

<b>Course Title</b>	<b>HUMAN RESOURCE MANAGEMENT</b>
<b>Term/Semester</b>	<b>II</b>
<b>Course ID</b>	<b>21MBA621</b>
<b>Credits</b>	<b>3</b>
<b>Course Designer</b>	<b>Ms. Ramya S</b>

### **Introduction:**

The Main objective of the course is to help the students to understand about various functions of Human Resource Management and to facilitate the students to implement recruitment, training and development and performance appraisal methods based on the needs of an organization. The course also aims to help the students to understand about compensation management and contemporary trends in human resource management.

### **Course Outcomes (COs):**

After the completion of the course, students will be able to:

CO1: Understand and apply various functions of HRM in an organization

CO2: Implement Human Resource Planning based on organizational needs and to design Job Description and Job Specification for various job profiles in an organization.

CO3: Execute Recruitment, Selection and Career planning functions effectively in an organization.

CO4: Implement Training and Development methods and Performance Appraisal Methods depending on the organizational context

CO5: To discuss contemporary trends in HRM and to apply those contemporary trends in an organization on need basis.

### **Course content and Structure: (36 hours)**

#### **Module 1: Introduction to Human Resource Management (6 Hours)**

- Changing nature of Work and Scope of HRM
- Qualities of HR Manager; Line and Staff Relationships
- Traditional HR vs. Strategic HR
- Gig Economy
- HR Analytics

#### **Module 2: Job Analysis and Human Resource Planning (8 Hours)**

- Job Analysis and Methods of collecting Job Analysis Data
- Job Description – Job Specification
- Human Resource Planning; Importance of Human Resource Planning; Methods of Forecasting Demand for and Supply of Human Resources

#### **Module 3: Recruitment, Selection and Career Planning (6 Hours)**

- Recruitment and Internal and External Sources of Recruitment; Alternatives to Recruitment
- Process of Selection; Types of Tests for Selection; Methods of Selection Interview
- Career planning; Stages in Career Planning; Career Anchors; Succession Planning

#### **Module 4: Training and Development, Performance Appraisal and Compensation Administration (8 Hours)**

- Training and Methods of Training- On-the Job Training and Off-the Job Training
- Process of Performance Appraisal; Errors in Performance Appraisal
- Compensation Administration: Components of Compensation, Factors influencing compensation

## **Module 5: Contemporary Trends in HRM – Overview**

**(8 Hours)**

- E-Recruitment using AI and Social Media; AI and Biases
- Virtual On boarding; Virtual Employee Experience; Gamification; Augmented Reality and Virtual Reality
- Coworking and Coworking Spaces; Home as New office
- Organizational Justice and Fairness
- Managing Diversity and Inclusion

### **Pedagogy**

- 1) Classroom Discussion
- 2) Activity based Teaching
- 3) Worksheets
- 4) Think-pair and Share method
- 5) Jigsaw method
- 6) Peer instruction method
- 7) Theatre based Teaching ( Role Play, Skit)
- 8) Case Based Teaching (Text Case, Multimedia Case Discussion)
- 9) Industry-Institute Interface/Webinar/Seminars/Student Development Programmes
- 10) Simulations

### **Teaching Learning Resources:**

#### Essential Readings

1. Gary Dessler, Biju Varkkey, Human Resource Management, 16th Edition, Pearson Education.
2. V S P Rao, “Human Resource Management”, Second Edition, Excel Books- New Delhi
3. Ashwatappa K, Human Resource Management: Text and Cases, Tata McGraw-Hill.

#### References

1. Dr.S.S.Khanka, Human Resource Management, Seventh Edition, S.Chand Publishing
2. P G Aquinas, Human Resource Management, Third Edition, Vikas Publishing House
3. George W. Bhlander, Scott A. Snell, Principles of Human Resource Management, Cengage Learning.
4. Denisi, Griffin, Sarkar, Human Resource Management, Cengage Learning.
5. R S Dwivedi, Human Resource Management, Third Edition, Vikas Publishing House

### **Supplementary Resources**

- Venkata, S. 2016. Recruitment and Selection Practices in Corporate Retail Stores. International Journal of Research in Organizational Behavior and Human Resource Management, 4(1), 57-67.
- Niculae, M. 2017. Employee's Career Planning and Development in Regional Rural Banks with Reference to Apgvb. Journal of Advance Management Research, 5(5), 162-177.
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- Shipra, M., Aneet, & K, A. S. 2017. Training Significance and its Impact on other HR Functions in Select Textile and Apparel Industries of India. Intercontinental Journal of Human Resource Research Review, 5(7)
- Mukeshbhai, P. R., & Pathak, A. 2021. A Study on Performance Appraisal of Employees at Maruti Suzuki Kataria Automobile. IOSR Journal of Business and Management, 23(4), 18-27.

□ <http://search.ebscohost.com/login.aspx?direct=true&db=bsh&AN=148510307&site=ehost-live>

### CO-PO Mapping:

	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9	PO10	PO11
<b>CO1</b>	3	3	3	3	3	1	3	3	2	3	3
<b>CO2</b>	3	3	2	2	3	1	3	3	1	2	2
<b>CO3</b>	3	3	2	3	3	1	3	3	2	3	3
<b>CO4</b>	3	3	1	3	3	1	3	3	2	3	3
<b>CO5</b>	3	3	2	3	3	3	2	2	1	3	3

Correlation level: 1- slight (Low)      2- moderate (Medium)      3-substantial (High)

### Course Evaluation Plan:

Sl.	Type of Assessment	Marks	Unit of Evaluation
1	Attendance and Class participation	05	Individual
2	Mid-term Exam	20	Individual
3	<b>Progressive assignment*</b>  Twenty teams will be formed consisting of three students in each team. They will be given a project, which involves application of whole HRM subject. At the end of the semester, Students need to prepare report on this and submit it.	20	Three in a Group
5	<b>Quiz (MCQ Test)</b>  20 MCQs on each module	05	Individual

**\*Details of Progressive assignment for 20 marks**

A group of 3 students were formed to complete and submit the group assignment in the progressive format. Students will be given a worksheets, Caselets, Articles etc pertaining to the module and are asked to complete it and submit the same on quicklrn as per the assigned date. Selected teams are invited for the presentation and the remaining teams will be involved in the discussion.

**Rubrics for evaluation:**

MARKING RUBRICS	Excellent 4-5 marks	Proficient 3 marks	Average 2 marks	Poor 1 mark
Quality of the Content in the assignment submitted	Best and most applicable points are covered while unnecessary content is left out.	Important points are covered while unnecessary content is left out.	Some important points are addressed, but not fully covered.	You fail to make any important points and analyze the material covered in the unit.
Coverage of the Criteria mentioned under each worksheet	Various criteria and concepts throughout the analysis are integrated and incorporated. Realtime examples with proofs	Various criteria and concepts throughout the analysis are integrated and incorporated.	50% of the criteria and concepts throughout the analysis are integrated and incorporated.	Criteria and concepts are not integrated and incorporated.
On time Submission	Submission on the given Date	Late Submission by 1 to 2 days	Late Submission by 3 to 6 days	Late Submission by more than a week days
Involvement and Presentation	Effective use of time, pace, voice modulation, quality of communication, body language, attire and eye contact	Good use of time, pace, voice modulation, quality of communication, body language, attire and eye contact	Average use of time, pace, voice modulation, quality of communication, body language, attire and eye contact	Poor performance



## PART B

### Session plan

SessionNo	Coverage of the Key Concepts	Pedagogy / Activity	Reading Material to be Referred
<b>Module 1: Introduction to Human Resource Management</b>			
1	Introduction to the subject. Introduction to Human Resource Management	Lecturing using PPT and Classroom discussions	Case discussion
2	Changing nature of Work and Scope of HRM	Lecture & Discussion Think-Pair and Share method	Worksheet
3	Traditional HR vs. Strategic HR	Lecturing using PPT, Debate and Classroom discussions	Debate on Traditional HR vs. Strategic HR
4	Qualities of HR Manager Line and Staff Relationships	Lecturing using PPT and Classroom discussions Think-Pair and Share method	Worksheet
5	Gig Economy	Research article/Blog/Case discussion	Group activity- Article review and presentation
6	HR Analytics	Research article/Blog/Case discussion	Group activity- Article review and presentation
<b>Module 2: Job Analysis and Human Resource Planning</b>			
7	Job Analysis - Meaning, Uses, Stages of JA	Lecturing using PPT and Classroom discussions Caselet discussion	Parbudyal Singh- Job analysis for a changing workplace
8	Job Description & Job Specification Components of JD & JS	Lecture and discussion. Job Analysis Activity	Practical exercise- Group activity worksheet
9	Human Resource Planning - HRP - Meaning & Definition Factors & Process	Lecturing using PPT and Classroom discussions Jigsaw Method	Group activity- Students discussion and presentation
10	Techniques of HRP	PPT & Discussion	
11	Methods of Forecasting Demand	PPT & Discussion	
12	Methods of Forecasting Supply of Human Resources	PPT & Discussion	

13	Succession Planning	PPT & Discussion Case discussion	Eben Harrell Succession Planning: What the Research Says
<b>Module 3: Recruitment, Selection and Career Planning</b>			
14	Employee Hiring and Sources of Recruitment	Lecturing using PPT and Classroom discussions Jigsaw Method	Group activity- Students discussion and presentation
15	New Recruitment Practices	Study through google search and chatGPT	Group discussion and presentation
16	Employee Selection - Selection -meaning & process	PPT & Discussion Role play	
17	Selection Process and selection tests	Lecturing using PPT and Classroom discussions Case Discussion	Case study You call this Selection Interview
18	Career planning; Stages in Career Planning;	PPT & Discussion	Niculae, M. 2017. Employee's Career Planning and Development in Regional Rural Banks with Reference to Apgvb. Journal of Advance Management Research, 5(5), 162-177.
19	Career Anchors; Succession Planning	PPT & Discussion	
<b>Module 4: Training and Development, Performance Appraisal and Compensation Administration</b>			
20	Meaning & Definition, Differences b/n T & D	Lecturing using PPT and Classroom discussions Group discussion	Group discussion on differences between training and development
21	Training Process and Methods of Training - Process & Methods	Lecture and discussion Worksheet- Think Pair and Share method	Worksheet
22	Process of Performance Appraisal	PPT & Discussion	
23	Performance Appraisal Methods	Lecture, PPT and discussion Worksheet- Think Pair and Share method	Worksheets for advantages and disadvantages for each method
24	Errors in Performance Appraisal	PPT & Discussion and Group discussion	
25	Compensation Administration: Components of Compensation	Lecture and discussion Worksheet	Activity and worksheet

26	Factors influencing compensation	Lecture and Discussion Simulation	Simulation activity on compensation design
27	Employee Incentive Schemes and Recent trends in CM	Lecture, PPT and discussion Peer Instruction method	Activity and worksheet
<b>Module 5- Contemporary trends</b>			
28	E-Recruitment	Lecture, PPT and discussion	
29	E-Recruitment using AI and Social Media; AI and Biases	Case Study Discussion	Using AI to Eliminate Bias from Hiring by Frida Polli <a href="https://hbr.org/2019/10/using-ai-to-eliminate-bias-from-hiring">https://hbr.org/2019/10/using-ai-to-eliminate-bias-from-hiring</a> AI-enabled recruiting in the war for talent By: J. Stewart Black, Patrick van Esch
30	Virtual On boarding	Lecture, PPT and discussion Article discussion	Article: Get Your Virtual Team Off to a Fast Start by Keith Ferrazz Published on HBR.org / March 18, 2014 / Reprint H00Q1W
31	Virtual Employee Experience; Gamification;	PPT & Discussion Think Pair and share method	<b>Industry-Institute Interface (III)</b>
32	Augmented Reality and Virtual Reality	Lecture and discussion Think Pair and share method	
33	Coworking and Coworking Spaces;	Lecture and discussion Article discussion	Article Co-Creating the Employee Experience By: Diane Gherson, Lisa Burrell
34	Home as New office	Lecture and discussion Jigsaw Method	Group activity- Students discussion and presentation
35	Organizational Justice and Fairness	Lecture and discussion Jigsaw Method	
36	Managing Diversity and Inclusion	PPT & Discussion Jigsaw Method	

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- 5) Project Based Teaching
- 6) Experiential Learning
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- 8) Webinar/Seminars/Student Development Programmes
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- <http://search.ebscohost.com/login.aspx?direct=true&db=bsh&AN=7308260&site=ehost-live>
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- <http://search.ebscohost.com/login.aspx?direct=true&db=bsh&AN=118331382&site=ehost-live>
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<b>CO4</b>	3	3	3	2	3	2	3	3	2	2	3
<b>CO5</b>	3	3	1	3	2	3	3	3	1	1	2
<b>LEVEL      3-Substantial      2-Moderate      1-Slight      "-" No relation</b>											

### Course Evaluation Plan:

Sl. No.	Evaluation Item	Unit of Evaluation	Marks Allotted	Timeline
1	End Term Exam	Individual	50	At the end of the semester
2	Mid - Term Test	Individual	20	After completion of 2-3 modules
3	Attendance and Class participation	Individual	5	At the end of the semester
4	Remaining assignments (Quiz, Individual assignment, Cap-Stone project, Major or minor project, Group assignments etc.)	Individual	25	Full Semester

## THE CHANGING ROLE OF HUMAN RESOURCE MANAGEMENT IN TWENTY FIRST CENTURY CHALLENGES AND OPPORTUNITIES

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### ABSTRACT

The Personnel Management which was mainly confined to Pay Roll, Industrial Relations, Factory Act etc. has changed its face and emerged as Human Resource Management with wide scope and unlimited boundaries in 21 century. The globalization has its impact on all sectors of business like manufacturing, banking, retailing etc and HRM too. The trivial job of the organizations at present is the effective utilization of human capital rather than financial resources. The wide scope of responsibilities, resulting in creation of new roles, has given rise to increasing number of job opportunities. The fast changing technology, dearth of talent, rapid assimilation of communication through social media, high attrition rate, decreasing significance of loyalty etc. pose high level challenges to Human Resource Manager. Stressful conditions prevail within and outside the organizations due to highly intensified competition. Outsourcing has become both a challenge and an opportunity. The roles and responsibilities are transforming due to these factors. The paper will discuss all issues related to changing face of HRM, its impact on government and corporate policies and the challenges of and opportunities available to HRM. The research methodology is qualitative in nature and study is made through systematic review of literature.

**Keywords:** HRM, role, changing scenario, globalization, out sourcing, transformation, challenges and opportunities.

### INTRODUCTION

One of the areas of management which has developed very fast in recent years is the area of human resources management Human resources are the most important resources of the organization and they must be considered with the highest level of attention and interest. The effective management of human resource has become a decisive factor of competitiveness and development of every organization. Modern organizations continue to operate in fast-changing and even unpredictable environments due to globalization (Kleinsorge, 2010), changing demographics and changing human relationships (Busine and Watt, 2005).

### Personnel Management to Human Resource Management

The Personnel Management which was mainly confined to Pay Roll, Industrial Relations, Factory Act etc. has changed its face and emerged as Human Resource Management with wide scope and unlimited boundaries in 21 century. There are a multiple number of authors

who deal with defining human resources management and two different meanings are mainly used. One meaning describes the activities of management and personnel management, and the other term is used to people management as for human resources management (Torrington et al., 2004). Lundy (1994) was of the opinion that the personnel management role lacked strategic relevance because it was mainly an administrative-type role, whereas the modern concept of human resource management is much more strategic in scope.

The significant difference between the human resources management and personnel management lies in their strategic approach. The strategic approach to human resources changes according to events within the organization and environment. Human Resource Management, as a concise expression of a new philosophy and practice of management, represents the result of these accelerated changes and the significance attached to people and their potentials. The management of human resources implies, policies and activities in the process or the process of planning, recruiting, selection, socialization, training and development, evaluation of performances, rewarding, motivating, protection of employees and implementing the work regulations, undertaken by the management of the organization, in order to provide the staff with necessary abilities, qualities, and potentials and their adequate training and motivation to achieve the expected results and acquire organizational and personal goals. (Jovanovic et al., 2004).

### **CHANGING ROLE OF HR FUNCTIONS**

The roles and responsibilities of Human Resources departments are undergoing tremendous changes as the modern business is under the pressures of globalization. There is a clear gap between the demand and supply of talented and high skilled workers, employees and business executives. There is a need to place greater emphasis on attracting human capital rather than financial capital. The multinational companies which are willing to adapt their human resource practices to the changing environment will be able to attract and retain high performing employees. Those companies can gain competitive advantage, as they can effectively predict the needs of the organizations and the individuals as well.

In olden days once individual is employed, he used to remain with the same organization till his retirement or his death. The organizational loyalty was very high and thereby, there was hardly any employee quitting the job in the middle. The role of HR was confined to recruiting and maintaining of the employees. But this practice is no longer in existence even in government organizations too. In the past the employee would proudly say how many years of service he has put in to his company. But the scenario has changed. He feels proud to claim the number of opportunities he gets rather than the number of years he serves. In view of multiple opportunities available at present, job hopping has become a natural phenomenon, as the present job becomes obsolete. As a result high turnover rate is seen in almost all the fields of employment. The competent and deserving employees do not think anymore of organizational loyalty. Attrition has become alarm to HR. The role of HR has changed from the traditional outlook of filling the vacant positions for current and emerging job openings to retain the existing workforce.

The role of the HR professional is changing. In the past, their role was more closely aligned with personnel and administration functions that were viewed by the organization as



paperwork. Almost all the companies viewed HR function as the function of the administration or finance department, as it was mostly involved hiring of employees, paying and dealing with benefits. Successful organizations have become more adaptive, resilient, quick to change direction and customer-cantered. The changed environment has transformed the HR professional as a line manager rather than staff, a strategic partner, an employee sponsor or advocate and a change agent. According to Ulrich (1996), the roles of human resource are based on the following four functions – Strategic business partner, Change Agent, Employee champion, and Administration Expert. They are also champions of globalization and technology savvy.

### **Strategic Partner**

In today's organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as strategic partners. (Prakash, 1994. Fombrun, Tichy, and Devanna, 1984) expanded the premises of values and culture and developed the model of Strategic Human Resource Management, which emphasises partnership among the organizational strategy, organizational structure and HR system. Hendry and Pettigrew (1992) express that a number of internal factors like organizational culture, structure, leadership, level of technology employed and business output directly contribute to forming the contents of HRM. HRM could be seen as a menu of strategic choices to be made by human resource executives in order to promote the most effective role behaviours that are consistent with the organization's strategy and aligned with each other (Sparrow and Hilltop, 1994). Any functional objectives including HR objectives to be developed in alignment with overall business and corporate objectives. The HR personnel contribute to the development of and the accomplishment of the organizational business plans and objectives. Then only the organization will succeed, otherwise the total system will collapse. This strategic partnership will have impact on all HR functions of recruiting, selecting, training, evaluating and rewarding. Indian organizations normally direct their HRM efforts towards the development of competencies, culture and effectiveness among employees individually or in groups (Singh, 2003). There should be sound reasons for choosing a particular person for the assignment, and not just haphazardly filling a vacancy or offering tokens (Osland, 2002). Companies need to develop leaders capable of generating growth and effectively managing a multicultural workforce. Leaders themselves need to represent diverse cultures and backgrounds so the structure of the decision-making bodies within organizations reflects a more diverse composition of the marketplace (World Economic Forum, 2010). Human resource management should identify all the desired skills and search for the best candidate, even though it may be a difficult task to find the ideal persons who are both able and willing to work as strategic partners.

### **Change Agent**

After the economic liberalization, Indian organizations were under pressure to change from low-cost, indigenous, less efficient and outdated technology to high-cost modern technology and prepare people to use it. This was done to develop and maintain their competitive edge in the larger business environment (Khan, 1999). Workplace flexibility is expected to be on the rise in the future workplaces and thus, most of the interaction between human resource

personnel and line managers or workers will be Virtual, without face-to-face, meetings. Modern technology has made it possible for human resource personnel and front line managers to have virtual, without face-to-face meetings and communications. In a growing economy, the emergence of the new organization and shift in the HRM paradigm have necessitated a review of the skills, roles and competencies of the new HR managers (Ulrich, 1997); The standards of evaluation and measurement would differ compared to domestic-based human resource management. When companies go global and set up their business in overseas markets, it is the human resources department's responsibility to manage their human capital. In this new era, HRM has evolved in the context of the globalized economic environment Those who will manage the HRM will undergo a change in roles. It will be necessary to inculcate in employees the required new skills, competencies and motivation (Dyer jr., 1999).

The constant evaluation of the effectiveness of the organization results in the need for the HR professional to frequently champion change. The ability to understand and execute successful change strategies make the HR professional exceptionally valuable assets to any organisation. Knowing how to link change to the strategic needs of the organization will minimize employee dissatisfaction and resistance to change. HR professional contributes to the organization by constantly monitoring the change within and outside HR function. HR Professional will, thereby, become, a change agent in the total organization and contribute to the overall success of the organization. He will champion in aligning the identification of the organizational mission, vision, values, goals and action plans.

### **Champion of Globalization**

Globalisation is the trend that is widely regarded as a prime catalyst for international human resource management (Härtel, Strybosch and Fitzpatrick, 2007). *There is a need to effectively manage this for the benefit of both the company and the individuals.* An appreciation of how to manage staff in an international context is critically important for businesses to day Shen (2005). The new global world has widened the talent pool for excellent and marginal workers, and for permanent and fluid workers. An organization's talent can be a source for a sustained competitive advantage and can affect important organizational outcomes such as survival, profitability, customer satisfaction level, and employee performance (Pfeffer, 1994; Prahalad, 1983). The problems that arise in the globalization are institutional and cultural differences. Scullion & Starkey (2000) suggest that effective management of human resources in a multinational corporation is a major determinant of success or failure in international business. International human resource managers have found that employee relations vary significantly from country to country and that the strategies used to motivate workers in one country are sometimes useless in another country. Katz & Elsea, (1997) explain international human resource management in terms of a system: "a set of distinct activities, functions and processes that are directed at attracting, developing and maintaining the human resources of a multi-national corporation." The domestic based term of human resource management covers "all the concepts, strategies, policies and practices which organisations use to manage and develop the people who work for them" (Rudman, 2002). The only major difference between international human resource management and human



resource management is the fact that one relates to multinational corporations and the other to domestic based firms. Yip (1995) states that there are four major drivers of globalisation: the global market with its consumer needs, wants and expectations; production and labour costs in different countries; government rules and regulations regarding taxes, tariffs, quality control and import/export restrictions; and competitors' actions. The HR personnel who work at international level should understand all these dynamics so as to discharge their responsibilities effectively. The new global world has widened the talent pool for excellent and marginal workers, and for permanent and fluid workers too. An organization's talent can be a source for a sustained competitive advantage and can affect important organizational outcomes such as survival, profitability, customer satisfaction level, and employee performance (Pfeffer, 1994; Prahalad, 1983).

In order to manage employees in overseas, means to improve their operation and various ways to solve problems should be identified (Kelly, 1993).

### **Employee Advocate**

As an employee sponsor or advocate, the human resource manager plays a pivotal role in organizational success via his knowledge about and advocacy of people. This advocacy includes expertise in how to create a work environment in which people will choose to be motivated, contributing, and happy (Ulrich, 1996).

The human resource personnel are a champion of globalization, and help develop global mindset in its employees. Having a global mindset implies recognition of benefits that can flow to the whole organization from encouraging and valuing cultural diversity in people. Globalization is increasingly adding one more thing to low-cost labor and high-power technology: unfettered imagination—that is, high innovative and creative capabilities (Friedman, 2005).

As an Employee Advocate, the HR manager provides all the employees with employee development opportunities, employee assistance programs, gain sharing and profit-sharing strategies, organization development interventions, due process approaches to problem solving and regularly scheduled communication opportunities. The HR expert should be able to develop global perspective among employees besides making the employees familiar with local standards. Effective management of culturally diverse and geographically dispersed workforce is the key responsibility of global human resource manager. The human resource personnel need to focus on organizations' long-term objectives with a international or global perspective.

### **PROSPECTIVE TRENDS IN HUMAN RESOURCE MANAGEMENT**

In view of the changing scenario, the following are the most promising and prospective trends in Human Resource Management.

#### **Outsourcing**

The changing role of HR executive is extended to deliver value in areas like leadership development,, organizational effectiveness, talent management, change management, succession planning, merger integration, strategic compensation etc. Almost all global and

international companies prefer outsourcing of HR to traditional way of managing. There are many advantages of outsourcing such as access to latest technologies, low cost labour and other resources, process improvement, economies of scale, likely allocation of more time to strategic issues rather than tactics. Increasing competition and rapid technological innovations throughout the world compelled the business organizations to reduce physical boundaries and carryout the business from all corners of the world. This idea has definite impact on HRM through outsourcing. The concept has made English language further a universal language. English speaking countries and people are at more advantage than Non English speaking countries and people.

### **Increasing significance of Corporate Values and Culture**

In general, the companies with strong culture are highly successful. They argued that superior firm performance is achieved if a company moves away from a purely technical, rationalistic approach towards a more adaptive and humanistic approach. It is, however, Carroll (1983), Reynolds (1986) and Most of the studies lack a clear theoretical conception of the nature of the culture performance link. Sinha and Sinha (1994) found self-realization and inventive values as the highest form of work values in Indian culture. Organizations appreciate corporate core values of self-realization and inventive values as they encourage and recognize innovation, creativity and achievement.

All business leaders have now recognized that an effective corporate culture is essential for long-term success of any organization. They are aligning corporate culture with business strategy. Leaders and top management are taking responsibility for building strong and high performance cultures. They are the ones who construct the social reality, and shape the values of the organization.

Almost all the largest multinational corporations in the world now have more employees outside their home country base than within it. This means that human resource managers must be scrupulously correct in their approach to staffing and ensure they consider everyone from different cultures and backgrounds when working with them. Again, this will help make the overseas assignment go more smoothly for the employee. For example, Bonache & Fernandez (1997: 462) suggest that the system used for compensation and pay must be externally linked to the organisation's strategic goals, and consequently to the reason for assignment overseas. Also, the system must be integrated with all of the expatriation policies such as selection, training and professional development.

Most multi-national companies are imprinted with their home country's culture and traditions, especially in the area of human resource management. Culture performs a number of functions within an organization. It creates a distinction between one organization and another, it conveys a sense of identity for role incumbents, it facilitates the generation of commitment, and it enhances social system stability. Finally, culture sells as a sense-making and control mechanism that guides and shapes the attitudes and behaviour of employees. Hofstede (1980) felt that cultures which are high on the long-term orientation focus on the future and hold values in the present that will not necessarily provide an immediate benefit.

### **Impact of Legal and Compliance Issues**

The world is going around consumer. Increasing significance of corporate governance, consumerism, concern for high security and privacy compel the HR personnel well versed with local as well as international laws. New and better policies will be required for the work force of the future. Traditional family management will give way to professional management with greater forces on human dignity. There is growing recognition that there is a definite link between the work environment and the health and well-being of its employees. Creation of healthy work place is mandatory by all the governments throughout the world. No business establishment can override local laws. Due to legislative presence and trade union movement, personnel management will have to be healthier and safety conscious in future.

### **Brain Drain**

It is the most important consequence of privatization and globalization.

Many countries today are experiencing what is widely termed 'brain drain'. Brain drain, or the loss of talented professionals from smaller to larger economies, will affect the countries as well as the organizations. Brain drain is thereby damaging to a range of groups who share a common interest in finding ways to retain and re attract skilled employees. Organizations are required to develop more objective and result oriented systems of performance, appraisal and performance linked compensation. If pay and conditions of employment are standardized around the world in multi-national companies, it is highly likely that problems would arise amongst staff members doing similar work in different countries. Giammalvo (2005: 20) states, "Regardless of how well intentioned management may be, unless there is a formula in place that is easily understood, readily verified and perceived to be fair and equitable, it is bound to create conflict and hard feeling among team members." In order to retain the talented and highly skilled people, it is important to encourage them to constantly upgrade their skills and keep themselves current, while sending them overseas or on special seminars.

### **CONCLUSION**

As the 21 century pose significant challenges, all executives and managers need to master new skills to address the emerging challenges. Successful executives will be those who can effectively manage three generations in the workplace, create more flexible working environments, optimize individual and team performance, balance stakeholder interests and build and maintain their personal expertise. Managers and executives will need to maintain their skills of the last decade and to master the additional tools and techniques of the next.

The international human resource manager needs to consider many aspects when working in a multi-national situation, including the culture of the people, laws of the country, expectations of pay and conditions of work from local and expatriate staff and integrating practices and procedures throughout the global company. It is important to consider all of these so as to ensure that management can have the best possible working relationship with the staff of the company, whilst getting the best results from them. The manner in which human resources manage the global staff will have a considerable impact on how successful the company will be.

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# History, Evolution and Development of Human Resource Management: A Contemporary Perspective

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## Abstract

Various attempts have been made towards tracing the historical development of the discipline of Human Resource Management (HRM). However, these initiatives have largely been concentrated on certain specific periods of time and experiences of specific countries and regions such as Australia, the USA, the UK and Asia (Nankervis et.al, 2011; Kelly, 2003; Ogier, 2003). This paper attempts to document the entire history of the discipline of Human Resource Management from a holistic perspective. The evolution and development of HRM will be traced right from the pre-historic times through to the postmodern world. Major characteristics in the evolution and development of HRM will also be examined and documented.

**Key words:** Human Resource Management (HRM), evolution, history

## Introduction

### Defining Human Resource Management (HRM)

According to Armstrong (2006) Human Resource Management (HRM) is defined as a strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives. From this definition, we can deduce that HRM or simply HR is a function in organizations designed to maximize employee performance in service of their employer's strategic objectives (Johanson, 2009). HR is primarily concerned with how people are managed within organizations, focusing on policies and systems (Collings & Wood, 2009). HR departments and units in organizations are typically responsible for a number of activities, including employee recruitment, training and development, performance appraisal, and rewarding (e.g., managing pay and benefit systems) (Paauwe & Boon, 2009). HR is also concerned with industrial relations, that is, the balancing of organizational practices with regulations arising from collective bargaining and governmental laws (Klerck, 2009)

HRM is a product of the human relations movement of the early 20th century, when researchers began documenting ways of creating business value through the strategic management of the workforce. The function was initially dominated by transactional work, such as payroll and benefits administration, but due to globalization, company consolidation, technological advancement, and further research, HR now focuses on strategic initiatives like mergers and acquisitions, talent management, succession planning, industrial and labor relations, ethical considerations, diversity and inclusion. These, among other initiatives contribute to the understanding of Human Resource Management as a contemporary issue owing to their sustained evolutionary nature.

In this paper, we discuss the historical development of Human Resource Management (HRM) as a discipline. We also consider its various evolutionary phases outlining the specific characteristics of each phase and the contributions of these characteristics in shaping the development of Human Resource Management as a field of study as well as a profession. Lastly we provide a summary of key issues that justify Human Resource Management as a contemporary subject.

## Historical Development of Human Resource Management (HRM)

### Tracing the roots of HRM

During pre-historic times, there existed consistent methods for selection of tribal leaders (Jones & Bartlett, 2014). The practice of safety and health while hunting was passed on from generation to generation. From 2000BC to 1500BC, the Chinese used employee screening techniques and while Greeks used an apprentice system (History of Human Resource Management, 2010). These actions recognized the need to select and train individuals for jobs.

Early employee specialists were called personnel managers (or personnel administrators), and this term is still in use in various discourses. 'Personnel management' refers to a set of functions or activities (e.g. recruitment, selection, training, salary administration, industrial relations) often performed effectively but with little relationship between the various activities or with overall organizational objectives. Personnel management in the United Kingdom and the United States developed earlier than in Australia and Asia Pacific countries in response to their earlier and more widespread adoption of



mass production work processes. Power-driven equipment and improved production systems enabled products to be manufactured more cheaply than before. This process also created many jobs that were monotonous, unhealthy or even hazardous, and led to divisions between management and the 'working class'. The concentration of workers in factories served to focus public attention upon conditions of employment, and forced workers to act collectively to achieve better conditions. The Humanitarian, Cooperative and Marxist theories of the early 1900s highlighted the potential conflicts between employee and employer interests in modern industry – situations that laid the foundations for the growth of trade unionism and industrial relations systems which are important elements of contemporary HRM (Nankervis et.al (2011)

Governments in both the United Kingdom and the United States became involved in these issues and passed a series of laws to regulate the hours of work for women and children, to establish minimum wages for male labour and to protect workers from unhealthy or hazardous working conditions. Australian governments, both state and national, gradually began to follow suit from the early 1900s, although Australia and New Zealand adopted a different system based on conciliation and arbitration rather than mandated conditions.

