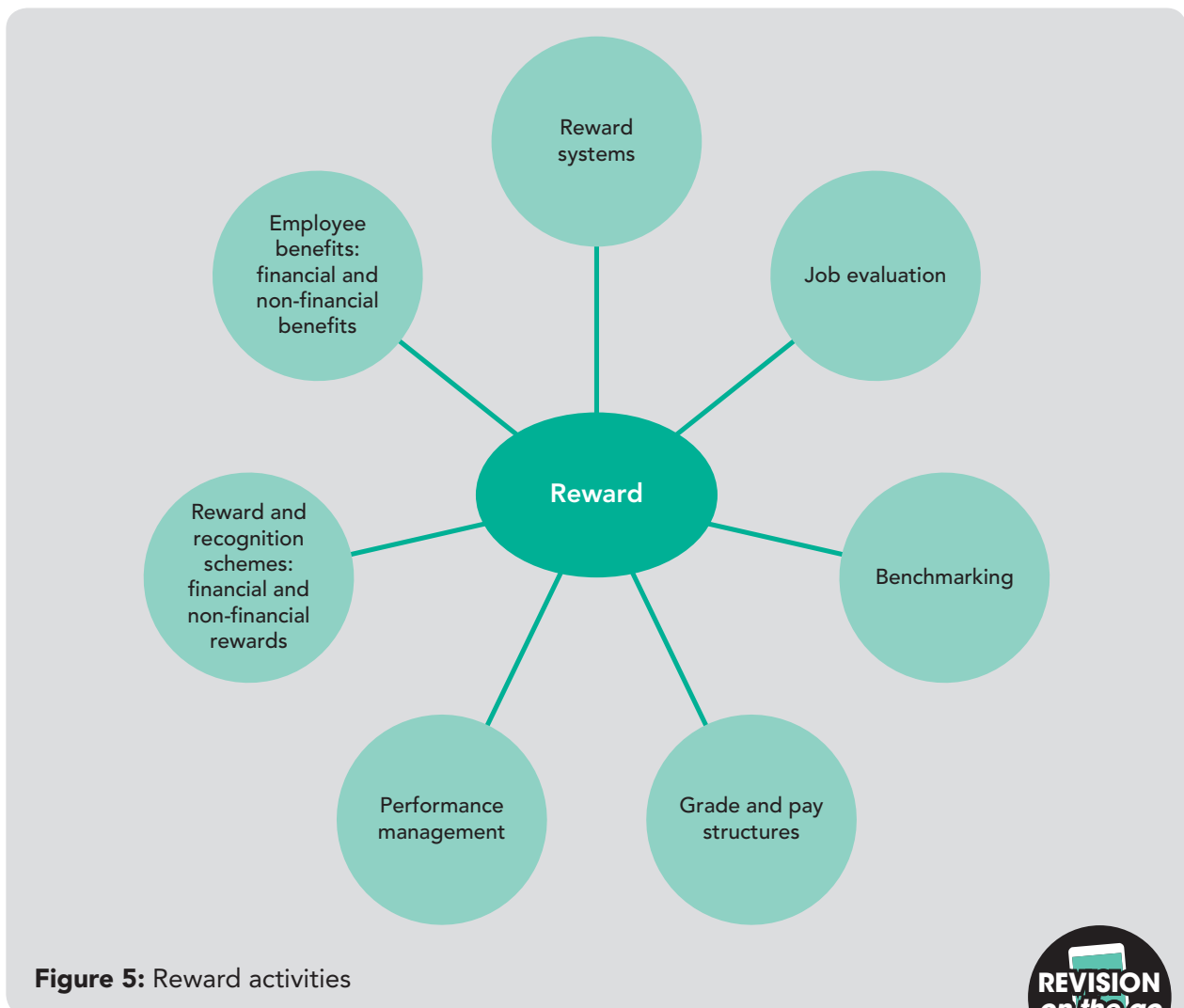


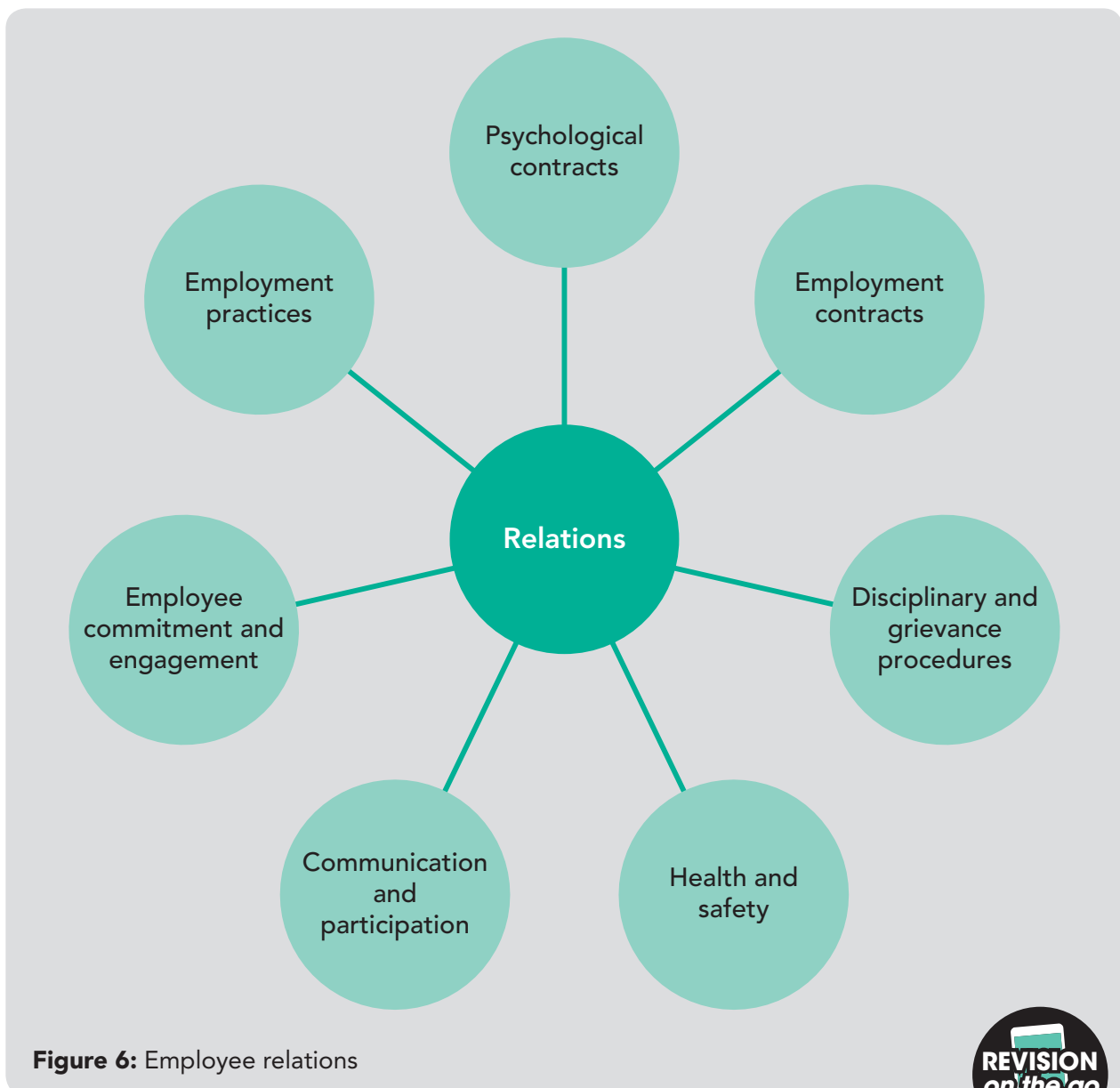
Figure 5: Reward activities



Relations

Employee relations relates to the pay–work arrangements between employee and organisation. It involves the development, management and maintenance of the **employment relationship** between the employee and the organisation, developing the framework by which the management and employees will work together. This may include activities relating to collective negotiation with **trade unions** or the management of individual employee relationships with the organisation. Further activities include:

- **psychological contracts;**
- employment contracts, including terms and conditions;
- disciplinary and grievance procedures;
- health and safety;
- communication and participation, including **employee voice** and involvement;
- employee commitment and engagement;
- employment practices.



There are two perspectives through which employee relations can be viewed:

- **Unitarist** – this views employee relations from the perspective that since both management and employees share the same concerns, it is in their interests to co-operate.
- **Pluralist** – this views employee relations from the perspective that there is a difference between employee interests and those of their employer. Therefore, competing interests have to be negotiated in order for them to work together.



OVER TO YOU

Activity 7: Managing the HR paradox

Read: Stephen Flynn, (2014) "Overcoming the identity crisis in human resources", *Human Resource Management International Digest*, Vol. 22 Issue: 2, pp. 1–3. (This article will be available in your online student resources.)

In the article, Flynn argues that HR should "reject the simplistic unitary perspective." Write arguments for and against this perspective.

Human resource development (HRD)

Human resource development (HRD) focuses on the co-ordination of people development and learning activities within the organisation to ensure that the individual employees, teams and the organisation as a whole can deliver the performance the organisation requires to meet its strategic objectives. Further activities of HRD include:

- learning and development;
- culture change;
- organisation development;
- organisation design;
- performance management;
- knowledge management;
- leadership and management development;
- learning management.

HRD goes beyond simply organising training courses. It is a strategic activity used to plan the development of an organisation’s capability to achieve medium and long-term goals. This includes monitoring changes in the organisation’s people requirements for the future to ensure that employees and managers alike have the required skills, knowledge and ability to remain competitive in the marketplace. The key role of HRD is to future-proof the organisation, closing skills and knowledge gaps and developing talent.

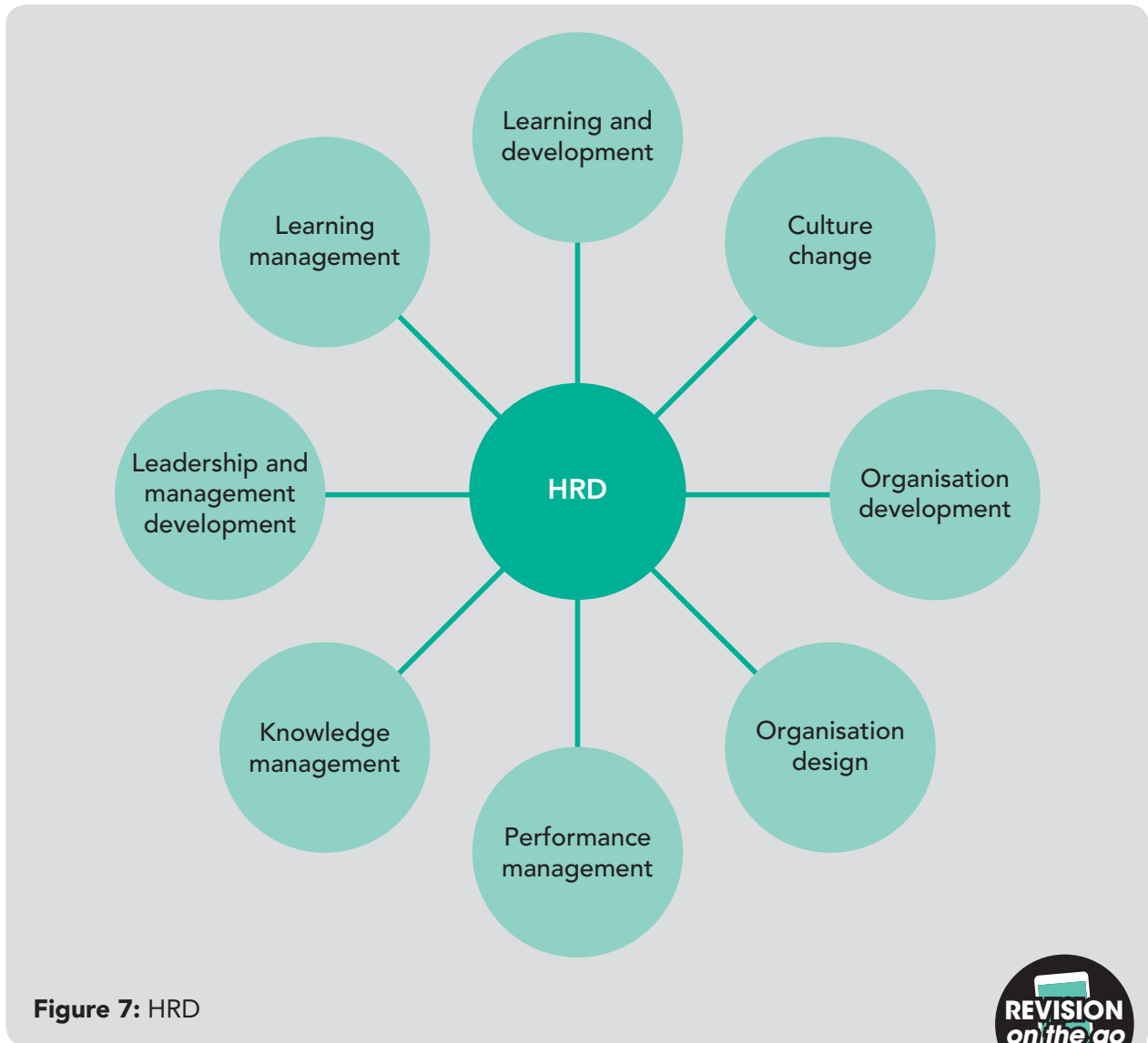


Figure 7: HRD



CASE STUDY: LONDON OLYMPIC GAMES

The London Organising Committee of the Olympic and Paralympic Games (LOCOG) employment and skills strategy

LOCOG was a short-lived organisation which was tasked with delivering the world’s largest sporting event, which, at the time of the games, had a workforce of 200,000 people, comprising 6,000 paid full-time and temporary employees, up to 70,000 volunteers and around 10,000 contractors.



LOCOG's skills initiatives were focused on three main areas:

1 Creating employment opportunities

Employment and contractor opportunities were developed through Host Borough brokerages and across London and the UK through Jobcentre Plus. Secondment opportunities were also created with commercial partners and central government.

2 Experience and skills development

The Games Maker volunteer programme brought together volunteers with a mix of specialist skills such as medical, technology and sport skills, with about 60% of volunteer roles requiring no specific experience. A skills gap study was completed to understand which key labour-market sectors were needed to ensure that the skills required were developed to stage the games.

3 Developing young people

The Get Ahead apprenticeship programme recruited school leavers to work across LOCOG departments, providing on-the-job training as well as the opportunity to study for a Level 3 NVQ in Business Administration.

A structured work-experience programme provided one-week placements at LOCOG for young people at school and college looking to enter the workplace.

The London 2012 Young Leaders Programme was designed to give 100 disadvantaged young people the opportunity to participate in many opportunities, starting from April 2010 in the lead up to the Olympic games and continuing throughout the Olympic Games in September 2012.

LOCOG also offered 60 graduate placements in the Technology department.

Summary

The overriding objective was to provide individuals with an experience that would enhance their personal and professional life once the Olympic Games were over. The Olympic Games themselves only lasted for six weeks and, as such, employment opportunities would be finite, but from recruiting staff throughout the construction and delivery of the Games, to supporting employees to move into new roles and careers, a detailed employment and skills strategy ensured that LOCOG had the right people with the right skills at the right time to stage the 2012 London Olympic Games.

OVER TO YOU

Activity 8: Employment practice learnings

Research the development of skills and employment practices used in past Olympic Games. What can Tokyo 2020 learn from previous Olympic Games to ensure they are effective in having the right people, with the right skills, at the right time?

1.3 The external and internal factors influencing HRM practice

HRM does not take place in isolation. Internally, an organisation is a complex inter-related social system. Externally, the business environment comprises many different forces which impact upon organisational activity. The environment can be defined as:

“ anything outside an organisation which may affect an organisation’s present or future activities. Thus the environment is situational – it is unique to each organisation. ”

Kew and Stredwick (2013)¹³

It is important that the HR function builds its knowledge of both the internal and external business context to develop an understanding of how to develop an appropriate HRM response to the variables affecting the operation of the organisation.

Examination of the external environment

The external or macro environment encompasses all the factors and forces that exist outside the organisation that can, and do, affect the operations of the organisation. These may be factors in the task environment which affect the industry sector in which the organisation operates, such as regulatory changes or raw material costs specific to the industry. In addition, the external environment can also refer to the wider, general environment, with forces which impact all organisations regardless of industry or size. This can include economic downturn, which impacts cash flow and a general reduction in revenue generation.

The external environment is unpredictable and is outside the organisation’s span of control. At best, organisations are able to draw up contingency plans for difficult times, but the severity and nature of a natural disaster or terrorist attack is difficult to predict. It can be hard, if not impossible, for organisations to prepare for some risks in the external environment. For example, following terrorist attacks across Europe, US technology companies such as Google and Facebook have been accused of failing to respond appropriately to terrorist content on their networks. The failure to pass information to law enforcement agencies regarding content that represents a threat to life has highlighted weaknesses in their monitoring processes and led to accusations that they are using their international legal status to avoid responsibility.

The general environment

The general environment includes factors such as: political, economic, socio-cultural, legal, technological, demographic and international trends. These trends exist beyond the control of a single organisation and can have both short term and long-term effects. Factors can also be geographically specific, such as natural disasters or acts of terrorism. These events can have a disastrous effect on the operations of an organisation and its employees due to destruction of property or supply issues.

¹³ Kew, J., and Stredwick, J. (2013), *Human Resource Management in a Business Context*. Kogan Page

The task environment

The task environment comprises forces which have a direct interface with an organisation, such as external institutions or stakeholders that can directly impact the achievement of organisational goals because their activities impact directly on decisions and actions that managers make. Changes in the task environment will reflect industry conditions.



OVER TO YOU

Activity 9: The external environment

Why is it important for HR to know what is happening in the external environment? Fill in the table using the Warwick model.

Outer context	
Inner context	
HRM context – HR outputs	
HR content – HR processes	
Business strategy context	

CASE STUDY: A CHANGING CONTEXT

The environment is academic

In 2014, I began working as the programme leader for the Master's in Human Resource Management programme at a university in the UK. The course had been offered at the university in various guises for nearly 30 years but had been in decline since its previous review in 2010. The reason for the decline was not to do with the quality of the course on offer, but changes in the external environment.



