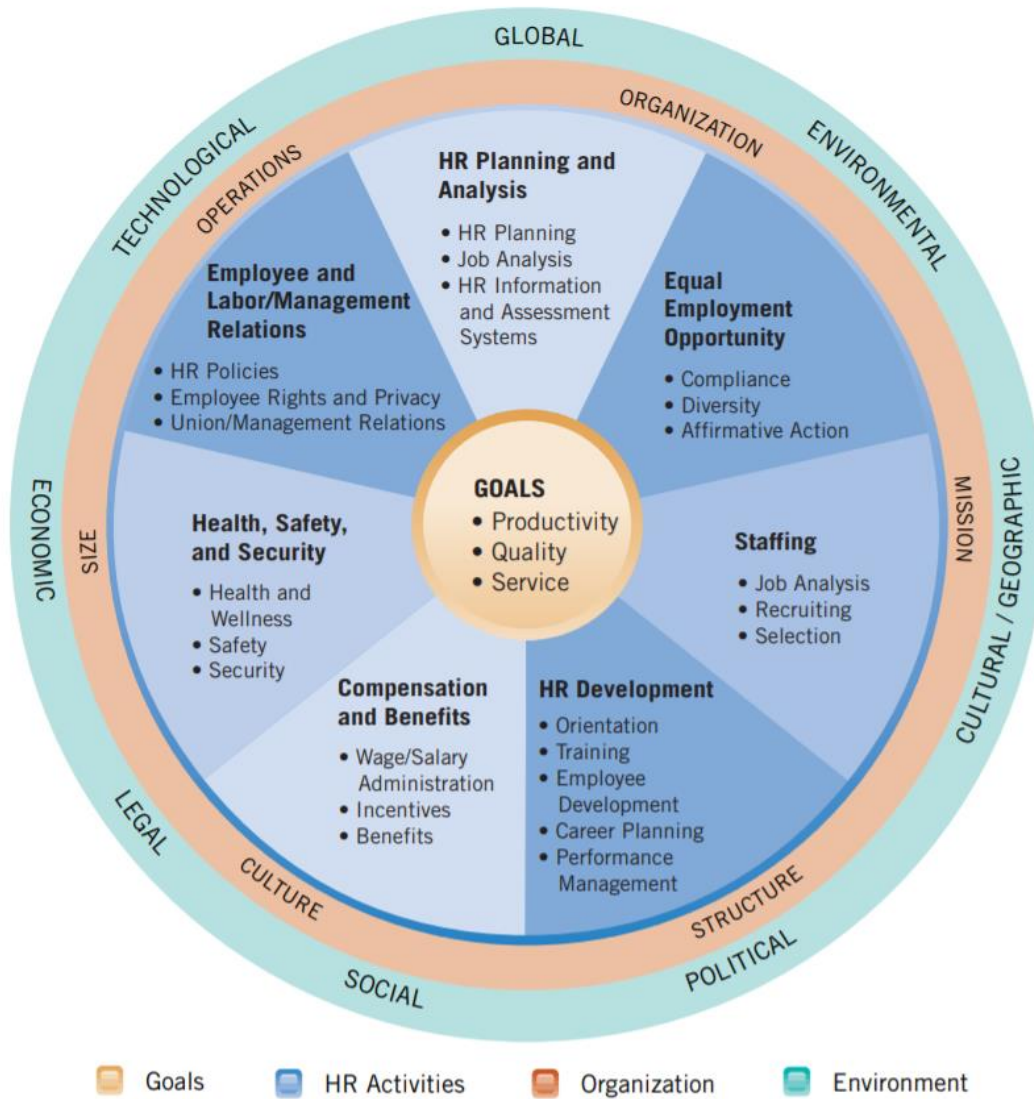


Chapter 5 Human Resource Management

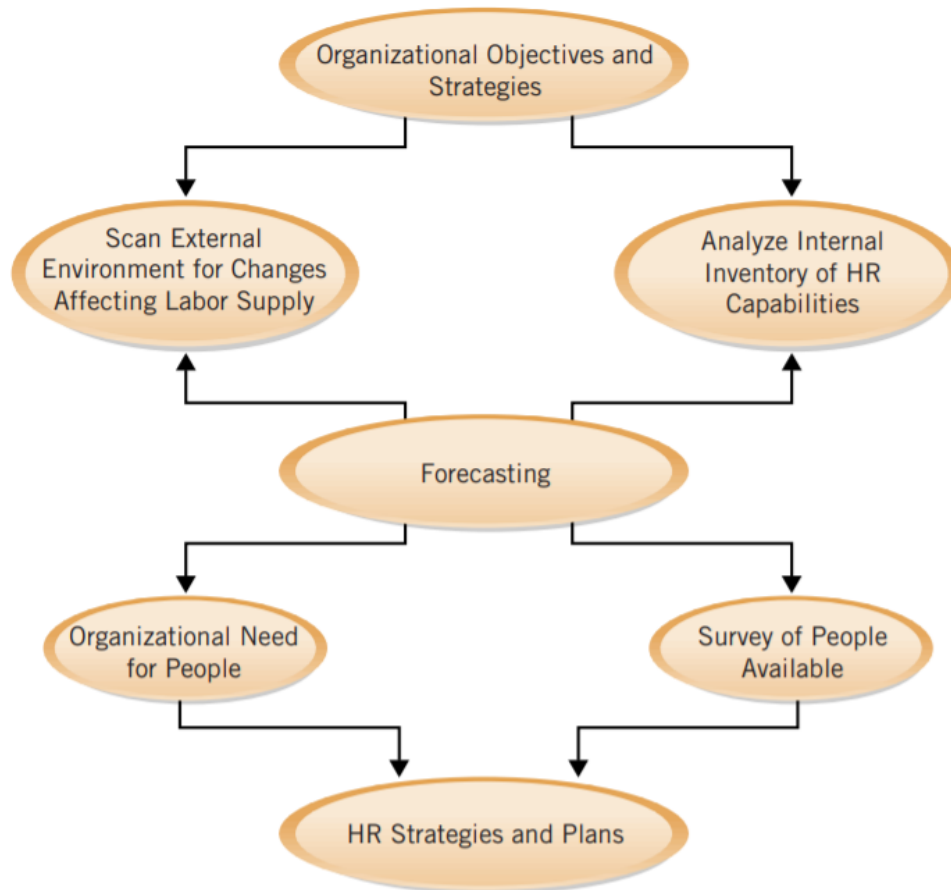
Many small businesses operate with no employees. One person handles the whole business with perhaps occasional help from family or friends. Making the leap to hiring someone to help is a big one because all of a sudden you need to worry about payroll, benefits, unemployment insurance, and what seems like a myriad of other details. And, this does not even take into consideration the host of problems that can arise from personality conflicts and loss-of-control of all the processes in running your business.

People are the real assets of an organization. If treated well, they can take organizations to commanding heights. Two plus two could be four or even ten. Organizations are, generally, driven by a set of predetermined goals. They employ physical, financial and human resources in order to achieve the goals. These goals have no meaning unless people understand the underlying philosophy, translate them into concrete action plans and put their heart while realizing the targets. Organizations, thus, depend on people for their survival and growth. In a similar way, people need organizations.

The vast majority of people work to support themselves and their families. But people work for many reasons other than economic security. For example, they may also work to keep busy and feel useful, to create and achieve something. They want to gain recognition and achieve status or to test and stretch their capabilities. To meet these multifarious needs, people and organizations join hands. Unfortunately, this union seldom approaches perfection. Organizations face several problems in meeting their goals, and likewise, employees report some problems in their attempts to be productive and efficient in their jobs and to feel satisfied in their work lives. The challenge of human resource management is to minimize these obstacles and problems and improve the contributions made by people to organizations.



Planning Process



Human Resource Planning

A strategic HR plan lays out the steps that an organization will take to ensure that it has the right number of employees with the right skills in the right places at the right times. HR managers begin by analyzing the company’s mission, objectives, and strategies. Starbucks’s objectives, for example, include the desire to “develop enthusiastically satisfied customers” as well as to foster an environment in which employees treat both customers and each other with respect. Thus, the firm’s HR managers look for people who are “adaptable, self-motivated, passionate, creative team members.” The main goal of Norwegian Cruise Lines—to lavish passengers with personal attention—determines not only the type of employee desired (one with exceptionally good customer-relation skills and a strong work ethic) but also the number needed (one for every two passengers on the Norwegian Dawn).