During this period, management theorists in the United States and United Kingdom began to examine the nature of work and work systems, and to develop models based upon emerging psychological and sociological research. The ways in which these theories have developed, and have been applied by both general management and HR professionals, reflect changing attitudes to jobs, work processes and organizational structures. The Classical school (or 'Scientific Management', founded by Frederick Taylor, and best exemplified by Henry Ford in his vehicle manufacturing plants) puts its emphasis on the job itself and the efficient adaptation of workers to work processes. The Behavioural school (for example, Elton Mayo's Hawthorne Studies) focuses on workers themselves, and the satisfaction of their needs, to achieve greater organizational productivity. Subsequent management theories (e.g. systems theory, contingency approaches) attempt to build on earlier ideas to benefit both employees and their organizations. Contingency, Excellence and Total Quality Management (TQM) theorists have applied these ideas to particular industries and organizations, or to different economic and social situations. The relevance of these theories to HRM is twofold. First, personnel management has historically developed into human resource management by incorporating management theories (notably strategic management); second, a sound knowledge of these theories can assist HR managers to more effectively adapt their practices to organizational requirements and realities (Nankervis et.al (2011)

### **Stages in the Development of HRM**

Human resource management in Australia and the Asia Pacific region has progressed along similar lines to its United States and United Kingdom counterparts, but with differences in the stages of development, and in the relative influence of social, economic, political and industrial relations factors. The two main features of the US development of HRM are its initial emphasis on largely administrative activities, directed by senior management, and then the move to a more confident, business-oriented and professional approach in the 1980s and 1990s. Similar processes occurred in the United Kingdom, with more early emphasis on the 'welfare' roles of personnel practitioners because of the excesses of early capitalist industry, a strong humanitarian movement and developing trade unionism. In Asian countries, there has been a blend of administrative, paternalistic, cooperative, and business-focused HRM that varies between countries depending on their cultures, stages of development, extent of government intervention in the economy and industrial relations systems (Nankervis, Chatterjee & Coffey, 2007)

In Australia, HRM has developed through the following general stages.

- a) Stage one (1900–1940s): administration stage
- b) Stage two (1940s–mid-1970s): welfare and administration stage
- c) Stage three (mid-1970s–late 1990s): human resource management and strategic human resource management (SHRM) stage
- d) Stage four (Beyond 2000): SHRM into the future

These stages largely reflect the development of Human Resource Management in the rest of the world notably, the UK and the USA. A critical discussion of these stages is presented below:

#### **Stage one (1900–1940s)**

##### **Welfare Stage**

During this period personnel functions were performed by supervisors, line managers and early specialists (e.g. recruitment officers, trainers, welfare officers) long before the establishment of a national association representing a 'profession' of personnel or human resource management.

The early management theorists contributed ideas that would later be incorporated into personnel management theory and practice. Through job design, structured reward systems, 'scientific' selection techniques espoused by scientific management (see Frederick Taylor, Frank Gilbreth and Alfred Sloan) personnel management practice were refined especially in the recruitment and placement of skilled employees. Behavioural science (or industrial psychology) added psychological testing and motivational systems (see Elton Mayo), while management science contributed to performance management programs.

In Australia, however, these overseas influences were of only marginal importance until the 1940s. Prior to World War II, personnel management functions were largely fragmented, and often conducted by line managers as part of their overall management responsibilities. At the time, Australia had a relatively stable economy, with certain markets for its agricultural and limited manufacturing products in the United Kingdom and Europe. Society was generally stable, though disrupted by World War I and the Great Depression (1930s). Unemployment was low until the 1930s, when labour became readily available for employers. Trade unions were active, largely focusing on issues of pay and working conditions. Personnel functions during this period were mainly restricted to administrative areas (e.g. wage/salary records, minor disciplinary procedures and employee welfare activities). In 1927, A. H. Martin established the Australian Institute of Industrial Psychology at Sydney University to promote the ideas of Behavioural scientists and industrial psychologists in Australia.

### **Stage two (1940s–mid-1970s)**

#### **Welfare and administration Stage**

This second stage marks the beginning of a specialist and more professional approach to personnel management in Australia. World War II had significant repercussions for both those who went overseas and those who stayed behind, and particularly for business, the economy and the labour market. During World War II, not only was there a scarcity of labour for essential industries such as munitions and food, but there was also a corresponding increase in the problems and performance of existing employees. Many more women had become involved in all areas of Australian industry, to replace their husbands and brothers who were in military service. Financial, social and family pressures began to hinder the productivity and output of such employees, and they became increasingly harder to recruit. When the war ended, returning soldiers flooded the labour market, often with few work skills. Thus, employers – spurred on by government initiatives and their own post-war requirements for skilled employees in a developing economy – began to focus on the importance of a wider range of personnel functions.

Increased provision of welfare services for employees was seen by some employers (notably government departments such as the Postmaster-General) as a means of attracting and maintaining employees and ensuring their continued productivity. The Commonwealth Department of Labour and National Service established an Industrial Welfare Division in the 1940s to promote the welfare function, offering emergency training courses to equip practitioners with the necessary skills. These activities were supported by the new human relations theories that were filtering into Australia from the United States. In addition, scientific management, the quantitative school and behavioural science contributed employee and management assessment and development techniques such as productivity measures, management planning and control mechanisms (e.g. Drucker, McGregor, Chandler), psychological testing and applications of the emerging employee motivation theories (e.g. Maslow, Herzberg, McGregor). Many more organizations began to employ specialists to conduct recruitment, training and welfare activities, taking these functions away from line managers.

In 1943, the first personnel officer was appointed to the St Mary's Explosives Factory in New South Wales, and in the same year a Personnel and Industrial Welfare Officers' Association was established in both Victoria and New South Wales. These state associations combined to form the national Personnel Officers' Association in 1949, renamed the Institute of Personnel Management Australia (IPMA) in 1954 (Nankervis, Chatterjee & Coffey, 2007). Subsequently, the Commonwealth Employment Service (CES) was set up to help employers obtain suitable employees, and both Sydney Technical College and Melbourne University developed personnel management courses. Business schools with personnel management strands were established in most Australian states during the 1950s, encouraged by the development of the national professional association, IPMA, with members in Victoria, New South Wales, South Australia, Western Australia and Queensland.

This stage is also characterised by the expansion of necessary personnel functions for the post-war Australian economy (welfare, recruitment, selection, training); a gradual move from specialist to more general approaches; the adoption of overseas theories, including scientific management, behavioural science and human relations; and the emergence of professional associations and courses. The resurgence of unionism during these decades cannot, of course, be overlooked. Unions in a buoyant economy focused on issues of pay and work conditions, forcing further expansion of personnel activities to include industrial relations considerations. The complex industrial relations structure at the national level was originally

established by the Conciliation and Arbitration Act 1904, with similar developments at each of the state levels. They were further developed during the post-war period. While the range of functions performed by the growing number of personnel specialists expanded greatly during this period, they were often conducted in isolation from one another and generally without any consideration of their impact on overall organizational effectiveness. Personnel management activities were largely separated from those concerned with industrial relations, and a clear professional philosophy did not exist.

### **Stage Three (mid-1970s–late 1990s)**

#### **HRM and SHRM**

During the 1970s, the majority of Australian organizations found themselves in turbulent business and economic environments, with severe competition from US and European organizations and emerging Asian markets. The influences of the ‘Excellence’ theories (e.g. Peters and Waterman) were beginning to affect the management of employees, together with increasing cost–benefit pressures.

At the same time, the professional association (IPMA) and training institutions (TAFE and the universities) were becoming more sophisticated in their approaches, incorporating the ideas of the ‘excellence’, leadership and Total Quality Management (TQM) theories, with more recent developments such as Kaplan and Norton’s (2005) ‘Balanced Scorecard.’ During this period, the IPMA held a number of international conferences, initiated relationships with the Asia Pacific region, developed minimum criteria for practitioner accreditation (the 1987 rule) and a journal for academic and practitioner discussion (Human Resource Management Australia, later re-titled Asia Pacific HRM, and still later the Asia Pacific Journal of Human Resources).

Personnel management was becoming human resource management, representing a change towards the integration of personnel functions, strategically focused on overall organizational effectiveness. Significantly, the use of the term ‘human resource management’ was first noted in Australia in these years, (Kelly, 2003) reflected in the formation of the Australian Human Resources Institute to replace the IPMA. It was enhanced by industrial relations changes, including award restructuring and enterprise agreements, increasing employment legislation, and economic realities such as declining trade with Britain and Europe and increasing opportunities in the Asia Pacific region. (Ogier, 2003)

In essence, human resource management recasts ‘employees’ as ‘human resources’ who are vital organizational ‘assets’, possessing knowledge, skills, aptitudes and future potential; and who therefore require integrated and complementary management strategies (through, for example, human resource planning, job design, effective attraction and retention techniques, performance management and rewards programs, occupational health and safety systems) in order to assure their individual and collective contributions to the achievement of organizational goals and objectives.

According to Taylor (2011) this transition of personnel management to human resource management signaled not just new rhetoric, but also significant new thinking on the part of managers. Donkin (2001) neatly sums up the result as follows:

“...Like an improved soap powder with a biological ingredient, HRM, equipped with something called strategy, promised a new set of tools and measures to reward, motivate and organize employees in the re-engineered workplace...”

For a generation, managers had been seriously constrained in terms of how they approached the people-related aspects of their activities (Taylor, 2011). Now they had an opportunity to take control and create approaches that were appropriate for their own organizations’ particular circumstances. HR strategies were developed, new individualized pay arrangements introduced, formal performance appraisal systems established and competency frameworks defined. Employers also seized the opportunity to employ people more flexibly, establishing more part-time and temporary jobs, outsourcing ‘non-core’ activities to external providers and abolishing long-established lines of demarcation which determined where one group of workers’ duties ended and another’s began.

At the same time, new methods of relating to workers had to be established to replace union consultation and negotiation arrangements, so there was the spread of a range of new involvement and communication initiatives along with a preference for single-table or single-union bargaining in circumstances where trade unions retained an influence. In short, HRM can largely be explained as a response on the part of organizations to a newfound freedom to manage their workforces in the way that they wanted to. Fewer compromises had to be made, allowing decisions to be made and strategies to be established which operated exclusively in the long-term interests of organizations.

Building upon previous developments, this stage represents the integration of personnel management and industrial relations and HRM into a coordinated and strategic approach to the management of an organization's people, signaling the eventual birth of strategic human resource management (SHRM) (Nankervis et.al (2011) . SHRM can be perceived as a 'macro' perspective (e.g. strategies and policies), whereas HRM represents more of a 'micro' approach (e.g. activities, functions and processes). SHRM adds the extra dimension of the alignment of the goals and outcomes of all HRM processes with those of their organizations as a whole though both are intertwined. SHRM also provides practitioners with renewed confidence to perform their activities as an integral component of organizational success (Cengage, 2010).

The current discipline of Human Resource Management (HRM) casts a radically different image from its ancestor, Personnel Management (PM). The main differences between HRM and PM are shown in the table below:

**Differences between Personnel Management and Human Resource Management**

Factor	Personnel Management	Human Resource Management
<b>Time and planning perspective</b>	Short term, reactive, ad hoc , marginal	Long term, proactive, strategic, Integrated
<b>Psychological contract</b>	Compliance	Commitment
<b>Employee relations perspective</b>	Pluralist, collective, low trust	Unitarist, individual, high trust
<b>Preferred structure/system</b>	Bureaucratic/mechanistic, centralized, formal/defined roles	Organic, devolved, flexible roles
<b>Roles</b>	Specialized/professional	Largely integrated into line Management
<b>Evaluation</b>	Cost minimization	Maximum utilization (human asset accounting)

Source: Adapted from 'Human Resource and Industrial Relations', Journal of Management Studies, 24 May, p. 507

#### Stage Four (Beyond 2000)

##### The present and future of Human Resource Management (HRM)

While it is difficult to predict the nature of HRM in the future, there are strong indications that its theory and practice will be continually transformed as a consequence of globalization, new technology and associated fundamental changes in the nature of work and jobs. These external and internal pressures and their possible impacts on organizations, employees and overall employment conditions is what informs the continuing evolution of HRM as a contemporary discourse as well as the need for continuous innovation on the part of HRM professionals and thinkers.

Some observers of HRM theory and practice (Patrickson and Hartmann 2001; Weisner and Millett 2003; Bartlett and Ghoshal 2003; Zanko 2003; Lansbury, Kitay and Wailes 2003; Losey, Meisinger and Ulrich , 2006; Boudreau and Ramstad 2009) suggest that the implications of global economic forces such as the shift to low inflation economies, widespread tariff reductions, and the growth in multilateral and bilateral free trade agreements (e.g. Australia–Singapore, New Zealand–Singapore, Australia–New Zealand, Australia–US, APEC) demand more attention towards international HRM models.

In addition, the globalization of business means that HR professionals will need to be more proactive in relation to such issues as business ethics, corporate governance and the management of employees' work–life balance. Communication and information technology changes such as the digital revolution, satellite links, cellular telephone networks and high speed fibre optic cables (Hunt, 2003) will require the adoption of strategic international or global HRM models implemented through radical new approaches to HRM strategies, structures, organizational cultures, HRM practices and employment relationships as a whole. As Erwee (2003) explains:

... in the competitive process of globalization and complexity, it is becoming critical to manage sustainable multinational organizations more effectively by using Strategic Human Resource Management (SHRM), and to link this with strategic needs in the larger organizational context. . . . However, (they) must also work within the confines of (their) local environment as well as a range of laws, politics, culture, economies and practices between societies.

Human resource thinkers such as Ulrich, Huselid, Lepak & Snell, and Collins imply that the 'new' HRM will either specialize in HRM 'value management', 'strategic partnering' and establishing the HR 'architecture' for organizational success, or will combine such 'macro connections' with the devolvement or outsourcing of traditional HR processes respectively to line managers and external HR consultants (Kramar, 2003).

Ulrich (2006) has suggested that the survival of HRM demands that HR professionals are perceived to add value to four key stakeholders in organizations, namely:

- a) employees who want competence and commitment
- b) line managers who want to make strategy happen
- c) key customers who want to buy more products/services; and
- d) investors who want the stock price to go up.

This will involve the formulation of HR strategies for the business, the workforce and the HR function itself. The theme of 'partnership' between senior managers and HRM specialists is echoed by HR professionals and by their general managers. Chris Georgiou, HR Director, AGC and Westpac Financial Services, suggests that 'to be effective, you need to partner with the business very closely and that means not necessarily just understanding the business but really participating at the business level' (Rance, 2000). John Cooper, a partner at Freehills consultancy, goes further, emphasizing that 'HR needs to make sure it is a critical part of the decision making processes that go with the new technology and the strategies to globalize' (Willcoxson, 2003). Boudreau (2009) reinforces this notion, asserting that 'HR must extend its focus from the services it provides to the decisions that it supports', as 'like finance and marketing, the HR function helps the firm operate within a critical market . . . the market for talent'.

In similar vein, Dowling and Roots (2009) suggest that strategic HRM should now become concerned with 'finding the pivotal areas where optimization and increased performance may be attained . . . the new science of human capital'. Associated imperatives include requirements for HR professionals to demonstrate a deep understanding of their organization's business environment, the industry challenges and opportunities, and the ways in which HR programs deliver human capability for the business to compete, the nurturing of more creative organizational cultures and the development of appropriate HR metrics, and the formulation of organizational ethical codes. These imperatives for transparency and accountability have only been strengthened following the 2009 global financial crisis (Holdsworth & Lundgaard, 2009; Wilson, 2009; Wilson, 2009).

### **Milestones in the History, Evolution and Development of Human Resource Management**

Arising from the synthesis of literature available on this topic (Taylor, 2011; Nankervis et.al, 2011; History of Human Resource Management, 2010; Kelly, 2003; Ogier, 2003.), the history, evolution and development of HRM can be summarized as presented in the table below:

Period	Time	HR Factors/Issues/Characteristics
Pre World War II	2000BC – 1000BC	Mechanisms for selecting tribal leaders; recording and dissemination of knowledge about safety; health, hunting and gathering of food; use of employee screening techniques by the Chinese; use of the apprentice system by the Greek.
	1700 – 1900	Emergence of Scientific Management Theory as management philosophy of the time; start of industrial revolution that led to replacement of cottage industries by large factories; rise of large workforce occasioned by immigrant workers; introduction of personnel function mainly for keeping workers records; rise of middle level supervisors; maximum exploitation of workers; increase in child labour; widened gap between workers and supervisors; poor working conditions; rise of labour unions to agitate for workers rights; expansion of personnel function to include welfare and administration mainly in UK and USA.
		Rise of motivation practices occasioned by the Hawthorne studies, various attempts at employee satisfaction begin to be

	1920 – 1930	implemented such as better wages and good working conditions.
Post World War II	1945 – 1960	The Human Relations Movement shaped the management ethos of the time; emphasis on employee productivity through various motivation techniques; emphasis on welfare issues; emergence of job description which improved recruitment and selection; emergence of compensation and evaluation strategies; official recognition of trade unions in various countries mainly in UK and USA; emergence of collective bargaining for increased employee welfare; enactment of a significant number of employment laws; emergence of computer technology and use in record keeping; emergence of job analysis; expansion of the personnel function to include recruitment, labour relations, training, benefits and government relations divisions; first HRM software Comprehensive Occupational Data Analysis Program (CODAP) developed in the USA mainly for job descriptions and assigning roles; advancement of computer technology to include payroll, inventory and accounts.
Social Issues Era	1963 - 1980	The Civil Rights Movement shaped the management thinking of the time; the civil rights act (1964) brought in affirmative action, abolished all forms of discrimination and ushered in equal employment opportunity; transition from personnel management to human resources management; increased computerization of the HR function for accuracy, speed, storage and reporting of HR data; development of Human Resource Information System (HRIS); increased trade unionism led to better working conditions and terms of employment; adoption of various laws on occupational health and safety, retirement benefits and tax regulation; emergence of employee participation in management decision making, increased employee training and empowerment;
Cost–Effectiveness Era	1980-early 1990s	Increased automation of the workplace to boost production; shift from employee administration to employee development and involvement; emphasis on efficiency and effectiveness through adoption of technology; emergence of hard and soft HR approaches; emergence of employee return on investment debate; is an employee an unnecessary cost to be minimized/eliminated or a vital resource to be developed?
Technological Advancement Era	1990 – present	This era is shaped by increasing forces of globalization, rapid change occasioned by tremendous technological breakthroughs and pressure for increased efficiency; cut throat competition characterize all industries; emergence of Strategic HRM; emergence of business process reengineering strategies; recognition of intellectual capital; increased strategies for recognition, rewards, motivation, greater awareness of the HR role as a strategic business partner; emergence of improved strategies for attracting, retaining, development and engagement of talent; emergence of workforce evaluation methods such as balanced scorecard, performance appraisal techniques ; emphasis on contribution of HRM to competitive advantage; Human resource planning techniques; diversity management; talent management; emergence of e-HR; e-training, e-recruitment, telecommuting,



		flexible work arrangements, virtual teams; work life balance; social media currently informs transformation of HRM; improved networking; influence of mass media; ethics; green economy; new world order.
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### Human Resource Management as a Contemporary Issue

In essence, HRM differs from earlier personnel management models in relation to its focus, its principles and its applications. HRM can be simply described as the convergence of three factors – human beings, resources and management – where human beings have the actual and potential resources (knowledge, skills and capabilities) that can be harnessed through effective management techniques to achieve short- and long-term organizational goals as well as personal needs. Thus, the focus of HRM today is on the effective overall management of an organization's workforce in order to contribute to the achievement of desired objectives and goals. All HR processes (e.g. recruitment, human resource development, performance appraisal, remuneration) are seen to be integrated components of overall HRM strategies hence the strategic nature of contemporary HRM. According to Beer et.al (1985), the Harvard model suggests that Strategic HRM strategies, policies and processes fall into four broad areas:

- Employee influence and involvement. This is the extent to which employees are encouraged to share their ideas and participate in organizational consultation and decision-making procedures;
- Human resource flow. All HRM functions are involved in employee management (e.g. HR planning, job design, recruitment and selection, performance review, termination etc)
- Rewards systems. The monetary and non-monetary ways by which staff are recognized;
- Work systems. Includes consideration of the 'fit' between employees and their workplaces (e.g. technology, workplace design, teams etc)

The model further suggests that a strategic approach to HRM strategy, policy and processes fundamentally reflects management choice about how employees are managed – a choice about the nature of the employment relationship, including the 'psychological contract' between employees and their employers. As this model indicates, the principles on which HRM theories are based are generally broader and more managerial in their emphasis than personnel management. The central principle is, of course, the effective utilization of employees in order to enable the achievement of organizational objectives. Thus, the entire 'resource' of the employee should be tapped (i.e. physical, creative, emotional, productive and interpersonal components) in order to achieve this goal. In contemporary organizations, the emphasis may be more on the 'intellectual capital', 'knowledge worker', or on 'emotional intelligence' than on manual or physical skills. These issues are integral to the management of the contemporary 'knowledge worker' and will keep shaping the theory and practice of Human Resource Management, moving forward.

Contemporary HRM theories also recognize that the human resource, unlike financial or technological 'resources', cannot be manipulated or 'exploited', and that it requires complex and sensitive management in order to fully realize its potential. Variations of HRM theory emphasize different aspects of management of the employment relationship, reflective of diverse national or industry environments (Nankervis et.al (2011).

All HRM theories are, however, essentially managerialist in their emphasis on the management of the workforce and accountability to ensure the achievement of desired objectives and goals. Thus, HRM practitioners are seldom perceived as employee 'advocates' except when such activities are necessary to assist the achievement of the organization's goals. As Ken Gilbert, Head of Mercer Consulting's human capital business explains, "Aside from the need to survive, one of the biggest challenges organizations face . . . is managing competing workforce pressures – the need to contain employment costs versus the ability to maintain levels of engagement and productivity for when the market upswings. . . . Doing both simultaneously is the new challenge (Gettler, 2009)

The imperatives of contemporary HRM theory include such principles as efficiency, effectiveness, productivity, labour flexibility and competitive organizational advantage. Baird and McGrath-Champ (1999) suggest that HRM concepts represent the strengthening of managerial prerogatives. Patrickson and Hartmann (2001) summarize its dominant strategic emphasis as 'productivity enhancement, cost minimization and work intensification. Some other HRM observers note that recent trends in the nature of employment (such as casualisation, more flexible conditions and changes to industrial relations systems), and the various impacts of technology and globalization, together with innovative HR practices such as rightsizing, outsourcing and 'offshoring', present serious challenges and opportunities to the future of HRM.

As Gandossy et al (2006) observe, the workforce is in the midst of an unstoppable and dramatic transformation. In the coming years, organizations will confront challenges related to demographic trends, global mobility, diversity, work/life issues, technology changes and a virtual workforce. Competition will be global; capital will be abundant; leaders will be developed swiftly; and talented people will be keen to change jobs frequently. These changes will influence how work is performed, where it is performed and what skills are required. While other resources will be abundant, the most important resource of all – talent – will become increasingly scarce. Organizations must ask themselves: Are we prepared for this global workforce revolution? Do we have the right strategies in place?

## Conclusion

Beginning with a very humble start as ‘people management’ in the 1700s, (earlier developments acknowledged) Human Resource Management has evolved to become an indispensable academic field as well as an important function in the management of organizations. The functional areas that constitute the current outlook of the Human Resource Management field include:

- a) Human resource policy
- b) Human resource planning
- c) Human resource information management systems
- d) Knowledge management
- e) Ethics, governance and (sometimes) corporate social responsibility
- f) Work and job analysis, design and evaluation
- g) Recruitment and selection
- h) Diversity management
- i) Career management
- j) Employee and management training and development
- k) Counseling, discipline and termination/separation
- l) Performance and quality management
- m) Remuneration and benefits
- n) Industrial relations management
- o) Financial management of employee schemes and overall accountability and evaluation
- p) Occupational health and safety.

Indeed, Human Resource Management (HRM) is a complex and rapidly changing field of practice in industry and academia. Despite its comparatively recent developments, and drawing upon both overseas and local influences, HRM is a crucial factor in the success of all organizations. Beginning in the 1700s as a series of functions, often neither integrated nor based upon solid conceptual foundations, the modern Strategic HRM is a dynamic specialization in the process of refining its philosophies, practices and overall contributions to organizational effectiveness in response to external influences, including economic, demographic, legislative and social changes, as well as its own history,

HRM is adopting a strategic approach to the management of human resources for corporate benefit. As with other professions, HRM confronts a number of difficult issues and dilemmas concerning ethics, roles, practices and the nature of its professional associations. Further development of Strategic HRM will eventually resolve these issues in creative and effective ways. This ever evolving nature of Strategic HRM is what informs its study as a contemporary issue.

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# Case Study— Structured Exercises

by Marc C. Marchese, Ph.D.

Employee Selection



STAFFING



# Employee Selection—Structured Exercise



## ABOUT THIS STRUCTURED EXERCISE

This exercise introduces undergraduate students to the concept of employee selection, its benefits to organizations and its complexities. At the end of this exercise, students will learn the steps required to design, implement and assess an employee selection process for a job position. This exercise is intermediate in difficulty level.

### Learning Objectives

During this exercise, students will learn to:

1. Choose selection methods relevant to a job.
2. Create various options to operationalize the selection methods.
3. Apply a scoring system to a set of applicants.
4. Devise a compensatory selection strategy and apply it.
5. Devise a noncompensatory selection strategy and apply it.
6. Conduct an adverse impact analysis.
7. Determine the decision-making accuracy for the selection system.
8. Reflect on the complexities of employee selection.



## INTRODUCTION TO EMPLOYEE SELECTION

Many people without a background in human resource management mistakenly equate hiring with employee selection. *Hiring* is a broad concept that can take several approaches, such as offering a job to someone because of who he/she knows (e.g., my dad is the boss, so I got the job) or taking the first person who walks through the door to get a “body” on the sales floor as soon as possible. *Employee selection* is a formal process in which the organization (1) identifies the tasks, duties and responsibilities (TDRs) associated with the job; (2) assesses applicants’ readiness to successfully perform these TDRs; and (3) offers the job to the most qualified applicant for the position.

Organizations that adopt an employee selection approach to hiring must make a series of decisions to develop an effective process that identifies the most-qualified applicant.

### 1. Review and Revise the Job Description

The first step to establish an employee selection process is to review and possibly revise the job description for the position. An accurate job description contains a job specification section, which includes the knowledge, skills, abilities and other characteristics (e.g., college degree, driver’s license, relevant work experience), or KSAOs, needed for the job incumbent.

### 2. Choose the Appropriate Selection Methods

After identifying the significant KSAOs, the next step is to choose the selection methods. Selection methods may include an employment interview, a personality inventory, submission of a résumé, etc. These selection methods are used to assess the identified KSAOs.

### 3. Create an Implementation Schedule

Once the selection criterion and methods are decided, an implementation schedule must be created. An implementation schedule determines the order in which selection methods are administered. After the schedule is determined, selection methods are applied to the applicant pool. As a result, some applicants will no longer be considered for the opening. In addition, a scoring system may be used to identify the strongest candidates. At the end of the selection process, the “best” applicant is selected and offered the job.

### 4. Assess the Effectiveness of the Selection System

Once the top applicant accepts the job, the selection process itself is complete. It is recommended, however, that the process be evaluated from time to time to ensure its effectiveness. When evaluating the selection system, two approaches can be used: an adverse impact analysis and/or a study to assess decision-making accuracy.

Even if a selection process treats applicants equally, a discrimination lawsuit may still result if the equal treatment had an unequal effect on a particular protected class. An **adverse impact analysis** can be conducted to determine if the selection system has an unequal effect based on a protected class of applicants.

The selection system can also be evaluated to assess its predictive accuracy for job success or **decision-making accuracy**. Even if the selection system is working properly in terms of nondiscrimination, it does not make sense for an organization to use a hiring approach that is not effective at predicting successful employees. In this exercise, you will have an opportunity to conduct both of these evaluation approaches.



## THE EXERCISE: DEVELOP, IMPLEMENT AND ASSESS AN EMPLOYEE SELECTION SYSTEM FOR A BANK TELLER POSITION

### Part 1: Employee Selection and Assessment

For this exercise, assume you are employed as an HR consultant for a mid-sized bank. The bank employs 200 tellers across its branches. The following is a partial job description and specification for the bank teller position, based on information obtained from O\*Net. O\*Net, or the Occupational Information Network Resource Center, is an online database containing information on hundreds of standardized and occupation-specific descriptors.

#### Bank Teller Tasks/Duties/Responsibilities

- Cash checks for customers after verification of signatures and sufficient funds in the account.
- Receive checks and cash for deposit.
- Examine checks for endorsements and verify other information such as dates, bank names and identification.
- Enter customers' transactions into computers to record transactions.
- Count currency, coins and checks received to prepare them for deposit.
- Identify transaction mistakes when debits and credits do not balance.
- Balance currency, coins and checks in cash drawers at ends of shifts.

#### KSAOs

- Customer service skills.
- Basic math skills.
- Knowledge of verification requirements for checks.
- Ability to verify signatures and proper identification of customers.
- Ability to use accounting software.
- High school diploma required, associate's or bachelor's degree preferred.
- Previous work experience as a teller or related occupation (cashier, billing clerk) desired.

#### Key statistics (from O\*Net):

- The median 2005 wage for tellers was \$10.24 (hourly), \$21,300 (annually).
- In 2004, there were approximately 558,000 tellers in the United States.
- Projected growth for this job is slower than average.

Based on this information, the bank decides that the ideal candidate for this position will possess the following factors:

1. Have at least a high school **education** (bachelor's or associate's degree desirable).
2. Have **experience** as a teller or in a related field (cashier, billing clerk).
3. Be able to perform basic **math skills** related to banking (for example, count currency quickly and accurately and balance a cash drawer correctly).
4. Be **knowledgeable of verification** requirements for bank transactions (for example, errors in checks and proper identification to authorize transactions).
5. Have good **interpersonal skills** (for example, speak clearly, make good eye contact and develop rapport easily).
6. Be **motivated** to work.

### Employee Selection Exercise

**[A] Choose the selection methods:** Identify which selection method (e.g., résumé, interview, test, role-play exercise, reference check or personality inventory) you would recommend for each of the six factors listed above. You can use the same selection method more than once if you believe it is appropriate for more than one factor. Below is an example of how you might justify using an application form as an appropriate selection method for education.

**1. Education** – selection method: Application form

*Justification: A question on the application form can ask applicants to describe their education. This selection method makes it easy and inexpensive to obtain this information.*

**2. Work experience** – selection method: \_\_\_\_\_

Justification:

**3. Math skills** – selection method: \_\_\_\_\_

Justification:

**4. Verification knowledge** – selection method: \_\_\_\_\_

Justification:

**5. Interpersonal skills** – selection method: \_\_\_\_\_

Justification:

**6. Work motivation** – selection method: \_\_\_\_\_

Justification:

#### Teaching Notes:

There are many possible answers to the questions asked in this section. Ideally, students should have sound reasons (e.g., time, cost, accuracy) to defend their selection methods.

A good selection method for factor #2 would be “application form,” and it is also a good example of how the same method can have multiple uses. The organization can save time by examining the application form for factors #1 and #2 rather than evaluating résumés as well. For factors #3 and #4, a good response would be to use tests/inventories, because both of these factors are objective and could quickly and inexpensively be assessed through this method. The employment interview (particularly using situational and/or behaviorally based questions) is a strong response for factor #5 because it allows the interviewer to see how the applicant will or has handled interpersonal situations relevant to this job. For factor #6, there is no perfect answer. The employment interview is often used to assess motivation. Experienced interviewers know, though, that applicants could falsely appear to be highly motivated in order to land the job.





**[B] Operationalize your assessments:** Now that you have identified selection methods for the six factors, you must decide how to score each of these assessments. Based on your responses in part A (“Choose the selection methods”), think about how each factor may be scored and develop a point system for that factor.

A common approach to performing this task is to have some type of **numerical rating system** that may include one or two minimum requirements. Your task is to develop a rubric (point system) to “score” applicants for each of the six factors. In developing your rubric, review the job description information. The “education” factor is provided for you below. Remember that tellers need to have a high school diploma, according to the job specification. Applicants who do not meet this requirement are rejected. College degrees are preferred and receive more points in the example below.

1. **Education** assessed via application form.

My assessment:

Points	Highest Level of Education
10	Bachelor’s level or higher
6	Associate’s degree
3	High school diploma
Reject	Less than high school diploma

2. **Work experience** assessed via \_\_\_\_\_

My assessment:

3. **Math skills** assessed via \_\_\_\_\_

My assessment:

4. **Verification knowledge** assessed via \_\_\_\_\_

My assessment:

5. **Interpersonal skills** assessed via \_\_\_\_\_

My assessment:

6. **Work motivation** assessed via \_\_\_\_\_

My assessment:

#### Teaching Notes:

Students may find this part of the exercise simple at first but will soon realize how complex it is to operationalize KSAOs. The challenge is to assign numbers to opinions. Ask students to think about each factor in terms a scale of highly desirable, good, satisfactory, marginal and unacceptable. For example, you could pose the following scenario to the class:

“Assuming everything else is equal, is an applicant with 14 years of work experience significantly more desirable than an applicant with nine years? If yes, then make sure your rubric does not include both values in the same numerical category. If no, then your rubric should include both values in the same category.”

Expect some students to make very specific scoring rubrics, which will make it difficult to handle the diversity of information (e.g., internship as work experience), whereas others may define categories so broadly that very different responses receive the same score.

**[C] Apply your assessment systems:** Listed below are applicants for the teller position. Based on your answers in part B (“Operationalize your assessments”), score each of the applicants.

**Sample applicant information**

	Maria	Lori	Steve	Jenna
Education	Associate’s degree	H.S. diploma	G.E.D.	Bachelor’s degree
Work experience	4 years as a cashier	1 year as a teller	5 years as a sales clerk at a national retail clothing store chain	Completed a semester internship at a bank
Math skills	Very strong	Marginal	Satisfactory	Good
Verification knowledge	Marginal	Strong	Satisfactory	Strong
Interpersonal skills	Very strong	Good	Good	Good
Work motivation	Good	Good	Marginal	Strong

**Score the applicants**

	Maria	Lori	Steve	Jenna
Education	6	3	3	10
Work experience				
Math skills				
Verification knowledge				
Interpersonal skills				
Work motivation				

- Which applicants scored best based on the scores you entered into the table?
- What difficulties did you have applying your scoring system?
- Based on this applicant data, would you make any changes to your rubrics? If yes, please describe.