Political

Since the credit crunch in the 2008, the public sector in the UK had been undergoing "austerity", which meant that significant budget cuts were being made. Many students on the MA HRM programme had come from the public sector. With training budgets being cut in local authorities, the traditional market for students had collapsed.

Economic

As the programme led to a professional qualification, the entry requirements specified that students attending the course must be in employment and have a minimum of three years' management experience. The current course cost was significantly cheaper than rivals but the course was not attractive to private companies because it required the students to attend the university for a full day every week during term time or 36 days of study release, plus time for exams. Factor in the cost of the course and the current programme structure demanded a significant resource commitment from organisations. The university was also looking to increase the course fee by 40% to align it to other postgraduate qualification fees.

Social

Student expectations were changing. It was important to make higher education more accessible and offer solutions that were more flexible than standard classroom programmes. Flexibility of delivery method enhanced accessibility and provided the opportunity for development for those working on a portfolio career and working mothers, whose career potential is impacted by having children.

The structure of the new programme was considered to offer greater access to working professionals who may struggle to study in full- or part-time courses which require day release from their organisations or businesses.

Technology

An improved virtual learning environment meant that it became possible to offer a blended/ distance learning option which would provide even greater flexibility for those who wish to study at postgraduate and Master's level, regardless of their location or if they are in full time work. The Blended Learning mode of the programme was designed to be very flexible – meaning that students could fit their work around their study.

The PESTLE model

There are a number of environmental analysis tools which can be used to help HR practitioners to analyse the context in which their organisation operates, which in turn enables HRM to understand options for a response to the environment.

“Most organisations will not have a great deal of problems in analysing their task environment. They know who their customers, suppliers, competitors, etc. are. Analysing the general environment is rather more complex.”

Kew and Stredwick (2013)¹⁴

PESTLE

The PESTLE framework can be used to analyse the organisation’s external macro environment. The acronym stands for: Political, Economic, Socio-cultural, Technological, Legal and Environmental.

Political	The attitudes, influences, restrictions and opportunities resulting from party political policies or political movements. These can be local, regional, national or international. Examples include government tax policies and trade agreements.
Economic	Economic influences such as growth rates, employment levels, raw material costs, interest rates, monetary policies, exchange rates and inflation rates. Economic indicators can signal recession or recovery, giving organisations an opportunity to respond to economic changes to minimise threats.
Social-cultural	The culture and social structure of the society in which the organisation operates. This includes factors such as demographics, age, population growth rates, social classes, lifestyle, etc.
Technological	The rate of advancement, development and changes in information and communication technology. This includes the impact of the growing digital economy including e-commerce, mobile technology and materials development, which can affect productivity, manufacturing methods, distribution, logistics and choices regarding new market opportunities and product and service offerings.
Legal	Often linked to political factors relating to national employment laws, trade regulations, monopolies and mergers’ rules and consumer protection. Legal factors derive from the law and regulation framework that results from political law and regulations.
Environment	Environmental factors relate to issues that result from the availability of natural resources and the impact of the organisation’s activity on the natural environment such as waste disposal, recycling and emissions.

Table 3: PESTLE framework



The PESTLE framework feeds information into an analysis of the appropriate organisational responses to environmental forces, which will impact upon HRM practice within organisations.

¹⁴ Kew, J., and Sedgwick, J. (2013), *Human Resource Management in a Business Context*. Kogan Page

 OVER TO YOU

Activity 10: PESTLE analysis

Write a PESTLE analysis on your organisation. What are the key issues that impact your organisation? An example from the perspective of a UK social housing organisation is provided below.

Political factors: The Grenfell Tower fire in the summer of 2017 has led to the government asking social housing organisations to review the fire safety of all their housing. There are concerns that safety tests have been too simplistic to determine whether the cladding used on many buildings is up to a high enough standard. The type of cladding used on the Grenfell Tower has become politically unsafe. Therefore any building which has this cladding is required to replace it, at a significant cost to the organisation.

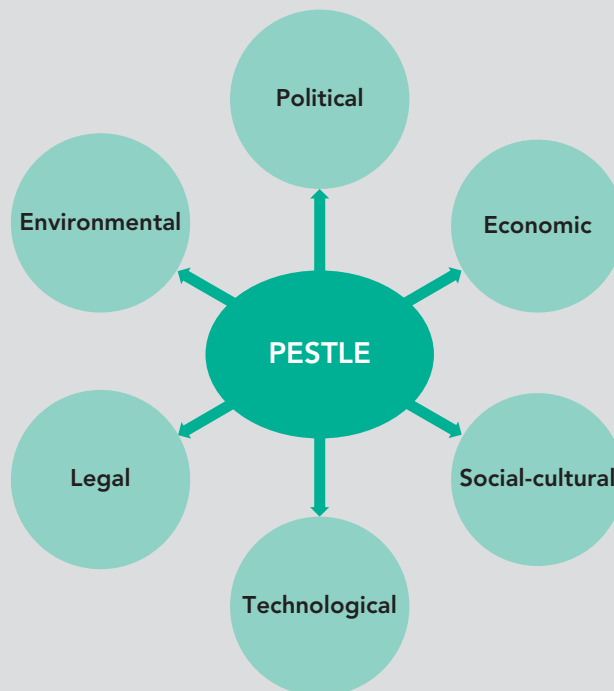


Figure 8: The PESTLE analysis model



The impact of the external environment

A lot has been written on HRM practices such as resourcing, rewards and employee relations, but how HRM practices are implemented will depend upon the context in which the organisation operates. Different countries and cultures, as well as economic, political and social systems require different HRM approaches. For example, countries in the European Union must operate within a strict framework of employment law which gives employees a large number of employment rights, such as a minimum wage, flexible working, maternity and paternity leave, holiday pay and redundancy protections. Strict regulatory environments mean that HRM practices must first and foremost adhere to statutory requirements.

The ability of an organisation to manage its financial health will also be impacted by the economic outlook. The political instability in the Middle East has greatly affected countries such as Jordan, which in turn has led to an economic slowdown, and a retraction of investment in the country. Impacts on HRM in response to this situation include recruitment and pay freezes, restructuring and redundancy and reduced investment in learning and development. An economic upswing can impact HRM practices in other ways. An employment market may mean availability of certain skills will be difficult to acquire or put an upward pressure on salary levels.

Managerial decisions in response to the context can influence or be influenced by HRM. For example, if managers don't believe there is value in investing in workforce development, then HRD practices will be limited to statutory training and buying in skills through recruitment. HRM practitioners may be able to persuade managers of the benefit of investing in their employee development, in which case HRD may be given a higher priority and a bigger budget allocation.



OVER TO YOU

Activity 11: Impact of trends

Using your PESTLE analysis from Activity 10, what impact do the following have on the HRM practices discussed in this chapter?

- Resourcing
- Reward
- Relations
- HRD

The impact of the internal environment

An organisation is defined by its people in terms of the knowledge, skills and abilities of each employee. Understanding how to use that resource is the key to unlocking the competitive advantage of the organisation. Understanding the internal forces regarding the organisation structure, culture, managerial skills and ability of the organisation to change will determine the HR practices required to protect, release, and manage the people resources to deliver sustainable organisational performance.

Organisation structure	Every organisation will structure their business differently. The context will determine the number of managerial layers and decision-making reporting lines for different roles. The organisation structure design will have a significant influence on employee motivation and how power and authority are distributed within the organisation.
Culture	In simple terms, culture refers to the way things are done within an organisation. This impacts the behaviour and values of the employees, which in turn affect the performance of the organisation. HRM can influence culture through recruitment and selection choices, but in turn culture can influence how employees respond to HRM practices such as financial and non-financial rewards.
Managerial skills	Different management styles will impact the way in which employees experience the workplace, how rewards are distributed and how engaged employees are. Highly skilled managers will enable HRM practices to develop along strategic lines; however, low skilled managers will leave HR grappling with employee relations issues including the management of workplace disputes and regulatory compliance issues.
Change management	Organisational change can have a significant impact on HRM practices, particularly in regard to changing workforce requirements either in terms of increased levels of recruitment or redundancies. Providing reassurance and reducing confusion requires HR to focus on regular employee communication and managing employee reactions to change.

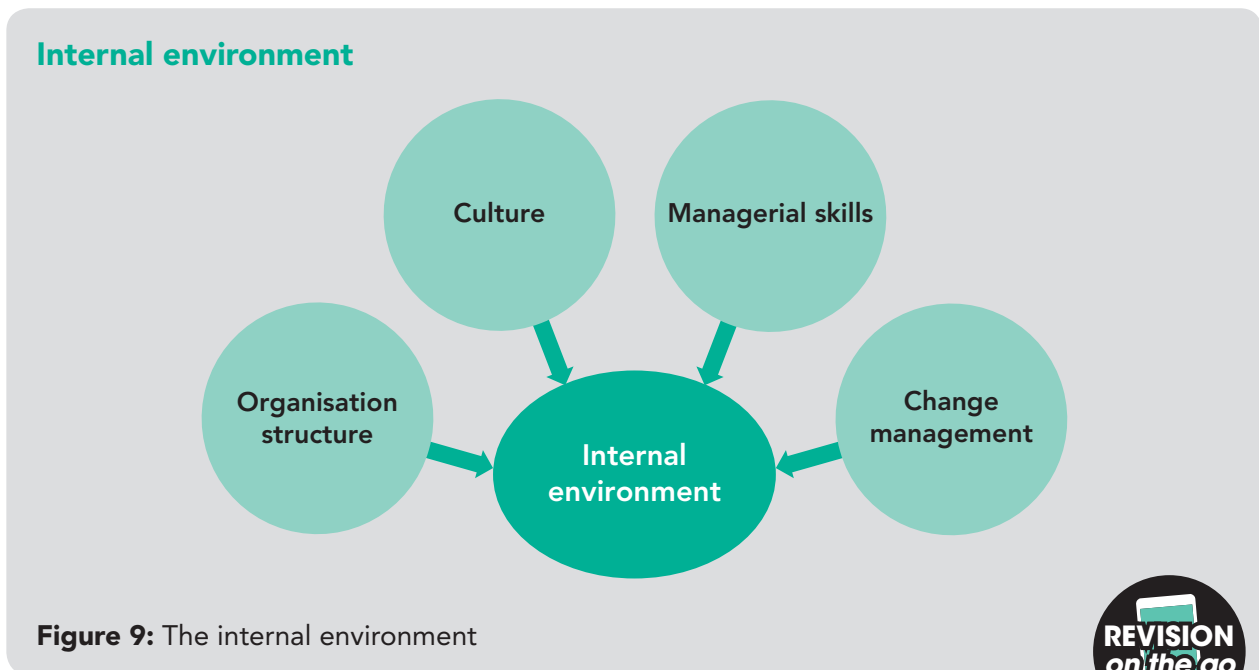
Table 4: Internal forces



“The culture of a group can now be defined as a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relations to those problems.”

Schein (2004)¹⁵

15 Schein, E. H. (2004), *Organization Culture and Leadership*. John Wiley & Sons



1.4 The HR function's contribution to the organisation

HRM can contribute to an organisation's development of strategy, policy and decision-making processes. A competitive workforce can help an organisation achieve its strategic objectives and HRM plays a key role in ensuring that a competitive workforce is available to the organisation.

The concept of added value

In HRM, the concept of **added value** refers to a financial view of the difference between what HRM practices cost the organisation and the amount of value, either in terms of profit or cost efficiencies, that HRM contributes to the organisation.

There have been many studies since the 1990s which have investigated the links between organisational performance and HRM. These studies have examined outcomes such as high commitment, best practice and high employee performance. Research by Guest et al. (2003)¹⁶ suggested that a particular **bundle** of HR practices would lead to:

- improved employee attitudes;
- reduced absenteeism;
- reduced turnover;
- increased productivity.

HRM added value was highlighted by research conducted by Becker and Huselid (1998)¹⁷, who observed that organisations which operated with greater levels of HR practices created significant increases in market value.

¹⁶ Guest, D.E., Michie, J., Conway, N., and Sheehan, M. (2003), "Human Resource Management and Corporate Performance in the UK", *British Journal of Industrial Relations*, Vol. 41, Issue 2, pp. 291–314

¹⁷ Becker, B.E., and Huselid, M.A. (1998), "High performance work systems and firm performance: A synthesis of research and managerial implications", in G. Ferris (ed.), *Research in Personnel and Human Resource Management*, Vol. 16, pp. 53–101

Not all studies have identified a link between HRM practices and organisational performance, and there is little agreement in literature regarding what HRM practices are associated with high commitment outcomes.



OVER TO YOU

Activity 12: Your added value

Just as employees can add value to an organisation, we can also add value to ourselves. Think of as many ways as possible that you can add value to yourself.

For example: Get better exam results



CASE STUDY: OUTSTANDING CONTRIBUTION

Developing agile leaders

A global energy company was struggling with the lack of collaborative working among its senior leadership teams. The management teams across Europe and the Middle East were working in an isolated way. Communication and sharing best practice was limited, resulting in repetition of effort, conflict, blame and misunderstandings.



What needed to be done

The focus was on developing a collaborative and agile leadership team who could respond proactively, role modelling sharing and “one organisation” behaviours for the rest of the organisation.

What action was taken

The introduction of a professional training standard meant that many of the interventions around leadership skills training were delivered in-house rather than externally facilitated. Managers reported increased networking and “one organisation” thinking in the management teams, and behavioural mechanisms were introduced as part of the performance development review. Some **communities of practice** resulted in important developments which led to future revenue generation including future energy sources and gas generation.

Contribution

Over six months, £146,000 in savings and revenue was amassed due to improvements in productivity. The work of one community of practice contributed specifically to providing the competitive edge resulting in a contract worth £12m being secured and developing a competitive advantage in an emerging market. £465,000 of management skills training was delivered on a £70,000 budget. 28% of participants were promoted during the 12-month leadership development programme and a further 36% of participants were promoted in the 12 months following the programme. The programme won the MD's "outstanding contribution" award and "exceeded expectations".

Competitive advantage

The contribution that HRM can make to an organisation will depend on the extent of the responsibility that the HR function is given by organisational leaders, and the level of influence that HR practitioners have relating to people performance in their organisation. If organisational leaders reduce HRM activities to purely administrative activities, such as payroll and compliance to employment law, then the influence of HRM practices on competitive advantage will be limited.

However, if organisational leaders allow HRM practices to operate on a strategic level then the contribution of HRM will be transformative. Key contributions are listed in the following table.

Provide insight	HR analytics can provide significant insight into issues affecting people and organisational management both now and potentially in the future.
Business strategy formulation	HRM can contribute significantly to strategic formulation by highlighting the human resources available to the organisation and providing a workforce plan to meet organisational objectives.
Organisation effectiveness	HRM practices can lead to improved organisational outcomes.
Change management	HRM can lead organisational change efforts, reducing employee resistance and working as a change agent to help the organisation move through change.
Expert advice	Expertise in employee relations, reward, HRD and resourcing can lead to improved outcomes. Advice regarding employment law can lead to coherence in the organisation's response to statutory changes.
Efficient services	Efficient recruitment, learning and development, reward management and employee relations can ensure that HR is fit for purpose. HR can also provide advice to support managers with managing people issues.

Table 5: Key contributions of HRM





Figure 10: Key HR contributions



1.5 How to evaluate the HR function

There are many definitions of evaluation, and evaluation can mean different things depending on context. It has been defined as:

“*the process of determining the merit, worth or value of something or the product of that process.*”

Scriven (1991)¹⁸

A broader definition describes it as:

“*the systematic and on-going processes for gathering data about programmes, organizations, and whole societies to enhance knowledge and decision-making.*”

Russ-Eft (2014)¹⁹

¹⁸ Scriven, M. (1991), "Beyond Formative and Summative Evaluation", M. W. McLaughlin and D. C. Phillips (eds.), *Evaluation and Education: At Quarter Century*. Chicago, IL: The University of Chicago Press, pp. 18–64

¹⁹ Russ-Eft, D.F. (2014), "Human Resource Development, Evaluation, and Sustainability: What Are the Relationships?" *Human Resource Development International*, Vol. 17, Issue 5, pp. 545–559

Common themes defining the concept of evaluation include:

- a systematic assessment methodology;
- an intrinsic or extrinsic value for the person or organisation;
- a judgement in relation to the valuation of outcomes or impact on something;
- an advantageous or useful feature.



OVER TO YOU

Activity 13: Terms of evaluation

Research evaluation methods and systems used in an organisation with which you are familiar. What different labels and terms are used to describe evaluation?

For example: After action review (AAR)

Methods of evaluation

An **output evaluation** assesses the effectiveness of HR practices in contribution to change. The focus is on difficult questions regarding what happens to employees and the organisation as a result of HR practices, and how much of a difference these practices make to the employees and the organisation. An example is summative and impact evaluation (see Table 6).

A **process evaluation** documents the process of implementing the HR strategy and practices and allows the organisation to see how the outcomes were achieved. It focuses on the type and number of things being evaluated, the resources used and the beneficiaries of practices delivered. It can help the HR practitioner to identify problems that may have occurred during implementation and the way in which problems were resolved. An example is formative and comprehensive evaluation (see Table 6).



NEED TO KNOW: OUTCOME AND PROCESS EVALUATION

Outcome evaluations assess the effectiveness of HR practices/strategy in delivering change.

Process evaluations assess how a programme outcome or impact was achieved.



Evaluation methods

There are various ways in which HR can be evaluated, all of which have a different purpose, time frame and usefulness in the evaluation process as shown in the following table.