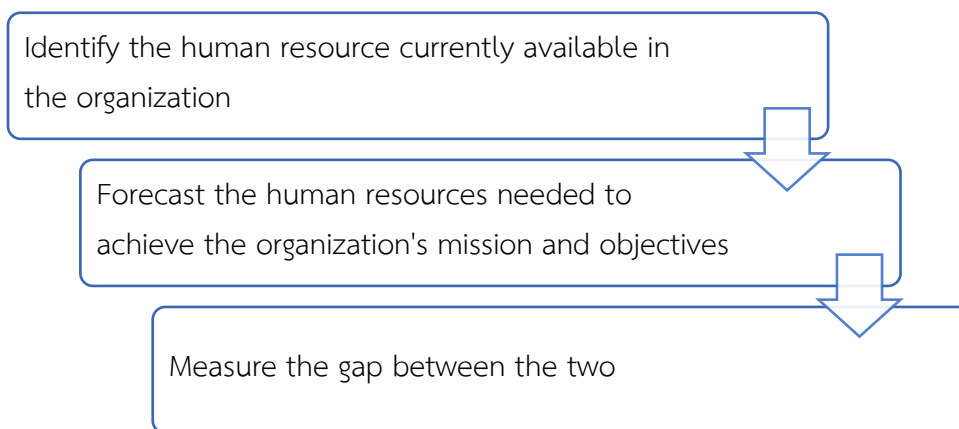
Job Analysis

To develop an HR plan, HR managers must be knowledgeable about the jobs that the organization needs performed. They organize information about a given job by performing a job analysis to identify the tasks, responsibilities, and skills that it entails, as well as the knowledge and abilities needed to perform it. Managers also use the information collected for the job analysis to prepare two documents:

- A job description, which lists the duties and responsibilities of a position
- A job specification, which lists the qualifications—skills, knowledge, and abilities—needed to perform the job

HR Supply and Demand Forecasting

Once they've analyzed the jobs within the organization, HR managers must forecast future hiring (or firing) needs.



After calculating the disparity between supply and future demand, HR managers must draw up plans for bringing the two numbers into balance. If the demand for labor is going to outstrip the supply, they may hire more workers, encourage current workers to put in extra hours, subcontract work to other suppliers, or introduce labor-saving initiatives. If the supply is greater than the demand, they may deal with overstaffing by not replacing workers who leave, encouraging early retirements, laying off workers, or (as a last resort) firing workers.

Recruiting Qualified Employees

Armed with information on the number of new employees to be hired and the types of positions to be filled, the HR manager then develops a strategy for recruiting potential employees. Recruiting is the process of identifying suitable candidates and encouraging them to apply for openings in the organization.

Before going any further, we should point out that in recruiting and hiring, managers must comply with antidiscrimination laws; violations can have legal consequences. Discrimination occurs when a person is treated unfairly on the basis of a characteristic unrelated to ability. Under federal law, it's illegal to discriminate in recruiting and hiring on the basis of race, color, religion, sex, national origin, age, or disability. (The same rules apply to other employment activities, such as promoting, compensating, and firing.) The Equal Employment Opportunity Commission (EEOC) enforces a number of federal employment laws, including the following:

- Title VII of the Civil Rights Act of 1964, which prohibits employment discrimination based on race, color, religion, sex, or national origin. Sexual harassment is also a violation of Title VII.
- The Equal Pay Act of 1963, which protects both women and men who do substantially equal work from sex-based pay discrimination.
- The Age Discrimination in Employment Act of 1964, which protects individuals who are forty or older.
- Title I and Title V of the Americans with Disabilities Act of 1990, which prohibits employment discrimination against individuals with disabilities.

Where to Find Candidates

The first step in recruiting is to find qualified candidates. Where do you look for them, and how do you decide whether they're qualified? Companies must assess not only the ability of a candidate to perform the duties of a job, but also whether he or she is a good "fit" for the

company-- i.e., how well the candidate's values and interpersonal style match the company's values and culture.