**Teaching Notes:**

This section puts students’ rubrics to the test. Some students will struggle to assign numbers based on the given data. For example, the education rubric does not include GED. Some students will want to revise their scoring system to be more specific to distinguish among varying levels of the factors (e.g., students will likely want an internship to receive more credit than no work experience at all). Others will revise their scoring system to be more general to make it easier to classify certain pieces of information. Students’ answers to question A will be worth noting when they complete this section of the exercise. It is likely the responses to question A will not coincide with the answers to the next part of this exercise.

## Part 2: Selection Strategy

Now that you have created a system to assess applicants on the six key factors, you must decide how to process this information. Employee selection systems have multiple assessments, and organizations must decide how to integrate them.

One assessment strategy is **compensatory** and allows an applicant's strengths to compensate for weaknesses in another area. For example, a recent college graduate may score highly in the educational requirements for a job opening but score low in terms of work experience. A compensatory strategy will help the recent graduate's limited work experience be "compensated" by his or her high level of education.

A compensatory selection strategy may be unweighted or weighted. In an **unweighted** strategy, all of the factors have the same highest score possible and scores are simply added together. The applicant with the highest score is considered the best and offered the job. To apply this strategy to this exercise, convert all six factors to a possible high score of 100. For example, multiply each education score by 10 (highest score possible for education = 10, so  $10 \times 10 = 100$ ). Then, add the scores for each applicant.

	Maria	Lori	Steve	Jenna
Education	60	30	30	100
Work experience				
Math skills				
Verification knowledge				
Interpersonal skills				
Work motivation				
TOTAL				

1. Who scored the highest? \_\_\_\_\_
2. Do you think this person is the best applicant? Why or why not?
3. Who scored the lowest? \_\_\_\_\_

### Teaching Notes:

Some students might have difficulty converting the scores to a 100-point scale, especially if their scoring systems are, for example, on a 1-7 scale. If students have trouble converting to a 100-point scale, ask them to use a calculator to find the percentage and record that in the table above (e.g., 3 out of 7 = 43%). Recommend that students share their answers to questions 1 and 3 with the class. Because of different scoring approaches, students should have different answers to these questions. Check to see if the class can come to a consensus before moving on.

You have just completed an unweighted compensatory approach to employee selection. The other option is a **weighted** compensatory approach. In this approach, one or two factors are identified as more important than the other factors and, hence, deserve more weight in deciding the best applicant. Additionally, one or two factors may be considered least important and would have less weight.

To try this out, answer the following questions:

1. Which of the six factors do you consider the **most important** in terms of selecting bank tellers? Defend your choice.
2. Based on your answer to the first question, double the points for the four applicants for this factor. Record the answers in the table below.
3. Of the remaining five factors, which two do you see as **least important** for selecting bank tellers? Defend these choices.
4. Based on your answer to question 3, divide the points in half for the four applicants for these two factors. Record the answers in the table below.
5. For the three factors not mentioned in questions 1 and 3, copy the scores from the previous table into the table below. Total the scores for the four applicants.

	Maria	Lori	Steve	Jenna
Education				
Work experience				
Math skills				
Verification knowledge				
Interpersonal skills				
Work motivation				
TOTAL				

1. Who scored the highest? \_\_\_\_\_
2. Do you think this person is the best applicant? Why or why not?
3. Who scored the lowest? \_\_\_\_\_
4. When you compare your answers using the unweighted to the weighted approach, which approach do you think was better? Why?

#### Teaching Notes:

Because students must decide which factors are most and least important, this section will generate interesting debate among the class. You may want to mention to the class that some factors, like verification of knowledge, can be easily taught, whereas other factors are more challenging (e.g., interpersonal skills). If your class is composed of mostly traditional students, have them discuss how valuable education is compared to work experience and the implications on their own values systems. Lastly, expect that most students will initially prefer the weighted over the unweighted option. If there is debate about the importance of the factors, some students may change their mind on this question.

The other selection strategy is called **noncompensatory**. Instead of adding the scores on all of the assessments, a noncompensatory strategy establishes cutoffs for each assessment. An applicant who fails to meet or exceed a cutoff is rejected from the selection process. The cutoff can be a passing score on a test/inventory, a rating level (e.g., good) or a characteristic relevant to the job (e.g., valid driver's license). The job description is used as a guide to determine what the cutoff(s) should be.

For example, in terms of education for the teller position, the job specification indicates that a high school diploma is required, and so the cutoff is established at this level. The challenge occurs for factors that do not have clear guidance as to the cutoffs. If a requirement is not specified in the job description, then subject matter experts (people knowledgeable about the job—usually either long-term incumbents or supervisors) determine cutoffs based on their own experience with the job. They will also consider the expected qualifications of applicants when determining these cutoffs.

Based on your knowledge and experience with bank tellers, create a cutoff for each of the six factors in the table below.

	Cutoff for each assessment
Education	The applicant must have at least a high school diploma or GED.
Work experience	
Math skills	
Verification knowledge	
Interpersonal skills	
Work motivation	

Similar to the compensatory strategy, there are two options for a noncompensatory approach. One noncompensatory option is called a **multiple cutoff approach**. In this approach, cutoffs are applied for every factor for all applicants. Apply your cutoffs listed in the table above to the four applicants.

1. Which applicant(s) remains? \_\_\_\_\_
2. If no applicant met all of the cutoffs, would you rather lower the cutoffs or restart the recruiting process? Why?
3. If many applicants exceed the cutoffs, would you rather increase the cutoff levels, hire all remaining applicants (if possible) or take a compensatory approach for those that exceeded all of the cutoffs? Why?

#### Teaching Notes:

The challenge of this section is for students to determine cutoffs for the subjective factors, especially the last two. This section will help students identify requirements for a job versus preferences for a job. Should an employer reject an applicant because of a perceived weakness in one area? Some students may not like such absolute standards and set low cutoffs, resulting in difficulty identifying the best choice. Other students will set the bar too high and no one will remain, which does not help the organization meet its staffing needs.

Another noncompensatory method is called a **multiple hurdle approach**. In this approach, cutoffs are arranged sequentially. The first cutoff is applied to the entire applicant pool. Those applicants who fail to meet or exceed the cutoff are rejected. The remaining applicants are then subjected to the next cutoff, where more applicants will be rejected. This process reduces the applicant pool at each hurdle. At the final hurdle, only a select few will remain.

Organizations usually set cutoffs that are less costly and more objective as the initial hurdles. More subjective and often more time-consuming assessments are set at the end of the selection process. The multiple hurdle approach saves organizations money because not all of the applicants are assessed on all of the factors. This approach, however, can be time-consuming because each cutoff must be applied and then evaluated before moving to the next cutoff.

Reflect on your cutoffs and arrange them in the table below to establish your own multiple hurdle system.

#### Multiple hurdle system

	Rejected applicant
<b>Hurdle 1: Education</b>	None, all applicants have at least high school diploma or GED.
<b>Hurdle 2:</b>	
<b>Hurdle 3:</b>	
<b>Hurdle 4:</b>	
<b>Hurdle 5:</b>	
<b>Hurdle 6:</b>	

1. At the end of hurdle 6, which applicant(s) remained?
2. What would you recommend if you had no remaining applicants or several applicants remaining?
3. Do you prefer this method over the multiple cutoff method? Why or why not?

#### Teaching Notes:

This section will generate discussion about the order of the cutoffs. Students will likely prefer to list the more objective factors first and save the subjective factors for the end. Discuss with the class the possibility of combining the last two sections. The six cutoffs could be applied in two or three stages. For example, the education and work experience cutoffs could be applied to the entire applicant pool, then the verification and math skills cutoffs to the remaining applicant pool, and finally, the remaining two cutoffs could be applied to the remaining applicant pool.

### Part 3: Evaluating the Selection System

You have now created a selection system for the job of a teller.

The final step in a selection system is to make sure the system works properly.

As discussed in the overview, there are two ways to ensure that the system is working. One approach takes a legal perspective to ensure that organizations do not discriminate in hiring.

There are two types of discrimination: disparate treatment and disparate impact (also known as adverse impact). **Disparate treatment discrimination** refers to treating applicants differently based on a protected characteristic (for example, age, sex, national origin, religion). An example of disparate treatment discrimination is not considering women for leadership positions. This type of discrimination is considered intentional and therefore easy to identify and correct or prevent.

**Disparate impact discrimination** is considered unintentional. This form of discrimination indicates that all applicants were treated equally; however, this equal treatment had an unequal effect related to a protected characteristic. The most common approach to identify adverse impact is to apply the **four-fifths rule**. The four-fifths rule states that adverse impact exists if the selection ratio of the minority group is less than four-fifths (or 80 percent) of the selection ratio of the majority group. A selection ratio is the percentage of those hired based on the percentage of those who applied for the job. Selection ratios must be calculated for each protected group. The selection ratio of the minority group is compared with the selection ratio of the majority group (often “males” or “Caucasians”). The simplest way to calculate adverse impact is to divide the selection ratio of the minority group by the selection ratio of the majority group. If the result is less than 80%, then adverse impact exists.

For example, the bank collected the following data over the past five years:

Males applied = 200      Females applied = 300  
Males hired = 40      Females hired = 45

Based on this information, the selection ratio for men is 20% ( $40/200$ ), whereas the selection ratio for women is 15% ( $45/300$ ). Dividing the minority group (the group with the lower selection ratio, women) by the majority group (in this case, men) results in an answer of 75% ( $15\%/20\%$ ). Since the result is less than 80%, adverse impact exists. The organization needs to explore the selection process to identify what may be the cause of this disparity.

In this part of the exercise, you will conduct this analysis.

The bank compiled selection data on three racial groups during the past year: Caucasians, African-Americans and Latinos. The data is as follows:

	Number applied	Number hired
Caucasians	90	27
African-Americans	50	10
Latinos	40	10

1. The selection ratios for the three groups are:

Caucasians = \_\_\_\_\_

African-Americans = \_\_\_\_\_

Latinos = \_\_\_\_\_

2. Does adverse impact exist when you compare the African-American applicant pool with the Caucasian applicant pool? Show your work.
3. Does adverse impact exist when you compare the Latino applicant pool with the Caucasian applicant pool? Show your work.

#### Teaching Notes:

The answers to question 1 are 30%, 20% and 25% respectively. For question 2, the answer is that adverse impact exists because  $20\% \text{ divided by } 30\% = 67\%$ . Question 3 is the reverse because  $25\% \text{ divided by } 30\% = 83\%$ . Therefore, the data analysis shows evidence of adverse impact discrimination against African-Americans but not against Latinos.

Another way to assess the effectiveness of the selection system is to examine the **decision-making accuracy**. Employee selection is basically a system to predict which applicants will succeed on the job. Highly qualified applicants are expected to perform well on the job. Similarly, seemingly less qualified applicants are not expected to perform well on the job. Unfortunately, the hiring process is complex. Some applicants can put on a “good show” and still be mediocre employees, whereas other applicants may interview poorly but still be excellent employees. Organizations cannot assume the selection process is working well without collecting and analyzing data.

One option to calculate the decision-making accuracy of a selection system is to classify applicants into one of two categories: strong applicants (ones who appear to be highly qualified and are predicted to do the job well—a good hire) and weak applicants (ones who do not appear to be highly qualified and are predicted to not do the job well—a poor hire). Once hired and after sufficient time (typically six months to a year) has passed, employees can also be classified into two categories: good hire or poor hire. After all of this data is collected, the overall decision-making accuracy of the selection process (the **total hit ratio**) can be calculated as the percentage of correct predictions.

The table below shows data about the 200 tellers employed at the bank.

	Poor hire	Good hire	Totals
Strong applicant	20	80	100
Weak applicant	70	30	100

1. Calculate the total hit ratio by adding the correct predictions and then dividing that number by the total number of decisions made. What is this percentage? Do you think this percentage is impressive?
2. What percentage of weak applicants turned out to be good hires?
3. What percentage of strong applicants turned out to be good hires? This percentage is known as the **positive hit ratio**.
4. Compare your answers to questions 2 and 3. Do you think the bank’s system is effective?



**Teaching Notes:**

The answer to question 1 is 75%  $((70 + 80) / 200)$ . The answer to question 2 is 30%  $(30/100)$ . The answer for question 3 is 80%  $(80/100)$ . If student responses are correct for these questions, then their responses should be similar for question 4—the system is effective. Although this is a simplistic evaluation of the selection system as opposed to a regression/correlation approach, this exercise is intended to have students think about evaluating the success of this important HR function in their own organizations.

There may be several questions about this evaluation process. Students may ask how organizations go about classifying employees into one of these two categories (good or poor hires). Because industries, organizations and jobs differ, there is no simple answer to this question. Ask students to speculate what factors they would use to classify a teller as a good hire (e.g., absenteeism, number of transaction errors, supervisor ratings) if they were the bank manager. Further, students might ask about interpreting the percentages. For example, is 75% correct good enough? Ultimately, this is a subjective decision; however, in a business world that embraces continuous improvement, this percentage can be used as a baseline to judge revisions to the selection process.

#### Part 4: Reflection on Employee Selection

1. You have made a number of decisions in creating, implementing and evaluating a selection system for bank tellers. Which of these decisions do you think is most critical? Why?
2. An employee selection approach to hiring is more complex than hiring employees based on who they know or casually scanning a résumé and asking a few “off the cuff” questions for an interview. When you think about your work experiences, do you think the organizations you worked for took an employee selection approach when hiring?
3. If you answered yes to question 2, do you think the organization was effective in hiring employees? If you answered no to question 2, do you think the organization should have adopted a selection approach to hiring? Explain your response.
4. What do you perceive as the overall advantages and disadvantages of an employee selection approach to hiring?
5. After reflecting on this exercise, would you recommend an employee selection process to hiring for virtually any job? Why or why not?

##### Teaching Notes:

Many traditional undergraduates will find that their hiring experiences did not include an employee selection process. Because of this, some students may say that a selection approach to hiring is unrealistic or unnecessary, particularly for the job used in this exercise or for the kinds of jobs they have had so far. Remind students that one of the most significant issues facing HR today is talent management. Explain that it is hard to manage talent if the people you hire don't have the talent to do the fundamentals of the job. In the final analysis, this selection approach works best for the organization and its employees.

# Case Study—Structured Exercises

Employee Selection



STAFFING

# Employee Selection — Structured Exercise

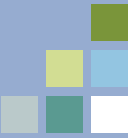
## ABOUT THIS STRUCTURED EXERCISE

This exercise introduces undergraduate students to the concept of employee selection, its benefits to organizations and its complexities. At the end of this exercise, students will learn the steps required to design, implement and assess an employee selection process for a job position. This exercise is intermediate in difficulty level.

### Learning Objectives

During this exercise, students will learn to:

1. Choose selection methods relevant to a job.
2. Create various options to operationalize the selection methods.
3. Apply a scoring system to a set of applicants.
4. Devise a compensatory selection strategy and apply it.
5. Devise a noncompensatory selection strategy and apply it.
6. Conduct an adverse impact analysis.
7. Determine the decision-making accuracy for the selection system.
8. Reflect on the complexities of employee selection.



## INTRODUCTION TO EMPLOYEE SELECTION

Many people without a background in human resource management mistakenly equate hiring with employee selection. *Hiring* is a broad concept that can take several approaches, such as offering a job to someone because of who he/she knows (e.g., my dad is the boss, so I got the job) or taking the first person who walks through the door to get a “body” on the sales floor as soon as possible. *Employee selection* is a formal process in which the organization (1) identifies the tasks, duties and responsibilities (TDRs) associated with the job; (2) assesses applicants’ readiness to successfully perform these TDRs; and (3) offers the job to the most qualified applicant for the position.

Organizations that adopt an employee selection approach to hiring must make a series of decisions to develop an effective process that identifies the most-qualified applicant.

### 1. Review and Revise the Job Description

The first step to establish an employee selection process is to review and possibly revise the job description for the position. An accurate job description contains a job specification section, which includes the knowledge, skills, abilities and other characteristics (e.g., college degree, driver’s license, relevant work experience), or KSAOs, needed for the job incumbent.

### 2. Choose the Appropriate Selection Methods

After identifying the significant KSAOs, the next step is to choose the selection methods. Selection methods may include an employment interview, a personality inventory, submission of a résumé, etc. These selection methods are used to assess the identified KSAOs.

### 3. Create an Implementation Schedule

Once the selection criterion and methods are decided, an implementation schedule must be created. An implementation schedule determines the order in which selection methods are administered. After the schedule is determined, selection methods are applied to the applicant pool. As a result, some applicants will no longer be considered for the opening. In addition, a scoring system may be used to identify the strongest candidates. At the end of the selection process, the “best” applicant is selected and offered the job.

### 4. Assess the Effectiveness of the Selection System

Once the top applicant accepts the job, the selection process itself is complete. It is recommended, however, that the process be evaluated from time to time to ensure its effectiveness. When evaluating the selection system, two approaches can be used: an adverse impact analysis and/or a study to assess decision-making accuracy.

Even if a selection process treats applicants equally, a discrimination lawsuit may still result if the equal treatment had an unequal effect on a particular protected class. An **adverse impact analysis** can be conducted to determine if the selection system has an unequal effect based on a protected class of applicants.

The selection system can also be evaluated to assess its predictive accuracy for job success or **decision-making accuracy**. Even if the selection system is working properly in terms of nondiscrimination, it does not make sense for an organization to use a hiring approach that is not effective at predicting successful employees. In this exercise, you will have an opportunity to conduct both of these evaluation approaches.



## THE EXERCISE: DEVELOP, IMPLEMENT AND ASSESS AN EMPLOYEE SELECTION SYSTEM FOR A BANK TELLER POSITION

### Part 1: Employee Selection and Assessment

For this exercise, assume you are employed as an HR consultant for a mid-sized bank. The bank employs 200 tellers across its branches. The following is a partial job description and specification for the bank teller position, based on information obtained from O\*Net. O\*Net, or the Occupational Information Network Resource Center, is an online database containing information on hundreds of standardized and occupation-specific descriptors.

#### Bank Teller Tasks/Duties/Responsibilities

- Cash checks for customers after verification of signatures and sufficient funds in the account.
- Receive checks and cash for deposit.
- Examine checks for endorsements and verify other information such as dates, bank names and identification.
- Enter customers' transactions into computers to record transactions.
- Count currency, coins and checks received to prepare them for deposit.
- Identify transaction mistakes when debits and credits do not balance.
- Balance currency, coins and checks in cash drawers at ends of shifts.

#### KSAOs

- Customer service skills.
- Basic math skills.
- Knowledge of verification requirements for checks.
- Ability to verify signatures and proper identification of customers.
- Ability to use accounting software.
- High school diploma required, associate's or bachelor's degree preferred.
- Previous work experience as a teller or related occupation (cashier, billing clerk) desired.

#### Key statistics (from O\*Net):

- The median 2005 wage for tellers was \$10.24 (hourly), \$21,300 (annually).
- In 2004, there were approximately 558,000 tellers in the United States.
- Projected growth for this job is slower than average.

Based on this information, the bank decides that the ideal candidate for this position will possess the following factors:

1. Have at least a high school **education** (bachelor's or associate's degree desirable).
2. Have **experience** as a teller or in a related field (cashier, billing clerk).
3. Be able to perform basic **math skills** related to banking (for example, count currency quickly and accurately and balance a cash drawer correctly).
4. Be **knowledgeable of verification** requirements for bank transactions (for example, errors in checks and proper identification to authorize transactions).
5. Have good **interpersonal skills** (for example, speak clearly, make good eye contact and develop rapport easily).
6. Be **motivated** to work.



### Employee Selection Exercise

**[A] Choose the selection methods:** Identify which selection method (e.g., résumé, interview, test, role-play exercise, reference check or personality inventory) you would recommend for each of the six factors listed above. You can use the same selection method more than once if you believe it is appropriate for more than one factor. Below is an example of how you might justify using an application form as an appropriate selection method for education.

**1. Education** – selection method: Application form

*Justification: A question on the application form can ask applicants to describe their education. This selection method makes it easy and inexpensive to obtain this information.*

**2. Work experience** – selection method: \_\_\_\_\_

Justification:

**3. Math skills** – selection method: \_\_\_\_\_

Justification:

**4. Verification knowledge** – selection method: \_\_\_\_\_

Justification:

**5. Interpersonal skills** – selection method: \_\_\_\_\_

Justification:

**6. Work motivation** – selection method: \_\_\_\_\_

Justification:



**[B] Operationalize your assessments:** Now that you have identified selection methods for the six factors, you must decide how to score each of these assessments. Based on your responses in part A (“Choose the selection methods”), think about how each factor may be scored and develop a point system for that factor.

A common approach to performing this task is to have some type of **numerical rating system** that may include one or two minimum requirements. Your task is to develop a rubric (point system) to “score” applicants for each of the six factors. In developing your rubric, review the job description information. The “education” factor is provided for you below. Remember that tellers need to have a high school diploma, according to the job specification. Applicants who do not meet this requirement are rejected. College degrees are preferred and receive more points in the example below.

1. **Education** assessed via application form.

My assessment:

Points	Highest Level of Education
10	Bachelor’s level or higher
6	Associate’s degree
3	High school diploma
Reject	Less than high school diploma

2. **Work experience** assessed via \_\_\_\_\_

My assessment:

3. **Math skills** assessed via \_\_\_\_\_

My assessment:

4. **Verification knowledge** assessed via \_\_\_\_\_

My assessment:

5. **Interpersonal skills** assessed via \_\_\_\_\_

My assessment:

6. **Work motivation** assessed via \_\_\_\_\_

My assessment:





**[C] Apply your assessment systems:** Listed below are applicants for the teller position. Based on your answers in part B (“Operationalize your assessments”), score each of the applicants.

**Sample applicant information**

	Maria	Lori	Steve	Jenna
Education	Associate’s degree	H.S. diploma	G.E.D.	Bachelor’s degree
Work experience	4 years as a cashier	1 year as a teller	5 years as a sales clerk at a national retail clothing store chain	Completed a semester internship at a bank
Math skills	Very strong	Marginal	Satisfactory	Good
Verification knowledge	Marginal	Strong	Satisfactory	Strong
Interpersonal skills	Very strong	Good	Good	Good
Work motivation	Good	Good	Marginal	Strong

**Score the applicants**

	Maria	Lori	Steve	Jenna
Education	6	3	3	10
Work experience				
Math skills				
Verification knowledge				
Interpersonal skills				
Work motivation				

- (a) Which applicants scored best based on the scores you entered into the table?
- (b) What difficulties did you have applying your scoring system?
- (c) Based on this applicant data, would you make any changes to your rubrics? If yes, please describe.



## Part 2: Selection Strategy

Now that you have created a system to assess applicants on the six key factors, you must decide how to process this information. Employee selection systems have multiple assessments, and organizations must decide how to integrate them.

One assessment strategy is **compensatory** and allows an applicant's strengths to compensate for weaknesses in another area. For example, a recent college graduate may score highly in the educational requirements for a job opening but score low in terms of work experience. A compensatory strategy will help the recent graduate's limited work experience be "compensated" by his or her high level of education.

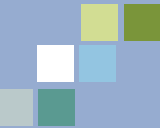
A compensatory selection strategy may be unweighted or weighted. In an **unweighted** strategy, all of the factors have the same highest score possible and scores are simply added together. The applicant with the highest score is considered the best and offered the job. To apply this strategy to this exercise, convert all six factors to a possible high score of 100. For example, multiply each education score by 10 (highest score possible for education = 10, so  $10 \times 10 = 100$ ). Then, add the scores for each applicant.

	Maria	Lori	Steve	Jenna
Education	60	30	30	100
Work experience				
Math skills				
Verification knowledge				
Interpersonal skills				
Work motivation				
TOTAL				

1. Who scored the highest? \_\_\_\_\_

2. Do you think this person is the best applicant? Why or why not?

3. Who scored the lowest? \_\_\_\_\_



You have just completed an unweighted compensatory approach to employee selection. The other option is a **weighted** compensatory approach. In this approach, one or two factors are identified as more important than the other factors and, hence, deserve more weight in deciding the best applicant. Additionally, one or two factors may be considered least important and would have less weight.

To try this out, answer the following questions:

1. Which of the six factors do you consider the **most important** in terms of selecting bank tellers? Defend your choice.
2. Based on your answer to the first question, double the points for the four applicants for this factor. Record the answers in the table below.
3. Of the remaining five factors, which two do you see as **least important** for selecting bank tellers? Defend these choices.
4. Based on your answer to question 3, divide the points in half for the four applicants for these two factors. Record the answers in the table below.
5. For the three factors not mentioned in questions 1 and 3, copy the scores from the previous table into the table below. Total the scores for the four applicants.

	Maria	Lori	Steve	Jenna
Education				
Work experience				
Math skills				
Verification knowledge				
Interpersonal skills				
Work motivation				
TOTAL				

1. Who scored the highest? \_\_\_\_\_
2. Do you think this person is the best applicant? Why or why not?
3. Who scored the lowest? \_\_\_\_\_
4. When you compare your answers using the unweighted to the weighted approach, which approach do you think was better? Why?



The other selection strategy is called **noncompensatory**. Instead of adding the scores on all of the assessments, a noncompensatory strategy establishes cutoffs for each assessment. An applicant who fails to meet or exceed a cutoff is rejected from the selection process. The cutoff can be a passing score on a test/inventory, a rating level (e.g., good) or a characteristic relevant to the job (e.g., valid driver's license). The job description is used as a guide to determine what the cutoff(s) should be.

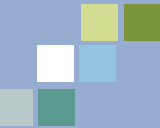
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Based on your knowledge and experience with bank tellers, create a cutoff for each of the six factors in the table below.

	Cutoff for each assessment
Education	The applicant must have at least a high school diploma or GED.
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Similar to the compensatory strategy, there are two options for a noncompensatory approach. One noncompensatory option is called a **multiple cutoff approach**. In this approach, cutoffs are applied for every factor for all applicants. Apply your cutoffs listed in the table above to the four applicants.

1. Which applicant(s) remains? \_\_\_\_\_
2. If no applicant met all of the cutoffs, would you rather lower the cutoffs or restart the recruiting process? Why?
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Reflect on your cutoffs and arrange them in the table below to establish your own multiple hurdle system.

**Multiple hurdle system**

	Rejected applicant
<b>Hurdle 1: Education</b>	None, all applicants have at least high school diploma or GED.
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1. At the end of hurdle 6, which applicant(s) remained?
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The final step in a selection system is to make sure the system works properly.

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2. Does adverse impact exist when you compare the African-American applicant pool with the Caucasian applicant pool? Show your work.
3. Does adverse impact exist when you compare the Latino applicant pool with the Caucasian applicant pool? Show your work.

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Weak applicant	70	30	100

1. Calculate the total hit ratio by adding the correct predictions and then dividing that number by the total number of decisions made. What is this percentage? Do you think this percentage is impressive?
2. What percentage of weak applicants turned out to be good hires?
3. What percentage of strong applicants turned out to be good hires? This percentage is known as the **positive hit ratio**.
4. Compare your answers to questions 2 and 3. Do you think the bank’s system is effective?



#### Part 4: Reflection on Employee Selection

1. You have made a number of decisions in creating, implementing and evaluating a selection system for bank tellers. Which of these decisions do you think is most critical? Why?
2. An employee selection approach to hiring is more complex than hiring employees based on who they know or casually scanning a résumé and asking a few “off the cuff” questions for an interview. When you think about your work experiences, do you think the organizations you worked for took an employee selection approach when hiring?
3. If you answered yes to question 2, do you think the organization was effective in hiring employees? If you answered no to question 2, do you think the organization should have adopted a selection approach to hiring? Explain your response.
4. What do you perceive as the overall advantages and disadvantages of an employee selection approach to hiring?
5. After reflecting on this exercise, would you recommend an employee selection process to hiring for virtually any job? Why or why not?







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## What 17th-Century Pirates Can Teach Us About Job Design

**C**ostly failures of talent management—such as hiring the wrong people for the wrong reasons or creating perverse incentives—can frequently be traced to the earliest point in the recruitment process: designing the job. It's easy to get that wrong. Too often, executives bundle contradictory tasks without considering how the job description will influence who applies or how the hired employee will allocate his or her time.

Consider a relevant, if rather dark, chapter in the history of leadership: the 17th-century heyday of Captain Morgan and Captain Kidd. If you had to design the job of a pirate ship captain in that era, how would you do it? When I ask MBA students and executives to design the job, they invariably lump together two areas of responsibility: *star tasks*—strategic work such as target identification, command during battle, and negotiating alliances to form fleets—and *guardian tasks*, which are operational work such as allocating

**It turns out that pirates did a better job of assigning the right tasks to a leader than my students do.**

arms, adjudicating conflict, punishing indiscipline, distributing loot, and organizing care for the sick and injured. (James N. Baron and David Kreps introduced these categories in their 1999 book *Strategic Human Resources*.)

The job designed by my students would be a mistake. When star and guardian tasks are lumped together, various problems ensue. For instance, candidates who can do both exceptionally well are rare, because star tasks require risk taking and entrepreneurship, whereas guardian tasks require conscientiousness and systematic effort. The need to accomplish both kinds of tasks might discourage either great stars or great guardians from applying. A brilliant com-

mander might have little patience for dealing with the minutiae of resource allocation. A skilled administrator might dread the thought of leading men in battle.

Employees hired for a job that incorporates conflicting tasks will tend to focus on the easier and more controllable ones rather than the most critical. Thus a risk-averse pirate captain might be tempted to spend his time on guardian tasks. But if star tasks were easier to accomplish, guardian tasks might get short shrift.

It turns out that pirates did a better job of assigning the right tasks to a leader than my students do: They made the captain responsible for star tasks and elected a quartermaster general to perform the guardian tasks. This solution also prevented a concentration of power in the captain's hands. In those days many captains of merchant navy ships spent too much time on guardian tasks and became tyrants, triggering mutinies and inducing their men to join the pirates. (For more on pirate HR, see Peter T. Leeson's "An-*arrgh*-chy: The Law and Economics of Pirate Organization," *Journal of Political Economy*, 2007.)

At the top of the modern corporation, star and guardian tasks are divided between the CEO and the COO. Such clean separation is less common lower in the organization, with adverse consequences at the team and unit levels.

The U.S. Department of the Interior's Minerals Management Service, for example, is responsible for both star tasks (allocating oil-well leases in exchange for royalties) and guardian tasks (overseeing safety and sustainability). The service found the former much easier and more glamorous than the latter. Poor organizational design led to the regulatory failure that characterized the catastrophic oil spill in the Gulf of Mexico. The recent secretarial order to create separate bureaus for revenue management, safety and enforcement, and sustainable energy development is a belated step in the right direction.

The moral of this pirate story: Bundle star and guardian tasks at your peril. ♥

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MANAGING UP

# How to Tell Your Boss to Stop Doing Your Job

by Ron Carucci  
MARCH 27, 2017



Cat Yu for HBR

Sixty percent of employees don't believe they have the opportunity to do what they do best every day at work, according to the 2017 State of the American Workplace [report](#). Sadly, one common explanation for this is that their boss is too busy doing it for them. In our ten-year longitudinal [study](#) on executive leadership, among 2,700 leaders, 67% struggled to let go of work from previous roles. As leaders rise in organizations, they have a strong tendency to take the work that made them feel successful along with them. The resulting organizational [compression](#) — the compacting effect of

leaders playing too low — leaves direct reports constrained from having impact, feeling less satisfaction from their job, and then forced to work lower than their role, too.

If you are feeling like your boss is more involved in your job than you'd want, you obviously aren't alone. But the fact that it's common doesn't mean you have to accept it. Whether you report to the CEO or a first-level supervisor, it's in both of your best interests to thrive in your own jobs, not other people's. While the notion of confronting your boss may feel intimidating, the results can be more promising than you think. Because most leaders, especially those higher up in organizations, don't get great feedback from those they lead, it can be refreshing to have someone volunteer it. And though frustrating, there could be any number of explanations for your boss's behavior. Here are five things you can do to help guide your boss back to doing their own job, freeing you to do yours.

**Test for awareness by clarifying expectations.** You shouldn't assume your boss is even aware how involved they are in your job. Start by getting aligned on expectations. Ask your boss to share what contribution they expect from you and what they see the scope of your role to be. If their answer aligns with your views, you know they are unaware of their over-involvement. However, if their answer suggests a much narrower scope than you understood your role to entail, justifying their level of involvement, then the conversation you need to start with is about mismatched expectations about what your job actually is.

Aligned or not, the conversation opens the door for you to share your expectations, as well. Let them know how the degree of their involvement makes you feel. If you both agree on the scope of your role, discuss specific examples where they have been overly involved, and how you felt that work was yours to do. If you're not aligned on the scope of your role, then share why you feel their more narrowed definition doesn't allow you to grow and contribute to your full potential and satisfaction.

**Ask if you're falling short.** Your boss's excessive involvement in your job could be a form of veiled feedback, stifling though it might feel. Ask if there is something about the way you are performing the role that they find inadequate. If they jump into "reassuring" mode, telling you they think you're doing a great job, this opens the door for you to share an example of why you are asking. I recently encouraged the Chief Marketing Officer in one of my client organizations to take this approach with her boss, the CEO. He prided himself on being a former marketer, though it had been more than a decade since he'd done it. Whenever she presented new brand campaigns to him, he enthusiastically jumped in with "suggestions" that replaced her direction with his. He enjoyed the process so much he failed to see how demoralizing it was for her. When she expressed how his involvement made her feel devalued, embarrassed in front of the team, and unimportant, he felt horrible. Beginning the conversation about her rather than him allowed him to discover the disconnection, and led to a productive conversation about how to change his behavior.