Type of evaluation	What is it?	Best use
Ex-ante	An evaluation of the current state and performance gaps which aims to develop forecasts for what might happen as a result of HR practice.	When developing the business case for an HR practice, to determine strategic fit and whether the benefits of the intervention will outweigh the risks/costs.
Formative	An assessment used when designing and developing an HR practice.	When introducing a new practice or intervention or following a pilot of the intervention.
Summative	An end of intervention assessment, both of individual employees and the HR practice.	To report on the return on investment (ROI) and return on expectation (ROE) of the intervention, programme and HR strategy outcomes.
Comprehensive	Interactive evaluation process addressing questions relating to HR strategy viability and improvement.	Determines the practice effectiveness (did it deliver what you set out to deliver).
Outcomes	Evaluation of short- and long-term organisational behaviour changes that have occurred as a result of a HR strategy or intervention.	To examine the short- and long-term changes in behaviour delivered by the HR function.
Theory driven	An evaluation which examines how and why the HR strategy or intervention worked, or did not work.	Providing stakeholders with information useful in improving existing or future strategic development and interventions.
Impact	A longitudinal comparison study of the long-term changes resulting from an intervention or strategy.	To influence policy and understand organisational performance outcomes that can be attributed to HR practices.
Meta-evaluation	A formal evaluation of the entire evaluation system, including evaluation planning, processes, management and usefulness.	Provides key stakeholders in evaluation information with an evaluation of the usefulness of the evaluation system in guiding the planning and management of interventions and strategies.

Table 6: Evaluation methods



 OVER TO YOU**Activity 14: Process evaluation**

Write a process evaluation on your last assignment submission. Use these questions to help you:

- What specific activities did you put in place in order to tackle the assignment?
- Did the activities work or not? How and why did/didn't they work?
- Did you have the right level of skills and knowledge to tackle the assignment?

Types of performance measures and their application

There are a number of different measures and metrics which can be used to contribute to **balanced scorecards** and other organisational performance measurement systems. Effective management of human resources requires both HR and senior managers to understand the value of human resources within the organisation.

Profit vs cost

A starting point for implementing HR performance measures is to develop a set of efficiency ratios to see how well the human resource activity performs in regard to profit delivered versus the cost of the activity. The Society of Human Resource Management²⁰ has identified ten key human capital measurements, shown in Table 7.

²⁰ SHRM / The Economist Intelligence Unit (2016), *Use of Workforce Analytics for Competitive Advantage*. Alexandria VA: SHRM Foundation

Measure	Calculation
Revenue factor	$\frac{\text{Revenue}}{\text{Total full time employees}}$
Voluntary separation rate	$\frac{\text{Voluntary separations}}{\text{Headcount}}$
Human capital value added	$\frac{(\text{Revenue} - \text{operating expense} - \text{compensation and benefit cost})}{\text{Total full time employees}}$
Human capital return on investment	$\frac{(\text{Revenue} - \text{operating expenses} - \text{compensation and benefit cost})}{\text{Compensation and benefit cost}}$
Total compensation revenue ratio	$\frac{\text{Compensation and benefit cost}}{\text{Revenue}}$
Labour cost revenue ratio	$\frac{(\text{Compensation and benefit cost} + \text{other personnel cost})}{\text{Revenue}}$
Training investment factor	$\frac{\text{Total training cost}}{\text{Headcount}}$
Cost per hire	$\frac{(\text{Advertising} + \text{agency fees} + \text{recruiter's salary/benefits} + \text{relocation} + \text{other expenses})}{\text{Operating expenses}}$
Health care costs per employee	$\frac{\text{Total health care costs}}{\text{Total employees}}$
Turnover costs	Termination costs + hiring costs + training costs + other costs

Table 7: Ten key human capital measurements



Time, effect and reaction

For any organisation, the question of value develops from decisions regarding the potential of investing resources versus the return that would be gained by investing resources in another area. The diversity of perspectives means that relationships between investment and return also need to be considered in respect of the rate of return and whether investments are delivering a return in

a timely fashion. Time, effect and reaction performance measures focus on the efficiency of HR processes and activities. Examples are shown below in Table 8.

Percentage of turnover	Recruitment costs, decreasing turnover rates
Return on investment (ROI) of training	Efficiency of investment in human capital, effective use of training budget
Percentage of training courses matching company requirements	Average number of training hours per employee supporting organisation objectives
Average company salary	Compensation cost and reward management system improvement
Leadership index	Development of leadership skills and managerial strengths
Percentage of customer satisfaction	Employee selection and process efficiency
Percentage of multi-skilled employees	Use of human resources and qualification index
Savings (money and time) from HR IT systems	Investment in HR IT systems, number of activities delivered

Table 8: Time, effect and reaction performance measures



Balanced scorecard

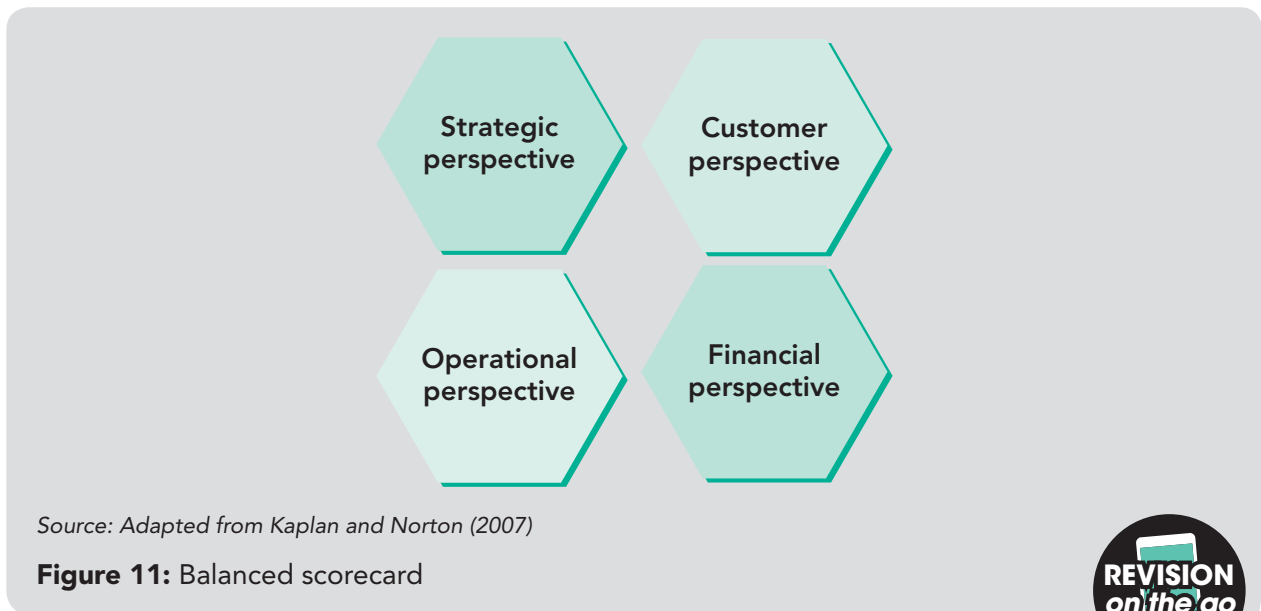
Performance measures should have a strong link to the organisation's strategy. This will ensure that the activities and evaluation of HR is focused and aligned to what really matters to the organisation. The balanced scorecard (BSC) provides HR with a strategic planning tool to communicate performance measures and measure progress toward strategic targets.

Kaplan and Norton (2007) developed the balanced scorecard to translate the organisation's strategy into four different perspectives, shown in Table 9.

Strategic perspective	<p>How can the organisation improve and create value?</p> <p>Has our investment enhanced our capability?</p> <p>Do we have the workforce we need to succeed in the future?</p>
Customer perspective	<p>How do customers see us?</p> <p>Are we creating an environment that employees see as a great place to work?</p>

Operational perspective	What do we excel at? Are our HR processes efficient and effective? Does technology improve HR efficiency?
Financial perspective	How do our shareholders rate us? Are we managing costs? Is our return on investment in people competitive?

Table 9: The balanced scorecard



Source: Adapted from Kaplan and Norton (2007)

Figure 11: Balanced scorecard



Quantitative vs qualitative measures

Data comes in many forms, and may be analysed using **quantitative measures** or **qualitative measures**.

Quantitative	Objective performance measures that are use numbers Answers: How many? How much? Reported using statistical data “Counts the beans” (e.g. number of employees, average salary)
---------------------	--

Qualitative

Subjective performance measures represented by language

Answers: What? Why?

Provides narrative using words and ideas

“Which beans are worth counting?”

(e.g. employee opinion survey feedback, performance appraisals, feedback)

Table 10: Quantitative and qualitative data



HR performance measures cover both strategic and operational concepts. The focus can be on several levels.

- **Descriptive measures** focus on the employee and provide information about the type of employees within the organisation and what is happening with the employee over their employment life cycle. Examples include: full time equivalents, function, job role, geography, age, gender, etc.
- **Process measures** focus on the employee service level, and measure the efficiency and effectiveness of HR process. Examples include: time to hire, training days, successor information, turnover costs, etc.
- **Human capital measures** are accounting measures which focus on people-related decisions that impact metrics critical to organisational performance. Examples include; employee attitudes and behaviour, performance and culture, **competencies**, leadership effectiveness, etc.

The use of data

HR data can be analysed to help organisations solve business problems through the use of people-data and business information. The purpose of data use is to enable HR practitioners and leaders to develop insights about their people, HR policies and practices and inform decision-making based on evidence. **Cost benefit analysis** can be used to understand the costs and benefits of a proposed intervention to determine whether there is a business case for moving forward with the intervention.

There are four steps to a cost-benefit analysis.

- 1 Identify costs and benefits.
- 2 Assign a monetary value to the identified costs.
- 3 Assign a monetary value to the identified benefits.
- 4 Compare costs and benefits.

! NEED TO KNOW

Cost benefit analysis calculation

Total cost / total revenue (or benefits) = length of time (payback period).



READING LIST

- Flynn, S. (2014), "Overcoming the identity crisis in human resources", *Human Resource Management International Digest*, Vol. 22, Issue 2, pp. 1–3 (This article will be available in your online student resources.)
- Lal, P. (2015), "Transforming HR in the digital era: Workforce analytics can move people specialists to the center of decision-making", *Human Resource Management International Digest*, Vol. 23, Issue 3, pp. 1–4 (This article will be available in your online student resources.)
- Maloney, K., and Stanford, P. (2011), "The craft of people management", *Human Resource Management International Digest*, Vol. 19, Issue 3, pp. 3–5 (This article will be available in your online student resources.)
- Panagiotakopoulos, A. (2013), "Mina makes the most of human-resource management: Mini-market switches from competing on price to competing on service", *Human Resource Management International Digest*, Vol. 21, Issue 1, pp. 26–27 (This article will be available in your online student resources.)

Summary

Human resource management is a philosophical approach to managing the human resources within an organisation, and may emphasise an approach focused on either the "human" or the "resource" aspect. HRM as a discipline seeks to deliver organisational performance, identifying what added value can be achieved through HRM activities and how human resources contribute to the strategic direction of the organisation.

Chapter 2

The Application of Human Resource Management in the Workplace

Introduction

This chapter will assess the role that HRM plays in supporting organisational performance. Strategic HRM (SHRM) develops and implements integrated HR strategies to support the successful execution of the business strategy. Links between the HR strategy and HR policies are examined in regard to the role HR policies play in defining organisational values. Finally, the effectiveness of competency-based approaches are assessed to understand the role that competencies play in integrated HRM.

Learning outcome

On completing the chapter, you will be able to:

- 2 **Assess the processes that arise from the application of human resource management in the workplace**

Assessment criteria

- 2 **Assess the processes that arise from the application of human resource management in the workplace**
 - 2.1 Analyse the role strategic HRM plays in organisational performance
 - 2.2 Evaluate the role HR policies play in defining organisational values
 - 2.3 Assess the effectiveness of competency based approaches

Level 5 Human Resource Management

Background

All organisations try to ensure they satisfy their stakeholders by delivering sustainable performance. In order to achieve this, organisational leaders rely on people within the organisation to bring expertise, skills and enthusiasm to deliver high-quality products and services. HRM processes can deliver added value to help organisations achieve competitive advantage by recruiting, developing and managing the organisation's human resources.

An effective HR function is essential in delivering a productive workplace where employees are engaged, collaborate, co-operate and perform well. A positive attitude toward HR policies and practices can be the essential ingredient that links people management and organisation performance.



OVER TO YOU

Activity 1: The purpose of HR

Go to the website of a few HR professional associations (for example, Australia: www.hrhq.com; Britain: www.cipd.co.uk; Canada: www.hrpa.org; and USA: www.shrm.org). Then locate and read their mission statements.

- How would they define the purpose of HR in the workplace?
- How would this impact the development of a HR strategy?

2.1 The role strategic HRM plays in organisation performance

Organisations face an increasingly unpredictable and fast-changing environment which is the result of globalisation, deregulation, more demanding customers and shareholders and more complicated and fast-moving competitive markets. To compete successfully, organisations must continually improve their performance. HRM is interested in how to use human resources to improve organisation performance. HRM used at a strategic level can provide economic benefits to an organisation's bottom line, and can help the organisation achieve its operational and strategic objectives. To contribute strategically, the HR function needs to systematically align organisation and HRM priorities within the budgetary and human resource confinements allocated to achieve them. The heart of strategic HRM remains the need to get the right number of people with the right skills in the right job at the right time.

Definitions of strategic HRM

Strategic human resource management (SHRM) is a concept which focuses on how HR and organisation strategies fit together in order that HRM activities are coherent and mutually supportive of both the HR strategy and the organisation's strategy. It is a long-term approach to developing and implementing HRM so that it is totally integrated with organisation strategy.

SHRM has been defined as:

“*a set of ideas, policies and practices which management adopt to achieve a people-management objective.*”

Tyson (1995)²¹

Strategic integrations and coherence

SHRM mainly concerns the integration of HRM into the business strategy. This integrates HRM policy and practice directly to the business strategy in response to changes in the external environment.

There is also a requirement for different aspects of HR strategy to fit together. This horizontal integration of HRM activities ensures compatibility of various HR activities, avoiding policy conflicts. This co-ordination between HR policies and practices promotes consistent and clear direction from HR to management and employees. Within this context, coherence is one criterion which both HR strategies and activities consistently meet; it has been proposed that the greater the level of horizontal integration, the more coherent and effective the HR strategy is.

Bundling

The configuration model claims that there are bundles of HR practices in specific compositions which, depending on the organisation's context, will lead to greater levels of business performance. Marchington and Wilkinson (2012)²² note that the key point about the configurational perspective is

²¹ Tyson, S. (1995), *Human Resource Strategy: Towards a General Theory of Human Resource Management*. London: Pitman Publishing

²² Marchington, M., and Wilkinson, A. (2012), *Human Resource Management at Work*. Kogan Page, p. 22

that it “seeks to derive an internally consistent set of HR practices that maximise horizontal integration and then link these to alternative strategic configurations in order to maximise ‘vertical integration’”.

 OVER TO YOU

Activity 2: Strategic integration

Discuss the above perspectives on strategic HRM with another student, if possible. How important do you think the way that the business strategy and HR practices “fit” is to the achievement of organisational objectives?

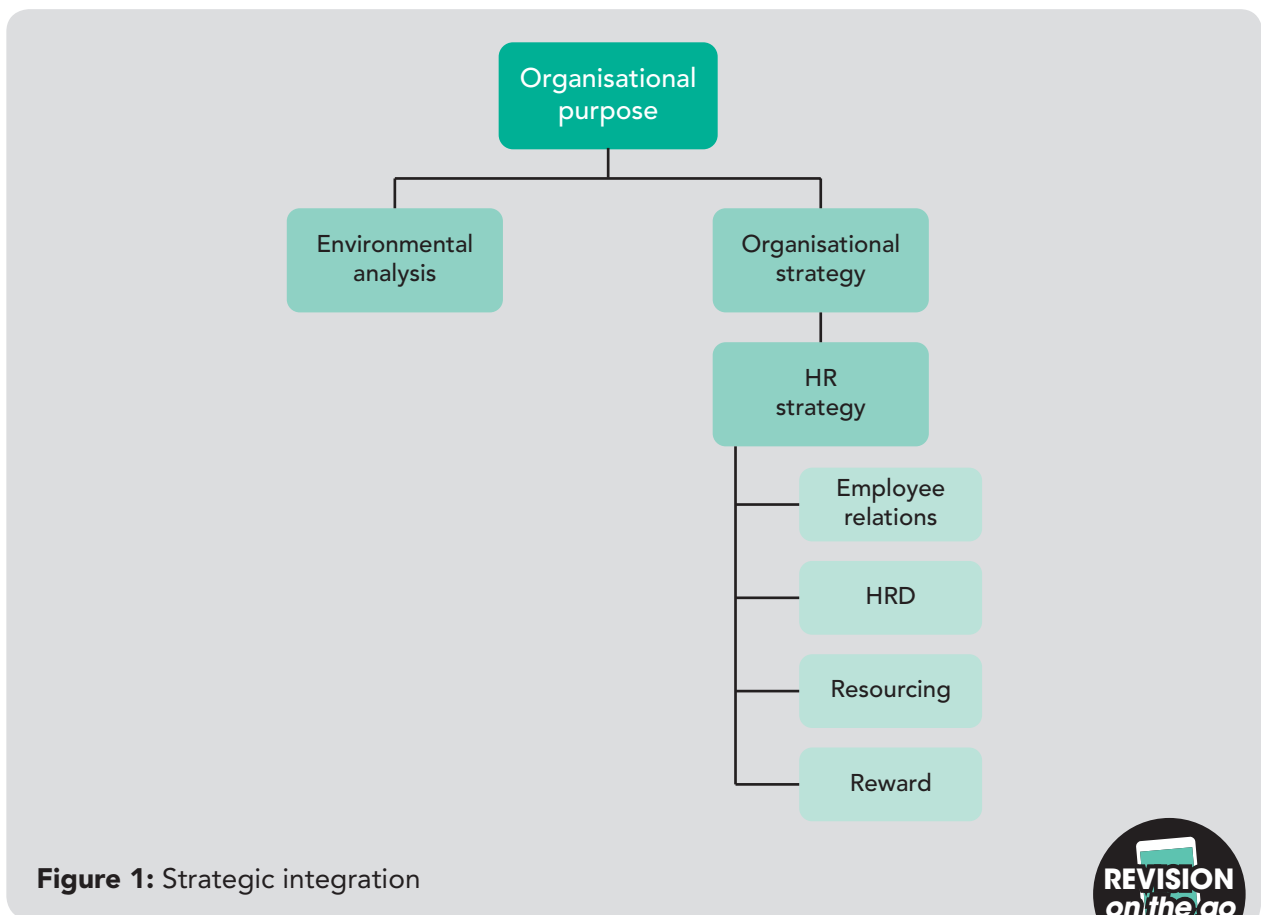


Figure 1: Strategic integration



CASE STUDY: INTEGRATED DISTRIBUTION

Strategic HRM

A food distribution company had doubled in size in the last four years, earning itself a good reputation, which led to new business relationships and developing business with existing customers. The company recognised that infrastructure was a significant contributing factor to this growth, and that leadership and management skills were a barrier to continued growth.