Internal versus External Recruiting

Where do you find people who satisfy so many criteria? Basically, you can look in two places: inside and outside your own organization. Both options have pluses and minuses. Hiring internally sends a positive signal to employees that they can move up in the company—a strong motivation tool and a reward for good performance. In addition, because an internal candidate is a known quantity, it's easier to predict his or her success in a new position. Finally, it's cheaper to recruit internally. On the other hand, you'll probably have to fill the promoted employee's position. Going outside gives you an opportunity to bring fresh ideas and skills into the company. In any case, it's often the only alternative, especially if no one inside the company has just the right combination of skills and experiences. Entry-level jobs are usually filled from the outside.

How to Find Candidates

Whether you search inside or outside the organization, you need to publicize the opening. If you're looking internally in a small organization, you can alert employees informally. In larger organizations, HR managers generally post openings on bulletin boards (often online) or announce them in newsletters. They can also seek direct recommendations from various supervisors.

Recruiting people from outside is more complicated. It's a lot like marketing a product to buyers: in effect, you're marketing the virtues of working for your company. Starbucks uses the following outlets to advertise openings:

- A dedicated section of the corporate web site ("Job Center," which lists openings, provides information about the Starbucks experience, and facilitates the submission of online applications)
- College campus recruiting (holding on-campus interviews and information sessions and participating in career fairs)
- Internships designed to identify future talent among college students

- Announcements on employment web sites like Monster.com, Vault.com, Glassdoor.com, and SimplyHired.com
- Newspaper classified ads
- Facebook and Twitter
- Local job fairs
- In-store recruiting posters
- Informative “business cards” for distribution to customers

The Selection Process

Recruiting gets people to apply for positions, but once you’ve received applications, you still have to select the best candidate—another complicated process. The selection process entails gathering information on candidates, evaluating their qualifications, and choosing the right one. At the very least, the process can be time-consuming—particularly when you’re filling a high-level position—and often involves several members of an organization.

- Application
- Employment Tests
- Interview
- Physical Exam and Reference Checks
- Final Decision

Employee relations

Employee relations involve the regulation of workplace activities and include setting standards, promoting consensus and managing conflict. More employers now appreciate the contribution positive employee relations can make to profitable and effective organizational performance.

The employment contract

Internationally, written employment contracts may not be a requirement. However, best practice employers issue written statements outlining the main terms and conditions of employment to avoid contractual misunderstandings/disagreements. Core information should be given in a single written statement – the ‘principal statement’ – that may refer to additional documentation, such as organizational rules and HR policies. UK law requires a contract of employment to include: names of the employer and employee; start date; the nature of employment; end date if fixed term; normal place of work and alternative work locations, employer’s address; details of collective agreements; rate of pay, method of calculation and payment interval; hours of work and normal working hours; holiday entitlement and holiday pay; arrangements for sickness and sick pay; pension arrangements; length of notice periods (on both sides); job title; and disciplinary and grievance arrangements and procedures.

Communication

Organizations pay increasing attention to employee communication to reflect appreciation of the key role of employees in understanding and achieving business objectives and recognition of employee expectations of involvement in communication processes. Effective managers understand the needs, motives and desires of employees and will use formal and informal methods of communication. Organizations without effective formal communication networks are likely to experience communication problems.

Grievance and disciplinary procedures

It is good practice for employers to have formal grievance and disciplinary procedures (see the Arbitration and Conciliation Advisory Service or ACAS website). Employer failure to meet employee expectations may result in grievance, while employee failure to meet employer expectations may result in disciplinary action. Both require HR intervention. In the UK, failure to operate a reasonable grievance or disciplinary procedure will be taken into account by employment tribunals when considering cases, e.g. of unfair dismissal.

Resignation and dismissal

The employee or employer giving notice of the date on which the contract will end may terminate employment contracts. Resignation is when an employee gives notice to terminate, and, while an employee may not legally have to disclose his/her reasons for resignation, it is good practice for an employer to organize exit interviews to clarify any workplace issues contributing to resignation. Dismissal is when an employer gives notice to terminate or fails to renew a fixed-term contract or an employee resigns as a result of an employer's unreasonable behavior.