On the other hand, if your boss does indicate he is disappointed in your performance, then address that. Let them know that you want to excel in the job, and are troubled they feel the only way to get the work done is for them to do it themselves. Ask your boss to consider offering you feedback and

coaching when your work doesn't meet expectations, rather than jumping in and doing it for you. Whether they are disappointed or not, they may not realize how intrusive their "help" feels. Starting by asking for calibration allows them to invite reciprocation.

**Point out the unintended consequences.** Your boss's unwanted involvement has further-reaching consequences than they likely realize. It makes you both look bad. As was the case with the CMO above, everyone on the team watched the CEO's compressive behavior play out. In one of my diagnostic interviews, one person said, "Well, we all know who the *real* CMO around here is anyway." She was able to bring that to his attention as part of their conversation. Regardless of the impetus behind it, your boss's excessive involvement in your job isn't a legitimate solution. It suggests they'd rather do your job than their own. It makes them appear as if they don't trust you. The compression of their involvement in your job has a cascading effect, leading you to become overly involved in work below your level. Most consequently, if they are overly involved in your job, they're likely doing it to other direct reports as well, [compromising](#) the performance of the entire team. While their intentions may be good — such as trying to be helpful, to demonstrate tangible value, or to "pitch in and help out" — the unintended consequences far outweigh any "help" they are offering.

**Find alternative solutions together.** Help your boss get clear on what their involvement is intended to achieve. It could be that they enjoy your job more than they enjoy their own, especially if they used to have it. It could be they think they're better at it than you, and they may well be more experienced than you. As such, they may fear your work is making them look bad. It could be they want to feel needed as a boss, so they are jumping in as a way to feel useful to those they lead. Any one of these needs has a legitimate foundation. But meeting that need by overly involving themselves in your role isn't a strategic way to meet any of these needs.

There is a legitimate level of [involvement](#) a boss should have in the work of those they lead. For example, they need to be kept informed. They can sometimes offer additional expertise to strengthen results. Whatever the reason, negotiate with your boss to find a mutually satisfying and reasonable level of involvement that meets both of your needs.

**Don't wait.** Letting toxic resentment accumulate could be dangerous. The longer you wait, the more you are likely to start ascribing motives to your boss and concocting reasons to explain their behavior. In the case of my client above, the CMO had reached such a boiling point when she came to me, she was literally headed into the CEO's office to rage, "Why the hell do you have me here? If you want to be the damned CMO, just take the job! But stop humiliating me with your passive-aggressive 'suggestions' everyone knows are really corrections." Clearly, that would have been a disaster.

With the best of intentions, leaders often play beneath their level, overly involving themselves in the work of those they lead. Don't assume your boss is aware they're doing it, or why. Do yourself, and

your boss, the favor of helping them get back into their own swim lane, and allowing you to thrive within yours.

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# **Strategic Human Resources Management:**

## **Aligning with the Mission**

September 1999

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# STRATEGIC HUMAN RESOURCES MANAGEMENT: ALIGNING WITH THE MISSION

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## EXECUTIVE SUMMARY

Human resources alignment means integrating decisions about people with decisions about the results an organization is trying to obtain. By integrating human resources management (HRM) into the agency planning process, emphasizing human resources (HR) activities that support broad agency mission goals, and building a strong relationship between HR and management, agencies are able to ensure that the management of human resources contributes to mission accomplishment and that managers are held accountable for their HRM decisions. This is especially important in light of the Government Performance and Results Act's (GPRA) push to align all agency activities, including HRM, toward achieving defined agency strategic goals and measuring progress toward those goals.

In fiscal year 1999, the U.S. Office of Personnel Management (OPM) embarked on a special study to determine how much progress Federal agencies have made toward aligning HRM with agency strategic goals in support of HRM accountability and agency mission accomplishment. Our key findings and conclusions are summarized as follows.

- Many more agencies than expected include HR representatives in the agency planning process and integrate human resources management goals, objectives, and strategies into agency strategic plans. However, most agencies are still struggling in this area. Therefore, agency executives and HR leaders need to work together to fully integrate HRM into the planning process so that it will become a fundamental, contributing factor to agency planning and success.
- Although some agency HR offices have begun focusing on organizational activities that assist agency decision-making, most are still emphasizing internal HR office efficiency efforts. While internal issues are important to the success of any HR program, HR offices also need to examine the “big picture” and find ways to impact the success of the agency as a whole.
- Most agencies are in some way measuring the efficiency and/or effectiveness of the HR function. These measures, however, are generally output-oriented, focus on internal HR processes and activities, and are used to make improvements to HR-specific policies and procedures. As HR refocuses its activities to broader organizational issues, HRM measures also need to be expanded to gauge the impact HRM has on agency goals and mission. Then, the measurement data can be used to inform agency-level decisions.

- The relationship between HR and management is becoming more collaborative. HR executives are beginning to earn a seat at the management table. HR offices are becoming more consultative and involved in day-to-day line management activities. Nevertheless, there is still a long way to go if HR is to become a strategic partner at all levels. To do so, HR needs to build its own internal competencies to deal with organizational issues, educate itself on agency and program missions, and find ways to offer creative and innovative solutions to organizationwide issues.

Although many National Performance Review (now known as the National Partnership for Reinventing Government) initiatives, such as downsizing, reorganizing, streamlining, and delegating HR authorities, were meant to improve HR's ability to focus on organizational issues, they have not taken hold as quickly or thoroughly as hoped. Therefore, HR is still doing most of the process work, and its ability to focus on alignment has been limited. However, as HR's role in agency planning, activities, and decision-making advances -- and it is advancing -- so too will the alignment of human resources management with agency mission accomplishment.

## I. INTRODUCTION

*A company is known by the people it keeps.*  
- Unknown

### ***What is Alignment?***

Strategic human resources management...strategic alignment...alignment with mission accomplishment. These are just a few of the terms being used to describe the new, evolving role of Federal human resources management (HRM). What do these terms really mean? If you were to ask agency personnelists, managers, or employees, you would probably get a wide range of answers. So, it's important to establish from the beginning what we are really talking about.

Human resources management alignment means to integrate decisions about people with decisions about the results an organization is trying to obtain. Our research indicates that agencies that successfully align human resources management with agency mission accomplishment do so by integrating HRM into the agency planning process, emphasizing HR activities that support mission goals, and building strong HR/management relationships.<sup>1</sup>

In addition to being a vital contributor to agency mission accomplishment, HRM alignment is the ultimate level of HRM accountability, as demonstrated in the *Hierarchy of Accountability*. While HRM accountability must begin with basic legal compliance, it ultimately encompasses all four levels of the pyramid, including demonstrating how HRM supports achievement of the agency strategic goals.

### ***Hierarchy of Accountability***



### ***Why Align?***

Why the sudden emphasis on aligning HRM activities with agency mission accomplishment? Basically, it comes down to demonstrating the value of human resources management to the

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<sup>1</sup>For consistency's sake, this report uses the term "agency" when referring to the broadest form of the Federal organization. For instance, the Department of Agriculture, along with all its components, is an "agency." When addressing specific components within an agency, the report will refer to them as "sub-components."



agency. In the past, one of HR's primary roles has been to ensure compliance with laws, rules, and regulations. Although this is still, and will always be, a necessary function, many recent developments have led to a strong emphasis on results.

The National Performance Review (NPR)<sup>2</sup> took on the task of reinventing government to make it work better, cost less, and get results. NPR mandated many initiatives that changed the focus of HR from just compliance toward results, including downsizing the HR function, delegating HR authorities to line managers, calling for HR to demonstrate its business value, and enhancing customer service. Through these initiatives, management of human resources would become more responsive to mission-related needs because it would take place at the line level, and the HR staff would be able to expend more of its energy on broader organizational issues.

The Government Performance and Results Act (GPRA) of 1993 has also played a large part in focusing agencies on results. The purpose of GPRA is to improve Federal program effectiveness, accountability, service delivery, decision-making, and internal management, thereby improving confidence in the Federal Government. This is achieved by demonstrating organizational results through strategic planning and performance measures. Although the primary focus of GPRA is on programmatic functions, agencies are also required to describe how administrative resources, such as HR, are being used to achieve strategic goals. Further, the General Accounting Office (GAO) and the Office of Management and Budget (OMB) have evaluated many of these efforts, and are calling for agencies to improve their discussions of HRM alignment in strategic and annual plans. Therefore, the human resources function is increasingly being aligned to the agency strategic plan, which requires HR to show how it is supporting mission accomplishment.

Alignment has already occurred in other key administrative functions. When Congress developed a statutory framework to introduce performance-based management into the Federal Government, it initiated financial, information technology, and procurement reforms through such mandates as the Chief Financial Officer Act and Information Technology Management Reform Act. Human resources management is the administrative missing link to this comprehensive package.<sup>3</sup>

The private sector has recognized that it is not just financial and technological capital that provide companies with the competitive edge, but people, or human capital. Without attracting and retaining the right people, in the right jobs, with the right skills and training, an organization cannot succeed. Therefore, people have been recognized as companies' most important asset. As the Federal Government moves toward a performance-based management approach, we, too, need to realize the importance of our human resources. A huge percentage of agencies' budgets

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<sup>2</sup>Now known as the National Partnership for Reinventing Government.

<sup>3</sup>U.S. General Accounting Office. *Major Management Challenges and Program Risks: A Governmentwide Perspective*.

is spent on human resources -- salaries, benefits, training, work life programs, etc. Nowhere else do you make that substantial an investment and not measure the return.

Not only do human resources provide the competitive edge, but several recent studies have confirmed that the quality and innovation of HR practices impact business results. These studies were able to draw a correlation between increased quality of HR practices and increased business success. Among other benefits, HR alignment with mission accomplishment increases HR's ability to anticipate its customers' needs, increases the agency's ability to implement strategic business goals, and provides decision-makers with critical resource allocation information.

Finally, HR alignment is a vital process to advance agency accountability. By defining, maintaining, and assessing HRM goals and measures, communicating them throughout the agency, and using the information to make management decisions, agencies are able to ensure that the management of human resources contributes to mission accomplishment and that managers are held accountable for their HRM decisions in support of mission accomplishment.

### ***The Study***

Once we defined what alignment means and why it is important, we wanted to find out where agencies currently stand in terms of aligning their human resources management with agency mission accomplishment. Therefore, the Office of Personnel Management (OPM) embarked on a special study designed to explore the following objectives:

- ▶ Assess how well human resources management is linked to agency mission accomplishment;
- ▶ Explore the role played by the HR staff in agency strategic planning;
- ▶ Determine how the HR service providers work with line managers to carry out agency strategic goals; and
- ▶ Identify best practices aligning HRM with the agency strategic plan and goals.

In order to obtain information pertaining to these objectives, we did the following:

- ▶ Reviewed 31 agency strategic and 28 annual performance plans;
- ▶ Conducted an extensive literature and Internet search;
- ▶ Gathered information from agency HR professionals, supervisors, and employees at 17 agencies of various size through the fiscal year 1998 and 1999 OPM Oversight reviews;

and

- ▶ Interviewed nine additional leading agency HR Directors.

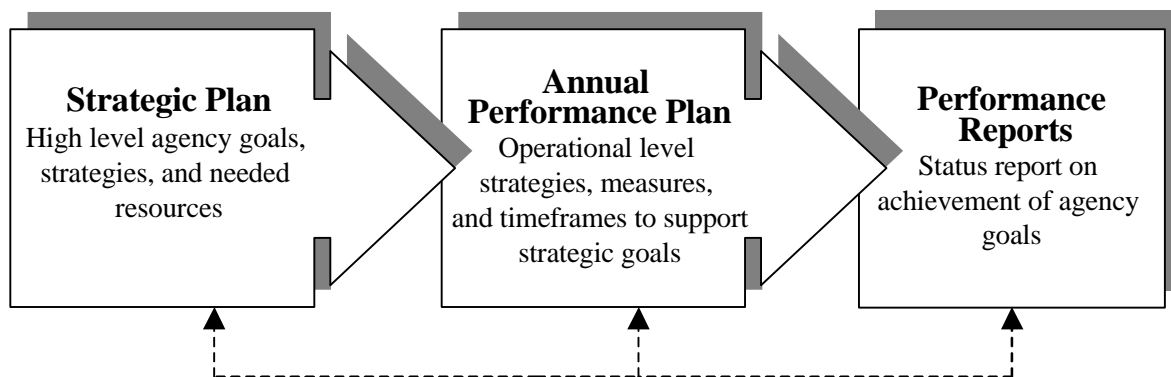
## II. STRATEGIC PLANNING

*You got to be careful if you don't know where you're going, because you might not get there.*  
- Yogi Berra

### *Agencywide Planning*

To some agencies, strategic planning is a way of life. To others, it's an exercise. To almost all, it's a requirement. As part of GPRA, agencies, unless specifically exempted, follow a continuous, three step strategic planning process:

### **GPRA Strategic Planning Process - Simplified**

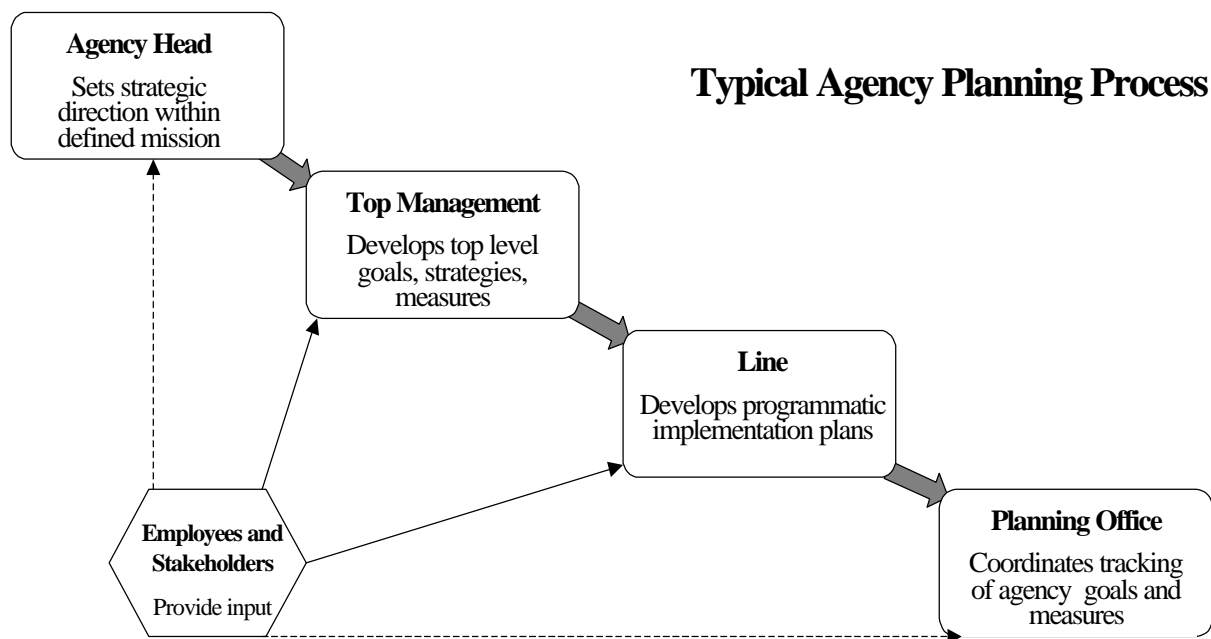


Strategic planning allows agencies to map out where they are, where they want to go, and how they plan to get there. Some agencies adopted the idea of strategic planning even before GPRA was enacted, whereas others are just beginning to understand its potential benefits. The results of the fiscal year 1999 Merit System Principles Questionnaire (MSPQ), an OPM Governmentwide survey of supervisors and employees, show that agencies are beginning to embrace not only the concept, but also the practice, of strategic planning.

### MSPQ Results

- 62% agree that their agency has a process for developing strategic, long-range plans and updating them periodically.
- 65% agree that operational goals and objectives are set to help the agency meet strategic, long-range plans.
- 54% agree that progress toward goals is measured.
- 61% agree that information is collected for assessing performance.

The strategic planning process varies from agency to agency. On one end of the spectrum are the agencies which have very collaborative processes involving senior management, line supervisors and employees, and stakeholders throughout the entire process. On the other end are the agencies which develop plans at the top management level with little input from the line or stakeholders or that plan functionally, having each program office submit its own goals and strategies with little to no collaboration among offices. The typical strategic planning process is a mixture of these:



### HRM Integration in Agency Strategic Plans

The management of agency human resources is an integral part of how an agency is going to achieve its mission goals. Without people, there is no one to do the work. Therefore, integrating HRM into the agency strategic plan is the first step in aligning it with the mission.

Even though GAO and OMB are pushing for improvement of HRM alignment discussions in strategic and annual plans, GPRA's primary focus is still on agency programs, rather than corporate functions. Therefore, we assumed at the beginning of this study that not many agency strategic plans would have addressed HRM's role in mission accomplishment. We were pleasantly surprised. Out of the 31 strategic plans reviewed, 87 percent had addressed HRM in some way. Below is a breakdown of how integration between HRM and the agency plan is achieved, a count of how many strategic plans have integrated HRM in a particular way, and some examples of actual agency approaches.

How used:	# of plans:	Examples:
Mission Goals (Listed side-by-side with program goals)	8	<b>Social Security Administration's</b> Mission Goal: To be an employer that values and invests in each employee.  <b>Air Force's</b> Mission Goal: Ensure a high quality force of dedicated professionals and provide an enhanced quality of life and strong sense of community.
Support Goals (Listed in a separate section from the mission goals but described as critical to the mission)	8	<b>Transportation's</b> Corporate Management Strategy that supports mission goals: Foster a diverse and highly skilled workforce capable of meeting or exceeding our strategic goals with efficiency, innovation, and a constant focus on better serving our customers now and into the 21st Century.
Objectives and Strategies (Action items that support mission and/or support goals)	22	<b>Treasury's</b> objective in support of its mission goal to improve management operations: Improve capacity to recruit, develop, and retain high caliber employees. This is followed by a list of strategies aimed at achieving the objective.  <b>Energy's</b> HR strategy that supports the mission objective to ensure the vitality of DOE's national security enterprise: Ensure that sufficient personnel are available to meet long-term national security requirements.
Critical Success Factors (e.g., needed resources, improvements, etc)	12	<b>Health and Human Services</b> highlights Quality of Worklife as a cross-cutting management responsibility that can enhance the performance and accountability of its programs.
Values	9	<b>NASA</b> lists its workforce, or "People", as its greatest strength.

The table can be somewhat misleading, however. Although some agencies are clearly ahead of the pack, integration of HRM in agency plans is still evolving. When looking at the actual placement of strategic plan HRM discussions, they are generally segregated from the program-

matic goals, objectives, and strategies. Considering that an agency's mission cannot be achieved without its people, this is an important point. Could this be an indication that human resources management is not yet recognized as a critical contributor to agency mission accomplishment? In any case, it is clear that though there are some exceptions -- as evidenced by some of the examples above -- full HRM integration into agency strategic plans has not yet been realized.

The human resources issues addressed in agency plans provide insight into what aspects of human resources management are most important to agency management. In reviewing the plans, or even just by looking at the examples above, it is clear that diversity, recruitment, retention, employee development, and workforce quality are the major areas of interest. Although these could be looked at as process or output programs, when they are designed and implemented well, they lead to the ultimate result: the right people, with the right skills, in the right positions to carry out the agency mission.

### ***Agency HRM Strategic Measures***

Defining practical, meaningful measures that assess the effectiveness of agency human resources management and its support of mission accomplishment is a topic that agencies have been struggling with. It is easy to measure a process -- how long does it take to complete an action? It is easy to measure productivity -- how many actions were completed in any given time frame? But how do you measure the outcome of human resources management? How does an agency know if it has the right people, with the right skills, in the right positions to carry out the agency mission? Have any agencies found a way to do this? To help answer these questions, we looked to see if agencies are including HRM measures in their strategic plans, and what types of measures they have identified.

Not surprisingly, 71 percent of the plans did not identify any HRM measures. Moreover, the meaningfulness and practicality of the 29 percent of agency identified measures could be stronger. About one-third of the 29 percent contain measures that are not really measures. They are lists of activities or projects that, when completed, will help to reach the goal. In other words, they are strategies labeled as measures. The other two-thirds of that 29 percent have fairly good measures that are tied to specific mission or support goals and provide seemingly relevant information. However, even these fairly good measures tend to focus on HR processes (outputs) rather than intended outcomes. For example, some agencies measure the average number of employee training hours to measure workforce skill levels, rather than what skills are actually gained through the training or what skills the workforce actually possesses. See the following chart for some examples of the better HRM measures we saw in agency strategic plans.

Agency	Goal	Measures
<b>Air Force</b>	Recruit and retain the force to execute Air Force core competencies.	<ul style="list-style-type: none"> <li>• Percentage of recruits categorized as high quality</li> <li>• Air Force enlisted reenlistment rate</li> </ul>

<b>Education</b>	The Department's employees are highly skilled and high-performing.	<ul style="list-style-type: none"> <li>• By 2000, 75% of Department managers will agree that staff knowledge and skills are adequate to carry out the mission</li> <li>• By 2000, 75% of employees will demonstrate the basic computer competencies identified in the Department's computer competency standards</li> </ul>
<b>Energy</b>	Ensure that all DOE employees are appropriately trained and technically competent commensurate with their environment, safety, and health responsibilities.	<ul style="list-style-type: none"> <li>• Meet annual DOE technical Qualification Program goals</li> <li>• Meet or exceed competency requirements for employees that perform physically hazardous work</li> </ul>

### *HR Involvement in Agency Strategic Planning*

Now that we have seen what types of goals, objectives, strategies, measures, and other forms of HRM integration are present in agency strategic plans, we should look briefly at how these were developed. The legitimacy and ultimate value of these pieces of the plan will depend substantially on where they came from.

Historically, members of the HR community have remarked on the difficulty they have had “getting to the table” with top agency management. Rather than being involved in agency planning from the beginning, HR is commonly consulted after decisions have been made in order to help implement any major changes. Considering the invaluable perspective HR has on how decisions will impact agency resources, HR professionals have been frustrated that they are not involved sooner in the planning process.

Therefore, it was surprising when 79 percent of the agencies we talked to indicated that they do play a role in the overall agency strategic planning process. The roles vary from a peripheral consultant who reviews and comments on preliminary products to an integrated team member who actively helps to identify not only HRM agency strategic goals and objectives, but programmatic goals as well. Two or three of the responding agencies fall in the former category, a handful in the latter, and the rest somewhere in between. Later, we will discuss how some HR officials are able to elevate themselves to agency strategic partner, while most are still struggling to achieve this.



**Patent and Trademark Office (PTO):  
HR's Involvement in Strategic Planning**

The PTO's planning process tracks closely with the diagram presented on page 6: the Commissioner identifies the main strategic themes; top management adds to the perspective through offsite retreats; the three business lines develop and rank their specific initiatives; and finally, representatives from all the three business lines come together to rank all of the initiatives and talk about how the budget impacts those initiatives. HR, as well as the other administrative functions, is integrally involved in and present during all aspects of planning -- the top management discussions, business line planning, and overall ranking and budgetary discussions. The administrative functions serve several purposes: to inform managers what resources are available to them; to determine what resources managers will need; and to discuss the impact program initiatives will have on the agency.

When it comes to defining actual HRM goals, strategies, and measures, the roles also vary. In general, agencywide HRM-related goals, strategies, and measures are identified by the agency leader or other senior managers with HR collaboration. They decide what is most important to the agency based on the challenges the agency will face in years to come. Some use a more elaborate collaboration approach that involves agency management, HR officials, and other stakeholders, as is demonstrated in the presented examples from the Department of Commerce's Patent and Trademark Office (PTO) and the Department of Veterans Affairs (VA). Then there are the agencies that use the functional strategic planning approach where the HR office is tasked with coming up with the goals, strategies, and measures itself. In these cases, HR generally uses some type of feedback from customers to identify what is important to the agency and should be included in the plan.

### **Department of Veterans Affairs Collaborative Approach**

The Department of Veterans Affairs (VA) Office of Human Resources Management was integrally involved in the Department's strategic planning process. Although the program offices were the drivers for the strategic goals, the administrative functions were integrally involved in establishing how resources can be attained, retained, and utilized to support the programs that deliver services to their customer, the veterans. The HR staff worked with program planners and line managers in an iterative and interactive series of meetings that provided HR with information on the Department's current and future business and corresponding human resource needs. The HR staff was able to translate this information into specific objectives with supporting strategies and performance goals that were incorporated into the VA strategic plan.

To further refine its priorities, HR held a conference attended by approximately 300 people representing its key stakeholder groups departmentwide including: HR professionals, political appointees, headquarters executives, field line managers, staff offices, unions, and veterans. A "real time" strategic planning process that included facilitation, formal presentations, and inter-active discussions led to the identification and prioritization of four critical human resources "strategic opportunities" that must be dealt with if VA is to successfully accomplish its mission. Top management at the conference committed to supporting the pursuit of these strategic opportunities, and, subsequently, teams including field and headquarters, line and staff representatives were formed around these opportunities.

### ***Agency Annual Performance Plans***

In addition to reviewing strategic plans, we also reviewed 28 agency annual performance plans to see how HRM is addressed. As mentioned earlier, performance plans are the yearly operational plans defining what the agency will accomplish in that fiscal year that will contribute to the longer-term strategic goals, and how they will measure accomplishment of these performance goals. Seventy-five percent of the reviewed plans contain both HRM performance goals and measures. This is not surprising because these operational plans tend to be more process and budget focused than strategic plans and therefore contain more detail about the resources needed to accomplish the performance goals. Therefore, administrative functions, in general, are represented more fully than in the strategic plan.

The development of the performance plan is invariably more functional than overall strategic planning. At most agencies, each program and administrative function is responsible for defining its own goals and measures which it then forwards to the planning office for coordination into the annual performance plan. As with the strategic plans, the HRM goals, strategies, and measures identified by HR offices tend to focus more on processes or activities than on overall outcomes. These process measures can be helpful, but because operational goals, strategies, and measures

help determine achievement of mission goals, they should focus more on whether or not the intended outcome of the activity was achieved.

### ***HR Strategic Plans***

Approximately half of the agencies we talked to have developed separate Human Resources strategic plans. These plans generally serve one of two purposes. Either they provide direction for those agencies that have not integrated HRM into the agency strategic plan, or they are used as implementation plans which support agencywide HRM goals, strategies, and measures.

These plans are particularly important to those agencies that do not integrate HRM into the agencywide plan because it helps them map out where they want the HR program to go. They seem less important to many of the agencies that have thoroughly integrated HRM into the agency plan. For example, the Social Security Administration (SSA) has not developed a specific HR strategic plan because HR's goals and measures are part of the agencywide approach. Then, there are some agencies that integrate HR extensively into the agency plan, but still prefer to have a separate HR operational plan supporting the agencywide plan, as is often done by other corporate functions such as information technology and financial management.

Most of these plans focus on internal HR office program activities, rather than on agencywide accountability for the effective use of human resources in accomplishing the mission. Therefore, ownership of the plan belongs to the HR office, not the agency. The Health Care Financing Administration (a sub-component of the Department of Health and Human Services) is an interesting exception to this, as seen in the inset.

### **The Health Care Financing Administration's Human Resources Management Strategic Plan**

The Health Care Financing Administration (HCFA) has developed a very noteworthy approach to aligning human resources management with mission accomplishment. HCFA's Human Resources Management Group (HRMG), Learning Resources Group (LRG), and Office of Equal Opportunity and Civil Rights (OEOCR) collaborated to develop a draft Human Resources Strategic Plan that goes beyond each of these individual organization's human resources responsibilities and instead addresses the entire sub-component's human resources management responsibilities. It assigns accountability for specific HRM goals to HRMG, LRG, OEOCR, senior leadership, line managers, employees, the union, and/or other non-HR stakeholders. The HRMG, LRG, and OEOCR worked very closely with the HCFA strategic planning and evaluation office to tie the plan to HCFA's strategic plan.

Specifically, the plan includes challenges that HCFA will face in the future, HRM goals that will support HCFA in meeting those challenges, potential performance indicators and strategies for each goal, the roles and responsibilities of HRMG, LRG, OEOCR, managers, employees, and other stakeholders, and finally how to implement and assess its results.

As with agency strategic plans, the measures identified in HR strategic plans are typically process-

oriented and tend to address what steps have been taken to achieve a goal, rather than whether the intended outcome of the goal has been achieved. A little over half of the agencies use management input in developing these plans, generally in the form of previous customer satisfaction surveys.

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### III. STRATEGIC IMPLEMENTATION

*Well done is better than well said.*

- Benjamin Franklin

Strategic planning allows agencies to put down on paper where they are, where they want to go, and how they plan to get there. But the best planning in the world does nothing for an agency if it does not act on those plans. Strategic implementation of human resources management means performing activities that support agency mission accomplishment and measuring how well those activities contribute to achieving agency strategic goals.

#### ***Strategic HRM Activities***

When we talk about HRM activities, we tend to focus on what the HR office, itself, is doing even though we recognize that supervisors would bear the responsibility of HR decisions in an ideal world. After all, NPR advocated deregulation and delegation and the downsizing and outsourcing of HR office activities so that human resources management could take place at the line level, making it more responsive to mission-related needs. Additionally, the HR staff would be able to devote more time to broader organizational issues, thereby improving its contribution to mission accomplishment.

Unfortunately, deregulation and delegation, as reported in OPM's 1997 special study, *Deregulation and Delegation of Human Resources Management Authority in the Federal Government*, have not taken hold as quickly or thoroughly as was hoped. HR is still doing most of the HR-related work and is the nerve center for HRM activities. That is why the focus of this section is on the HR office and what it does to support mission accomplishment.

So what are HR's contributions toward mission accomplishment? Although most line managers we interviewed cannot describe precisely which HR activities support specific agency strategic goals, they recognize that they could not accomplish their mission without HR's help. Ironically, the areas most often mentioned by managers as HR's most valued contributions are also the areas they feel need the most improvement: recruitment and staffing, employee development, and employee relations. They would like to see HR become more involved and innovative in these areas, but they also admit that it would be extremely difficult for them to get their jobs done without the help HR already provides. An interesting example of innovative staffing is the Federal Emergency Management Agency's Automated Disaster Deployment System described on the following page.

### **The Federal Emergency Management Agency: Staffing our Disasters**

The Federal Emergency Management Agency's (FEMA) HR staff is an integral part of achieving the agency mission. FEMA employs approximately 2,200 permanent employees, but can surge to 7,000 or higher with any given disaster. With these highly fluctuating and extremely vital staffing needs, FEMA's mission is more directly dependent on its staffing function than most other Federal agencies. In response to this need, HR has implemented the Automated Disaster Deployment System. This automated system allows HR to track employee credentialing (including knowledge and experience levels and performance ratings), availability, past and present assignment locations, dates of employment, and other vital employee data. With this system, HR can immediately identify available deployment candidates for selection as soon as disasters are declared. Additionally, the system allows HR to better identify employee training and promotion needs, match employee expertise with specific disaster site victim needs, and create a selection routine that rotates available employees, thereby avoiding employee burnout.

Clearly, staffing, development, and employee relations are important HR activities that make a difference to agency goal accomplishment. However, there are other areas in which HR offices contribute to and align with mission accomplishment, such as the few described below.

**Agency Reorganizations:** Because of all of the downsizing, streamlining, and budget cuts that have been occurring in recent years, many agencies and sub-components have had to redefine their missions and restructure the program areas that support those missions. Human resources staffs play key roles in some of these redesign efforts. Managers at the Federal Emergency Management Agency and the Department of Labor's Occupational Safety and Health Administration were particularly complimentary of all of the work the HR staffs did to redeploy and retrain the workforce, provide guidance on organizational development issues, and redesign performance standards.

**Workforce Planning:** In this time of budget cuts, downsizing, and an aging Federal workforce, workforce planning becomes extremely important to increasing agencies' overall ability to achieve their missions. Although few agencies have strong workforce planning systems in place, some are beginning to take steps in this direction. The Department of the Army has an automated civilian forecasting system that uses 15-year workforce data trends to project future employment patterns, up to 7 years. This is part of a developing workforce planning initiative. SSA has developed a methodology to predict the number of actual

retirements and is developing a workforce transition plan that will identify current and future required skill sets, determine how the workforce can obtain these skills, and set action plan milestones. Additionally, OPM is in the process of developing a workforce planning model that will assist agencies in this area.

### **Linking Performance Management to Mission Accomplishment:**

When managers and employees are interviewed, they almost always cite the performance management system as a way they are held accountable for meeting agency goals. So, does this mean performance management systems are aligned with agency strategic goals? In most agencies, the answer is “not yet” -- at least not fully. Recently published research has identified over a dozen agencies and agency sub-components that have started to formulate systematic approaches to aligning performance management to strategic goals. Most are starting by linking top management performance plans and contracts to agency goals and rating and rewarding executives based on achievement of those goals. Many of these agencies are planning to cascade the alignment down to the employee level.

OPM’s 1999 publication, *A Handbook for Measuring Employee Performance: Aligning Employee Performance with Organizational Goals*, is a very useful tool to help agencies link employee performance to the goals of the organization and measure employee accomplishments.