Business strategy

The business strategy was focused on several key elements, including a framework of financial targets and an emphasis on quality, integrity and teamwork. The fast-paced business environment meant that the company's strategy needed to be dynamic and responsive to the highly competitive market.

HR strategy

The HR strategy was integrated into the main plan, rather than being separate. The people development policy came out of the HR strategy with a focus on skills training, leadership training and recruitment to manage the rapid growth that the organisation was experiencing. New HR initiatives were discussed at board level. The HR function was led by the HR director who was a member of the business board which made decisions about business policy and business strategy.

HR strategy development

Research has shown there is a positive link between HR practices and organisational performance (Purcell, 2003).²³ Organisations can develop sustained competitive advantage by creating value that is difficult to copy. Although organisations such as IKEA (a furniture and appliance retailer) or Alibaba (an e-commerce portal) may be difficult to copy because of their size, most products and services are easy to copy. For example, Dyson vacuum cleaners were first to market with cyclone technology in 1993, and have since been copied by rivals such as Hoover and Electrolux.

The people that make up the human resources within an organisation are unique. Strategy development is the process of developing the best way to direct human resources to achieve the goals of the organisation. Fundamentally, this process involves analysing the current position of the organisation in terms of capabilities, understanding the desired future of the organisation and developing a plan to bridge between the current position and the future of the organisation.

In developing a strategic approach to HR there is a requirement for HR to provide operational excellence. This means that, when carrying out employee-related administration activities (such as managing the payroll), HR ensures that the activities are delivered efficiently. For example, whilst there is a requirement for HR to ensure compliance with employment law and polices, strategic HRM will ensure that it identifies where there is a competitive advantage to go beyond simple compliance to increase the benefits from employee engagement and commitment. Technology and HR systems have the potential to contribute considerably to economic efficiencies, and both the HR system and HR function must focus on the delivery of aligned HR policies that solve business issues and support the operations of the organisation and implementation of its strategic initiatives.

²³ Boxall, P., and Purcell, J. (2003), *Strategy and HRM*. London: Palgrave

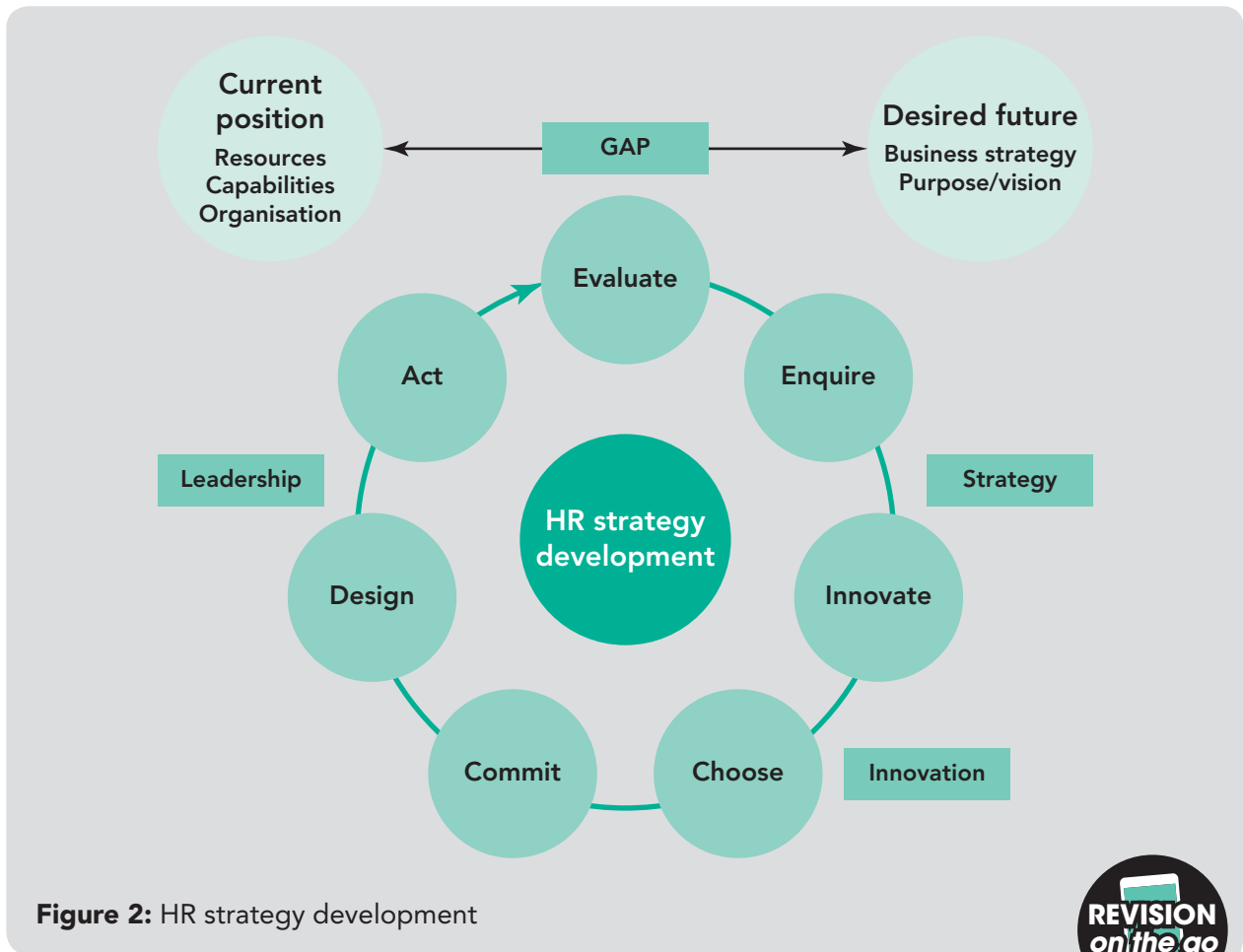


Figure 2: HR strategy development



 OVER TO YOU

Activity 3: Strategic links

Consider the linkages between HRM and individual, team and organisational performance in your own organisation, or one you are familiar with. What are they? What HR practices contribute to them?

2.2 The role HR policies play in defining organisational values

HR policies provide the general guidelines adopted by an organisation in relation to human resource management. Embedded within the policies are the values of the organisation regarding the treatment of employees, and how managers are expected to act in matters relating to HR. The consistency with which policies are applied will ensure that HR issues are dealt with in alignment with stated principles relating to human resource management.

Diversity and equity

Managing diversity and **equality** provides a framework which outlines how the organisation ensures that people of different ethnic backgrounds, religious beliefs, genders and age groups are recognised but not treated unfairly. A culture which is more inclusive and diverse enables the organisation to support collaboration between employees, leading to greater levels of productivity. A comprehensive diversity and equality policy go beyond the requirements of equal opportunity legislation and promote the positive effects of difference.

Dignity at work

A dignity at work policy highlights the organisation's commitment to creating a workplace where individuals will be treated with dignity, respect and courtesy. The adoption of a dignity of work policy highlights the organisation's commitment to go beyond preventing bullying, harassment and discrimination. It proactively enhances the workplace as a positive community, free from any form of unacceptable behaviour.

Bullying and harassment

Bullying and harassment policies highlight how bullying will be managed through the disciplinary process and emphasises the organisation's intolerance of bullying. The policy will outline the rights of individuals to discuss issues they may have with other people within the organisation, and the assurance that a complaint will be properly investigated. A proactive policy will go beyond protecting the organisation from legal action and develop a culture where such behaviour is unacceptable and will be dealt with fairly. For example, there has been significant press coverage of the bullying culture in US technology companies such as Uber.

Employee wellbeing

Employee wellbeing policies set out the organisation's commitment to managing employee health, safety, welfare and wellbeing. A comprehensive employee wellbeing policy highlights the organisation's commitment to developing a work environment and management practices that promote the wellbeing of staff beyond that of the compliance to health and safety legislation.

 OVER TO YOU
Activity 4: HR policy

Read and evaluate the HR policies and values statements from an organisation with which you are familiar. Is there a link between the values of the organisation and the HR policies?

 CASE STUDY: A CASE OF WORKPLACE BULLYING
Accusations of abrasive management

A well-respected sales manager suddenly found that he had been accused of bullying. His job was in jeopardy and he couldn't understand how it had happened. A recent change in HR policy meant that any reports of bullying would be investigated.

**A new line report**

Jonah was a senior manager in his organisation, having been in his post for over ten years, with a team of six managers reporting directly to him and a department of more than 100 employees.

A new manager had joined his team and a few months earlier had told Jonah that he found his management style abrupt and dismissive. He highlighted a situation where he had been left feeling humiliated. Jonah apologised for causing offence. He thought the new manager was being overly sensitive.

A grievance

However, a week later Jonah was called into the director's office. He was informed that a formal grievance had been filed against him and that HR were investigating the claim. Jonah could not think what would have led to a grievance being filed.

During the investigation, HR discovered that Jonah's style of management was viewed as aggressive, but had been dismissed by other employees as "just the way Jonah did things". The investigation had provided them with a catalyst for employees to identify situations which were now regarded as bullying. A report of errors highlighted some significant issues with Jonah's leadership style.

A shift in what is acceptable

The new member of staff and the new HR policy highlighted a shift in the organisational values and an emphasis on creating a safe working environment.

Early intervention and support from HR meant that Jonah could recognise issues with his management style, develop an awareness of the impact of his behaviour on others, and examine how he manages staff going forward.

2.3 The effectiveness of competency based approaches

Competency-based HRM analyses the competencies, or characteristics that result in superior performance and contribute to improvements in HR processes. Competency-based HRM is used extensively in recruitment and selection, learning and development and performance management.

Concept of competencies

Boyatzis (1982)²⁴ was the first to define the concept of competencies regarding characteristics such as personality traits, skills or knowledge. Eraut (1994)²⁵ distinguished between “competence”, which refers a person’s overall capacity, and “competency”, which refers to specific capabilities.

“ ‘Competency’ is more precisely defined as the behaviours that employees must have, or must acquire, to input into a situation in order to achieve high levels of performance, while ‘competence’ relates to a system of minimum standards or is demonstrated by performance and outputs. ”

CIPD (2016)²⁶

Competencies can be distinguished as:

Behavioural

Refers to behavioural requirements to deliver results. Headings given to such behaviours include teamwork, leadership, communication, etc., and are often represented as soft skills.

24 Boyatzis, R.E. (1982), *The Competent Manager: A Model for Effective Performance*. John Wiley & Sons

25 Eraut, M. (1994), *Developing Professional Knowledge and Competence*. Psychology Press

26 CIPD (2016), *Competence and competency frameworks* [online]. Retrieved from: www.cipd.co.uk/knowledge/fundamentals/people/performance/competency-factsheet [Accessed on: 9 September 2017]

Technical	Defines the knowledge and skills that an individual needs to carry out a job role. This may be role specific or generic and include things like IT skills, engineering skills, etc., and are often represented as hard skills.
Qualification or professional	Professional competence or qualified competence are assessed as part of a programme of study. This will be job specific and will be observed in order to achieve certification and lead to a professional designation, e.g. I am a Fellow of the UK HR professional body, the CIPD.

Table 1: The types of competency



OVER TO YOU

Activity 5: Competency frameworks

If an organisation with which you are familiar has a competency framework, use that. If not, research “competency frameworks” online. Review the competency headings and categorise them as behavioural, technical or qualification.

Behavioural	Technical	Qualification
<i>For example: Provide ongoing direction and support to staff</i>	<i>For example: Prepare job descriptions and role specifications</i>	<i>For example: L5 HRM qualification or equivalent</i>

Types of competencies

Generic competencies are skills that are required for employees to succeed regardless of their job role. As well as being common to many role functions within an organisation, there is often commonality between competency frameworks of different organisations. Generic competencies are sometimes referred to as broadband skills as they are useful across different job roles and organisational contexts. They include:

- problem solving;
- planning and organising;
- business awareness.

Role-specific competencies relate to the knowledge, skills and abilities needed for specific professional and technical roles. These competencies will be defined by organisation level (e.g. employee, team leader, manager) and outline what employees are required to demonstrate for a specific role. The competencies highlighted in the framework detail the expected level of technical proficiency required for an employee to perform at an acceptable level in their job. Role-specific competencies will be used during recruitment as well as to highlight areas of strength and weakness during performance management processes. Examples might include:

- decision modelling and risk analysis;
- accountancy skills;
- project management skills.

The role of competencies

Competencies contribute to the horizontal integration of HRM, establishing clearly defined and consistent standards. They can be used to support and engage employees throughout the employment lifecycle.

Recruitment and selection	Competencies can be used as a framework for developing person specifications and conducting role analyses. Competency based interviews use the competency framework to structure interview questions to assess a candidate's suitability for a job.
Learning and development	Role profiles encompassing generic and specific competencies can be used to identify development needs. They can form the basis of skills and behaviour development during learning programmes.
Performance management	Competency frameworks can reduce the subjectivity within performance management processes and ensure reviews are based upon standardised expectations across the organisation.
Reward management	Grade and salary levels can be aligned to competency-related pay. Additional bonus payments can be linked to individuals achieving a specific level of competence.

Table 2: The role of competencies



READING LIST

- Han, Y., and Zhao, H. (2013), "HRM is strategic at Shanghai Shuozhi: Close ties with top management ensure that personnel policies meet company needs", *Human Resource Management International Digest*, Vol. 21, Issue 1, pp. 23–25 (This article will be available in your online student resources.)
- Longenecker, C.O., and Fink, L.S. (2013), "Creating human-resource management value in the twenty-first century: Seven steps to strategic HR", *Human Resource Management International Digest*, Vol. 21, Issue 2, pp. 29–32 (This article will be available in your online student resources.)

Summary

HRM has a significant role to play to ensure that adequate human resources that meet the strategic goals and operational plans of the organisation are available, ensuring that the right people with the right skills are available at the right time. HR policies provide the general guidelines adopted by the organisation in relation to human resource management. Embedded within the policies are the values of the organisation regarding the treatment of employees, and how managers are expected to act in matters relating to HR. Competency-based HRM analyses the competencies or characteristics that result in superior performance and contribute to improvements in HR processes.

Chapter 3

Procedures and Practices Involved in HRM

Introduction

There are a broad range of HRM procedures and practices that the HR function is responsible for, including recruitment and employment arrangement, workforce management, employee development and employee entitlement. This chapter will examine the formulation of various HRM procedures and practices which will determine the effectiveness of the HR strategy and its contribution to the achievement of the organisation's strategy objective.

The HR function will develop a variety of procedures and practices, including those associated with reward, to attract and retain skilled employees, improve learning and identify the skills necessary for each job role and the competencies that the organisation needs its employees to have for it to achieve its objectives.

Learning outcome

On completing the chapter, you will be able to:

- 3 Appraise the various procedures and practices involved in HRM including human resource planning, resourcing, employee development, relations and reward, and evaluate their application**

Assessment criteria

- 3 Appraise the various procedures and practices involved in HRM including human resource planning, resourcing, employee development, relations and reward, and evaluate their application**
 - 3.1 Discuss the process of human resource planning and its role in HRM
 - 3.2 Appraise the activities involved in employee resourcing
 - 3.3 Appraise the activities involved in employee development
 - 3.4 Appraise the activities involved in employee relations
 - 3.5 Appraise the activities involved in employee reward

Level 5 Human Resource Management

Background

To add value to the organisation the HR function needs to support people to be effective and make good choices to help the organisation achieve its goals. The efficient design of HR procedures and practices depends upon human resource planning and the value added at each forecasting step. It covers a number of different practices. Employee resourcing relates to the attraction of applicants who meet the required criteria to the organisation. Employee development focuses on the development of the human resource so that it increases in values and can adapt to changing skills requirements of the organisation. Employee relations enables the retention of employees through a combination of practices which develop, motivate and reward employees into a coherent process and supports cohesiveness. Employee reward examines the structure and management of the remuneration and benefits to manage staff costs whilst rewarding employees for the contribution they make.



OVER TO YOU

Activity 1: A-Z of HR

Working with a small group, if possible, identify different HR activities. See if you can identify one HR activity for each letter of the alphabet. An example has been given.

A	
B	
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I	
J	
K	

L	
M	
N	
O	
P	
Q	
R	
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T	
U	<i>For example: Unpaid leave</i>
V	
W	
X	
Y	
Z	

3.1 The process of human resource planning

The human resource planning process determines the human resource support that is required to meet business needs and respond to customer demands. Considerations in the planning process include the number of employees who are retiring, transitions to new roles, the availability of specific skills and changes in the external environment which will require existing employees to be trained.

Human resource planning is an ongoing process because of the constant changes in both the internal and external environment. New starters, leavers, retirements and redundancies impact the shape of employee skills, knowledge and capability available. External forces examined in Chapter 1 impact the skills and job roles that an organisation need to respond to environmental demands. All these factors have an impact on the type and how many employees the organisation needs for the organisation to achieve its goals.