Employee development

Training has two functions. First, better use can be made of employees if they are more competent and multi-skilled. Second, more competent employees are more likely to gain management recognition, increasing job satisfaction and motivation. When planning a training program for an employee, managers should consider: the relevance to the employee, the department and the organization as a whole; staff cover; de-briefing sessions immediately and one month post-training. In addition to planned training schedules, training may be reactive in response to employee promotion or transfer, labor shortages, new equipment installation, new legislation, amended company policies and quality enhancement programs.

Appraisals

Appraisal may focus on reward, performance or assessing an employee's potential within an organization. Appraisal is an important element in an integrated organizational communication and performance management strategy, allowing managers to disseminate business objectives and clarify individual roles in their achievement. Managers should provide individual feedback on performance and encourage employees to reflect on their performance. Through the appraisal process development needs and individual objectives are identified. These may be linked to individual reward and motivation. However, to avoid negative issues relating to appraisals, organizations should separate reward appraisal from performance or potential appraisals.

Career development

While individuals are obviously responsible for managing their own careers, organizations can facilitate career development and enhance employee commitment and motivation; this in turn will reduce staff turnover and improve the image of the organization. Opportunities for internal promotion make explicit organizational career structures and demonstrate commitment to existing employees.

Employee rewards

An organization's pay and reward strategy should be integrated into the wider organizational philosophy and strategy and reflect and complement the organizational structure. Apart from statutory minima, pay levels will be affected by the value of the job to the organization, the value of the person to the organization and the value of the job or person in the marketplace. Both financial and non-financial rewards should be used for individuals who add value to the organization and help it achieve competitive advantage. Effective pay and reward systems should aim to attract and retain employees, encourage commitment and motivation, meet employee expectations and reward effort, expertise and output.

'New pay' (see Lawler, 1995) focuses on integrating pay with corporate strategies to achieve organizational objectives and on managing financial reward to communicate the right messages about performance and corporate values to employees. Conversely, 'old pay' is detached from strategic organizational objectives, focuses on rewarding seniority and is characterized by organizational hierarchies and incremental progression.

However, in addition to financial rewards, employee reward strategies should also include non-financial rewards or intrinsic elements, e.g. a sense of achievement, recognition, responsibility, personal growth and self-actualization, all of which serve as motivational tools.

Performance-related pay

Performance-related pay (PRP) is associated with new pay and should provide a flexible approach to distributing rewards fairly among employees. It can attract and retain; reward without

promoting; and achieve business objectives through improved employee performance. However, PRP can undermine teamwork; encourage employees to focus narrowly on specific, PRP-related, tasks; and demotivate if employees are not awarded the PRP they believe they deserve.

Pensions

Pension arrangements are a complex area of employee reward which HR specialists need to understand in order to communicate company pension schemes to employees. Pension schemes can demonstrate that the organization is a good employer and concerned about the long-term interests of its employees, as well as attracting and retaining high-quality employees.

Benefits

The detail of any particular benefits scheme will depend on local circumstances, but core benefits often include: holidays; life assurance; private medical insurance; critical illness insurance or long-term disability insurance; and personal accident insurance. Examples of additional benefits include: company car schemes; childcare vouchers; dental insurance; financial planning; Give-As-You-Earn charitable contributions; health screening; home or mobile telephone package; legal expenses insurance; pet insurance; retail vouchers; travel season tickets; live-in accommodation; parking facilities; relocation expenses; subsidized sports and crèche facilities; travel insurance; and concierge benefits (e.g. laundry services). Some businesses enhance statutory rights, e.g. to maternity, paternity and sickness leave, as part of their benefits scheme.

Total reward

Some organizations are moving towards more integrated reward packages of 'total reward' encompassing pay; flexible benefits; the working environment; career and personal development. Total rewards encourage positive employee commitment by empowering employees to tailor their work and surroundings to meet their own needs, without incurring open-ended uncontrollable operational costs for the company. However, some rewards are easier to provide than others and some are more quantifiable, so ensuring parity among employees is a challenge.