A couple of agencies actually mandate the linkage of employee level plans to agency goals, while others are using team-based performance management approaches that include performance targets, informal team assessments, and awards that are linked to mission goals. The National Aeronautics and Space Administration (NASA), as shown in the inset, actually has an automated system that assists in the linkage. Nevertheless, as the General Accounting Office (GAO) concluded in its study, *Performance Management: Aligning Employee Performance with Agency Goals at Six Results Act Pilots*, aligning performance management systems with organizational missions and goals is still a “work in progress.”

**HR Self-Assessment:** A handful of agency and sub-component HR offices are actually

### **NASA: Tracking Strategic Progress**

Engineers at NASA’s Kennedy Space Center have designed and implemented an excellent strategic management tool: the Goal Performance Evaluation System. This computer system implemented a major performance management change by linking individual employee performance goals all the way up through the Center and Agency goals.

The system tracks the status of performance plans, and allows organizations to track results achieved against their mission. Managers can access the system to see what their units and individual employees are contributing toward the agency strategic goals. The system functions as a strategic management tool, an employee performance management system, and a Center-wide communication tool. Kennedy and Johnson Space Centers have piloted the computer system with very positive results.



assessing how well their programs align with agency mission accomplishment as part of recently established HR self-assessment programs. These assessment programs focus on the compliance of HR activities with law as well as how effectively HR programs are achieving their objectives in support of mission accomplishment. Because these assessment programs are fairly new or are in the process of being revamped, it is too soon to tell the success they will have in measuring HR's impact on organizational mission accomplishment.

### ***HRM Measurement***

In the end, HR can only determine its value to the organization by measuring it. Earlier in this report, we saw that most agencies had at least defined HR output measures in agency strategic plans, annual performance plans, and/or HR strategic plans. This is an encouraging trend, but we need to look further at whether these measures are actually being tracked and used for decision-making. The best measures in the world are meaningless if not used.

*If you're not keeping score,  
you're only practicing.*  
-Vince Lombardi

HRM measures in the strategic and annual performance plans are usually tracked by the HR office and forwarded to the planning office for distribution and sharing of the information. A few agencies, such as NASA, SSA, and Education, report actually using the information for decision-making and tracking whether goals are being met. NASA even posts the information on its web page. However, we found that most agencies look at available data without really evaluating how the information can be used to enhance goal attainment.

HR staffs find that measures from HR strategic plans tend to be more useful than those in the agency strategic or annual plans, at least at the functional level. As discussed earlier, HR strategic plan measures tend to focus on internal HR programs, policies, and processes, and can therefore point to deficiencies in these areas. HR officials can then use this information to make improvements to the problem areas. From an organizational perspective, however, the measures are generally not very helpful in determining achievement of HR goals because they are process rather than outcome oriented.

Few agencies have implemented elaborate systems to track HRM goals and measures. Nonetheless, there are quite a few interesting approaches some agencies are using to measure their HRM performance.

**Benchmarking** is a systematic process of measuring an organization's products, services, and practices against those of a like organization that is a recognized leader in the studied area. Many Federal HR offices are using this practice to identify ways to improve service and align with business results. The most common benchmarking effort Federal HR offices have participated in is the National Academy of Public Administration-Hackett Group HR Benchmarking Study. There are at least 19 Government agencies involved in the

benchmarking of 22 HR processes within four areas: administration, risk management, employee development, and decision support. The study also helps to gauge HR alignment through decision support categories such as resource planning, organizational planning, and strategic HR planning. Most participating agencies see the value in the information but have not devised strategies for how to use it.

**The Balanced Scorecard** is a framework many agencies are using to translate strategy into operational terms by measuring a full range of perspectives: financial, customer, internal, and learning and growth. Vice President Gore advocated the use of this type of balanced set of results to evaluate agency performance at the Global Forum on Reinventing Government, January 1999. The scorecard is generally used at the business unit level, as with the Veterans Benefits Administration (see insert). To date, most agencies are in the beginning stages of implementing balanced measurement approaches.

**Activity Based Costing (ABC)** is a method of cost management that determines the true cost, including overhead, for a service or product. Finding the true cost allows agencies to discover cost improvement opportunities, prepare and actualize strategic and operational plans, and improve strategic decision-making. This cost management methodology involves identifying activities, determining activity costs, determining cost drivers, collecting activity data, and calculating the service cost.

ABC is being explored by a number of agencies. The Patent and Trademark Office is using ABC agencywide, and the General Services Administration is using it to determine HR costs, as described on the following page.

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### **Veterans Benefits Administration's New York Regional Office: The Balanced Scorecard in Action**

The Veterans Benefits Administration's New York Regional Office implemented a balanced scorecard that uses outcome measures linked to organizational goals at the team, core group, and division-wide levels. The purpose is to determine how successful its operations are and where improvements are needed. This "balanced scorecard" measures five performance areas: customer satisfaction, speed, accuracy, cost-per-claim, and employee development. For each element in the balanced scorecard, teams are awarded points based on how well they are performing, and the scorecard is aligned with individual employee assessments and incentive pay. Veterans' expectations are used to define customer performance targets, and employee measures are derived from climate surveys, team development data, and technical skills inventories.

HR has played an important role in designing the balanced scorecard, including developing measures, peer assessments, and other tools, as well as helping managers understand the approach and how to manage under it.

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### Measuring True Cost and How to Use It

Both the General Services Administration (GSA) and the Department of Commerce's Patent and Trademark Office (PTO) have successfully used Activity Based Costing (ABC) to determine the true cost of human resources management services.

The General Services Administration began tracking HR costs due to customer complaints that services were too expensive. The problem was that no one, including HR, knew the actual cost of HR services. By using Activity Based Costing, GSA was able to compute the HR activity costs and make comparisons to other Government and private sector organizations using the Hackett Benchmarking Study data. HR demonstrated to managers that its costs were actually relatively low, and it had the data to prove it.

The Patent and Trademark Office (PTO) has engaged in agencywide Activity Based Costing. All senior managers were trained in the process, and each functional area, including HR, formed teams to identify activities, activity-based drivers, and primary products. PTO has used the information to close out fiscal year 1998 financial activities and to plan the fiscal year 2000 budget. ABC has helped determine the full cost of agency activities, the proper distribution of costs, and has even influenced service rates. An additional benefit to the system is that it has encouraged strategic thinking. Managers see how much a function, such as HR, costs and starts asking what value that function really adds to the program. This challenges HR to show its value and return on investment.

**The Malcolm Baldrige and the President's Quality Award Criteria** are each based on a set of core values and concepts that integrate key business requirements into a results-oriented framework. Using the criteria as a framework for management practices and measurement can help agencies to improve performance, facilitate communication and best practice sharing, and serve as a tool for managing performance, planning, training, and assessment. HR measures are 15 percent of the total Baldrige framework score.<sup>4</sup> Several agencies, most notably the Department of Navy's Inspector General's Office, have successfully used the criteria to assess agency mission programs.

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<sup>4</sup>National Academy for Public Administration, *Measuring Results: Successful Human Resources Management*.

## IV. STRATEGIC RELATIONSHIPS

*All men are caught in an inescapable network of mutuality.*

-Martin Luther King, Jr.

The lynchpin that holds all of this planning and implementation together is the relationship between HR executives and staffs and agency management. In the past, there was often much contention between the two groups because of HR's role as "gatekeeper," enforcing the laws, rules, and regulations. Now, with the role of the human resources staff shifting toward achieving organizational results, HR and management need to work together to further HRM's ability to have an impact on agency decisions and achievement of goals. So, let's take a look at how well these relationships have been fostered thus far.

### ***Corporate HR and Top Agency Management***

The relationship between corporate HR and top agency management varies greatly by agency. A few agencies, like SSA, NASA, Air Force, and GSA, have been able to develop strong working relationships with management in which HR is a full member of the agency decision-making body. Most other agency HR executives have not been so fortunate. They are generally brought into the agency decision-making process during the implementation phase rather than being consulted in the beginning on how decisions may impact agency human resources or vice versa.

For some agencies, it has been a hard road "getting to the table." For others, it has been more of a natural transition. In exploring how to elevate HR's role to management partner, agencies where this has been achieved attribute their success to a combination of the following factors:

**Reporting relationships** - In agencies where there is a direct reporting relationship between the head of HR and the head of the agency, HR generally has a more visible role in agency decision-making.

**Management advocates** - In agencies where there is a strong HR advocate in senior management, HR enjoys more involvement in the agency decision-making.

**Credibility** - HR representatives who are formerly program managers tend to earn more credibility from the other managers. This type of individual knows, first hand, what the program concerns are and how HR decisions will impact the program, and can speak the same programmatic language.

**Culture** - In some agencies, the recognition that its people are its most important asset has

traditionally been part of the culture. Therefore, it is natural for the HR leader to have a voice in agency decisions.

**Value** - In all cases, HR has to bring value to the discussion in order to be considered a member of the management team. If you have little or nothing to offer, you will not keep your seat at the table.

Because HR executives have little control over agency reporting relationships, management advocacy, executive appointments, and agency culture, they need to focus their efforts on providing value to agency business discussions. But what kind of value can HR bring to the agency decision-making table? Other corporate functions have no problem demonstrating their value. The Chief Financial Officer has the money. The Chief Information Officer has the technology. Without money and technology, an organization is severely hindered. But HR has the people, and without the people, the organization has no one to do the work. So why has HR not been able to capitalize on this strength? We were able to identify two reasons.

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### **The Social Security Administration: How HR Stays at the Table**

SSA's HR Office has a good record of contributing substance, creativity, and innovative solutions to dealing with agency issues. For example, when SSA heeded NPR's call to downsize administrative staffs, the HR office devoted substantial time and resourcefulness to redeploying these displaced employees to direct service jobs. For the headquarters employees who did not want to leave the area, HR helped to create a direct service office at headquarters and bring work there. Not only does this demonstrate HR's ingenuity in turbulent times, but it is a fitting example of how SSA values its employees.

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First, HR has not historically had the statistics or data that can excite management and show how HRM influences agency success. Second, HR has focused on internal operations rather than activities that impact the entire agency. These facts are recognized by the Strategic Human Resources Roundtable, an OPM-sponsored working group of Governmentwide HR Directors that meets periodically to discuss HR's role in GPRA. This group acknowledges that to address these shortcomings, HR needs to ask itself what are the HRM concerns that will gain management's attention, and does HR have the data that can help address those concerns? SSA has done this, as is demonstrated in the above inset.

### ***The HR Office and Line Management***

Now that we have explored the relationship between HR executives and top agency managers, we need to look at how the HR office interacts with its line managers and if there has been any movement toward a more cooperative, consultative relationship. HR's role is changing, but is HR changing with it? As discussed earlier, NPR advocated HR delegating, downsizing, and outsourcing so that it could start concentrating on broader organizational issues rather than transactional processes. As we have seen, this is beginning to occur at the corporate level, but what about the line level?

The problem is that delegation to managers has not taken hold very quickly, but HR offices have already been downsized. Therefore, HR is still expected to do the transactional work it did before, while also focusing on broader organizational issues, and doing all of this with an average of 20 percent less staff.<sup>5</sup> It is not hard to understand why agency HR offices are struggling to redefine their role to strategic partner. Just how far have they gotten?

**HR as Consultant:** Most agency managers we interviewed acknowledge that their HR office has become more consultative. Rather than telling a manager he/she can or cannot do something, HR professionals are more helpful in finding solutions to HR issues.

**HR as Contributor to Mission Accomplishment:** These same managers also recognize the importance of the HR office to mission accomplishment. There is so much that HR does for managers in terms of recruitment and staffing, employee development, and employee relations that managers would have difficulty doing it on their own. However, HR does have its limitations, particularly the size of the staff in relation to the amount of work it has to do, its knowledge of the mission, and skill gaps resulting from downsizing.

**HR as Strategic Partner:** Few, if any, agency managers feel that their HR office is a true strategic partner. Few HR offices are included in business planning from the beginning, generally being brought in to implement a decision that has already been made. For HR to become more involved in line-level decision-making, managers would like the office to:

- have greater knowledge of the organizational mission, and
- get more involved and innovative in broad, organizational HR issues that impact most on the organization, such as recruitment and workforce and succession planning.

HR has made some headway, as demonstrated in the following NASA example, but clearly has some distance to go in being involved in line management decision-making. Now let's look at the other side of the coin -- how managers are involved in making decisions about HR programs. Most line HR offices involve managers at least at an informal level, generally through satisfaction surveys or informal discussions. A few have HR/management councils that get together

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<sup>5</sup>Government Performance Project. "The Human Factor." Government Executive, February 1999.

periodically to discuss human resources issues. This is as close as agencies get to real integration of managers into the HR program decision-making process. Generally, managers do not feel that they have a large impact on the direction of HR programs and therefore feel little ownership for them.

### **NASA's Centers Working Together**

NASA has 10 field centers, and each of these centers maintains a strong sense of its own identity and purpose and a strong enthusiasm for its mission. At the same time, each center can identify the linkage to the agency mission. This sense of empowerment appears to help motivate the center HR staffs to actively support that identity and purpose. Personnel officers generally participate in deliberations on center affairs. HR staffs are proactive in their work by making site visits, attending line staff meetings, asking managers for input on HR issues, and briefing managers about changes in HR programs. Managers are impressed with HR's availability, knowledge, and resourcefulness. This symbiosis is portrayed well in results from various employee surveys, data trends from the Central Personnel Data File, and third party evaluations of the HR program.

### ***Accountability***

With the developing relationship between HR and management, both at the top and line levels, along with NPR and GPRA mandates, accountability should become a shared responsibility. Managers are making more and more HRM decisions while the HR staff is becoming more involved in broader organizational issues. This means that both the HR staff and managers are ultimately accountable for effective, legally compliant HRM.

Is this shared accountability occurring in Federal agencies? Approximately half of the responding agencies agree that HRM accountability is shared between the HR staff and managers. Managers are accountable for the business results achieved through good human resources management, the HR staff is accountable for HR compliance, and both are accountable for the overall effectiveness of the agency HRM program. However, the other half still feels that the ultimate accountability falls on the HR staff. They are the ones responsible if actions are found non-compliant, and little attention is given to whether managers' HRM decisions are an effective use of resources. OPM's *HRM Accountability System Development Guide* goes into quite a bit of detail on shared accountability and can assist agencies in understanding the concept, determining who is accountable for what, and devising strategies for how to hold them accountable.

## VI. WHERE DO WE GO FROM HERE?

*Even if you're on the right track, you'll get run over if you just sit there.*

-Will Rogers

Strategic alignment of human resources management has come farther than we expected to find when we embarked on this study. There is definitely a trend toward integrating HR into the business planning process, measuring aspects of human resources management and its contribution to the organizational bottom line, and establishing a collaborative working environment between HR and management. Nevertheless, there are several indications that human resources management is not yet recognized as a critical contributor to agency mission accomplishment. HRM alignment is still evolving, and there are several steps agencies can take to help it along.

### **Fully integrate human resources management into the business planning process.**

Although many more agencies than expected include HR representatives in the agency planning process and integrate human resources goals, objectives, and strategies into agency strategic plans, most are still struggling in this area. Agency executives need to recognize the value that HR can impart to discussions about agency activities, priorities, and goals. In turn, HR leaders need to understand agency mission needs and be able to contribute substantive, creative solutions to meet these needs. Once these realizations occur, HR will no longer be segregated out as a support function but will become an integral, contributing factor to agency planning and success.

### **Focus on organizational activities that assist in agency decision-making.**

Because of NPR mandates to downsize, streamline, and improve customer service, HR's recent improvement efforts have focused on the efficiency and effectiveness of traditional HR programs and processes. These are important endeavors. However, in response to GPRA's call to measure performance and demonstrate value, it is time to start concentrating efforts outside of the traditional realm of HR and on to broader organizational issues. When HR demonstrates that it can have an impact on agency direction, then it will gain credibility with agency executives and earn a seat at the table. To generate that type of impact, HR needs to develop strategies based on actual business needs, which will require involving management in the planning process. In addition, it must address Governmentwide concerns about the workforce capabilities of the future, such as workforce planning, succession planning, training needs assessments, skill gap analyses, etc.

### **Measure HRM outcomes.**



HR's role is evolving. Therefore, HRM measures need to evolve as well. As HR becomes more involved in broader organizational activities, HRM measures should evaluate the impact these activities have on the organization as a whole. At this point, measures typically focus on outputs and processes and are generally internalized to the HR function or office. The data are used mostly to make improvements to HR-specific policies and procedures. While this kind of measurement is important, measures should also focus on organizational outcomes. Information from these measures should then be used to inform agencywide decisions and find solutions to agencywide concerns.

### **Advance the collaborative working environment between HR and management.**

To facilitate all of the changes recommended above, HR has to have a strong, collaborative working relationship with top agency and line management. Since there is no tradition in most agencies of HR as strategic partner, much depends on personal relationships established by HR officials with top managers and key line managers. Meanwhile, HR and agency management need each other more than ever. Authorities are being delegated to line managers, HR staffs are being downsized, and top agency management is being asked to show how its resources are being used to support mission accomplishment. HR must be able to make the case that everyone in the agency, from the agency leader down to the HR function, must share accountability for ensuring that the use of human resources not only complies with Federal laws, rules, and regulations, but adds to the success of the agency.

This shared accountability is beginning to occur. HR management is beginning to earn a seat at the table. HR line offices are becoming more consultative and involved in day to day management activities. Nevertheless, there is still a long way to go in becoming strategic partners. First, HR needs to build its own internal competencies to deal with organizational issues, change, and strategizing. Further, it needs to educate itself on agency and program missions in order to understand what is important to those organizations and be able to offer creative and innovative alternatives and solutions to organizationwide issues. Finally, it must continually assert the absolute criticality of effective HRM to organizational success.

### **Conclusion**

This all looks so easy on paper. Do this, do that, and you will be aligned with the mission and able to demonstrate your contribution toward it. Obviously, it is not that easy. Private sector, public sector, and some Federal entities have been struggling with this issue even before GPRA was enacted -- and that works to our advantage. There is a wealth of information out there that can help -- hundreds of articles, books, and studies have been written, numerous tools have been created, and many organizations have already tested a number of approaches. We can learn from all of these successes and failures.

But the only way to begin is to begin. To help start you on this path, we have included a rather extensive, though certainly not all-inclusive, bibliography in the appendix of this report. In support of its program to foster development of agency accountability systems, OPM will also offer assistance to individual agencies in developing strategies for strategic alignment and has created a Governmentwide clearinghouse that will provide information on additional real life, successful approaches that agencies are employing (currently available on the OPM web page). It is in all of our interests to ensure that Government establishes and maintains a highly skilled workforce that can handle the demands of the 21st century. To achieve this goal, we must all work together.

*It's kind of fun to do the impossible.*

-Walt Disney

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## APPENDIX A: NON-FEDERAL FINDINGS

*Appearances are deceptive.*

-Aesop

For some reason, people tend to think that the Federal Government has fallen far behind the private sector, and even other public sector entities, when it comes to aligning human resources management with agency mission accomplishment. Although we did not talk directly with private or non-Federal public sector representatives, we conducted a fairly in-depth literature search that tells a somewhat different story.

### *Private Sector*

There are many conflicting views on where the private sector is in regard to HRM alignment. For instance, the Conference Board recently conducted a poll of 155 private sector HR executives, and 63 percent responded that HR is “never, rarely, or only sometimes” a major player in the companies’ strategic process. A Pricewaterhouse-Coopers poll indicates that although 75 percent of the responding 70 companies reported that HR’s effectiveness is measured by its contribution to business results, only 27 percent include HR from the beginning of the business planning cycle. Further, 43 percent rated HR’s planning and policy effectiveness as only average while a mere 6 percent rated it as excellent.<sup>6</sup>

Other private sector surveys and studies over the past few years, however, have found that HR has been integrated into the strategic planning process, HR executives and top company management are strategic planning partners, HR is recognized for the importance of its role in implementing organizational change, and HR is viewed as critical to the success of the business.<sup>7</sup> Clearly, there are many private sector organizations that exemplify “best-in-class” alignment strategies. They have implemented such alignment approaches as the Balanced Scorecard, Return on Investment, Activity Based Costing, Malcolm Baldrige Award-type criteria, and more. They recognize the importance of their employees to business results, and HR is considered a valued strategic partner. However, even with a number of “best practices” out there, the research agrees that HR alignment, even in the private sector, is still a work in progress.

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<sup>6</sup>“HR News Capsules.” *HR Focus*, January 1999.

<sup>7</sup>National Academy of Public Administration. *A Guide for Effective Strategic Management of Human Resources*.

### ***Non-Federal Public Sector***

According to recent research, the non-Federal public sector is in much the same boat as the Federal sector. As the Government Performance Project pointed out in its recent study, State governments run into many of the same HR problems as the Federal Government -- rigid rules, lack of strategic management decisions, absence of statewide HR data, lack of workforce planning or the ability to plan for the future, etc. State governments have begun making HR reforms, such as reducing job classifications and streamlining hiring procedures. However, as with the Federal Government, States are focusing more on the efficiency and effectiveness of programs than how they support the bottom line.<sup>8</sup>

That is not to say that local, State, and even foreign governments have not been able to align themselves with mission accomplishment. A few cases can be most instructive for Federal agencies as they ponder this issue. The City of Hampton, Virginia HR staff has played a large role in increasing the performance of government services through improvements to work environment, organizational structure, work design, employee behaviors and organizational systems. The state of Washington is developing and enhancing HR information systems in support of mission accomplishment, is using personnel data to identify improvement initiatives, and includes the Director of Personnel in the Governor's Cabinet. The Canadian Treasury Board and HR Council of the Federal Government of Canada are developing approaches to measuring HR efficiency, effectiveness, and mission contribution. There are many other examples of how the public sector is moving toward aligning HR with mission accomplishment. Nonetheless, the research indicates that the non-Federal public sector, too, is only in the beginning stages of this transformation.

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<sup>8</sup>Government Performance Project. "Grading the States." *Governing*, February 1999.

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## Recruitment Practices in Public Sector Undertakings – A Case Study of BHEL, Haridwar

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### Abstract

*Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organization. This paper aims to study the recruitment process in public sector undertakings with reference to BHEL Haridwar. The paper aims to give conceptual frame work about the recruitment and its process and procedure for making performances in PSUs with special reference to BHEL in Haridwar is the main focus of the study. Further it examines the nature of recruitment adopted by BHEL, Haridwar. Recruitment, as a human resource management function, is one of the activities that impact most critically on the performance of an organization. Poor recruitment decisions continue to affect organizational performance and also discuss some of the strategies that organizations can and employ to ensure the existence of the best possible pool of qualified applicants from which they can fill vacancies as and when required.*

**Key words:** BHEL, Public Sector Undertakings, Human Resource and Recruitment Process.

## Introduction

Management of people in the organization is as old as existence of organization. It tries to place emphasis on the human resource organization & present the most recent development in the field and tries to relate how these development are relevant to Indian organization. As recruitment is the process to discover source of manpower to meet the requirement of the organization. Recruitment is the process of searching the candidate for employment and stimulating them to apply for jobs. The basic purpose of recruitment is to create a talent pool of candidate to enable the selection of best candidates to fill the vacant position in the organization. It is a positive process i.e. encouraging more and more employees to apply. As human resource management theories focused on methods of recruitment i.e. advantages of interviews, general assessment and psychometric test as employees selection processes. The recruitment process involves online and offline stages. It includes policies, advertising, job description, job application process, decision making, legislation, selection and training etc. Recruitment is almost central of any management process and failure in recruitment can create difficulties for any company including adverse effect on its profitability and in appropriate levels of staffing or skills. Inadequate recruitment can lead shortages and problems in management. There are various factors which affect the recruitment policies such as organizational objectives, personnel policies of the organization and its competitors, government policies on reservations, preferred sources of recruitment, need of the organization, recruitment costs and financial implications.

Theories of human resource management may provide insights in the best approaches to recruitment although companies unit have to use their in house management skills to apply generic theories within specific organization. It can be concluded that recruitment and selection is the major function of the human resource management.

In the back ground of the structural changes in the world economy, the development, deployment, and enhancement of human resources management is the vital resource and cannot be underestimated or ignored. It is well recognized fact that the success of a business is dependent on the ability of organizations which is directly proportional to the production and management of the

employees. People are important to both global corporations' survival and the wealth of nations. We are living in the era of where societal expectations of businesses have changed dramatically.

At the cornerstone of the discourses dealing with human resources (HR), corporate social responsibility, corporate governance, and sustainability, are their aspirations, and advancement. No progress can be achieved in the absence of this essential resource. There is a huge pressure on organizations, to ensure that the basic rights of humans are protected and respected both within them and the communities they operate. Now a days Human resource (HR) management has called for greater focus on social responsibility.

Another notable development is growing skepticism amongst the public regarding the ability of governments to resolve social and environmental problems. Consequently, increasing pressure is being placed on non-governmental organizations, the private sector, and institutions to apply business techniques to issues such as poverty reduction, and environmental protection. While the non-profit sector has traditionally spent decades working with governments to solve problems like poverty, public health crises, poor access to education, and environmental degradation, we are observing a surge of partnerships between corporate executives and leaders in the non-profit sector. This trend is significant and has served to transfer some of the skills and methods of the business sector into the non-profit sector.

The HR profession as a result, is gaining both respect and attention. As such, there are some trends which must be considered.

- Changing role
- Accountability
- War for talent
- Renewed People Focus
- Managing the Managers
- Weaker Society Interests

### **Significance of the Study**

- To determine the present and future requirement of the organization regarding – planning and job analysis activities.

- To increase the pool of job candidates at minimum costs.
- To meet the organization's legal and social obligations regarding the composition of its work force.
- To identifying and preparing potential job applicants who will be appropriate candidates.

### **Review of Literature**

Prasad, LM (2000) in his book entitled "Human Resource Management" has tried to place proper emphasis on the HR of the organization; Management of people is as old as the existence of organizations. He tried to place proper emphasis on the human resource in organization and presents the most recent development in the field and tried to relate these.

Gupta, K Shashi (2004) in his book entitled "Human Resource Management" tried to develop proper emphasis on Human Resource Management with human beings in an organization and also tried to emphasis on, no business or organization can exist or grow without effective management of human resource and also taking up different aspects of the subject such as Nature, Scope of Human Resource Management, Personnel Management, Human Resource Planning, Job Design, Job Analysis, Recruitment, Selection, Placement and Induction. According to Shashi K Gupta Rosy Joshi Recruitment is concerned with developing suitable techniques for attracting more and more candidates.

Gupta, L.B (2007) in his book entitled "Human Resource Management" tried to develop students knowledge of the basic concepts and practice of Human Resource Management. Recruitment is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in the organizations.

K.A , Swathappa in his book entitled "Human Resource Management" tried to reflect the focus on HR Professional to play the role of a strategy". Recruitment is understood as the process of searching for and obtaining applicants for jobs from whom the right proper can be selected.

Pattnayale, Biswajeet (2005) in his book entitled "Human Resource Management" tried to place the proper emphasis on problems in the organization are human related, as human beings are

dynamic and complex, and also tried to Manage the human resource in any sector is a challenging job. according to the Pattanayak Biswajeet Recruitment is the process of searching for prospective employees and stimulating them to apply for the job in the organization.

Rao ,P.S.V (2009) in his book entitled “Human Resource Management” tried to place of Personnel function is itself symbolic of this change. The personnel function has acquired a unique status and reputation in almost all service sectors, including banking, finance, insurance telecom, software from the traditional manufacturing and engineering fields. The HR function has enriched itself. Over the years by including within it a development dimension and thus moved itself from a reactive and maintenance oriented function to a proactive path breaking development oriented relations.

### **Research Gap**

From the foregoing review of literature it is clear that there are a number of research studies on the different aspects of recruitment practices with special reference to BHEL Haridwar .It is nevertheless found that there is a still dearth of research studies mainly focusing on the recruitment practices in BHEL in post liberalization and Globalization era . The present study conducted against this backdrop.

### **Origin of the Research Problem**

- Problem in achieving the organizational goals effectively and economically.
- Problems in the highest degree of the individual goals.
- Problem in acting as a change agent to effectively perform new function.
- Problems of organization development, quality of work life, organizational culture, career planning and development.
- Problem in upgrade the welfare of the community through individual development, developing better working relationships and effective utilization of human resource.
- Problem in long term Human Resource Planning.
- Problem in effectively managing a multicultural workforce across the difficult global locations



### **Research Methodology**

It has been the endeavour of the authors to make an empirical study, by analyzing and critically examining the relevant statistics, collected from primary as well as secondary sources. Primary data have been collected by using structured questionnaire, personal interviews, discussions and observations.

Secondary sources include published and unpublished sources. Published sources are newspapers, reports etc. Unpublished sources viz., the records maintained by the Government, studies undertaken by research institutions, scholars, executives and economists have served the purpose.

Further, a case study of BHEL, Haridwar have been made on the basis of the information provided by these organizations in order to make the study more concrete and valuable.

### **Objectives of the Study**

- To go through the recruitment practices in BHEL
- To highlight the recruitment methods observed in BHEL.
- To study the problems and challenges of recruitment practices in BHEL.
- To suggest corrective measures to overcome the problems and to increase overall efficiency of the organization.

### **Hypotheses**

In Order to Substantiate the above Objectives the following Hypotheses have been formulated:

- Recruitment practices needs to be streamlined in BHEL.
- Recruitment practices in BHEL is not satisfactory.
- Recruitment methods followed in BHEL does not determined the potential of the employees of BHEL.
- Problems and challenges of recruitment practices faced by BHEL have not been solved so far.

### **A Case Study of BHEL – Haridwar**

BHEL is the country's premier engineering organization and one of the NAVA RATNA PSUs (Public Sector Undertakings)

BHEL was established more than 40 years ago. Its first plant was set up in Bhopal. BHEL caters to core sector of the Indian Economy viz; Defence, Telecommunication, Industry, Transportation, Power, generation and Transmission. BHEL's network include :- 14 manufacturing division, 4 power sector regional sectors, 15 regional offices, 100 number of projects sites spread all over the India.

### **Contribution of BHEL's in Various Sectors**

**Power Sector:** BHEL is very important in power sector. BHEL supported sets, accounts and manufactures boilers auxiliaries piping and station CSI 500 MW

**Business Sector:** Business is the core sector of BHEL. BHEL play very important role in business sectors.

**Industry Sector:** BHEL play very important role in Industry Sector and also a major producer of large size thyristor devices. The product includes centrifugal compressors, high speed industrial drive turbines, industrial boilers and auxiliaries, gas turbines, electronic motors, device and control equipments, high voltage transformers, switch gears and heavy castings and forgings.

### **Transportation**

BHEL play very important role in transportation 65% of trains are equipped with BHEL's traction. Equipment include:

- Battery powered road vehicles and locomotives.
- Diesel shutting locomotives.
- Broad Gauge locomotives.
- HP AC locomotives with thyristor control.

### **Products of BHEL**

These are the products of BHEL:

- Hydro power plants.
- Electrical machines
- Dg power plants
- Compressors
- Boilers
- Boiler auxiliaries
- Piping system
- Power devices

- Thermal power plant
- Inductance and special ceramics
- Control gear
- Silicon rectifiers
- Capacitors
- Nuclear power plant
- Transformers
- Generators etc.

### **Recruitment Process**

The recruitment process of BHEL industry has two options:

- **Direct:** In this requisitions the candidate is searched through the applicant data bank and given offer.
- **Through Requisitions:** In through requisitions comprises of manpower requisitions from the organization.

After the approval of requisitions the applicants are short listed from the applicant data bank based on the position, experience, skill set, qualification as required from the requisition.

The short listed applicants are then called for an evaluation process that based on predefined steps for the respective positions. After clearing this stage an offer letter is given to the selected applicants. If the applicant is rejected the applicant goes back to the applicant data bank with appropriate status.

BHEL mainly recruits engineer trainees, supervisor trainees and Artisans etc.

If the vacancies are sanctioned, the recruitment is conducted according to the process.

#### **(a) For Engineer Trainees**

Full time regular bachelor's degree in Engineering or technology from a recognized Indian university/Institute with minimum 60% of marks.

#### **(b) For Supervisor Trainees**

Full time regular diploma in Engineering in the relevant discipline with minimum 60% of marks in aggregate of marks of all year/semesters.

### **Job Specifications**

Metric /SSSC + national Trade Certificate (NTC) in the relevant trade plus National Apprenticeship Certificate (NAC) with not less than 60% of marks for General and OBC candidates, and not less than 55% of marks for SC/ST candidates in both NTC and NAC.

The selection process involves written test followed by interview. The process by which the candidate, who apply, are short listed for inviting for written test and interview, is described in detail in the advertisements issued.

### **Suggestions**

- i) BHEL as an organization should consider more sources of recruitment as it will broaden their choice group and facilitate selection for eg. Field trips, unsolicited applicants.
- ii) BHEL consider deputed employees as a source of recruitment which can prove a very important source as cost over induction can be curbed in such an case.
- iii) BHEL should also categories their executives their executives into different groups so that more appropriate and concerning training could be imparted to the candidates.
- iv) BHEL can also employee experts in the selection committee for selection purpose.