Soft vs hard human resource planning

In Chapter 1 we reviewed soft and hard models of HRM. These highlight one of the main ideological differences between applications of HRM in organisations based on the distinction between those who subscribe to “hard” or “soft” forms of human resource planning. Hard human resource planning will focus on a quantitative analysis of the human resource requirements of the organisation to ensure that the right number of the right sort of people is available when needed. Soft human resource planning was described by Marchington and Wilkinson (1996)²⁷ as “explicitly focused on creating and

²⁷ Marchington, M., and Wilkinson, A. (1996), *People Management and Development: Human Resource Management at Work*. CIPD Publishing

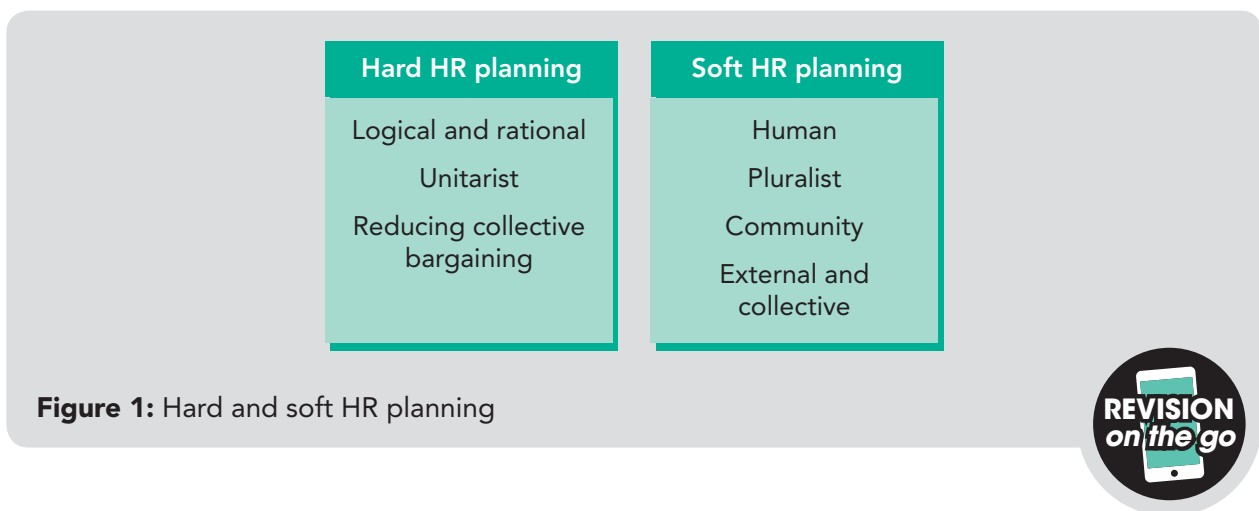
shaping the culture of the organisation so that there is a clear integration between corporate goals and employee values, beliefs and behaviours”.

Hard human resource planning is:

- a logical and rational approach, focused on managing the cost of human resources;
- unitarist, emphasising organisational effectiveness;
- focused on individual employee motivation and aspiration, reducing collective bargaining issues.

Soft human resource planning is:

- focused on the “human” to support activities which deliver highly motivated, skilled and loyal employees;
- pluralist, emphasising the management the employment relationship;
- focused on community within the organisation and the wider society;
- focused on external and collective issues.



OVER TO YOU

Activity 2: Hard and soft planning

Think about your own organisation, or one with which you are familiar. Does it use a hard or soft model of HRM? Justify your answer.

The process of human resource planning

There are four stages in human resource planning, as shown in Table 1.

Gathering and analysing information	Taking a diagnostic approach requires the HR professional to assess what is happening through the analysis of data in regard to the supply of employees, both internally and externally, and to examine what is required to meet the operational requirements of the current organisation and future plans.
Identifying HR objectives	Identifying HR objectives involves making decisions relating to talent management, recruitment and selection, outsourcing and staffing levels.
Design and implementation of HR interventions	Based upon the diagnostic and objective setting stage, this stage involves developing HR interventions that will deliver the human resource requirements of the organisation, and planning how those programmes will be implemented and a timeline of activity. This covers all HR activities from workforce planning, resourcing, relations, HRD and reward.
Monitoring and evaluation	This involves setting performance metrics and examining the effectiveness and efficiency of the human resource plan, making adjustments to ensure the successful delivery of programmes and delivering recommendations for future changes.

Table 1: Four stages of HR planning

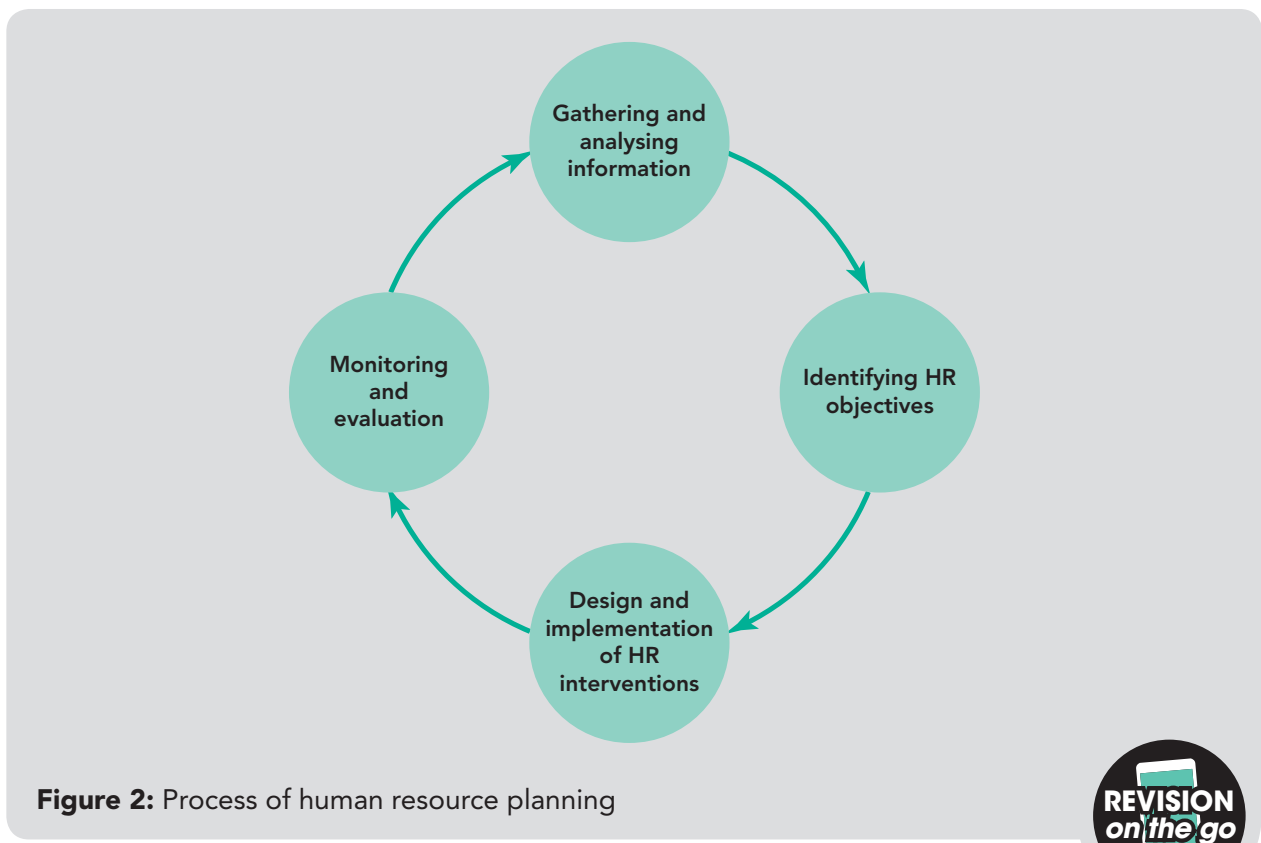


Figure 2: Process of human resource planning



Human resource planning affects decision-making regarding forecasting the human resource needs required to achieve business strategies and operations and estimating the number of current employees and evaluating human resource gaps.

Rationalisation

An important, yet challenging, element of human resource planning is **rationalisation** of the human resource requirements of the organisation for specific types of skills and positions. Organisations are impacted by different factors, and job roles which were once in high demand are no longer needed in modern industry. Rationalisation covers the development of efficiencies within the organisation. A specific challenge for HR going forward will be rationalisation as a result of automation of job roles.

Succession planning

The process of **succession planning** involves the identification of key positions within the organisation and the development of plans to ensure that individuals are upskilled to fill the position. Succession planning may identify either internal employees or external candidates who would be suitable replacements for the position if the current role holder were to leave. Succession planning is often linked to leadership development, and supports the process of secondment and on-the-job training to ensure internal candidates are prepared to step into positions when they become vacant.

Employee development

Employee development includes building organisation-wide and individual employee development plans as part of the HR planning process. This process will identify employee strengths and weaknesses, the type of training which needs to be on offer to close skills gaps and identify effective methods for developing employee skills, knowledge and competence to increase agility and flexibility across the organisation. Significantly, the human resource planning process should identify the gaps between current organisational competence and that required for the organisation to meet its strategic objectives.

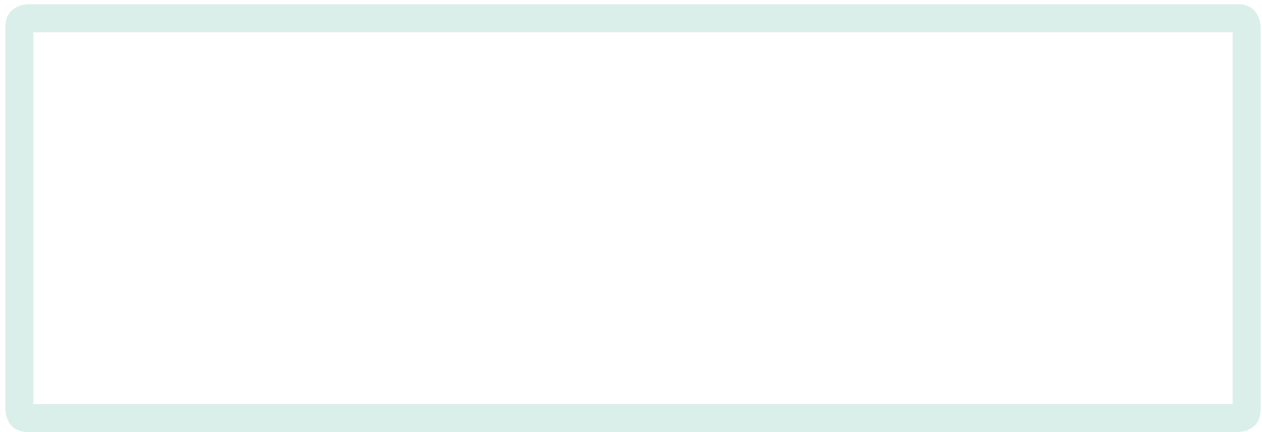


OVER TO YOU

Activity 3: Succession planning

If you are employed currently, think about your current role. What does someone have to know and do to succeed in it?

What will your role look like in five years' time? What different skills and knowledge will be required to succeed in the future?



CASE STUDY: GROWING PAINS

Succession planning in a growing business

Zest Industries had grown from a small entrepreneurial organisation to a large group of companies producing garden supplies and wood-based products. Approximately 500 people are employed and the organisation is experiencing skills shortages at all levels; management skills shortages are particularly severe. Labour turnover is high, exceeding 20% in most departments. It is becoming increasingly difficult to find good replacements.



Things are clearly not going well. The organisation is suffering from:

- high turnover rates;
- recruitment problems;
- succession problems (managers and team leaders);
- inexperienced people being appointed in leadership roles.

It was decided that not enough attention was being paid to management development or succession planning. A talent management and succession plan process was required to overcome the problems the organisation was facing.

3.2 Employee resourcing

The fundamental objective of the HR function is employee resourcing, assembling teams of people with the requisite skills, attitude and experience to achieve the organisation's objectives. In addition to acquiring employees, a further objective is to retain employees and, where necessary, release individuals from the organisation's employment.

Recruitment and selection

Recruitment involves finding individuals that have the capabilities that the organisation needs. Selection is concerned with choosing between candidates and appointing them to a job role.

There are several stages to the recruitment and selection cycle, shown in Table 2.

<p>Identifying the need</p>	<p>When a vacancy within an organisation arises, or is identified as part of the workforce planning process, HR should review the need for a new vacancy. Short-term demands for vacancies to be filled can result in a reactive process of position filling rather than a strategic perspective of what staffing requirements exist. A role profile will define the purpose of the role and the reporting relationships. Once it has been established that a need for a role exists, a person specification can be developed to define the knowledge, skills and abilities and competencies are required for the job position.</p>
<p>Attracting and identifying candidates</p>	<p>Suitable candidates for different roles won't all be found in the same place, so HR needs to identify what methods will attract candidates to fill the role. This includes understanding different media for use of recruiting. Examples include corporate websites, recruitment agencies and social media. Other considerations include appropriate levels of pay and benefits, terms and conditions and development opportunities which will make the role attractive to potential candidates.</p>
<p>Assessing candidate suitability</p>	<p>Once applications have come in, HR needs to process them. This will involve sorting through applications to find those candidates who are considered desirable, meet the requirements of the job role and will be invited to interview, and those that will be rejected. A number of selection methods can be used (see Figure 3: Selection methods) to assess the suitability of candidates and determine whether they would be able to perform the role successfully.</p>
<p>Offer of employment</p>	<p>Once a decision has been made on the preferred candidate for the position, an offer of employment can be made. This is subject to suitable references being obtained. Some positions may require the candidate to undergo additional security, credit or identification checks. A final offer will be made once all satisfactory checks have been carried out. At this stage a written contract of employment will be prepared.</p>

Table 2: Stages of the recruitment and selection cycle



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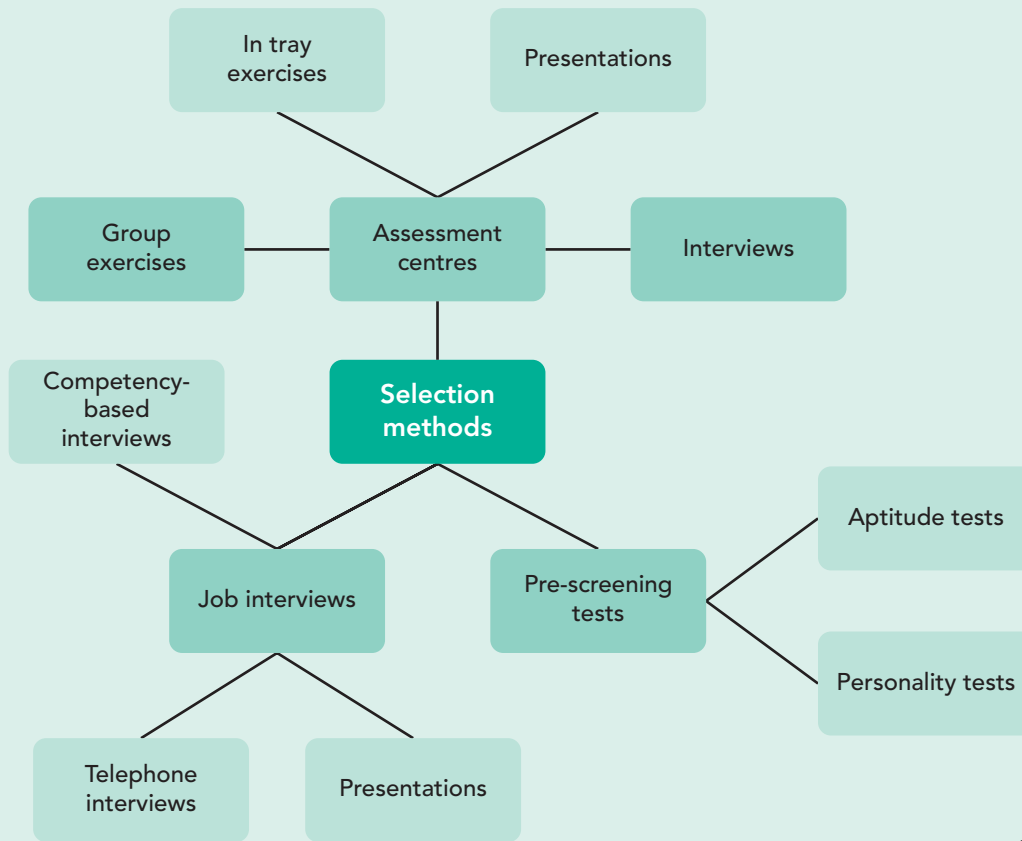


Figure 3: Selection methods



✎ OVER TO YOU

Activity 4: Recruitment and selection

Identify five different ways that an organisation can attract potential candidates to apply for a position. Analyse the advantages and disadvantages of these methods.

Method	Advantages	Disadvantages

Induction

An important part of the resourcing process is an effective induction. Induction aims to assist new members of staff to perform effectively in their new job role. Induction is equally important for existing employees moving internally within the organisation. The induction process comprises a number of events and activities, including:

- meeting colleagues who are key to success in the job role;
- navigating the workplace;
- reviewing and understanding employment terms and conditions;
- examining and understanding key responsibilities and expectations in relation to the role;
- explaining management processes and support available;
- highlighting relevant policies and procedures;
- identifying personal development needs.

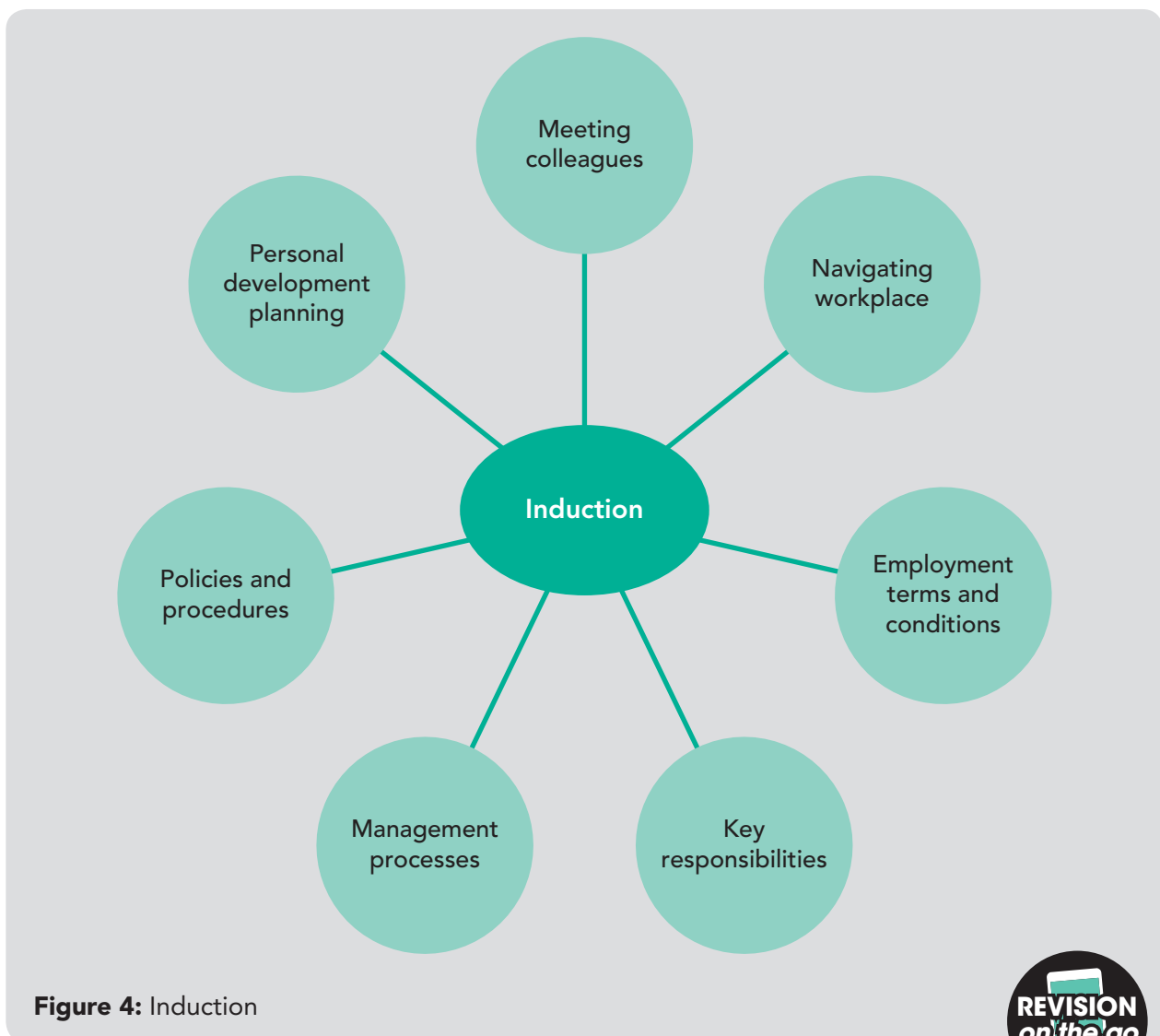


Figure 4: Induction



OVER TO YOU

Activity 5: Induction

What are the advantages of a good induction to both the employee and the organisation?

What are the disadvantages of a bad induction to both the employee and the organisation?

CASE STUDY: A TALE OF TWO INDUCTIONS

A good induction

The best induction I experienced was working for a global energy company. On my first day, I was welcomed by my “induction buddy”, who spent the day ensuring that my workspace was adequately furnished and that I had access to my work laptop and the various internal networks and systems. An overview of the organisation was given, including essential health and safety information, contact numbers and “need to know” information which I required to perform my job. Over the next four weeks, I spent time touring the organisation, meeting key people, receiving induction training on key systems and being introduced to the board of directors at a formal company induction. By the end of the four-week period I had a thorough understanding of the role and the expectations regarding the contribution I could make to help achieve the organisation’s objectives. At the end of the induction I was able to produce a people- and organisation-development strategy and “hit the ground running”.



A bad induction

The worst induction I experienced was joining a university. I had applied for the role of module leader, but was given the role of programme leader instead because their preferred candidate refused the job offer! When I arrived on my first day, my manager wasn’t available and I had to hunt for a key to my “office”. The office turned out to be a storeroom for broken furniture. My first three weeks on the job consisted of me working with caretakers to remove broken furniture and source furniture to set the room up as an office, putting a requisition request in for computer access and necessary equipment; it was 10 days before I got access to the system. It was two weeks before I received information regarding my teaching schedule, and I had less than three days to prepare for my first class.

I discovered the requirements of the job role “on the job”, relying on my colleagues to fill me in what tasks needed to be done and when. It was six weeks before I met with my line manager for the first time. I made a lot of mistakes to begin with, and very often had to re-do work because something had been missed, it took six months before I really understood the role. I had little grasp of how the role fitted into the organisational purpose or the mission of the organisation.

Release from the organisation

Release from the organisation is often perceived to be a negative process because the focus is on employees being forced out of an organisation through redundancy and dismissal. From the organisation’s perspective, there are implications of losing valued employees who may have been poached by other organisations or have become dissatisfied. However, with the likelihood of a job for life diminishing in most organisations, Foster (2015)²⁸ argues that managing the exit of talent proactively would “lead to employees being helped to manage themselves out of the organisation... [and] enable the organisation to back-fill the position.”

Performance management

Performance management can be defined as a systematic process to improve organisational, team and individual performance. The purpose of performance management is to clarify performance expectations and highlight areas for the development of organisational and individual capability. There are a number of factors which affect individual performance, including competency and skill levels, quality of management, motivation and engagement levels and the efficiency of work systems.

Performance management systems contribute to the management of individual performance but also the development of organisational performance. Regular performance reviews can enable managers and employees to engage in an on-going appraisal of skills, knowledge or experience gaps, which affect employee performance. An individual’s development needs can also be identified through day-to-day situations, whereby managers identify employment needs through the management of individual performance providing employee’s guidance and **coaching**.

Regular performance reviews also feed into an organisation’s reward system, specifically where it uses performance-related pay, rewarding employees for achieving agreed targets or developing their competencies to a specified level. For example, an employee may achieve a pay rise for gaining a professional qualification. A continuous process of performance management can contribute positively to employee relations by developing positive relationships between managers and employees and engaging employees with the goals of the organisation. Positive performance management:

- enhances loyalty to the team or organisation;
- increases empowerment in decision-making, enabling creativity, responsiveness and adaptability;
- aligns individual employees with the strategic objectives of the organisation;
- clarifies the role of the employee in helping the organisation achieve its goals;
- identifies the skills and competencies the employees need to fulfil their role;
- examines agreed standards of performance between employee and line manager;
- provides employees with feedback on their progress against targets;
- identifies performance issues and provides a forum for agreeing an action plan for improvement.

²⁸ Foster, C. (2015), “Managing the Flow of Talent Through Organisations – A Boundary-less Model”, *Development and Learning in Organizations: An International Journal*, Vol. 29, Issue. 1, pp. 15–19



Figure 5: Positive performance management



 OVER TO YOU

Activity 6: Performance management

Think about your own organisation, or one with which you are familiar. How would you explain the connection between performance management and employee performance to the organisational leaders?

3.3 Employee development

Employee development seeks to enhance employee competencies. Development procedures and practices will include identifying and developing the needs of the individual employee as well as ensuring the employee population has developed the knowledge, skills and abilities needed to achieve the wider organisational strategic objectives, now and in the future. In this respect, employee development is broader than simply training an employee to be able to do their job, but also has a long-term focus.

Learning theory

Learning theory has its roots in a number of different disciplines including psychology, neuroscience, education and behavioural science. For over a century, academics, researchers and practitioners have developed theories, frameworks and models of learning which provide the foundation of employee development interventions in organisations. Common features of development design include active learner engagement, modelling behaviour, critical reflection, metacognition, applied learning, constructive feedback, ongoing support, and assessment for all features which support behaviour change, knowledge acquisition and skills development.

There are four key types of learning theories.

- 1 **Behaviourist theories** – changes in behaviour result from responses to stimuli that can be “conditioned”.
- 2 **Cognitive learning theory** – learning involves gaining knowledge, understanding and insight by absorbing information in the form of principles, concepts and facts and then internalising it.
- 3 **Experiential learning theory** – learning is a personal “construction” of meaning through experience; learning does not just occur in formal structured situations and can be informal and spontaneous.
- 4 **Social learning theory** – effective learning requires social interaction, and individuals learn through observing and imitating the behaviour of others.



OVER TO YOU

Activity 7: How do you learn?

Think about the last time you learnt a new skill. How would you describe the learning process? How do you learn best?

For example: I'm currently switching from using a laptop to using an iPad for work. I'm trying out editing work on a document on an iPad which I would normally do on my laptop. My learning process is one of trial and error, based on what I already know having used an iPhone, coupled with consulting the internet when I don't know how something works. This process is experiential learning.

Learning organisation

The term “**learning organisation**” describes an organisation with an ideal learning environment perfectly aligned with the strategic objectives of the organisation. It is described as an organisation

“where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole (reality) together.”

Senge (1992)²⁹

There are five dimensions of the learning organisation, shown in Table 3.

Systems thinking	The organisation is a series of sub-systems which make up a complex system. Systems thinking requires an understanding of both the components and the whole.
Personal mastery	A process of being in a constant state of learning.
Mental models	The assumptions and generalisations that influence the actions individuals take. It is important that we develop self-awareness of the mental models that are operating and challenge them.
Building a shared vision	A shared vision is essential to employee motivation. Leaders must use dialogue and enhance employee commitment through sharing a vision at all levels of the organisation.
Team learning	Team members collaborating to achieve a common goal.

Table 3: Five dimensions of the learning organisation

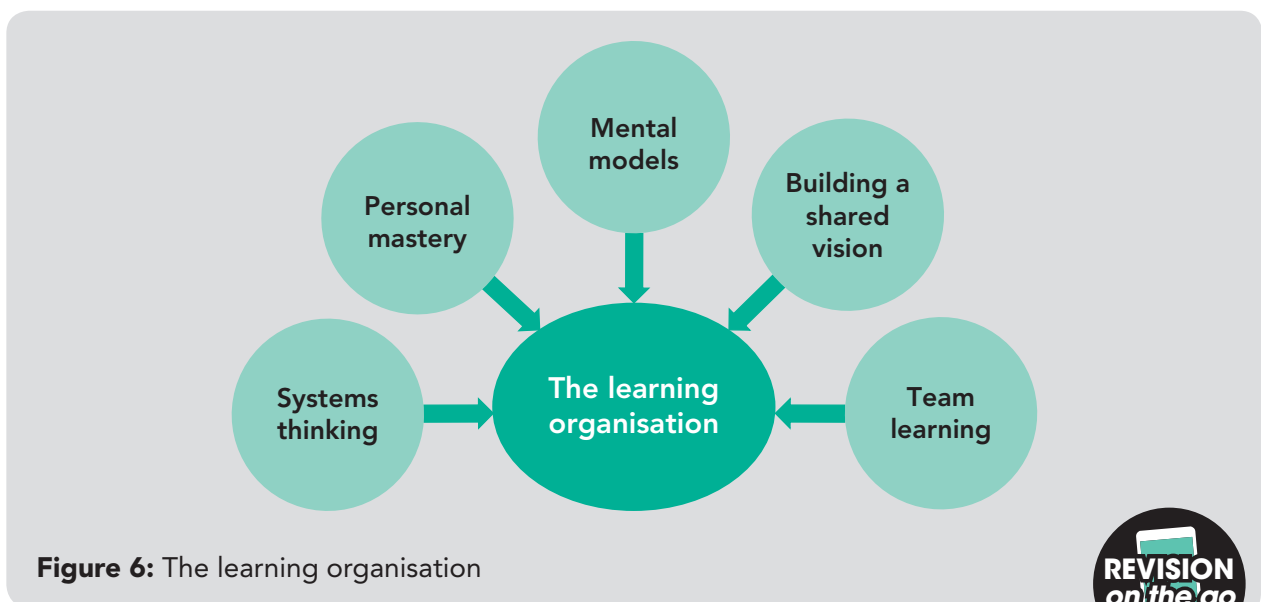


Figure 6: The learning organisation



²⁹ Senge, P.M. (1992), *The Fifth Discipline: The Art and Practice of the Learning Organization*. Broadway Business

Continuous development

Continuous development identifies development opportunities relating to professional competencies to improve performance and effectiveness on the job. It involves the professional documenting their development and focusing on continuously enhancing their skills, knowledge and experience by engaging in formal education and training or informal development activities such as attending seminars, reading journals or books relating to their profession. The purpose of continuous professional development is to ensure that the individual remains competent throughout their professional career. The continuous development process would need to be documented, driven by the individual, focused on a mixture of learning activities including experience, skill and knowledge development and reflection and include the setting of clear development goals and objectives on an ongoing basis.

Self-managed learning

Self-managed learning (SML) involves the individual taking responsibility for their own personal and professional development and managing their own learning. The individual will lead and manage their own development opportunities, taking the initiative to acquire new skills, knowledge and attitudes. Some organisations will provide learning portals for individuals to make development decisions. However, with the growth of Massive Open Online Courses (MOOCs) and open access journals using creative commons licences, the opportunity for individuals to access quality self-managed learning has been enhanced significantly.



OVER TO YOU

Activity 8: Close your gaps

Think about a workplace skill you would like to develop. Watch at least one web seminar about that skill, then write a brief synopsis of the seminar and reflect on what you have heard. Here are some example seminars:

A playlist of 10 seminars from TED: www.ted.com/playlists/301/why_we_do_the_things_we_do

A TED talk from Josh Kaufman, "The first 20 hours – how to learn anything": <https://youtu.be/5MgBikgcWnY>

Training within organisations

Training can be described as an instructor-led intervention which results in desired changes in behaviour. Training can be delivered by either in-house teams, or using online providers. Different types of training are shown in Table 4.

Technical	This teaches employees the technical aspects of the job, such as using a computer system.
Quality	Important in a production-based organisation, quality training teaches employees how to prevent, detect and eliminate non-quality output from a process. An example is quality standards training.
Skills	Employees can gain proficiency in skills that are needed to do a job, such as customer service skills in a customer-facing role.
Continuing education	This is organisation-specific training, such as training related to new products or services.
Soft skills	These are personal- and relationship-based skills, such as listening skills.
Professional	This training relates to updating specific skills in a professional field. An example is fire training for fire service personnel.
Team	Developing a spirit of collaboration and unity among team members, such as teambuilding.
Management	Developing newly promoted managers in key management skills, such as strategic decision-making.
Health and safety	Training employees to avoid work-related accidents. An example is handling chemicals and hazardous materials safely.

Table 4: Types of training an organisation may offer

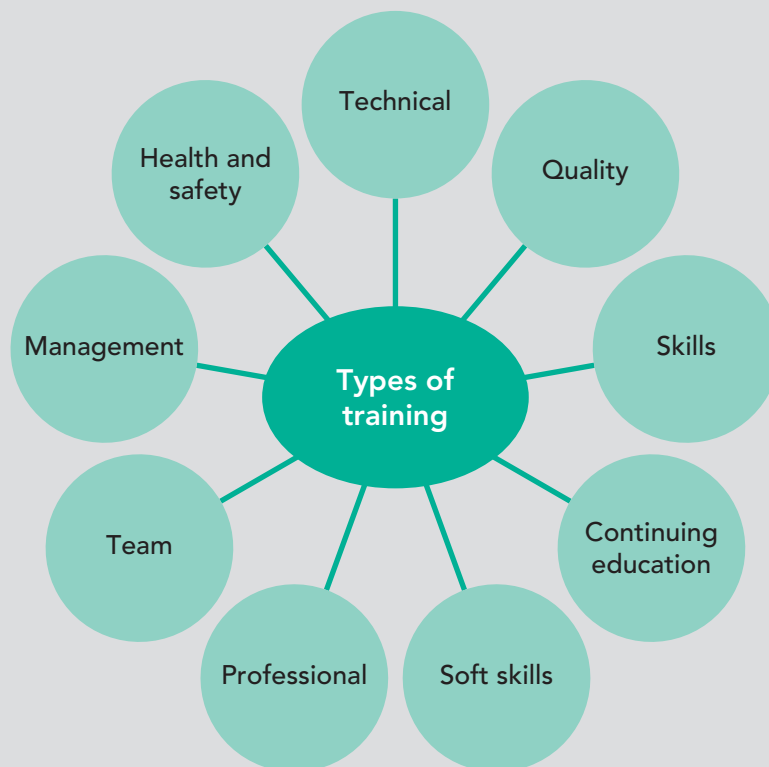


Figure 7: Types of training



CASE STUDY: ENERGY TRANSFORMATION

Customer service training

A global organisation had significant growth targets and was struggling with siloed working and low customer service scores in a competitive marketplace. Through discussions with managers about what would make the biggest difference, the learning and development manager reviewed issues highlighted in the customer service surveys. The company brand promise focused on a) 24/7 service, b) technical expertise and c) high quality equipment. Key outcomes included empowering employees to problem solve, getting teams from different functions to work as one organisation and commercialising the service teams.



Action

A development needs analysis workshop was delivered to managers, and service team members were observed and interviewed. A training design group made up of change agents from across the business was established and pilot sessions were used to test the effectiveness of the training. The senior management team was provided with a walk-through to gain buy-in and support. Managers were trained in coaching skills to support the transfer of learning.

Result

A total of 32 days of training workshops were delivered to 204 participants, each attending a two-day workshop. Customer service scores improved by 47% and this level was maintained for over 12 months. Equipment breakdowns reduced by 13%, saving £205,000. The programme delivered £804,000 benefit in 12 months through retaining existing customers and winning new business. Call centre, service team and administration staff reported improved performance.

Coaching and mentoring

One-to-one coaching offers a personal approach to employee development, focused on improving performance. Coaching can be an informal intervention, often supported by a coaching style of management. However, coaching is predominately used as part of a formal leadership and management development intervention aimed at providing an iterative cycle of support, structure and effective feedback to managers developing their leadership skills.

“Coaching is unlocking a person’s potential to maximize their own performance. It is helping them to learn rather than teaching them.”

Whitmore (2002)³⁰

Mentoring is often associated with coaching, but is a different type of intervention. Mentors provide individuals with guidance, practical advice and help and support, usually in relation to career development.