### **Conclusion**

Recruitment and selection as seen are carried out in BHEL is a vital part of their human resource activities .BHEL have their selection procedures, policies and norms which come into play every time when selection are conducted. After critically examining the entire BHEL policies and procedures. I came to a conclusion that the company is in healthy position their profit have been increased in comparison to the last year. The recruitment procedure in BHEL is very good. It is seen that organization prefers big selection boards being cautious enough that the right and the most appropriate candidate is selected for the vacant post with valuable and experienced opinion of various field experts board definitely consists of personnel heads and CMDs. It is also seen that firms keep

specially appointed members for selection of SC/ST reserved seats. The pre-requisite of selection procedure is planning of budgets according to which various other aspects are decided. Induction training is becoming an integral part of the selection procedure with organization paying adequate or large time of selection process on induction. To make it more effective BHEL divided its executive recruits into groups through which selected candidates can be familiarized to their work groups more efficiently.

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# Recruitment and selection at Enterprise Rent-A-Car

## Introduction

Enterprise Rent-A-Car (Enterprise) was founded by Jack Taylor in 1957 in the basement of a car dealership in St Louis in the USA. The business began with only seven cars. Today, Enterprise is the largest car rental business in North America with more than 7,000 offices in the USA and more than 900 in Canada, Puerto Rico, the UK, Germany and Ireland. In 2007, Enterprise had 728,000 rental cars in use, employing over 65,000 people with an annual **turnover** of over £4.5 billion.

There are four operating units: Enterprise Rent-A-Car, Enterprise Fleet Management, Enterprise Car Sales and Enterprise Rent-A-Truck. Whilst customers within each of these markets need different products, all customers, whether business or private, need a speedy, convenient and reliable service.

The car rental market is increasingly competitive. Enterprise continues to expand its range of services to meet customers' needs. In addition to business rentals at airport and city locations, it also provides replacement cars for accident repairs, courtesy cars for garages and short-term holiday rentals for breaks or special occasions. Enterprise also offers a collection service to take customers to their hire cars.

Maintaining high levels of customer satisfaction is a key driver of **growth** for Enterprise. Enterprise emphasises delivering first-class customer service, regularly winning awards for its efforts in this area. Its small, local office structure and **entrepreneurial** team working means its employees are able to make decisions independently to achieve their goals.

This case study explores how Enterprise ensures it has the right people and skills to achieve its business **aims** and **objectives**.

## The role of Human Resource Management

The purpose of Human Resource Management (HRM) is to hire, train and develop staff and where necessary to discipline or dismiss them. Through effective **training** and **development**, employees at Enterprise achieve promotion within the company and reach their full potential. This reduces the need for external recruitment and makes maximum use of existing talent. This is a cost-effective way for a business to manage its people.

The HRM function not only manages existing staff, it also plans for changes that will affect its future staffing needs. This is known as **workforce planning**. For example:

- the business may grow into new markets, such as Enterprise moving into truck rental
- it may use new technology which requires new skills e.g. global positioning equipment
- staff may retire or be promoted, leaving gaps which need to be filled.

There may also be external changes in the **labour market**, meaning that there will be fewer skills available or too many in a particular area. HRM monitors all of these things in planning recruitment **strategy**. This places the HRM function in a central role in the business because all managers use this expertise to acquire staff.

Enterprise has a policy of promoting its managers from within its existing workforce. This means the business must recruit people with the potential to grow. Each year, Enterprise recruits an average of 1,000 staff into its graduate recruitment programme in the UK and Ireland. To achieve its aims and objectives, Enterprise needs staff who are motivated and who possess initiative and drive.



### CURRICULUM TOPICS

- Human Resource Management
- Attraction
- Recruitment
- Selection

### GLOSSARY

**Turnover:** the total value of all sales made in a given period of time. Sometimes referred to as sales revenue.

**Growth:** means of achieving a proposal for expansion.

**Entrepreneurial:** self-motivated and willing to use initiative in pursuit of profits.

**Aims:** the general end purposes towards which an organisation focuses its activities.

**Objectives:** the end purposes that an organisation or individual seeks to achieve.

**Training:** activities designed to improve the competence and ability of individuals in order to better enable an organisation to meet its objectives.

**Development:** a process, an activity or the anticipated result of a process or an activity.

**Workforce planning:** involves estimating future human resource requirements and ensuring the firm has the right number of people, in the right place, with the right skills at the right time.

**Labour market:** the collective pool of available workers in an area.

**Strategy:** long-term business plan of an organisation.





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#### GLOSSARY

**Diversification:** offering new products or services to different markets.

**Recruitment:** attracting interest from suitable candidates in the labour market.

**Interns:** university students obtaining practical work experience.

**Mentoring:** providing guidance and training for a new recruit. A mentor may be a line manager or colleague.

**Diversity:** different types of things or people - e.g. a workforce that contains people of different backgrounds, races and sexes.

**Culture:** the typical pattern of doing things in an organisation.

**Values:** what a company stands for.

**On-the-job training:** training undertaken whilst doing the job.

## Attracting applicants

Promoting managers and offering career opportunities from within the company has a positive affect on Enterprise. Employees remain happy, will stay longer and give their best. However, with growth and **diversification** there is always a need for external **recruitment** to provide new skills or increase the business capacity for expansion.

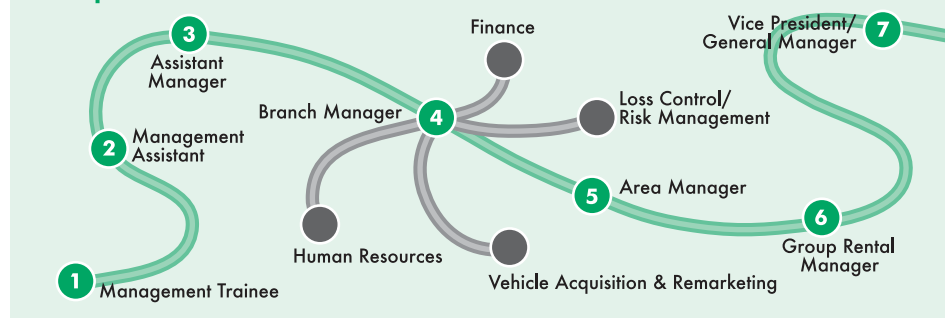
In order to attract high quality candidates, Enterprise is raising the company profile within UK universities using Campus Brand Managers. These are students or **interns** who work for Enterprise and act as liaisons for potential applicants. Other activities in universities to attract interested applicants include:

- presentations on the company
- relationships with clubs and organisations
- attending Careers Fairs
- 'drop-in' sessions
- skills sessions and
- **mentoring** programmes.

Students can also visit Enterprise and spend time learning about how it does business and what opportunities it offers.

Enterprise offers a good salary and training as part of its benefits. However, the real attraction is the chance of a career rather than just a job. Most employees start out as Management Trainees with the potential to progress to Vice President/General Manager. Employees also have opportunities to specialise in specific areas such as finance, human resource management, vehicle acquisition, risk management and many others. This allows individuals to develop their career path as they progress within the company.

#### Enterprise Career Path



Enterprise makes every effort to ensure that its workforce is representative of the cultural and ethnic **diversity** in the wider population. Job advertisements state: 'Enterprise Rent-A-Car seeks and values people of all backgrounds because every employee, customer and business partner is important. We are proud to be an equal opportunities employer.'

Through its 11 local UK and Irish teams supporting recruitment, Enterprise ensures that the staff in its branches reflect the areas they serve. This helps to develop a 'culturally aware' workforce.

## Recruitment

Enterprise's online recruitment process is an important part of its strategy. This improves the speed and efficiency of the application for both the company and the applicant. The website provides a registration function and lists available jobs. It also provides a lot of information about the Management Trainee role and the company **culture** and **values**. This allows applicants to get a good idea of whether Enterprise would suit them.

New recruits can enter the business in different ways.

- An 'internship' scheme is available for first and second year university students. This gives students an opportunity to work with Enterprise. Students gain valuable experience and there is the possibility of becoming a full-time employee after graduation. Interns participate in an initial classroom-based training session. After this, they work in a branch office where they begin **on-the-job training**. Interns take on the same responsibilities as management trainees and learn about sales, marketing, customer service, business management and administration support.





- The Enterprise Graduate Management Trainee programme offers graduates a fast-track career path with opportunities for self development and quick progression. Within as little as 8-12 months, they can move up to a Management Assistant then on to Assistant Manager. The role includes providing a great customer experience, marketing the business and selling the service, as well as dealing with business partners such as insurance companies, dealerships and auto body shops.

*'To be honest, I didn't really know much about the company until I came across the website. I was looking for a place where I could develop my career. I think the best thing about working here is that I've been given the chance to prove myself. I've achieved so much in such a short space of time.'* Kevin, Assistant Manager.

*'I know my talent is not going to waste. I hadn't been with the company a year when I was made Assistant Manager. The training programme has taught me so much about running my own area of the business that I cannot wait to become a Branch Manager.'* Noushin, Graduate Management Trainee, now Assistant Manager.

Enterprise advertises its vacancies and opportunities across a wide range of media. This includes media such as newspapers, magazines and online.

To target graduate recruits, Enterprise has developed a dedicated recruitment brand and website - 'Come Alive'. The website shows potential employees the benefits of career opportunities with Enterprise and provides a medium through which students can submit their applications. It also presents profiles of Enterprise employees with their career stories.

Enterprise also uses specialist graduate recruitment websites at peak times throughout the year in order to attract the maximum audience. Approximately 50% of its total UK and Ireland workforce is recruited via the website strategy.

## Selection

**Selection** is the process of identifying the best candidate for the role in question. This is important as the candidates who apply may not always have the correct set of **skills** and **competencies** required by the business. Enterprise seeks competencies in its recruits both for an immediate job role and also for development over the longer term to support the business growth. HR managers often use standard documentation in order to match job roles with personal qualities and skills. These include:

- the **job description** - this summarises a job role within an organisation and lists the main tasks
- a **person specification** - this highlights the characteristics a candidate needs for a post, as well as the desirable qualities the company is looking for.

Enterprise combines the person specification within the job description by using a skills and competencies framework.

Skills/abilities required by Enterprise	Competencies/behaviours needed	Benefits to Enterprise business
Customer service focus	Sees issues/needs from a customer perspective	Provides customers with the exact service they need
Persuasiveness	Adapts to suit the audience	Deals with all types of customers including complaints
Flexibility	Deals with challenges, demonstrates resilience, able to prioritise	Copes with changing circumstances
Results driven	Creative about getting things done, thrives under pressure, organises work	Delivers to high standards
Leadership ability	Works cooperatively, takes ownership, seeks leadership	Grows the leaders and managers of the future
Communication	Plans important conversations, confident and articulate	Supports the professional Enterprise reputation



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### GLOSSARY

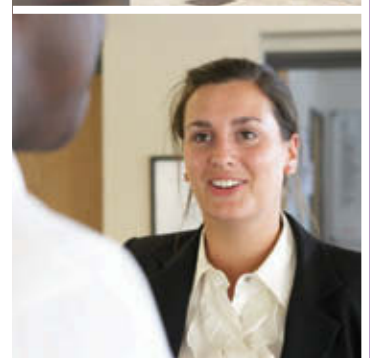
**Selection:** the process of choosing which person to appoint from those that apply for a job vacancy.

**Skills:** specific abilities, attributes and techniques.

**Competencies:** the level of knowledge and skill required to enable a person to achieve a standard in a job or task.

**Job description:** a document setting out the key responsibilities and tasks involved in performing a particular job.

**Person specification:** details of the personal qualities an individual will need to perform a particular job.





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## GLOSSARY

**Screen:** initial checks to see that applicants meet the basic requirements for employment.

**CV:** a document setting out a job applicant's background, qualifications, experience and interests.

**Coaching:** providing feedback and support for staff to help them improve their performance in their role. The coach is often a line manager but may be a colleague.

**Service-orientated:** when the organisation's behaviour is centred on meeting customers' needs.

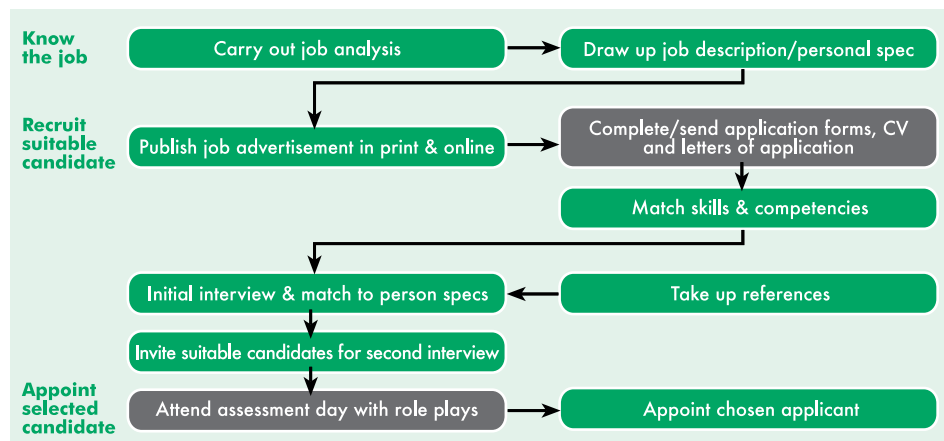


[www.enterprise.co.uk](http://www.enterprise.co.uk)

The Enterprise selection process offers candidates several opportunities to show their best in different situations:

- To **screen** candidates, Enterprise recruitment managers compare the online application forms (which reflect candidates' **CVs**) to the skills and competencies the role needs.
- Candidates then have an initial face-to-face interview with an Enterprise recruitment manager.
- This is followed by an interview with a branch manager.
- From this, selected candidates are invited to an assessment day.

The assessment day is a standard part of the Enterprise recruitment process. Candidates take part in practical exercises, including role-play, as well as individual and group activities. Role-play is a valuable way of testing core skills like communication and customer service. Enterprise can assess a candidate's performance by different methods and in different work related tasks. This makes the selection process fairer. Areas tested include customer service skills, flexibility, sales aptitude, work ethic, leadership and teamwork. The assessment day ends with another interview with a senior manager in order to make the final selection.



The different parts of the selection process help to identify the qualities the company is looking for. For example:

- Sarah is now an Enterprise Training Manager. She is responsible for creating and delivering multiple training programmes to improve employee performance and productivity at Enterprise. She also provides feedback to management on employee performance. At selection, Enterprise had picked out her communication skills, leadership and work ethic. From initial training Sarah moved to Assistant Manager, Branch Manager then to Area Manager, then into her current role.
- Laurent is an Area Manager. The selection process highlighted within him a keenness for sales and a real care for customers. This enabled him to take on the challenges of responding to changing customer needs whilst meeting business aims and objectives. His role includes leading managers of several rental branches to develop a culture of customer service and sales. Through **coaching**, mentoring and training, he motivates his team by recognising and rewarding their achievements so that they can meet their business goals.

## Conclusion

A **service-orientated** business like Enterprise must deliver perfect service every time to keep customers satisfied. An unhappy customer is unlikely to come back. Enterprise operates in a highly competitive marketplace. In order to continue its growth and expansion, Enterprise focuses on delivering very high levels of customer satisfaction.

Its strategy of recruiting people with the right skills and competencies helps the business to carry out its aims and objectives. In order to keep these key skills in the business, Enterprise provides continuing development and training for its people as they progress along a long-term career path.

## Questions

1. Identify three reasons why Enterprise uses workforce planning.
2. In a competitive market, what does Enterprise do differently to attract high quality candidates?
3. What competencies does Enterprise look for when recruiting in order to maintain its high levels of customer service?
4. How does Enterprise's strategy of providing a career path benefit the company?



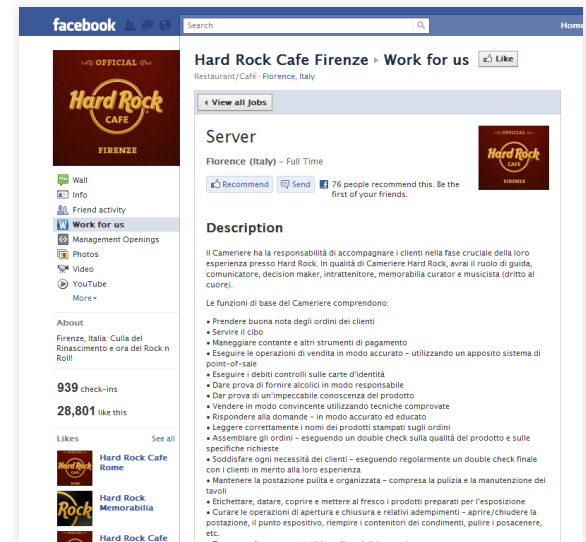
### Challenge

Hard Rock Cafe is an **international restaurant franchise** with a **strong internal culture** and external brand, and it recruits individuals that fit this unique culture. For its new venue in Florence (Italy), **Hard Rock decided to supplement its hiring with Facebook**, since traditional channels often proved slow and inefficient for sourcing candidates. Hard Rock not only needed to source 120 server to manager-level positions in four weeks, but also had to **find candidates** that fit their unique culture.

### Solution

- Hard Rock recognized that its consumers and candidates were often the same person, and launched a **multi-faceted Facebook campaign** to leverage their strong ‘fan brand.’
- Hard Rock created a Facebook page from scratch, installed the [Work for Us app](#), and uploaded their open positions. They allowed candidates to submit applications **directly within Facebook**.
- They also ran Facebook Ads targeting people around Florence who ‘liked’ such items as ‘Rock and Roll’ and particular rock bands. **Dynamic demographic and interest targeting** honed in automatically on users that responded most to the job content.
- Fans brought to the Page by ads could use social features embedded within the app to socially broadcast jobs. This drove viral fan growth, as the Page went from **0 to 1,000 fans in less than 24 hours** and to **6,100 fans in 4 days**.
- The Hard Rock team responded to applicant questions on the Page’s wall, although **a community quickly developed** as users positively engaged each other.
- The app combined highly targeted ads, embedded social features, and a seamless application process to acquire 10,000 fans and 4,000 applicants in four weeks. The Hard Rock team conducted 1,000 interviews and ended up hiring 120 individuals through the app. **95% of candidates extended offers accepted** them, a testament to the pre-qualification of candidates via targeted ads and social features.

Converting fans to hires through social engagement and branding



# Successes

## Cost-effective hiring

- Hard Rock traditionally spends around \$25,000 on recruitment advertising for new venues. However, the Facebook campaign cost around \$2,000.
- This resulted in a **cost per fan of \$0.20**, a **cost per applicant of \$0.50**, and a **cost per hire of \$16**.

## Talent community in a high turnover industry

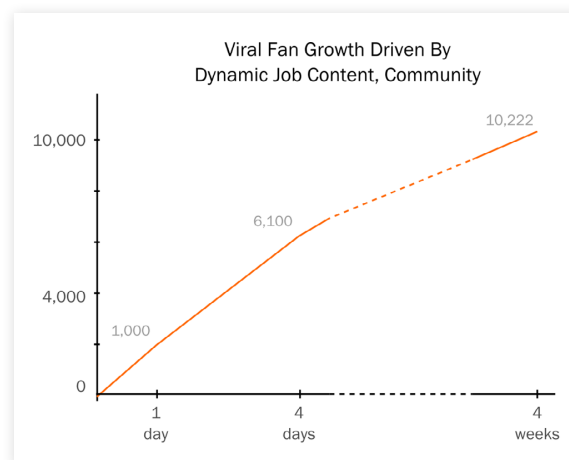
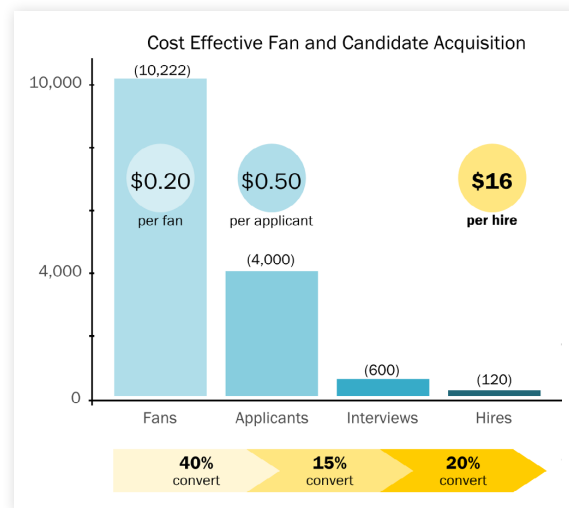
- The [Work for Us app](#) created a single point of contact between candidates and the company and thus fostered a **high quality talent community**.
- Even fans that did not initially apply for jobs or were not hired continued to be fans. The fanbase continued to drive fan and candidate growth, and **the page reached 25,000 fans two months after opening**.
- Jobs remain open and recruiters reach out to the Page's community directly whenever new hires are needed. Indeed, the Page remains a significant source of candidate traffic.

## Positive employer branding and engagement

- By attracting candidates that were passionate about the company, Hard Rock created a vibrant community that supported its employer brand. These engaged fans both supported Hard Rock's unique ethos and acted as employer brand advocates.

## The Bottom Line

Hard Rock leveraged the Work for Us app's targeted Ads, social features, and simple application process in conjunction with their strong fan brand. The app allowed Hard Rock to **rapidly grow their fan base**, **convert fans to quality hires**, and **create a sustained talent community**.



## WORK4LABS

Work4 Labs is the world leader in social recruitment technologies. Work4 Labs' breakthrough apps allow companies to post jobs to their Facebook Page, as well as distribute jobs via Facebook Ads, advanced referral features, and embedded social broadcasting. Work4 Labs also develops Jobs for Me, the largest network of university career centers and vertical job boards on Facebook.

Over 8,000 companies use Work4 Labs' products, including Citibank, Accenture, Oracle, Microsoft, KPMG, Intel, PwC, L'Oréal, Adecco, Manpower, and Randstad. Work4 Labs was founded in 2010 and has offices in San Francisco and Paris.



# Developing people through training

## Introduction

The Forestry Commission is a **government department**, making it a **public sector** organisation. Its **mission** is 'to protect and expand Britain's forests and woodlands and increase their value to society and the environment'. It is Britain's largest land manager and is responsible for some of the UK's most spectacular landscapes. Over the last 20 years it has expanded Britain's woods by an area more than three times the size of Greater London.

However, that is not the whole story. The Commission's 3,000 staff also:

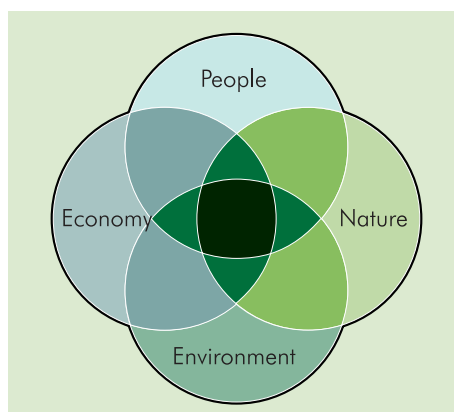
- manage forestry land owned by the government, including 15,000 miles of roads and 2,300 bridges
- support and **regulate** the use of privately-owned forests and woodlands
- plant and renew forests
- restore landscapes
- develop open forestry spaces to provide forest walks, concert venues, bike trails and even wind farm sites
- help to protect Britain's trees from pests and diseases
- contribute to **wealth generation** by providing jobs and selling products. For every £1,000 raised from timber and forestry, another £3,000 is generated to the UK economy from associated products and services, for example, tourism, paper and food
- represent the UK at international forest-related talks and negotiations.

The Forestry Commission has always placed operating in a 'green' manner top of its agenda. It balances four related needs: people, nature, environment, economy.

The Forestry Commission takes a long-term view about how it can help create a better environment for everyone in this country. For example, forests:

- if sustainably managed, provide many benefits. The Forestry Commission ensures its forests are sustainably managed and encourages private owners to do so too
- provide extremely low carbon sources of energy and fuel
- provide us with the lowest energy-consuming and carbon-emitting building materials available
- help to absorb carbon emissions from other industrial activities
- provide a micro-climate for many species of insects and animals – for example, oak trees support more than 600 species of plants and animals
- provide recreational outdoor spaces that contribute to healthy lifestyles. Over 50 million visitors each year to Forestry Commission sites generate more than £2 billion in revenue
- create employment within the forestry and other industries, such as construction, tourism and engineering.

The case study will show how training and development is central to the work of the Forestry Commission and how it benefits the career development of its people. It will particularly highlight the work of Julie McMorran, a civil engineer with the Forestry Commission, for whom training and development has provided the springboard to promotion.



### CURRICULUM TOPICS

- Roles and responsibilities
- On-the-job training
- Off-the-job training
- Learning & development

### GLOSSARY

**Government department:** A body set up by government to run a particular activity on their behalf.

**Public sector:** That part of the economy that is owned and managed by the government.

**Mission:** Overall purpose, providing direction for an organisation.

**Regulate:** Supervises the way in which activities, resources or businesses operate.

**Wealth generation:** Processes through which members of a society become better off.





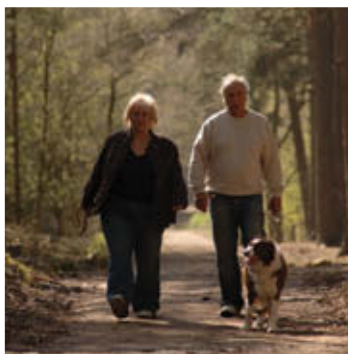
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#### GLOSSARY

**Job role:** The tasks and responsibilities of a worker within an organisation.

**Middle management:** Managers who operate at a level below senior management but above supervisors and workers.



## Roles within the organisation

A **job role** is made up of the tasks and responsibilities a person takes on at work. The Forestry Commission needs a wide range of skills and abilities to fulfil its variety of roles. People can join at different entry levels.

Entry level	Examples
Modern apprenticeship	People interested in becoming a forest craftsperson can undertake an apprenticeship in forestry. Apprentices work alongside experienced staff.
GCSE/'A' level	People with GCSEs or 'A' Levels can enter a range of support roles such as in personnel, finance or estate management. These are generally office based.
National Vocational Qualifications	NVQs in, for example, engineering, forestry or countryside management can lead to roles managing vehicles or planning forestry operations.
Graduate and Post-graduate	Graduate job roles include forester, engineer or scientist. Graduates can also take on roles as education rangers, working with schools and youth groups. The Commission offers a three-year graduate training programme.
Work placements	For students interested in finding out more about working for the Forestry Commission, a number of short-term or seasonal placements are available.

There are different levels of responsibility within the organisation:

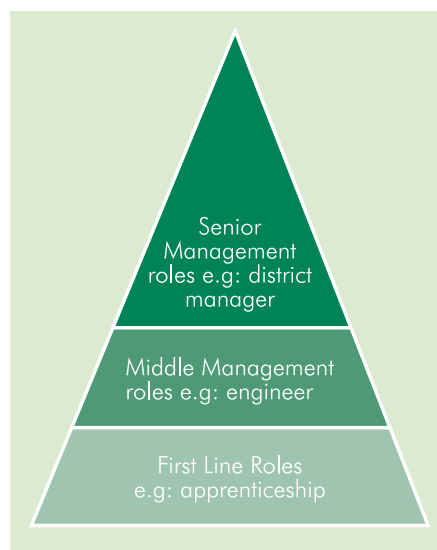
Murray Livingstone recently started a two-year apprenticeship with the Forestry Commission. Murray works in the West Argyll Forest District as a forest craftsperson, harvesting trees for timber. His initial training involved learning about different types of machines and health and safety on the forest site. This is a first line job which one day could go on to a **middle management** post as a senior Forester.

Julie McMorran is a civil engineer. Some of her projects involve building new roads and bridges for timber lorries to get in and out of forestry areas. Alternatively, she might create concepts, and design and test models for footbridges, walkways or towers. These form part of the Forestry Commission's recreational work for walkers, cyclists or even theatre events.

At a higher level within the organisation, Gordon Donaldson is a Forest District Manager. His work includes managing the restoration of forest land at Loch Katrine in Scotland. This involves removing non-native plants and re-establishing farming of highland cattle in the area.

All employees working with the Forestry Commission receive good rates of pay, which can rise steadily with greater responsibility. For example, a Senior Project Engineer is currently paid up to £41,000 per year. Other benefits include a company car.

The Forestry Commission promotes employees from within the organisation. Whether employees join with qualifications from school, college or from university, they have the opportunity of a long-term career path. The Forestry Commission benefits by keeping its trained staff, which is less costly than recruiting new ones.



## The importance of training

Training provides the opportunity to gain or improve relevant skills or knowledge. The Forestry Commission invests heavily in a range of training essential for the organisation's growth and development:

- health and safety training, for example, in the safe use of equipment and pesticides  
Regular refresher training is required under health and safety laws
- technical skills, such as how to handle and work safely with powerful machines
- other skills such as communication and leadership. These are required, for example, by employees in both logging areas and tourism roles
- customer care skills necessary for working with the public, other organisations and internal customers.

The Forestry Commission has a culture of **Continuous Professional Development (CPD)**. This is supported by a system of regular **appraisals**. An appraisal involves employees reviewing performance with their line managers to identify areas where they want or need to learn more. They then develop a training plan to fill the gaps. Part of the appraisal involves setting SMART objectives so the trainee knows what to expect.



The Forestry Commission is proud of its status as an **Investor in People (IiP)**. This award is given to organisations that show a high commitment to looking after the needs of all their people. It sees training as an investment that helps the organisation to meet its aims and objectives. Training allows staff like Julie McMorran to engage in learning that has clear links to their current or future roles. Julie wants to take more responsibility for her work so she is now studying for a Masters Degree in timber engineering.

Training can motivate employees and help them to work their way up through the organisation. They can develop their skills and knowledge to allow them to take their next career step. Becoming office manager might be the next step for an administrative support worker. A forest craft worker might move up to become a works supervisor.

## Types of learning and training

**'On the job' training** involves training at work. This is the best way of learning practical work based skills. The trainee learns by carrying out real work tasks under instruction from a colleague, trainer or manager. For foresters this includes how to plant new seedlings and protect them from the cold and heat. Methods include:

- coaching - the coach guides and instructs the trainee
- mentoring - a mentor, a more experienced person, provides advice and support
- secondment - an employee goes to work elsewhere for a short period to learn useful skills.

An apprentice will combine work with a more experienced forester who will help and guide them, with formal studying for a qualification. On-the-job training is cost-effective.

**'Off the job' training** involves attending courses and training events away from the workplace, for example, Julie's university degree. Benefits include the opportunity of meeting other people in similar roles and discussing new ideas.

The Forestry Commission invests heavily in training for managerial development. This provides the leaders of the future. Through the appraisal process all employees have a **Personal Development Plan (PDP)** which highlights their strengths and weaknesses. This makes it possible to build on the strengths and improve areas of weakness through training and development. The Forestry Commission's Leadership Programme helps a manager learn to take on more responsibility. This may be through:

- 360° feedback - managers are given feedback on their way of working from above (by their line manager), from below (by those working for them), from the side (by peer workers)
- specialist courses at development centres
- formal study or distance learning, like Julie's Masters Degree.



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### GLOSSARY

**Continuous Professional Development (CPD):** Where workers maintain or increase their knowledge and skills throughout their professional lives.

**Appraisal:** An assessment of an individual's progress. A manager meets with a subordinate to review their work and agree on future objectives.

**Investors in People:** An award given to organisations that have met tough checks to demonstrate that they look after the needs of employees.

**On-the-job training:** Training undertaken whilst in the course of doing a job i.e. with an experienced person immediately to hand.

**Off-the-job training:** Training undertaken away from the workplace, e.g. block release at college.

**Personal Development Plan (PDP):** A written plan setting out ways in which individual employees will have their training and development needs met.







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## GLOSSARY

**Competency:** An area of activity in which a firm is particularly strong e.g. research and development and product innovation.

**Chartered engineer:** An engineer with a Masters Degree who is registered with the Engineering Council.



www.forestry.gov.uk

The Forestry Commission has created a **Competency** Framework of the skills required by the organisation and its employees. For a mechanical engineer this would include:

Job Role	Responsibilities	Skills and capabilities required
<ul style="list-style-type: none"> <li>Mechanical engineer</li> </ul>	<ul style="list-style-type: none"> <li>Managing a workshop</li> <li>Managing budgets</li> <li>Inspecting, maintenance and repair of vehicles and machinery</li> </ul>	<ul style="list-style-type: none"> <li>People management</li> <li>Financial management</li> <li>Technical skills</li> <li>Problem solving</li> </ul>

Identifying individuals' skills gaps makes it possible to design appropriate training for them. This might include taking a higher degree or updating Health and Safety training.

## Training in action

A good way of looking at how training works at the Forestry Commission is to examine the training opportunities provided for Julie McMorran. The following profile highlights how the training she has received has developed her career:

*'Engineering at the Forestry Commission is different from that on a typical 'construction site'. This attracted me to the job. I enjoy the fact that I can take an idea, create a design and then see it through to the final product. No two days are ever the same.*

*Whilst working for the Forestry Commission I have had excellent internal training on such topics as Health and Safety and new legislation. In addition, the Forestry Commission sponsored me to upgrade my vocational qualification in engineering to degree level. Following discussions with my manager, I am now studying on a full time post-graduate course for a Masters degree in timber engineering. This is also sponsored by the Forestry Commission. This will help me gain **Chartered Engineer** status and enable me to manage projects fully, taking overall responsibility for certification of these structures.*

*Training and development has benefited me in personal and professional terms. I have been promoted twice in the last three years. It also benefits the Forestry Commission. The new contacts I have made through the University generate new ideas and networks for research. My training gives me and the Forestry Commission early insights into industry advancements and new legislation. This advantage means we can adjust plans to meet the requirements.'*

## Conclusion

People who work for the Forestry Commission perform a wide variety of jobs. They are all important in contributing to the overall aims and objectives of the organisation. To carry out their roles effectively they need training. Development helps them to grow as individuals and take on extra responsibility, which adds value to the organisation.