³⁰ Whitmore, J. (2002), *Coaching for Performance: Growing People, Performance and Purpose*. Boston: Nicholas Brealey Publishing

Management development

Management development supports employees who wish to progress into or already hold a management position. Examples include skills training, coaching, experiential workshops, project work, seminars, attending conferences, secondment and education programmes such as MBAs.

Career management

As individuals are developed they will gain a greater understanding of the value of their skills, knowledge and abilities within the organisation. Career management ensures that those making resourcing decisions know about individual employees' competencies. Career management is a continuous process of ensuring that individuals are able to achieve their career goals through engaging in regular and transparent career development conversations, updating the individual's development plan and setting new goals as appropriate.



OVER TO YOU

Activity 9: Mapping out more than one career

Many skills you have developed as part of your development are not exclusive to one career. Choose a starting job role. Think about the different career paths that can stem from that one job. Do not be limited by qualifications, geography or industry.

For example:

- 1) Sales representative → sales trainer → learning and development manager.
- 2) Sales representative → key account manager → national account manager.

3.4 Employee relations

Employee relations examine the employment relationship between employee and the organisation, including the legal link between employer and employee. It explores the mutual rights and obligations that are created under employment law and the extension of these rights based upon the employee's and employer's perspectives of a functioning employment relationship.

The employment relationship

There is a significant amount of rhetoric surrounding the balance of power in employment relationships, but the perspective of where the balance is held will depend on whether you discuss employment relationships with bodies representing employers or those representing worker rights. Significantly, employee relations specialists would characterise the employment relationship as systemically imbalanced, reinforced by industrial perspectives of employers using their stronger bargaining power to reduce wages to subsistence levels.

However, contemporary labour economists have a different view. They argue that in a free market place wages and other conditions of employment are determined by the supply and demand for particular skills.

The truth is probably somewhere in the middle. During periods of high levels of employment or in high skills occupations, protection for employees increases. However, in a loose labour market with high levels of unemployment or in low-skill occupations, employers have greater freedom to dictate terms. In Europe, there are many employment rights which protect employees but are considered a regulatory burden on employers. However, there are still issues in countries without employment laws where worker exploitation is common. Arguments continue regarding how to balance the need for organisations to have flexibility and agility in a fast-moving, complex environment, whilst giving employees the required levels of job security and remuneration to successfully motivate and engage them to achieve the organisation's strategic objectives.



OVER TO YOU

Activity 10: Zero-hour contracts

Read this article:

"McDonald's offers all staff an end to zero-hours contracts": <http://www.theweek.co.uk/zero-hours-contracts/58853/mcdonalds-offers-all-staff-an-end-to-zero-hours-contracts>

Now answer the following questions.

- What are the arguments for and against zero-hour contracts?
- What does the use of zero-hour contracts indicate regarding the balance of power between employer and employee?
- Are zero-hour contracts legal in your home country? How do they affect employees there?

Managing the employment relationship

There are a number of processes and practices involved in managing the employment relationship on both an individual and collective level.

Disciplinary and grievance procedures

When difficulties arise in the working relationship, a clear framework is required to ensure that every employee is treated fairly and reasonably, and to ensure that practices are in line with current employment laws.

Disciplinary procedures outline expected standards of conduct whilst acknowledging barriers to performance such as training needs, and a lack of clarity may result in additional support being provided. A disciplinary procedure will examine the situation and initiate an appropriate process to resolve matters, with performance improvement targets being agreed by both parties. Where performance improvement is not forthcoming, employers must demonstrate that they have attempted to resolve matters to avoid complaints from employees regarding the way they have been dismissed, and negative employment tribunal outcomes.

Grievance procedures provide employees with a formal process to complain about situations regarding their treatment by colleagues or managers within the organisation. This may include issues relating to discrimination, bullying and harassment and breach of trust. Grievances should be investigated within an agreed timescale with set procedures for resolving issues of concern; if the internal processes do not resolve the issue then the grievance may be addressed by an employment tribunal.



OVER TO YOU

Activity 11: Disciplinary action: what would you do?

Read the following scenarios and describe the action you would take in each situation.

Scenario 1

You are a supervisor in a warehousing operation. You recently instituted a "no smoking" policy in the facility. All employees were notified of the policy change. It was not well received. As you walk down Aisle B in the warehouse, you see a cloud of smoke and then see Chris running to Aisle A. You need to talk to Chris.

Scenario 2

You are an accounting manager, and the business relies on your department to produce accurate financial reports the end of each month. Your department uses Excel. Last month, you hired a new accountant, Taylor, who claimed to be proficient in Excel. However, co-workers have come to you with complaints about Taylor's work and questioning his abilities. You need to talk to Taylor.

Scenario 3

You are a payroll manager supervising 25 people. Your team works in close quarters with little physical separation between work stations. Drew is one of your best performers, yet you have received complaints that he sometimes uses crude language. Some have complained that Drew is crossing the line. You need to talk to Drew.

Scenario 1	
Scenario 2	
Scenario 3	

Unfair and fair dismissal

Dismissing an employee is something that many managers and organisations seek to avoid for fear of affecting employee morale and damaging the organisation's reputation as an employer. Where dismissal becomes necessary, the employer should ensure that they comply with the relevant laws and codes of practice.

A dismissal can be considered fair if it can be proved to be for one of the following reasons:

- capability or qualifications;
- conduct;
- illegality or contravention of a statutory duty;
- some other substantial reason;
- redundancy.

Individuals may claim that they were dismissed unfairly. To avoid such claims, the employer must demonstrate that they have acted fairly and reasonably following a fair procedure of dismissal, and show that the dismissal was fair because it was for a specific reason. For example, in the UK, retirement is no longer a fair reason for dismissal and employment tribunals have wide discretion on what is considered "fair".

Employee communication

The importance of employee communication cannot be underplayed. Communication should be a two-way process, involving dialogue between the employer and employee, avoiding the employer simply broadcasting information and instructions. However, many organisational dysfunctions can be traced back to employers not communicating effectively.

Effective workplace communication is proactive and consultative, with regular monitoring of employee attitudes and identifying areas of conflict. Employee communication provides the channel through which early resolution of difficulties can be established between employees and management.

Participation and involvement

The terms “participation” and “involvement” are often used interchangeably, but in HRM mean different things.

Employee participation is a collective process where employees join together and take part in activities that matter to the organisation. Participation processes are designed to provide opportunities for employees to enhance their influence during decision-making process on issues which affect them. Employee participation processes such as the establishment of staff councils are often regulated by legislation or employment rights.

Employee involvement activities are more individualistic and involve managers developing initiatives with individual employees to achieve a specific shared objective. The CIPD (2017)³¹ defines employee involvement as “a range of processes designed to engage the support, understanding and optimum contribution of all employees in an organisation and their commitment to its objectives.” The main objective of involvement activities is to increase employee empowerment and commitment.

! NEED TO KNOW



Source: Adapted from Blyton and Turnbull (1998)

Figure 8: Continuum of employee participation



✎ OVER TO YOU

Activity 12: Benefits of an engaged workforce

What benefits does the use of employee participation and involvement techniques provide to the organisation?

How do they support an engaged workforce?

³¹ Suff, R. (2017), *Employee Relations: An introduction factsheet*. London: CIPD

CASE STUDY: STAFF BOARD

Purpose of a staff board

One method of improving employee participation and involvement is the establishment of a staff board.

A housing association established a staff board to discuss all things affecting employees in the workplace, including staff engagement, wellbeing, pay and benefits, staff targets, performance management, environment, service provisions and some aspects of services. Its purpose was to:



- scrutinise, recommend and influence the senior management team and the board;
- be responsible for part of the organisation's development budget to determine its effect;
- receive reports and/or presentations from the employees on ideas which the board can then discuss and use to make recommendations to the senior management team;
- work closely with staff to challenge the norm and develop new ideas to improve the organisation's workforce, culture and services;
- understand the culture and vision, and champion these across the organisation;
- be in tune with the organisation's needs and staff needs;
- make the organisation a great place to work.

OVER TO YOU

Activity 13: Employee relations

Review the policies and procedures relating to the employment relationship for an organisation you know.

Evaluate the way it approaches the employment relationship. Do you believe it focuses on compliance to employment laws or seeks to enhance the employment relationship? Give reasons for your answer.

3.5 Employee reward

Employee reward involves the design, implementation and maintenance of reward practices and procedures that satisfy the needs of both the organisation and the employees.

Reward management

Reward management involves the formulation and implementation of several components of reward and the interrelationships between them.

Business strategy	Identifies the organisational drivers such as high performance, profitability, productivity and quality required to achieve the organisational goals. Reward management considers how to attract, recruit and retain people who have the required competencies to contribute to business success whilst ensuring that they are productive in their roles.
Reward strategy	Answers the question of how reward can contribute to the achievement of business goals, laying out the longer-term reward intentions by establishing specific grade and pay structures, remuneration and benefits.
Reward policy	The guidelines for decision-making within the reward system outlines how managers are expected to apply the reward strategy in response to specific reward issues such as the level of reward, response to market rates, pay transparency and pay decisions.
Employment trends	Future-proofing reward practices to address future labour market changes, taking into consideration retirement rates, skill availability and recruitment trends. Market rate analysis benchmarking reward indicators is also part of this process.

Table 5: Components of reward management



OVER TO YOU

Activity 14: Reward strategy

What are the main arguments in favour of having a reward strategy?

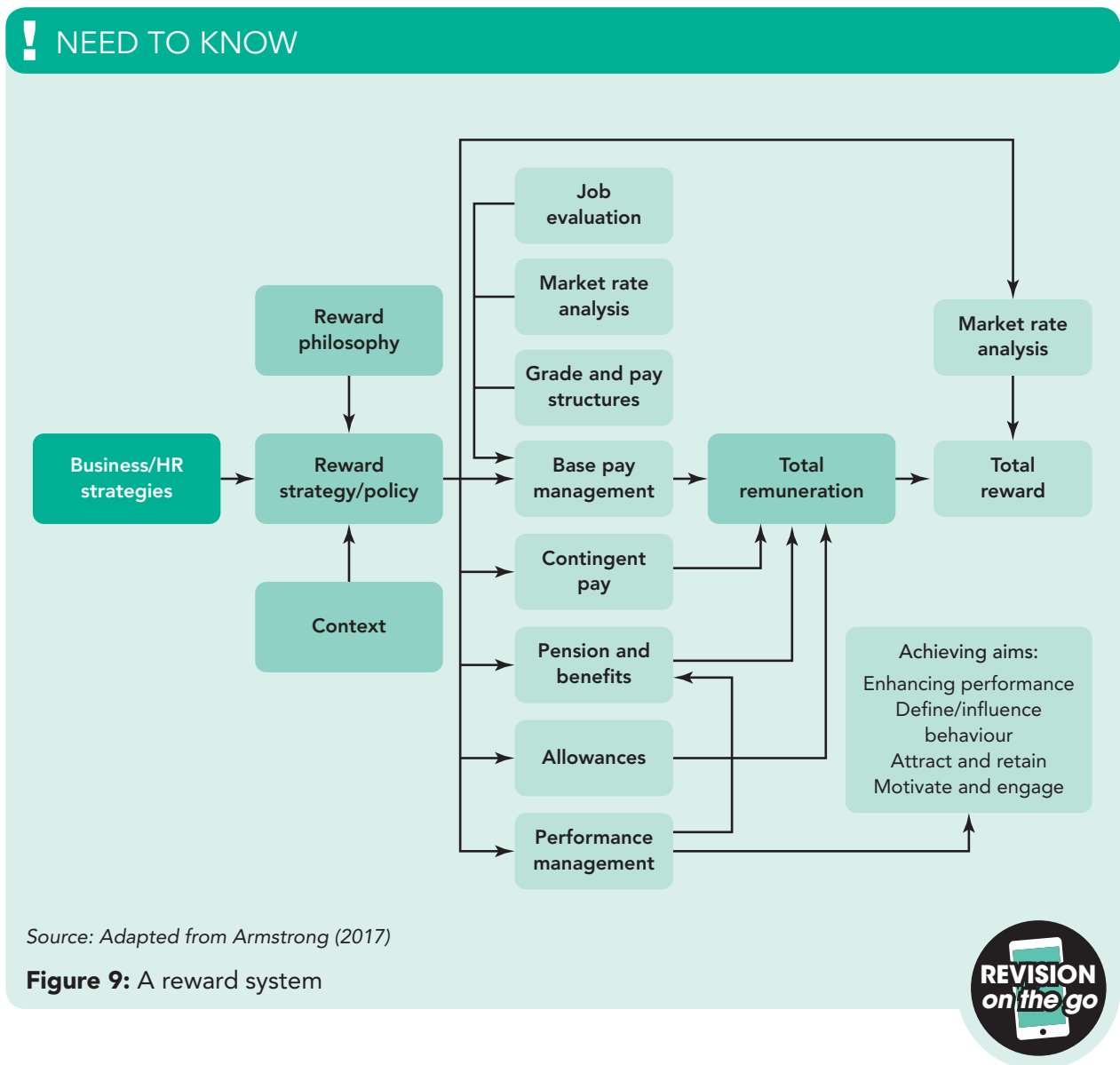
Systems and structures

The reward system comprises the interrelated process and practices relating to financial and non-financial rewards within the organisation.

Financial rewards – base-pay relating to the job that an individual does and **contingent pay** which recognises the individual’s contribution. This includes pensions, employee benefits and financial reward schemes (e.g. performance related pay).

Non-financial rewards – non-financial recognition of individual achievement such as skills and career development, flexibility and adaptability in handling workplace challenges.

Total reward – the combination of financial and non-financial rewards that are offered to employees, emphasising an approach to reward management which builds the **employee value proposition**.



 OVER TO YOU**Activity 15: Components of reward management**

Consider the components of reward. What challenges do the myriad of components of reward represent in communicating total reward management to managers within the organisation? How can these challenges be overcome?

The role of job evaluation

Job evaluation is a process of evaluating the relative worth or scope of jobs in comparison with other jobs within an organisation. This provides the framework for designing pay and grade structures, and the analysis of roles also contributes to the production of job descriptions or role profiles.

In addition to providing strategic alignment and a reward management system, job evaluation must take account of factors relating to fairness, equity and transparency.

A **fair reward system** operates in accordance with the principles of distributive and procedural justice. It considers aspects of fair payment based on an unconscious, shared sense of fair payment for any level of work, and comparison with other employees doing the same work. As part of a job evaluation process, HR professionals must take into account the danger of reproducing existing prejudices and ensure a consistent approach to pay decisions between different people or at different times.

An **equitable reward system** rewards employee appropriately in relation to others and ensures an objective perspective in regard to equal pay for work of equal value.

In a **transparent reward system**, reward policies and practices are explained and communicated to create an understanding in regard to reasons for pay decisions, and employees are involved in the development of these reward policies and practices.

Contingent pay practices

Contingent pay schemes relate to the additional financial rewards provided to employees relating to a number of different factors such as performance, contribution, competence or skill. It is concerned with exploring two fundamental questions relating to reward management:

- What does the organisation value?
- What is the organisation prepared to pay for it?

The main contingent pay schemes are:

Performance-related pay – financial rewards in the form of increases to basic pay or financial bonuses that are linked to performance assessment, usually in relation to agreed targets.

Contribution-based pay – financial rewards related to both output (performance) and input (competence).

Competence-related pay – rewards people in relation to their level of competence demonstrated in carrying out their job role.

Team-based pay – links reward payment to achievement of team performance goals, this may also include assessments of individual contribution to team results.

Bonus schemes – can be discretionary or non-discretionary rewards paid to employees as a method of motivating employees to reach goals. Usually associated with annual bonuses linked to the achievement of organisational performance measures.

Executive-based pay – financial compensation and rewards including salary, bonuses, share options and pension awards received by executives for service to the organisation.

! NEED TO KNOW

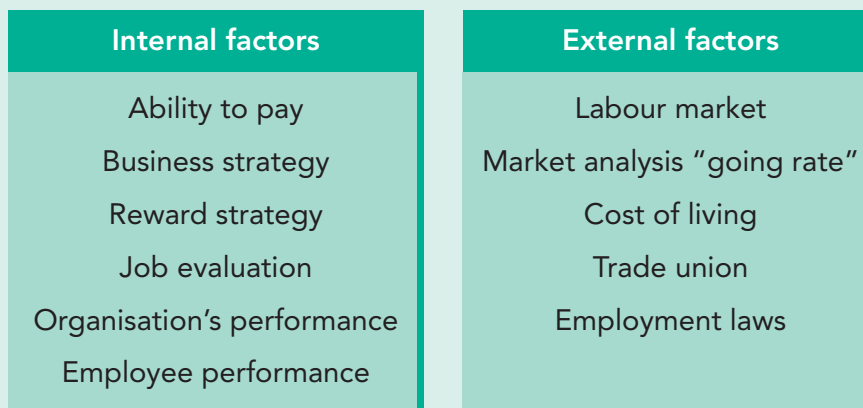


Figure 10: Factors affecting choice of approach





OVER TO YOU

Activity 16: Reward and motivation

Watch this YouTube video:

"RSA ANIMATE: Drive: The surprising truth about what motivates us": <https://youtu.be/u6XAPnuFjJc>

How do the findings explored in this video impact how reward should be managed in organisations, especially in regard to the balance between financial and non-financial rewards?

READING LIST

- Beal, B. (2006), "Cesky Telecom dials up HR help: Confronting an employment-relations challenge in eastern Europe", *Human Resource Management International Digest*, Vol. 14, Issue 4, pp. 7–9 (This article will be available in your online student resources.)

Summary

Employee reward involves the development of a reward system that creates interrelated processes and practices that benefit of the organisation and the employees who work there. HR professionals must consider the relationship between reward and eliciting the required employee behaviours and performance in order to achieve the business strategy. This begins with understanding what it is the organisation wishes to achieve and why. Grade and pay structures are designed to promote a strong link between employee reward and the overall success of the organisation. A mixture of financial and non-financial rewards can be used to reflect the organisation's commitment to recognising the value of the individual and the contribution they make to achieving the organisation's objectives.