The Forestry Commission's investment in training and development enables employees like Murray Livingstone, Gordon Donaldson and Julie McMorran to develop more confidence in their roles. It also allows them to become more equipped to achieve their own and the organisation's objectives. The result is a better managed 'green' forest resource that everyone can benefit from – people, animals, plant life, and our planet.

## Questions

1. What is a job role? Give two examples of job roles at the Forestry Commission. How can a job role be widened?
2. Define a) 'on-the-job training' and b) 'off the job training'. Illustrate the difference by giving examples of the two types of training at the Forestry Commission.
3. Why is training important to a) an employee of the Forestry Commission, and b) The Forestry Commission?
4. How has training helped Julia McMorran?



# Developing a motivated workforce

## Introduction

In 1954 the UK Atomic Energy Authority began work on building and running nuclear reactors and research facilities. By the 1980s the environmental problems of nuclear waste had become an issue for the UK government. The waste materials and spent fuels had to be safely dealt with. The decommissioning of early reactors became necessary requiring the safe clearance and decontamination of nuclear sites.

In 2005 the government brought this work under the control of a new organisation, the Nuclear Decommissioning Authority (NDA). NDA does not directly manage the UK's nuclear sites. It oversees the work through contracts with specially designed companies known as Site Licence Companies. NDA determines the overall strategy and priorities for managing decommissioning. Although NDA itself only employs around 300 staff, its annual budget is £2.2 billion. The vast majority of this is spent through the contracts with the Site Licence Companies, who also sub contract to other companies which provide specialist services.

NDA's **objectives** are to:

- eliminate site hazards and develop waste solutions
- ensure the highest standards in safety, security and environmental management
- build an effective world-class industry
- gain full approval and support from stakeholders (employees, contractors, government, local communities and the general public)
- make best use of assets and maximise value-for-money.

Achieving NDA's goals is critically dependent on people – those employed by NDA and those working for the contractors. In order to achieve its objectives NDA and the industry must recruit and retain talented staff. This is challenging due to the high retirement rate in its ageing workforce. Jobs may involve moving to remote parts of the UK. In addition to this, there is some public prejudice against nuclear power and its perceived safety which could discourage new recruits. Many people are not aware that the nuclear industry must meet the highest standards of safety for its people.

NDA holds '**Investors in People**' status. This shows that the organisation works hard to meet the needs of its employees. It does this through its **human resources** (HR) strategy which involves:

- retaining and re-skilling staff through specialised training courses
- encouraging more GCSE science students through the Energy Foresight programme
- direct sponsorship of students at university studying relevant courses
- an industry-wide nuclear graduate scheme giving two years professional development
- linking with national initiatives such as the establishment of the National Skills Academy for Nuclear (NSAN) to co-ordinate the industry's training opportunities, National Vocational Qualifications (NVQ), apprenticeships to foundation degree level
- the promotion of postgraduate research at universities, nuclear companies and specialist centres such as the National Nuclear Laboratory.

This case study will show how developing a motivated workforce enables NDA to deliver safe and sustainable solutions to nuclear clean-up and waste management.

## The value of motivation

**Motivation** refers to the energy and commitment with which an individual or group performs a task or role. It affects almost every aspect of business. At the most basic level, motivated staff work harder. They may get more done in less time which reduces labour costs. This shows in higher **productivity** for the business.



### CURRICULUM TOPICS

- Motivation theory
- Business growth
- Job enrichment
- Financial/non-financial benefits

### GLOSSARY

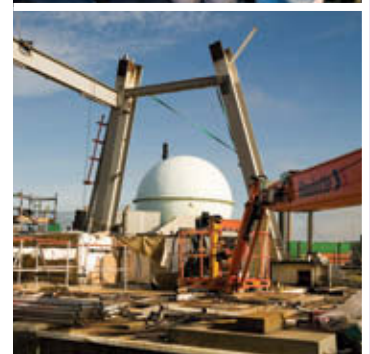
**Objectives:** the end purposes that an organisation or individual seeks to achieve.

**Investors in people:** an award which shows the organisation looks after the needs of employees.

**Human resources:** the function within business responsible for an organisation's people. This function deals with workforce planning, recruitment, training and pay issues.

**Motivation:** attracting a person to do something because he or she wants to do it.

**Productivity:** a measure of output compared to inputs.





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#### GLOSSARY

**Absenteeism:** people not being in the place they are expected to be, especially school or work.

**Leadership:** the ability to inspire others to achieve an organisation's goals.

**Competitive advantage:** a strategic element that enables an organisation to compete more effectively than its rivals.



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However, it is not just the level of output that improves. Motivated staff work to higher standards of quality because they care about what they are doing. They learn faster and have more ideas. They are less likely to cause accidents, make mistakes or get involved in conflict. Motivated workers make a more favourable impact on customers and other stakeholders. They are also less resistant to change and require less supervision. An unmotivated workforce could have a negative impact on the business through:

- lower productivity
- more accidents
- higher rates of **absenteeism**
- more conflict
- less readiness to learn or change
- more need for supervision.

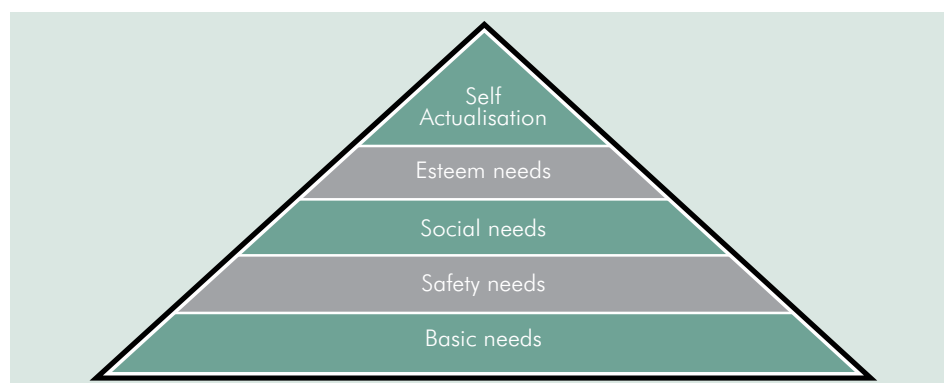
Achieving a motivated workforce is neither cheap nor easy. However, the expense and effort can be well rewarded. The style of **leadership** and management associated with a motivated workforce is difficult to copy. This makes motivation a potential source of **competitive advantage**.

The earliest effort to explain motivation at work was published in 1911 by Frederick Taylor. As an engineer, Taylor saw the need for a scientific approach to improve productivity. His findings led employers to break down work into simple repetitive tasks and to pay workers strictly by results. While this style of 'scientific management' was very successful in mass production industries (early car assembly is a good example), it is not effective in today's knowledge-based industries. NDA does not employ staff as a 'pair of hands' but needs commitment from the whole person, including their ideas and innovation. The skilled roles its people carry out are complex and often unique.

From his research at the Hawthorne plant of the Western Electric company in Chicago in the early 1930s, the theorist Elton Mayo concluded that motivation relies on teamwork and the importance of managers taking an interest in the workers. In practice, this requires good communication, an employee involvement in decision making and a focus on the well-being of the workforce.

## Motivation and business growth

In 1943 the US psychologist, Abraham Maslow proposed that people are motivated by a 'hierarchy of needs'.



Maslow suggested that people are motivated by different things. He argued that once a level of need is satisfied, it loses its power to motivate and the next level takes over. This means for example, that offers of better pay alone will not satisfy someone who is looking for more self esteem. This is recognised by leaders and managers at NDA. For example, pension schemes help to meet safety needs. Self-actualisation may be reached through training opportunities, such as the management development programmes, or promotion.

In 1960 Douglas McGregor described two distinctive styles of management: Theory X and Theory Y. In Theory X managers believed workers needed discipline - a Taylorist and authoritarian approach. By contrast, Theory Y saw self-motivated employees with complex needs and a natural urge to be creative. This second view is shared by NDA whose employees need to be self-directed in their work and ready to accept high levels of responsibility.

Management beliefs about the workforce	
Theory X	Theory Y
<ul style="list-style-type: none"> <li>• people dislike work</li> <li>• they need control and discipline</li> <li>• they do not want responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• people want to work</li> <li>• they can be self-disciplined</li> <li>• they seek responsibility</li> </ul>

The NDA Way shows how the organisation demonstrates its values. These values provide the setting for motivating its employees. The NDA Way includes:

- *'always acting safely and responsibly*
- *building talent and teams*
- *being open and transparent*
- *challenging ourselves and our contractors*
- *confronting problems*
- *delivering what we promise*
- *learning from experience.'*

This model allows both Maslow's lower order and higher order needs to be met by providing a safe, secure environment and good conditions, increasing skills and developing talent, and challenging people to improve.

## Motivation in practice

A particularly valuable way of understanding how real jobs can meet human needs was developed by Frederick Herzberg in his 'two factor' theory of motivation. He found that achievement, recognition, responsibility and interest in the work were the true motivators. Company policy, supervision, work conditions and pay did matter, but could not motivate. These 'hygiene factors' could cause dissatisfaction if they were absent or inadequate. Improvements in the hygiene factors would prevent dissatisfaction but would *not* provide motivation.

The financial rewards of a job are an essential part of this contract between employer and employee. In effect they are the market price of an employee's services. Although publicly-owned, NDA offers pay and conditions that are in line with similar private sector industries. This is important in enabling the company to attract talented and highly qualified staff. Pay may also be structured to reward performance.

- **Piece-rate** is a traditional method of payment but is only relevant if output can readily be measured.
- Commission payments, which directly reward staff for achieving sales, are also unsuitable for NDA.
- **Performance related pay** has become popular. This rewards employees who achieve their agreed targets. NDA sets personal and organisational targets that trigger additional payments.

More highly skilled employees look for long-term progression in their careers. This helps them meet their higher order needs. Much depends on the **training** and **development** opportunities within an organisation. For many staff this growth in personal capabilities directly increases job satisfaction. It also makes promotion more likely. This in turn brings increased responsibility, status and esteem.

A job can also provide many non-financial benefits and **incentives**. Holidays and **fringe benefits** such as health insurance are examples of Herzberg's hygiene factors. Their absence or issues like poor administration can be major dissatisfiers. NDA offers generous leave, a good working atmosphere with a strong emphasis on communication and extensive support when staff need to relocate. This builds employee loyalty thereby reducing staff turnover.

## Meeting individual and business needs

The extent to which jobs meet people's needs depends on their design. Some firms attempt **job enlargement** by giving staff extra tasks or responsibilities. Others have introduced **job rotation** where staff exchange jobs of comparable skill around the organisation. In some organisations this can just lead to employees moving from one boring job to another.



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### GLOSSARY

**Piece rate:** an amount received for every item produced.

**Performance related pay:** pay increases are dependent on the performance of individuals and the organisation as a whole.

**Training:** activities designed to improve the competence and ability of individuals in order to better enable an organisation to meet its objectives.

**Development:** activities designed to further the personal needs of individuals.

**Incentives:** for example, a bonus payment to achieve greater productivity.

**Fringe benefits:** non-financial rewards which form part of a remuneration package. Examples include company cars, medical insurance.

**Job enlargement:** increasing the scope of a job role by giving workers extra duties or responsibilities.

**Job rotation:** moving an employee from job to job.



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#### GLOSSARY

**Job enrichment:** making work more interesting by improving the content and variety of tasks undertaken by an employee.

**Empowerment:** giving responsibility for making decisions to lower levels within the organisation.

**SMART:** a way of ensuring that objectives are specific, measurable, achievable, realistic and time related.

**Work-life balance:** creating conditions for staff that allow work and home commitments to be balanced.

**Culture:** the typical pattern of doing things in an organisation.

**Investment:** putting funds to use in the hope of securing returns later.

At NDA, however, it ensures that its staff become proficient across a range of skills making work more interesting and challenging. It also builds flexibility into the workforce.

In **job enrichment** a group of employees complete a whole stage of production and take responsibility for quality. In some firms this leads to **empowerment** where staff make their own decisions about work planning. They identify training needs and make proposals for process improvement.

Decommissioning involves a wide variety of projects. Each of these poses a unique challenge. Projects involve a large number of linked activities. Each project group is composed of people with the right skills to fulfil its objectives. NDA needs flexible people, able to work in teams and learn continuously from experience. Employees must accept and act on feedback. Team working links with Mayo's human relations school of motivation. This is particularly crucial when looking for innovative approaches to decommissioning. Within the team, each person is assigned the roles for which they are best qualified. Each person needs to be committed to the highest standards of quality in their role. This implies continuous learning where training and personal development are never complete.

The NDA view is that the Authority's objectives and employee objectives have a win-win relationship. To fulfil their potential, staff need to build on existing skills and capabilities. These are assessed jointly by the authority and the employee leading to a clear picture of training and development needs. Every employee has a Personal Development Plan with **SMART objectives** and paths to professional accreditation where relevant.

NDA also recognises that skilled and committed people in a long-term career cannot separate work from the rest of their life. People content with their **work-life balance** are more amenable to being motivated by good leadership. It is therefore NDA policy to help staff find an effective work-life balance. They provide assistance in moving home when employees are appointed or relocated. The organisation also offers staff a wide range of personal benefits such as family leave and counselling.

## Conclusion

Jobs can imprison people or set them free. Management and the organisation's **culture** can determine whether people feel enthusiastic about work or whether they just turn up every day. Every job has the potential to motivate or demotivate.

Motivation affects every aspect of a business organisation. At the most basic level it can increase output and drive down cost. At higher levels, it enables people to be trusted and to take responsibility. It can build teams of people with common agreed goals and give them the self-belief to keep learning as they tackle progressively greater challenges.

NDA in particular operates in an industry where attracting and retaining skilled staff is a top priority. The organisation sees its training and welfare provisions for employees as a long-term **investment**. Motivation at NDA is not just about working harder, faster or more effectively. It is about commitment to NDA's mission on which the future of the industry and public safety ultimately depend.

## Questions

1. How would you describe NDA's style of people management? On what assumptions about employees is this based?
2. How does NDA apply theory to practice in the management of staff motivation?
3. Analyse why firms attempt job enrichment? What problems might they experience in the process?
4. To what extent do you think motivation can form the basis of competitive advantage in attracting future employees?



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# How training and development supports business growth

## Introduction

Tesco is the largest British retailer and is also the world's third largest grocery retailer with outlets across Europe, USA and Asia. The business began in 1919 with one man, Jack Cohen, selling groceries from a stall in the East End of London. Jack bought surplus stocks of tea from a company called **T.E. Stockwell**. T.E. Stockwell and **Cohen** combined their names to brand the tea Cohen originally sold – TESCO tea. In 1929, the first Tesco store opened in north London.

Tesco has expanded since then by a combination of **acquisition** of new stores, retail services and by adapting to the needs of **consumers**. Tesco has net profits (before tax) of around £3 billion. Tesco's primary aim is 'to serve the customer'. Keeping existing customers happy is important, as they are more likely to return. This is more cost effective for the business than acquiring new ones.

In the UK Tesco now has over 2,200 stores ranging from the large Extra hypermarket style stores to small Tesco Express high street outlets. Tesco's original product range of grocery and general merchandise has **diversified** to include banking, insurance services, electrical goods as well as telephone equipment and airtime. This move towards 'one stop shopping' means customers can meet all their purchasing needs from one place. Tesco has also expanded its customer base through its Tesco.com website which attracts one million regular users.

As the company has grown, so has its **workforce**. From one man and a stall, Tesco now has approximately 280,000 employees in the UK and over 460,000 worldwide. To serve its widening markets it needs flexible and well-trained staff that can recognise the needs of the customer.

Tesco's employees work in a wide range of roles in both store and non-store functions, such as:

- Customer Assistants on the shop floor either directly assisting customers or preparing orders for delivery to customers who have ordered online
- Department Managers leading a team of Customer Assistants
- Warehouse employees who help catalogue and store clothing, food or **brown goods** in Tesco Distribution Centres or in stores
- Office-based staff working in a range of functions at Head Office, including Finance, Purchasing, Personnel or Marketing
- Logistics staff who plan and carry out the distribution of products to stores.

Tesco recognises that increasing knowledge, improving **skills** and **job satisfaction** of employees are all vital to the continued growth of the company. This case study looks at how Tesco provides **training** and **development** opportunities for its employees.

## Identifying training needs

Tesco's aim to expand and diversify requires the business to have the right people, in the right place, at the right time. Many factors affect **workforce planning**:

- The opening of new stores in new locations means that Tesco must adapt to different demands made by consumers. For instance, stores in highly populated diverse areas may need to sell a high proportion of speciality goods to meet the requirements of its customers, so selecting that stock requires a clear understanding of the customer profile in that area.
- In-store and non-store based posts may require different technical skills and **competencies**.
- Employees with a wide skills range who can work flexibly are more productive for the business.



### CURRICULUM TOPICS

- Workforce planning
- Training
- Development
- Appraisal

### GLOSSARY

**Acquisition:** where one business takes over another e.g. by purchasing a majority of shares.

**Consumers:** the user of a product, who may or may not be the buyer of it.

**Diversify/Diversified:** undertake activities in different and unrelated markets and products from those activities undertaken in the past.

**Workforce:** the group of people who work in a company, industry, country, etc.

**Brown goods:** electrical goods such as TVs, DVD players etc.

**Skills:** specific abilities, attributes and techniques.

**Job satisfaction:** the degree of contentment and pleasure that an individual gains from their work.

**Training:** activities designed to improve the competence and ability of individuals in order to better enable an organisation to meet its objectives.

**Development:** activities designed to further the personal needs of individuals.

**Workforce planning:** involves estimating future human resource requirements and ensuring the firm has the right number of people, in the right place, with the right skills at the right time.

**Competencies:** areas of activity in which a firm is particularly strong, e.g. research and development, product innovation.





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#### GLOSSARY

**Critical success factors:** specific aims such as reaching target sales and consumers to make the product successful.

**On the job training:** training undertaken whilst in the course of doing the job.

**Off the job training:** training undertaken away from the workplace, e.g. block release at college.

**Shadowing:** involves the employee working alongside a colleague or manager, watching them to learn what to do.

**Coaching:** providing feedback and support for staff to help them improve their performance in their role. The coach is often a line manager but the skills can also be found among colleagues.

**Mentoring:** providing guidance and training for a new recruit. Often the mentor is a colleague, a fellow employee.

**Job rotation:** where employees have the opportunity to move into different departments for a short time and acquire new skills in each. This broadens their skills across different business activities.

**Secondment:** employee goes to another workplace for a temporary period.

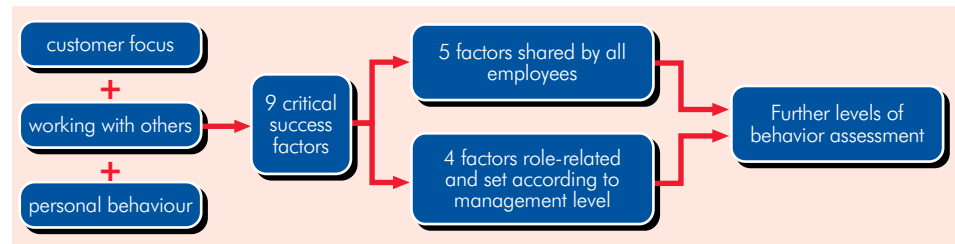


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Tesco employs people from a wide range of backgrounds and all employees have the opportunity to grow and develop. Tesco regularly evaluates the performance of its employees in order to anticipate any possible skills shortages. This helps managers and employees decide whether they have the correct knowledge, skills, understanding and resources to carry out their job effectively. Through annual reviews and career discussions, employees are able to apply for training suited to their needs. For example, managers in stores, Distribution Centres and Head Office can spend a week in a store together, learning about each other's work. This makes each part of the Tesco operation more robust.

The Tesco Leadership Framework focuses on three key themes to guide appropriate behaviour in employees. These link to nine **critical success factors**, which break down further into various levels of assessment. This framework helps to identify those employees with the potential to be the 'best leaders of the future'.



Tesco sees it as a priority to develop leadership at every level in every part of the business. In the last year over 2,900 managers, of which 85% were internal promotions, were appointed in the UK and thousands more employees promoted. One in every 10 Tesco employees takes part in development activities and as many as one in 30 are on its Options programme.

Before undertaking training and development, employees identify gaps in their knowledge and skills. The gaps identified are logged in a Personal Development Plan. Employees and line managers decide how they will fill these gaps by training or development activities. Tesco's training and development programmes enable all employees to develop the skills they need to get on in their careers.

## Training

Training is the acquisition of knowledge and skills in order for a person to carry out a specific task or job. Training benefits employees in several ways:

- It increases their sense of ownership in the business.
- They become more organised, productive and flexible and are better able to meet the needs of internal and external customers.
- New skills and abilities in areas such as decision-making can empower staff, which makes them more effective.

Tesco's business image also benefits as customers are more confident in the competence and knowledge of staff. This in turn helps Tesco grow.

Tesco has a flexible and structured approach to training and development, which adapts to individual employee needs. This allows people identified as having the potential and desire to do a bigger or different role to take part in training to develop their skills and leadership capability.

Tesco offers employees both **on-the-job training** and **off-the-job training**. On-the-job training methods at Tesco include:

- **shadowing** – a person already in the job shows the employee how to do it
- **coaching** – a manager or designated colleague will help trainees work through problems and inspire them to find solutions
- **mentoring** – a more experienced member of staff acts as an adviser
- **job rotation** or **secondment** – the trainee has the opportunity of covering their target role, taking full responsibility on a temporary or limited basis.



For the employee, on-the-job training is directly relevant to their work, they get to know the people in their area and feel part of the team faster. On-the-job training also has several advantages for the company:

- It is cheaper than off-the-job training.
- Managers see progress and can help when problems arise to resolve them quickly.
- The employee is still working during training so is more productive.
- The employee puts learning into practice.

Off-the-job training is often more appropriate for training in specific new skills or for developing the individual, in areas such as team-building, communications (for example, making presentations), or organisation and planning. It usually involves attending external courses run by professional training organisations or qualified Tesco training staff. The A-level Options programme for developing new recruits into managers provides detailed **induction** training from day one. This enables new employees to meet other trainees and learn about the company and the business objectives rapidly. With a rapid training schedule, they are able to develop to their first level management position whilst working as a Team Leader in a store within six months.

Month 1 – visit and work in all parts of a store to familiarise themselves. The new manager is allocated a 'buddy' – an experienced member of staff who they can go to with problems.  
Months 2-4, – practise their knowledge and skills in real situations and identify any skills gaps  
Months 5-6 – undertake a placement as a Department Manager  
Months 6-12 – take on their first manager role  
Month 12 – review progress with their manager and discuss future development.

## Development

Development is about helping the person grow and extend their abilities. Tesco takes a shared responsibility approach to training and development. The trainee is primarily responsible for his or her development. Both the trainee and the line manager contribute to the programme by:

Trainee	Line manager
<ul style="list-style-type: none"> <li>• identifying and agreeing development needs</li> <li>• attending workshop and development days</li> <li>• collecting evidence of achievements</li> <li>• using the feedback they receive to improve performance and review their development plans.</li> </ul>	<ul style="list-style-type: none"> <li>• helping to put together the Personal Development Plan</li> <li>• coaching and guiding the trainee as needed</li> <li>• review performance regularly to ensure the trainee gets the best from the training</li> <li>• providing feedback</li> </ul>

Tesco employees are encouraged to ask themselves strategic questions in order to assess their skills and ability to progress:

1. Do I know how?
2. Can I do it now?
3. What are my current skills?
4. What do I need to achieve a higher position?

Tesco's Options programme provides a long-term strategy for development. It offers, for example, workshops focusing on both leadership behaviours and operating skills. The employee's Personal Development Plan includes Activity Plans, a Learning Log (to record what the key learning points of the training were and how they are going to be used) and a 'Plan, Do, Review' checklist to monitor when plans are completed. This allows trainees to carry out their own analysis of progress.

Personal development helps to produce long lasting competencies. This means employees become more positive, productive and valuable to the organisation in the long term. Recruiting new staff is more expensive than retaining existing staff, so for Tesco, retaining staff is extremely important. Development also helps increase the level of employee **motivation**. Motivation theorists suggest that if people are given the skills to do their jobs well, the support to grow their abilities and greater responsibility, this makes them more effective in their roles. Tesco requires staff who can be flexible and who can adapt to change. It also needs to ensure it has the right calibre of staff to build its management team of the future.



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### GLOSSARY

**Induction:** the initial process of learning to fit into an organisation.

**Motivation:** attracting a person to do something because he or she wants to do it.



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#### GLOSSARY

**Evaluate:** weigh up. Assess the worth.

**SMART objectives:** framework for constructing objectives in a way that meets a business aim.

**360 degree feedback:** feedback comes from subordinates, peers, and managers in the organisational hierarchy, as well as self-assessment, and in some cases external sources such as customers and suppliers or other interested stakeholders rather than just from managers.



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## The benefits of training and development

A business needs to monitor and **evaluate** the costs and benefits of its training and development activities for financial and non-financial reasons. The business needs to know if the investment in time and money is producing improvements. Employees need positive, structured feedback on their progress in order to find direction and gain confidence. This will reflect in their behaviour with customers and inspire higher customer confidence in Tesco – one of Tesco's main aims.

Tesco provides tools for highly structured monitoring and evaluation of training and development. This includes scheduled tasks, timetables, measures and checklists. Employees assess themselves by setting objectives in Activity Plans, Personal Development Plans and recording outcomes in Learning Logs. These continue to measure their improvement in performance after training. Activity Plans need to have **SMART objectives**:

- **Specific** – describes exactly what needs doing
- **Measurable** – has a target that can be measured against
- **Achievable** – is possible within the trainee's current role, skills and experience
- **Realistic** – is achievable within the time and resources available
- **Time-framed** – has a clear deadline.

Tesco also uses a method known as **360-degree appraisal**. This means all stakeholders who have contact with the employee assess the person's performance and give feedback. For example, a store department manager may get feedback from their manager, their 'buddy', other department managers, the HR department and their team. This helps to identify areas that may require further development.

Tesco also uses a more informal approach to development by asking employees to write down three things they believe they are good at and three things they believe they could do better. The employee identifies actions to continue to do more of the good things and improve areas they could do better.

Managers and trainees hold a weekly informal review session as well as more formal four-weekly sessions to track progress against their personal development plans. The feedback is recorded and is carefully scored. Trainees are given a colour coded development rating:

- Red – where progress is not on schedule
- Amber – where some elements need more work
- Green – where all activities are on target
- Blue – where the trainee is ahead of the programme and using skills to add value.

## Conclusion

Efficient and effective training and development of employees is an essential element for Tesco's continuing growth in an increasingly commercial world. Tesco requires employees who are committed and flexible in order to aid its expansion of the business.

The expansion of Tesco relies on retaining existing customers and acquiring new ones. All customers need to be confident and happy in Tesco. This relies on committed and flexible employees delivering the highest standards of service to meet Tesco's objectives.

Tesco's structured approach to training and developing its existing and new employees provides a strong foundation for its continuing growth.

## Questions

1. Explain the difference between training and development. How have changes in customer expectations affected Tesco and its need to train staff?
2. List the methods of training carried out by Tesco. Describe how training needs are identified.
3. Analyse Tesco's method of developing its employees. Consider the strengths and weaknesses of such a programme.
4. Evaluate the benefits for Tesco in providing a structured training programme. To what extent do you think the training has achieved a Return on Investment?

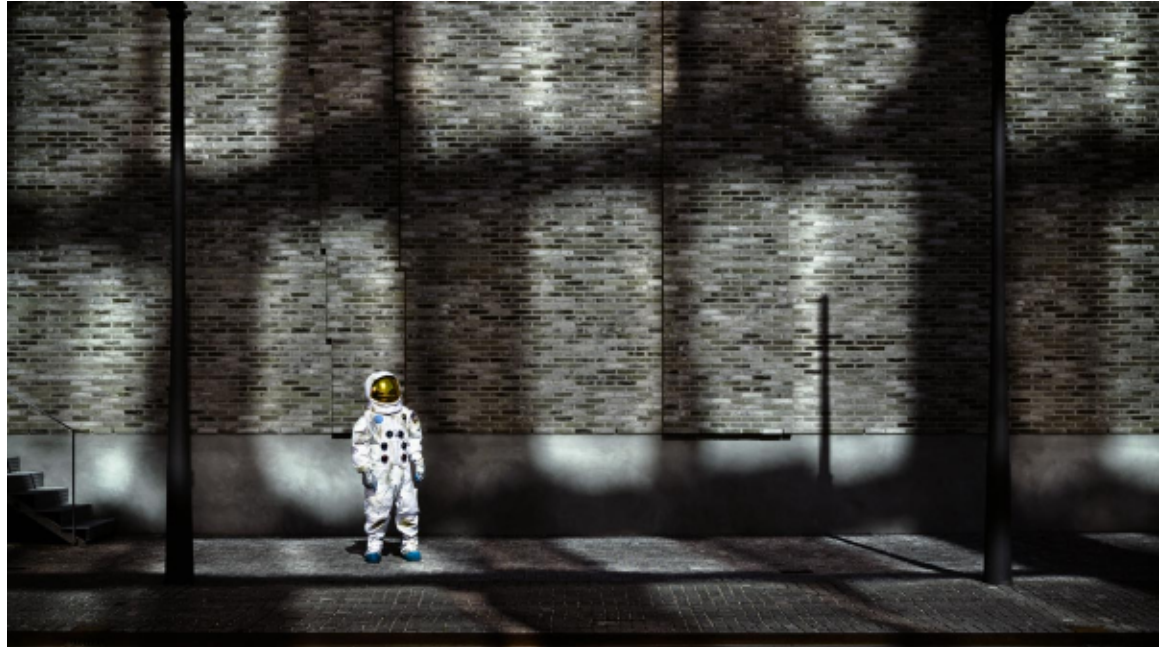


CAREER PLANNING

# When You Realize You'll Never Get Your Dream Job

by Stew Friedman

APRIL 01, 2015



I once had dreams of becoming like Bruce Springsteen. Now, at age 62, I write about him, go to his shows, sing along to his songs in my car, teach my children about his significance, use his works in my Wharton classes, and even serve as a Guest DJ on *E Street Radio*. But despite my earlier wishes to live a successful musical performer's life, it's not going to happen. I'm not Springsteen, and never will be.

And that's OK.

We often say to children, “You can be whatever you want to be.” But, at some point along the path to adulthood, you come to accept that maybe you’re really not going to be a professional basketball player, or an astronaut, or the president, or a rock star. Maybe you just don’t have the aptitude, or the drive, or the skills to make your fantasy mesh with your reality. Part of reaching maturity means coming to know ourselves – our strengths and our limitations – figuring out how our gifts can realistically flourish in the world.

Middle age is often when we have to confront the realities of our career aspirations. By this time, childhood fantasies of becoming a princess or president may have long been put to rest. But you probably still wish for success, recognition, or promotions in your current endeavors. And while these aspirations might seem more attainable than youthful dreams, sometimes they’re simply not, for whatever reason. Maybe you long to be CEO, but you’re just not suited to a management position. Maybe you always dreamed of starting your own company, but you’re risk-averse. Maybe you lack the education, experience, skills, motivation, or resources that it would take to fulfill your earlier career dreams.

Whatever the reason, when you’re finally facing the reality that you may never become CEO, or succeed your direct supervisor, or lead your team, or get that big promotion, what do you do?

First, as in dealing with any loss, understand there may be denial – and it may last for some time. You might want to hold on to the hope you’ll get there someday, but that hope won’t necessarily help you obtain the longed-for goal. There may be anger, justified or not. People often blame their superiors for being ignorant, for showing favoritism, for being sexist, racist, or classist. While these may all be accurate assessments of the work environment, the anger, like the denial, also isn’t likely to move you toward that promotion – or toward acceptance.

Oftentimes, there’s sadness, and even depression. Thus the cliché of the mid-life crisis, replete with an affair and a sports car; something to both deny reality and cheer you up in the face of fading aspirations, while helping you instead feel something akin to the power of youth flowing through your veins. But ultimately, you need to accept the situation as it is.

To lead the life you want, you must have a vision that’s useful: a compelling image of an achievable future. Once you’ve found some resolution in your mind’s view of your *real* prospects, the next step on your journey can commence. The essential task is to find meaning and a sense of purpose – to take control over what you actually *can* do.

This is what I try to help my students and clients to do: Discover what’s truly most important in their lives. To do this, you need to account for and take pleasure in your accomplishments to date — at work and elsewhere. Experiment with how you can best use your talents and passions to create value for yourself and others. Own the responsibility to take steps, however small, toward realizing your *current* vision of the leader you want to become, and the world you *can* create — at work, at home, and in your community.

Sometimes life simply deals us a bad hand. Psychologists have researched ways to cope with the slings and arrows of outrageous fortune. We need what Suzanne Kobasa and Salvatore Maddi call [hardiness](#), what Angela Duckworth and colleagues call [grit](#), what Carol Dweck and others call a [growth mindset](#), and what [The American Psychological Association](#) refers to as resilience. Whatever you call this stick-to-it-iveness, it's essential for being able to overcome setbacks and hardships of any sort, including career mid-life crises and stagnations.