Chapter 4

Factors That Influence the Employment Relationship

Introduction

In this chapter we explore the factors that can influence employment relationships in the workplace and explain some of their effects. While these factors occur in most organisations, the influence that each factor has over time is constantly changing employment relationships. Some of the factors discussed may not have an influence at all in some organisations, whereas they can have a decisive impact on employment relationships in other organisations. It is important therefore that the potential factors are considered in conjunction with the context of the organisation.

Learning outcome

On completing the chapter, you will be able to:

4 Evaluate the factors that influence the employment relationship in the workplace

Assessment criteria

4 Evaluate the factors that influence the employment relationship in the workplace

- 4.1 Discuss the concept of the employment relationship
- 4.2 Examine the benefits of a good employment relationship
- 4.3 Evaluate the ways to support good employee relationships

Level 5 Human Resource Management

Background

The employment relationship is the framework under which employers and employees come together to work towards the achievement of the organisation's strategic objectives. A positively framed relationship will result in interdependencies between employer and employee, whereas a negatively framed relationship will be driven by mistrust and hostility.

There are many factors that influence employment relationships within an organisation, and this will differ from organisation to organisation. Whether an organisation recognises a trade union for collective bargaining or not will depend on the industry and also the legal formation of the organisation in regard to whether it is in the public or private sector. Even if a trade union is recognised by an organisation, the management style and attitude of the senior managers will influence whether the relationship is hostile or collaborative. Trade unions can be influential in employment relationships, but so too can managers. The output of this influence can be shaped by conflict, industrial unrest or a positive employee relations environment with a strong connection to employee participation and involvement.

The work climate and employee attitudes towards their employer will also impact on whether the employment relationship is cordial or discordant. How the relationship works will depend on both the organisation's approach to employment relationships and the interaction of individual players in the relationship.



OVER TO YOU

Activity 1: A history lesson

Review the history of industrial relations and trade unions in your country, particularly the history trade union movements. What influence have they had, if any, on employment relationships and why?

4.1 The employment relationship

The formal employment relationship is defined by the contract of employment. In a broader sense, the concept covers procedure agreements and work rules. The informal employment relationship includes the continuous process of interaction between employee and employer. The employment relationship is underpinned by the assumptions and expectations of both employee and employer, which create a psychological contract between parties in regard to what each party will contribute to the relationship.

Parties involved in the employment relationship

In simple legal terms, the employment relationship refers to the relationship between the employee (the worker) and the employer. The development of industrial relations and the trade union movement expanded the employment relationship to include employee representatives. These representatives are involved in the negotiation of employee rights and obligations with employers. It could also be argued that local, national and global governments have a role to play in the employment relationship when creating frameworks of employment law.

Changes in the labour market have meant that new forms of employment relationship have evolved. These include self-employed “gig” workers, contractors, homeworkers and employment agency workers.

CASE STUDY: BRITAIN'S GIG ECONOMY

The Taylor report

The operation of “gig” companies such as Uber and Deliveroo in the UK led to a review of worker’s rights by the UK government. The Taylor report offered two key recommendations which would impact the growing gig economy.



Dependent contractor

The first recommendation is that a new legal classification of dependent contractor be defined to cover workers who are not company employees but are also not as free as independent contractors. The purpose of this definition is to force gig companies to treat people as workers, which would ensure they are protected under employment law.

Paid by task

The second recommendation is that dependent contractors are paid by task rather than a minimum wage based on time. This would introduce new rules relating to the use of data, and gig companies demonstrating that an average person, working moderately hard, could earn 20% more than the national minimum wage in an hour at times of normal demand.

Expectations of the buyers and sellers of labour

Everyone involved in the employment relationship has expectations regarding how the other party will behave. This expectation is known as the psychological contract.

“Psychological contracts refer to beliefs that individuals hold regarding promises made, accepted and relied upon between themselves and one another... Because psychological contracts represent how people interpret promises and commitments, both parties in the same employment relationship (employer and employee) can have different views regarding specific terms.”

Rousseau and Wade-Benzoni (1994)³²

These unwritten assumptions and expectations depend upon beliefs regarding fairness, career progression, reward, conduct, security, safety, involvement, personal development and job satisfaction. Both parties have expectations; for example, an employee would expect their employer to provide them with opportunities to work on projects that use their skills and develop their potential. An employer would expect the employee to apply their best effort and skill in completing their work tasks.



OVER TO YOU

Activity 2: Contract types

Research different contract types in operation in your home country. How do the different types of employment relationship change the expectations of employees and employers?

For example, this website describes different contracts which are common in the UK: <https://www.gov.uk/contract-types-and-employer-responsibilities>

4.2 Benefits of a good employment relationship

The interest in developing good employment relationships can be linked to a recognition that a strong employer–employee relationship will lead to the successful achievement of the organisation’s strategic objectives. This belief is based upon extensive research that demonstrates that a positive employment relationship leads to greater levels of productivity, improved efficiency and effectiveness, reduced conflict and a more loyal and committed workforce.

³² Rousseau, D.M., and Wade-Benzoni, K.A., (1994), “Linking Strategy and Human Resource Practices: How Employee And Customer Contracts Are Created”, *Human Resource Management*, Vol. 33, Issue 3, pp. 463–489

Contractual aspects

The employment relationship consists of two key contract types:

- 1 Transactional contracts** – formal contracts that are expressed as a financial exchange between employer and employee and specify performance requirements.
- 2 Relational contracts** – informal contracts of open-ended organisational membership.

Contractual aspects of the employment relationships are regulated by law, confer statutory rights and determine contractual arrangements under which the employee will work. The main benefit of such an arrangement is that it allows the employer to be specific about details relating to the employment relationship. It provides both the employee and employer the opportunity to negotiate the terms of the employment relationship.

An employment contract affords certainty for both parties. For the employer, a contract creates assurance regarding the structure of their workforce and extend protections in relation to trade secrets and copyrighted materials. For the employee, the employment contract provides a sense of certainty and security in framing a period of employment.

Finally, if conflict arises between employer and employee, the written contract provides evidence of the original agreement.



OVER TO YOU

Activity 3: Employment contracts

Working with a study partner if possible, examine examples of employment contract. What are the common features of an employment contract? What do you think should be included in an employment contract that is not? Give reasons for your answer.

Click here to download a sample contract of employment:

https://www.employingpersonalassistants.co.uk/downloads/toolkit/Sample_contract_of_employment.doc

Psychological aspects

A positive psychological contract offers significant benefits to the employment relationship, enhancing employee performance and retention. Good employee–employer relationships increase employee satisfaction, which in turn impact positively on customer satisfaction, productivity, employee turnover and health and safety in the workplace.

Employee retention

Poor employment relationships can lead to employees leaving the organisation. This may be because of an attractive job opportunity elsewhere or they may be dissatisfied with their current role. Turnover can be a result of lack of development and progression or poor relationship with their manager. Retention refers to how well an organisation can reduce turnover, retaining its employees and increasing the length of service of employees they wish to keep.

There are various methods by which the employment relationship can be enhanced to improve employee retention, including those shown below in Table 1.

Development	Learning and development opportunities make employees feel valued and help them to increase job targets and personal career goals.
Mentoring and coaching	Feedback and support provide a solid foundation for employee retention and growth.
Instil a positive culture	Organisations which develop a values-based culture focused on integrity, respect and collaborative working help keep good employees.
Communication	Regular and honest communication helps the flow of information and supports employee participation, involvement and voice.
Reward	Competitive reward strategies will reduce the likelihood of employees feeling undervalued or being attracted to other organisations.

Table 1: Methods to improve employee retention



4.3 Supporting good employee relationships

Employee voice

Employee voice refers to the extent to which employees in an organisation can communicate about matters that concern them in regard to employment and organisational issues. The benefits of employee voice can include increased job satisfaction, influence and personal development opportunities. For organisations, employee voice can increase levels of innovation, productivity and continuous improvement.

Employee voice enhances trust and openness between employer and employee. Employers who invite employees to contribute via individual and collective channels ensure that employees remain informed and that they are listened to. It adds legitimacy to employees as key stakeholders in the employment relationship, increasing inclusivity and control over what happens to employees within the workplace.

There are two groups of mechanism (see Figure 1) which can be utilised for employee voice:

- 1 Upward problem solving** – techniques which directly connect with employees to share ideas and opinions to improve work processes; for example, the Toyota Way.
- 2 Representative participation** – employee representatives are provided with schemes with which to regularly meet with managers; for example, the John Lewis Partnership.

! NEED TO KNOW

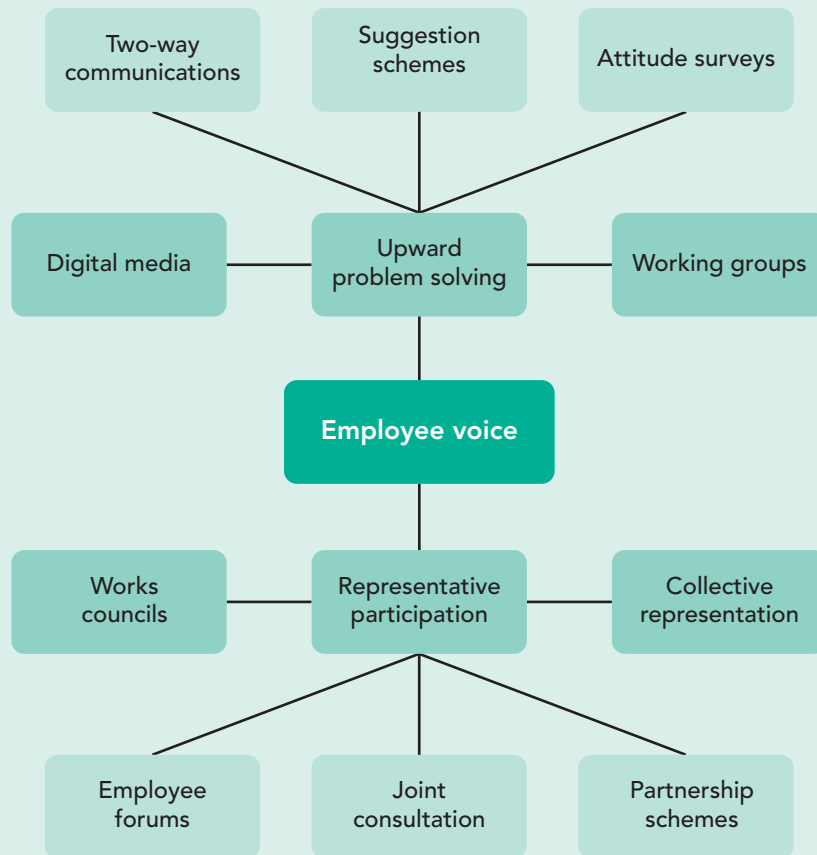


Figure 1: Employee voice



📄 CASE STUDY: CREATING CULTURE CHANGE

Employee voice

A five-year business transformation programme led to an organisation not only achieving its financial targets during challenging trading conditions, but also to them receiving a number of awards for innovation and culture excellence.



Promoting creativity

Employees and customers were given the opportunity to participate in making the organisation one of the best service providers in the country. A diverse and innovative initiative used a development approach to offer employees and customers an opportunity to share learnings across the organisation during monthly “roundhouse” sessions. Approaches to recruitment and induction were redesigned to reflect openness to employee voices being heard.

Business transformation

The output of increased engagement was collaborative working and engaged staff and customers, with 96% of staff feeling that they made a valuable contribution toward the organisation’s success.

OVER TO YOU

Activity 4: How is your voice heard?

Evaluate your experience in the workplace in which you are familiar. What mechanisms have you experienced personally for having your employee voice heard? How has this impacted the employment relationship?

Employee wellbeing

Wellbeing promotes the idea that the employment relationship should extend beyond a financial arrangement and improve the quality of work and the effectiveness of employees in the workplace. By applying a complete approach to health and wellbeing in the workplace, organisations can develop a number of practices that lead to increased resilience, greater innovation and higher productivity.

! NEED TO KNOW



Source: Adapted from CIPD (2007)

Figure 2: Five domains of wellbeing



The changing dynamic of the employment relationship

The role of social media in changing the dynamic of the employment relationship.

It is difficult to forecast what the future dynamic of the employment relationship will look like going forward. Predictions that the jobs that children in school today will be doing don't even exist yet may be similar to past pronouncements that computing would lead to the paperless office. However, what is clear is that there are many environmental changes that are significantly changing the shape of the employment relationship today.

Social media has had a significant impact in changing the dynamic of the employment relationship.

Increased outsourcing	Social media enables organisations to become increasingly networked, replacing the traditional employment relationship with one operating from a matrix of contractual relationships.
Work intensity	Digital media means that employers and employees are always "on" 24/7. Social media enables employers to stay connected with their employees even outside of normal working hours. The same tools also mean that customers can also connect with organisations anytime, anywhere. This reduces the boundaries between personal and work space and extends the reach of the employment relationship.
Social movement model	The reach of social media means that unions are able to reach a more dispersed workforce, and galvanise support through a social movement model of participation and collective action.
Discipline	In the past, what employees said about their employers outside work, or their personal lives were personal. With individuals tweeting, posting and even live streaming their lives, something said in the privacy of their own homes may reach their employer and quickly escalate into a disciplinary process.
Virtual workplace	Technology has enabled greater flexibility in regard to the geographical location of employees. Social interaction no longer needs to take place round the water cooler, and social media can be used for learning and development, networking, building communities of practice, mentoring and coaching.

Table 2: Impact of social media on the employment relationship

REVISION
on the go

READING LIST

- Friedrich, R., Peterson, M., and Koster, A. (2011), "The rise of Generation C: Implications for the world of 2020" [online]. Available at: www.strategyand.pwc.com/reports/rise-generation-implications-world-2020 [Accessed on: 11 October 2017]
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Summary

Employment relationships are changing and the influences on the employment relationship in the workplace are many and varied. Employee voice refers to the extent to which employees in an organisation can communicate about matters that concern them regarding employment and organisational issues. This can be achieved through upward problem solving or representative participation. The interest in developing good employment relationships can be linked to a recognition that a strong employer–employee relationship will lead to the successful achievement of the organisation’s strategic objective. Wellbeing promotes the idea that the employment relationship should extend beyond a financial arrangement and improve the quality of work and the effectiveness of employees in the workplace. Social media has had a significant impact in changing the dynamic of the employment relationship.

Glossary

Added value A financial perspective of the difference between what HRM practices cost the organisation and the amount of value, either in terms of profit or cost efficiencies, that HRM contributes to the organisation as a result of its activities.

Balanced scorecards A strategic planning tool to communicate performance measures and measure progress toward strategic targets.

Bundle Bundles of HR practices in specific compositions, depending on the organisation's context will lead to greater levels of business performance.

Business strategy Long-term business planning which enables the organisation to achieve its organisational objectives.

Coaching Coaching is a form of development in which a person called a coach supports a learner or client in achieving a specific personal or professional goal by providing training and guidance.

Coherence Consistency and logical interconnection.

Communities of practice Groups of professionals who learn together.

Competencies This concerns both "competence", which refers a person's overall capacity, and "competency", which refers to specific capabilities.

Contingent pay Pay schemes which relate to the additional financial rewards provided to employees relating to a number of different factors such as performance, contribution, competence or skill.

Cost benefit analysis A calculation that can be used to understand the costs and benefits of a proposed intervention to determine whether there is a business case for moving forward with the intervention.

Culture The ideas, customs, and social behaviour of a particular organisation.

Disciplinary A disciplinary procedure will examine the situation and provide an appropriate process to resolve matters with

performance improvement targets being agreed by both parties.

Diversity People of different ethnic backgrounds, religious beliefs, genders and ages.

Employee relations The pay-work arrangements between employee and organisation.

Employee voice The extent to which employees in an organisation have the opportunity to communicate about matters that concern them regarding employment and organisational issues.

Employee wellbeing Promotes the idea that the employment relationship should extend beyond a financial arrangement and improve the quality of work and the effectiveness of employees in the workplace.

Employment relationship The framework under which employers and employees come together to work towards the achievement of the organisation's strategic objectives.

Employee value proposition The characteristics and appeal of working for an organisation, and the benefits offered to an employee in return for their performance and contribution.

Equality A framework which outlines how the organisation ensures that people of difference ethnic backgrounds, religious beliefs, genders and ages are recognised and treated fairly.

Grievance Grievance procedures provide employees with a formal process to complain about situations regarding their treatment by colleagues or line managers within the organisation.

Hard HRM Categorises employees as a resource to be managed in order to achieve maximum return on investment.

High commitment models Sets of HR practices that have the potential to contribute towards organisational performance.

Human capital (HC) The skills, knowledge, and experience possessed by an individual or population, viewed in terms of their financial value to an organisation.

Human resource development (HRD)

The co-ordination of people development and learning activities within the organisation to ensure that the individual employees, team and the organisation as a whole have the capability to deliver the performance the organisation requires to deliver its strategic objectives.

Human resource management (HRM) A strategic, integrated and coherent approach to employment, development and wellbeing for the people working in organisations.

Induction Induction aims to assist new members of staff to perform effectively in their new job role.

Involvement Managers developing initiatives with individual employees to achieve a specific shared objective.

Job evaluation A job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organisation.

Learning organisation An organisation with an ideal learning environment aligned perfectly to the strategic objectives of the organisation.

Output evaluation Assesses the effectiveness of HR practices in contribution to change.

Participation A collective process whereby employees join together and take part in activities that matter to the organisation.

Performance management Performance management is a process by which managers and employees work together to plan, monitor and review an employee's work objectives and overall contribution to the organisation.

Personnel management Personnel management is an administrative function.

Practitioners People who are actively practicing HRM, or HRM professionals.

Process evaluation Documents the process of implementing the HR strategy and practices and enable the organisation to see how the outcomes were achieved.

Psychological contracts Refer to beliefs that individuals hold regarding promises made, accepted and relied upon between themselves and other people.

Qualitative measures Subjective performance measures represented by language.

Quantitative accountancy methods

Human resources are measured using financial and numerical data methods.

Quantitative measures Objective performance measures that use numbers.

Reward Financial or non-financial compensation given in recognition of service, effort or achievement.

Resourcing Providing the organisation with the people resource required.

Soft HRM Views employees and their skills, adaptability and commitment to performance as organisational assets which can deliver competitive advantage.