Eric Greitens knows a lot about this subject. In his just-released [Resilience](#), Greitens recounts hard-won wisdom for living a better life, drawn from his interpretation of ancient philosophy, modern existentialism, and his own experience as both a humanitarian and a Navy SEAL. The central idea is to find purpose in what you *can* do. While you are not responsible for all that happens to you, you are responsible for how you *react* to what happens to you. Stop the blaming and the resentment and assert control over what you can.

As I describe in my books [Total Leadership](#) and [Leading the Life You Want](#) (in which Greitens is featured), you have to take positive action that's rooted in your core values – in what you now care most about in your life. Accepting the facts of your current reality is the first and most important thing you can do to move through the trials of a mid-career crisis. Next, reflect on what is truly most important to you. Is it really that promotion, or is it your family, your friends, your community, your own health and well-being? At the midpoint of life, most people are able, upon reflection, to consider their own lives and their own legacies beyond their positions and their paychecks. Considering what is essential to your sense of purpose and your sense of contentment can help you look for ways to move in the direction you choose – a direction that somehow makes the world a bit better for others and is closer to the future you now want to fashion. Some people might find deep satisfaction, and solace, in a creative endeavor (for example, art or writing) that feeds their soul. Others might invest more attention in friends and family. Others might find meaning in charitable community efforts. And others might discover a new dream, one that's now attainable – an [encore](#) that's ultimately more fulfilling than any earlier career aspirations.

In short, even without that once hoped-for promotion, big job title, or salary bump, you can find meaning, purpose, fulfillment, and even happiness and joy in your life when you realize you might need to let go of an earlier dream. And while you're still on the path to discovery, there are ways of making work more fulfilling and meaningful, too. For instance, maybe you've seen Millennials as the enemy – the ones taking the positions you've always coveted. If you change your mindset, you can instead start to see yourself as a mentor to them. But this, of course, requires you to let go of denial and anger and come to accept things as they are.

While you might not get to be the rock star you once dreamed you'd be, with resilience, persistence, and conscious experimentation, trial-and-error may eventually lead you to a place where you will feel that you're doing what you were actually meant to do all along. In that vein, I have heeded The Boss's oft-quoted admonition to not “spend your life waiting for a moment that just won't come,” and instead have been striving to listen to my heart and become myself.

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Stewart D. Friedman is the Practice Professor of Management at the Wharton School. The former head of Ford Motor's Leadership Development Center, he is the author of *Leading the Life You Want: Skills for Integrating Work and Life*, *Baby Bust: New Choices for Men and Women in Work and Family*, and *Total Leadership: Be a Better Leader, Have a Richer Life*. For more, visit [www.totalleadership.org](http://www.totalleadership.org), find him on Twitter [@StewFriedman](https://twitter.com/StewFriedman), or on [LinkedIn](#).

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# Employee Benefit Trends in India – challenges and opportunities

Naveen Kumar Midha

**Naveen Midha** is the Employee Benefits Practice Leader for Willis India. His career has included senior positions with various insurance entities in and outside India. During his eight years in the Indian insurance industry, Mr Midha has gained experience in areas of benefits design consulting and product design and has strategic and operational expertise in health-care management and other critical areas of employee benefits. In his current role at Willis, he is responsible for the development and implementation of employee benefit activities – design, placement, negotiation and servicing on behalf of companies. Mr Midha has a Bachelor of Business Studies degree from the University of Delhi and is a qualified Cost and Works Accountant (ICWA), India. He also has an MS degree in Risk Management from The School of Risk Management, Insurance and Actuarial Science, St. John's University, New York, and a Master's degree in Finance from Delhi University.



India – a much-watched, analysed and observed country – is standing expectantly on the brink of economic supremacy and leadership. Before it can realize its vast, latent economic potential, however, it has to improve its rapidly expanding but equally challenge-ridden health-care system. While the impediments in this area are complex and unique, the opportunities are also myriad and exciting. On the one hand, we have the multi-faceted demands and expectations of the mushrooming middle class coupled with an ageing population, a larger share of the global disease burden and a severely tested, not-so-strong health-care delivery mechanism. On the other hand, India has the fantastic opportunity to learn from (and, in fact, pre-empt) the challenges that health-care systems of other developed countries are dealing with – primarily by incentivizing private-sector participation in financing and delivery, improving access and quality and propelling the health insurance sector.

Amidst all these anticipated metamorphoses, we have Corporate India – with its own set of aspirations and responsibilities to cater to employees' concerns. As with their peers in any other economy, Indian employers are faced with an increasingly competitive search for skilled employees, with their diverse expectations and demographic profile, which has brought about dramatic changes to human resource management. The growing complexities in products, ever-changing government legislation and expanding administrative burdens are also posing new questions. Added to these challenges is the spiralling benefits cost resulting in the excessive financial burden of health care for employers. In short, organizations in India are being challenged in all aspects of benefit programmes. No wonder all this decision-making is proving not to be an easy job for an Indian employer.

This article explores the employee benefits market in India and the emerging trends. It details the existing health-care market and how it has evolved since the 1950s, elaborating on the present drivers of growth. Finally, it describes the trends associated with the market (read Corporate India) and how they are expected to evolve and have an impact over the next few years.

## THE EXISTING HEALTH-CARE MARKET

An analysis of the prevailing demographic profile of India will provide us with a common-sense check of the existing potential, changing shape and future growth of the health-care market in India.

### The Population and its Health-Care Potential

The current primary driver of growth in the health-care sector is India's enormous population. Estimated at 1.15 billion, it is currently the second largest in the world. It is growing at a rate of 2.2% annually and is expected to overtake that of China by 2030. By 2050, the population is projected to reach 1.6 billion. Importantly, this population includes a middle-income group of around 385 million people<sup>1</sup>. However, only 15 million are covered by private health insurance, indicating the massive potential for growth.

In terms of revenues, in 2008 health insurance premiums amounted to approximately US\$450 million\* as against the estimated potential of US\$8 billion. If we look at the overall health-care market<sup>†</sup>, it is growing at a brisk 16%, with an estimated market potential of US\$30 billion. However, even at present levels, the market works out as US\$30 per capita and is the equivalent of only 6% of India's gross domestic product (GDP). This further indicates the enormous potential of the market.

### Public-Private Partnership in Health Care

India spends around just 1.5% of its GDP on health-care funding – and less than a quarter of that sum on the actual delivery of health-care programmes. It is therefore of little surprise that in urban health care nearly 80% of funding comes from the private sector

\* £1 = US\$1.67; €1 = US\$1.49 as at 13 November 2009

† The health-care market includes retail pharmaceutical, health-care services, and medical and diagnostic equipment and supplies.



and only 20% from the public sector. While the role of central government is limited to family welfare and disease control programmes, the state governments are responsible for primary and secondary medical care, with a limited role in specialty care. Conversely, private health-care providers consist of private practitioners, for-profit hospitals and nursing homes, and charitable hospitals. Unless there is a decline in the combined federal and state government deficit, currently standing at around 8%, the possibility for significantly enhanced public health spending will be remote<sup>2</sup>.

In addition, as much as 84% of health-care expenses are funded out of pocket by individuals and around 16% come from private insurance, which is predominantly employer funded (see FIGURE 1 below)<sup>3</sup>. These facts and concerns have been acknowledged in the National Health Policy. It is indeed unfortunate that, even today, people in India have to borrow money or sell assets to fund in-patient care and, as a result, often defer – or even deny themselves – treatment. As a result, the expectation of an Indian employee that his/her employer will provide adequate health-care coverage is both understandable and justifiable.

### Evolution of India's Benefits System

The evolution of India's benefits system can be divided into three distinct phases, as follows:

*Phase I (1950s-1970s).* This was when policy was based on two principles, namely that employer–employee participation for long-term funding is important and that it is the State's responsibility to provide health care and other benefits for the people (especially government employees and the rural population).

*Phase II (1980s-2000).* This was when the first National Health Policy was introduced to encourage

private initiatives in health-care service delivery, while at the same time widening access to publicly funded primary health care. This mainly benefited the urban employee.

*Phase III (post 2000).* We are now witnessing a further shift in two important respects, namely the liberalization of the insurance sector in order to provide new avenues for health financing and a redefinition of the role of the State from being only a provider to being a financier of health services as well (to cover the entire urban population).

Such a change in focus over the years has been largely in line with the overall policy framework of moving from a mass-based approach to a class-based approach, from monopolistic market conditions to a *laissez-faire* regime and from a philosophy of support to a belief in personal responsibility (see FIGURE 2 opposite).

### Other Health-Care Benefit Highlights

#### Higher Per Capita Demand

India is perhaps the youngest of all nations as it is home to 20% of the world's people under 24 years of age. However, it is ageing. By 2025, an estimated 200 million Indians will be at least 60 years old. This is triple the number in 2004. Thanks to both greater affluence and better hygiene, there will be a continuous improvement in life expectancy (at present 65.4 years) leading to a further increase in the old-age population. This large chunk of the growing elderly population will obviously place an enormous burden on India's health-care infrastructure and costs. At the same time, the decline in the birth-rate (currently standing at 25.4 per 1,000) has led to a decline in the population below 14 years of age. Thus, all these factors have led to higher per capita demand, especially for old-age health services.

From a corporate standpoint, there is still no central health-care programme for senior citizens, which remains a huge concern for employers.

#### Lifestyle-Related Diseases

In 2007-08, while the Indian pharmaceutical industry grew by 8%, the cardiovascular segment recorded a growth of 15-17% and the diabetes segment, 10-12%.

Communicable diseases have declined while high severity diseases linked to lifestyle, such as diabetes, cardiovascular conditions and diseases of the central nervous system, are on the increase.

#### Corporatization of Medical Care

Recently, a number of large Indian companies (for example, Max India, Ranbaxy Laboratories, Escorts, Wockhardt, Birla, Nicholas Piramal and Dr. Lal's) have ventured into health-care delivery and diagnostic services. However, there is a debate as to whether this has led to increased professionalism in medical practices and/or efficiency in the use of hospital management tools.

#### Household Expenditure on Private Health Services

The demand for good-quality health care has increased, with patients preferring to use private health-care facilities. The growth in affluence of the Indian middle class is adding to this demand. In the period 1993/94

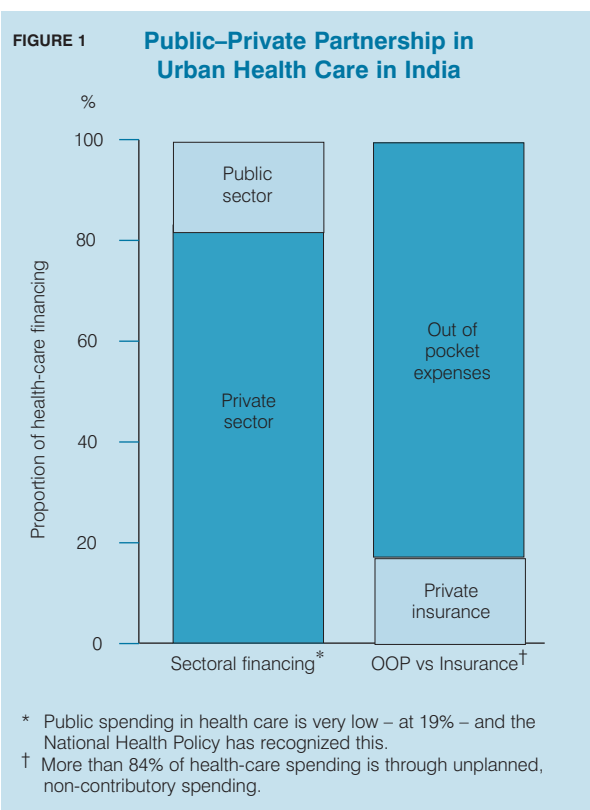
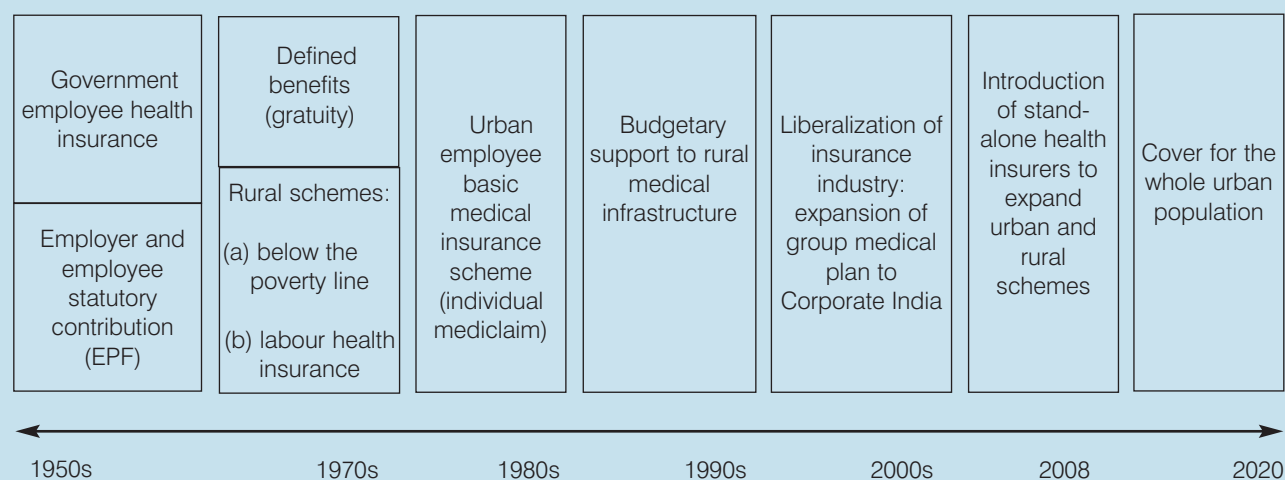


FIGURE 2

## Evolution of India's Benefits System



to 2004/05, aggregate household expenditure on private health services has increased at an annual rate of 9.5%<sup>4</sup>.

#### Employers' New Focus on Productivity and Wellness

Benefit costs have outpaced both revenue growth and inflation, making employers more prudent and insisting on employees sharing the cost. Competition for talent is putting pressure on companies to squeeze the maximum financial savings out of plan design without diluting the benefits. Thus, employers have begun to focus more on productivity and attraction, retention and engagement through offering greater involvement and decision-making to employees. Furthermore, some employers are now showing an increased interest in wellness – a move from illness management to wellness management.

#### Medical Tourism as a Major External Driver

If you do a Google search for "India medical tourism", it throws up more than two-and-a-half million results. The emergence of India as a 'choice-destination' for medical tourism derives from the existence of the country's English-speaking and literate medical personnel, state-of-the-art private hospitals and sophisticated diagnostic facilities, together with relatively low costs compared with the spiralling health-care costs of the developed world or even India's neighbouring economies. India's private hospitals excel in fields such as transplants, cardiology, joint replacements, orthopaedic surgery, gastro-enterology and urology. For a comparative view of surgical costs between Thailand and India see TABLE 1.

#### Supply-Side Issues

On the supply front, the quality of administration and patient safety is still a grave issue. Error rates continue to be at a high level and the outcomes inconsistent. While there is greater impetus towards transparency – both from the consumer and the legislation – the insurers are still in a bind as they face resistance in data disclosure and are in need of protection against provider-network malpractice. This is further compounded by the limited purchasing power and somewhat weak decision-making skills of the consumer.

In summary, when it comes to health care, we find two Indias: one India is a country that provides high-quality medical care for upper- and middle-class Indians as well as medical tourists; and then there is the other India in which the majority of the population lives – a country whose inhabitants have limited or no access to health care.

All this points to an interesting scenario where complex problems and terrific opportunities co-exist. To iron out the challenges, no single solution would work; rather, a variety of tools and solutions will be needed. From an employer standpoint, although it is possible to score quickly through cost shifting, vendor selection management and the jugglery of financing; longer-term solutions lie in increasing consumerism, wellness, disease management, new design models and provider re-engineering. The involvement of both employer and employee is imperative.

#### THE CORPORATE BENEFIT LANDSCAPE

At present, India lacks a unified social security framework and whatever social security is available is overwhelmingly welfare-orientated without any planned financial discipline. Furthermore, one of the other great challenges is that, as each component of India's social security system has developed separately, there is no agency responsible for a system-wide perspective. Thus, most of the statutory and optional

TABLE 1 A Comparative View of Surgical Costs between Thailand and India

Surgery	Thailand	India
	US\$	US\$
Bone-marrow transplant	62,500	30,000
Liver transplant	75,000	40,000
Open heart surgery	14,250	4,400
Hip replacement	6,900	4,500
Knee surgery	7,000	4,500
Hysterectomy	2,012	511
Gall-bladder removal	1,755	555

Source: India Brand Equity Foundation (IBEF)



TABLE 2

## Statutory and Optional Corporate Benefits

Statutory	Optional / Employer Sponsored
Basic level of social security (including compulsory pension, medical insurance for government employees and work-related injury compensation)	Supplementary pension plan (known as superannuation) Medical plan Life assurance Leave encashment
Public holidays (eight days)	Accidental death and disability insurance Critical illness insurance
Other types of legal leave (casual leave, privilege leave, earned leave, maternity leave, etc.)	Supplementary housing plan Training and education assistance Stock plan
Severance and termination benefits, e.g. provident fund and gratuity	Perquisites

corporate benefits (see TABLE 2 above) have evolved independently.

Interestingly, roughly 15% of the current working population participates in the compulsory, formal programmes designed to provide income security during old age. Moreover, these participants (salaried employees in the formal private sector and in government jobs) are among the highest income earners in India.

In a bid to capture and understand changing employee benefits design in India, various surveys conducted by organizations like Watson Wyatt and MetLife have identified the following recent trends:

- The insured benefit components of the reward structure (viz. insurable with the insurer) are on the increase. Specifically, components like hospitalization cover, personal accident cover and group term life assurance are increasing while the non-insurable items like housing loans, car programmes and personal loans are becoming diluted. The gratuity (viz. a compulsory retirement benefit) has remained constant while superannuation has decreased because of the Fringe Benefit Tax (FBT) which made it financially unattractive.
- In the industries like IT\* and pharmaceuticals (which are deemed to provide superior benefits for employees), a trend towards a greater emphasis on insured components has been reinforced. However, old-economy industries like consumer goods and cars are still somewhat heavier on the non-insured benefits side.
- Flexible benefits as a concept is still in its infancy in India... at least from what the analytics have depicted. Only 33% of the companies in industries like consumer products and cars have continued to offer any significant form of flexi-benefits (which is, in fact, a combination of cash and benefit elements). This further decreases to 30% in the IT sector. In addition, flexible benefits are most commonly provided at middle-management level and above (extended to junior-management employees in certain cases) while some benefit options, e.g. company accommodation, a car programme and related benefits, are restricted to certain levels.

From a qualitative perspective, in a corporate employee benefit programme, compensation is now being viewed from a Total Remuneration or Cost to Company (CTC) basis, where CTC equals:

Base pay  
plus statutory and non-statutory benefits  
plus perquisites  
plus short-term and long-term incentives

Quality of leadership, challenging work, career advancement and brand are the new elements in the definition of 'reward'. 'Critical few' is gaining importance over 'broad based' amidst the changing expectations of employees, who want more cash compensation.

### The Fringe Benefit Tax

The Fringe Benefit Tax was introduced in India in the year 2005/06. By definition, the FBT is a tax levied on perquisites – or fringe benefits – provided by an employer for his employees, in addition to the cash salary or wages paid. Such prescribed benefits included entertainment, festival celebrations, gifts, concessionary tickets, the use of club facilities, employee welfare, board and lodging in a hotel, running of cars and Employee Stock Options (ESOPs) incurred by the employer to reward the employees.

The rationale for levying a fringe benefit tax on the employer lies in the built-in complexity of isolating the 'personal element' in a benefit where there is collective enjoyment and attributing this directly to the employee. This is especially so where the expenditure incurred by the employer is supposedly for the purpose of the business but includes, in partial measure, a benefit of a personal nature – the value of which may be difficult to truly capture.

To counter this challenge, the perquisites that can be directly attributed to the employees are taxed in their hands in accordance with the existing provisions of §17(2) of the Income-tax Act and subject to the method of valuation outlined in Rule 3 of the Income-tax rules. In cases where attribution of the personal benefit poses a problem or where for some reason it is not feasible to tax the benefits in the hands of the employee, the FBT is levied

\* information technology

on the employer on the value of such benefits provided or deemed to have been provided for the employees.

To update readers on the current status of the FBT, the Finance Bill (02) 2009 proposes to abolish it from Assessment Year 2010/11(Financial Year 2009/10) and subsequent assessment years.

While the abolition of the FBT has been greeted by employers as a welcome move, it may not be an unmixed blessing altogether. Implications for employers are as follows:

- The employer would not have to pick up the administrative burden of the taxation procedures prevalent in the area of the FBT.
- The abolition would provide employers with the scope to restructure employee remuneration, e.g. the reintroduction of stock options that serve as effective long-term retention and wealth creation instruments.
- Employers would be encouraged to strengthen superannuation plans as the third retirement benefit for their staff.

As the removal of the FBT means that perquisites will be taxed in the hands of employees, they are likely to pay more taxes (at the valuation rules that apply to perquisites).

Since there is scope for restructuring employee remuneration, taking into account the tax proposals, there is the possibility that employees may be looking at higher salaries (depending on the company's remuneration philosophy).

### Health-Care Cost Components

Against the changing nature of the corporate health-care landscape, it is imperative to analyse ballooning health-care costs in India – a sore point for corporate decision-makers and now a heated topic of discussion on many an HR forum (see FIGURE 3 above).

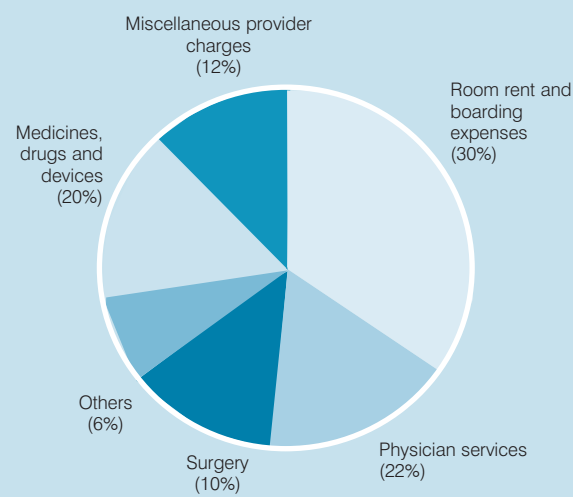
As can be observed, while 52% of the private insurance rupee goes towards medicines, drugs and devices, physician services and surgery, the administrative costs are as high as 48% of the total cost. Thus, there is palpable pressure on companies to rationalize these costs and find smarter ways of reducing them. These could provide economic incentives to select less costly forms of care, a programme for review or contracting with specific health-care providers.

Even though, at present, India is one of the world's lowest cost health-care markets, the recent rise in health-care costs has been exponential. Medical expenditure in India is experiencing an 18-24% increase in health insurance costs, which is four times economic inflation. In 2008 alone, health-care costs jumped by 20%, this being largely attributed to inflation (5%), demographic changes (5%) and new lifestyles (10%).

On further analysis, the following factors are the primary reasons for rising health-care costs in 2008:

- The technological changes and the adverse movement of the exchange rate have led to an

**FIGURE 3 Health-Care Cost Components**



increase in the price of equipment. As a result, some treatment costs have increased by 28%.

- The increase in population as discussed earlier and, in particular, the growth in the richer segment of the population from 28% to 43% has also increased the treatment rate by 8%. In addition, there has been a 30% increase in average prices. To cite an example, thanks to rising incomes, today at least 50 million Indians can afford to buy Western medicines – a market only 20% smaller than that of the UK. If the Indian economy continues to grow faster than the economies of the developed world, and the literacy rate keeps rising, much of western and southern India will be middle class by 2020<sup>5</sup>.
- Another factor driving India's health-care costs is the interesting change in both infectious and lifestyle diseases. While certain illnesses, such as leprosy, tuberculosis, malaria and pneumonia, which are considered to be low-cost communicable diseases, are set to decline or even face eradication, the emergence of high-cost lifestyle diseases like hypertension, diabetes, cancer, cardiovascular disease (due to more affluent lifestyles but poor eating habits, obesity etc.) are on the increase. For example, the rise in chronic lifestyle-related diseases like diabetes (see TABLE 3 below) and

**TABLE 3 Diabetes Rates**

Country	Cases in 2000*	Cases in 2030*	Increase 2000-30	Annual growth
	m	m	%	%
Brazil	4.5	11.3	151	3
Canada	2.0	3.5	75	2
China	20.8	42.3	103	2
India†	31.7	79.4	150	3
Mexico	2.2	6.1	177	3
UK	1.8	2.7	50	1
USA	17.7	30.3	71	2

\* all data rounded to the nearest 100,000

† The number of diabetes cases in India is expected to increase dramatically.

Source: WHO and UNICEF

TABLE 4

## Tuberculosis Rates

Country	Cases per 1,000 people	Cases cured under DOTS*
		%
Brazil	91	75
Canada	4	81
China	245	93
India	287	87
Mexico	45	84
UK	12	—
USA	3	70

\* Directly Observed Treatment, Short-course – the name given to the WHO-recommended tuberculosis control strategy combining five components (government commitment; case detection by sputum smear microscopy; a standardized treatment regime with directly observed treatment for at least the first two months; a regular drug supply; and a standardized recording and reporting system that allows assessment of treatment results).

NOTE: Tuberculosis remains prevalent in India but is expected to decline.

tuberculosis (see TABLE 4 above) has led to a 12% increase in treatment rates and a 17% increase in prices. Over the next five to 10 years, lifestyle diseases are expected to grow at a faster rate than infectious diseases in India, resulting in an increase in cost per treatment.

- The present scenario of a paucity of supply is expected to further increase the cost to the consumer. For instance, India has about a tenth of the number of physicians (51) compared with the USA (549) for every 100,000 people.

These are the most important reasons behind the recent health-care cost inflation.

### CHANGING INSURANCE DYNAMICS

The Indian insurance market is undergoing an extremely sensitive and remarkable transformation – viz. detariffing – that is fast reshaping the way in which medical insurance as a benefit is both perceived and sold in India.

As we all know, the standard categories of insurance bought by any employer are property insurance, liability insurance and employee benefits. I will now look at each of these in turn:

**Property insurance.** This includes material damage, crime and breakdown insurance. Importantly, in India, this category of insurance used to be totally regulated, i.e. tariffed, the premium prices were determined by the regulator and insurers could not charge below the prescribed rates. Compared with global standards, such tariff premium rates were relatively high (and the profit margin for the insurers was as high as between 30% and 40%), making it the most popular line of insurance among carriers.

**Liability insurance.** The premium under this line of business has been driven by the rates prevailing in global reinsurance markets. Thus, locally admitted Indian insurers do not have much control on the risk pricing. Low capacity in India for liability insurance means lower net retentions by the local insurers and, consequently, lower margins.

**Employee benefits.** As employee benefits was a non-tariffed line of business (in pricing as well as policy design), 100% of the risk was retained by local insurers. A unique feature here was the common demand for dependent parents' inclusion under the medical plan. Under rising medical costs, this meant increasing severity of claims. Thus, historically, the average loss ratio under employee benefit insurance (specifically group medical insurance) was well in excess of 100%. The placement of volatile employee benefits insurance on a stand-alone basis was therefore naturally an expensive proposition.

As a result, companies were forced to innovate. They did so with the extensive use of cross-subsidization, whereby the placement of the entire portfolio across all categories of insurance is done with a single insurer and the expensive medical portfolio (as part of employee benefits) is therefore mitigated by the relatively profitable property premium.

TABLE 5

## The Top Five Benefit Priorities

Employees	Employers
Include dependent parents' coverage in the health insurance programme	Insured benefits primarily to attract, retain and motivate talent (especially in IT, ITES and finance)
Adequacy of sum insured (family floater, corporate floater or even company sponsorship) with comprehensive benefits design (pre-existing conditions, maternity, child cover, dental, etc.)	The majority are cost conscious and seek the most price-competitive deal; willing to transition from incumbent if the latter's bid is above market median
Learn about personal health risks and how to control them	Especially concerned about the medical loss / claims experience and the need for strategic assistance in reining in without diluting the benefits design too much
Support at the time of incurring, making and settling claim(s)	Extremely keen on knowing what the peer group is doing (benchmarking)
Assistance in obtaining adequate retirement solutions	Need support in benefits administration (enrolment, endorsement and claims settlement)

Naturally, this system of having tariffs for some risks and free rates for others leads to distortions in pricing.

On 1 January 2007, the detariffing of property insurance was announced. This paved the way to allowing a complete negotiation of pricing between the insured and the insurer across all segments. No wonder the property insurance premium fell straight away (for some portfolios by as much as 80-90%).

Simultaneously, it also had the following implications:

- Cross-subsidization as a concept began to disappear. Strategy relying solely on insurance negotiation has now become potentially more expensive.
- The viability of a group health insurance plan on a stand-alone basis is being severely tested. A rate break in medical policies is allowed only if stringent measures (the curtailment of high-usage benefits, a restriction on dependent parents' coverage, the imposition of a claims excess, etc.) are adopted.
- The average claims ratio in health insurance was approximately 140% in 2008. The medical premium rates are therefore likely to go up to a minimum of 30-40% in 2009/10 (on an as-is basis in benefits design).
- Carriers are becoming increasingly vocal and employers, mindful of the need to introduce cost controls in health insurance, are scaling back 'Cadillac plans'.
- Niche-marketing from carriers is now taking place. Stand-alone health insurance companies (two are already active in India) are also becoming commercially viable.
- There is an increased clamour for action against rogue hospitals, e.g. the blacklisting by benefits administrators, in networks that are known to overcharge and indulge in fraudulent practices.

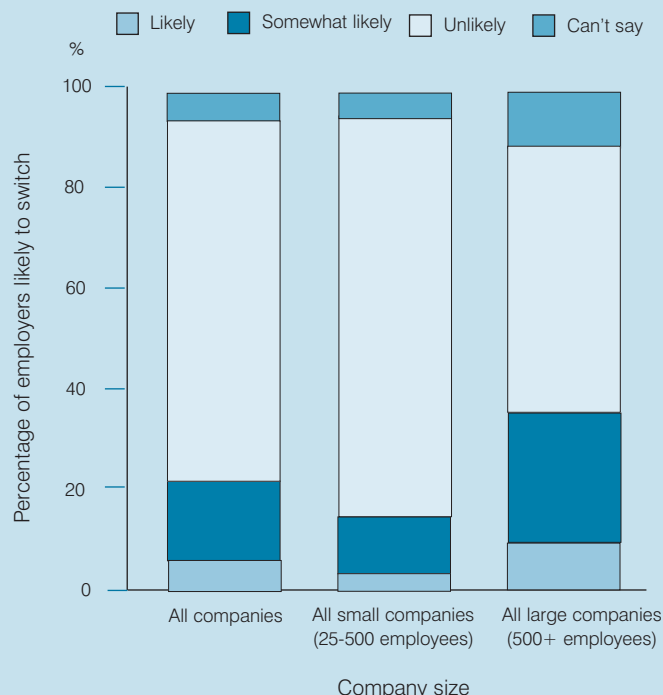
In a nutshell, it is now widely expected that each line of insurance (including medical insurance) will have to run independently and under its own steam and that HR will also have to carry out thorough due-diligence on the benefits programme in order to maintain the quality of benefits with an eye to reducing loss ratios.

#### EMPLOYER/EMPLOYEE BENEFIT PRIORITIES

Each country has its own set of priorities when it comes to benefits. As I observed earlier, India already has a fairly mature corporate benefits structure in place, especially in the retirement space where the majority of the benefits are mandated by the Government. With the recent liberalization of the Indian insurance industry, private enterprise will be far more enthusiastic in product and servicing innovation in line with benefit priorities. From the feedback of 150 employers in IT, ITES\*, FMCG†, finance, manufacturing and diversified sectors collated by my firm in the third quarter of 2008, we can see the benefit priorities of employers and employees in India, as shown in TABLE 5 opposite.

FIGURE 4

#### The Likelihood of Employers Switching to Defined Contribution Health Plans in India



NOTE: The small companies numbered 105 and the large companies 45.

Source: Willis India Employee Benefit Practice, third quarter of 2008.

The other important, closely related, question hinges on the "likelihood of employers switching to defined contribution health plans in India" (see FIGURE 4). The overall findings of the survey are shown in BOX 1 overleaf.

#### FINAL THOUGHTS

Yes, the challenges faced by the Indian health-care segment are daunting. The physical infrastructure is problematic, public spending in health is below that of more advanced economies, insurance spread is token and the private-sector bandwidth has yet to reach out to the underprivileged. On the bright side, there is a growing awareness of health risks that is driving consumerism in health care. The Indian market has the appetite to:

- develop robust health-care delivery mechanisms, new medical technologies and treatment and equipment;
- support trained personnel; and
- foster productive public-private partnerships.

Specific to Corporate India, to rein in health-care costs the employer has an array of options, ranging from traditional cost-containment strategies (which are hard policy measures) to newer, intriguing strategies

\* information technology enabled services  
† fast-moving consumer goods

**BOX 1****Findings**

- The majority of employers are keen to know about the implications of this new concept but are not willing to experiment with it... as yet.
- A possible solution is to ensure higher employee accountability/awareness while witnessing escalating health-care costs and loss ratios.
- The key to the success of a flexi-plan is the administration.

that revolve around the role of consumers of health care (viz. education, empowerment, incentivization and the motivation to influence behaviour to combat illness and live healthier lifestyles). The Indian employee, armed with improved disposable income, increased awareness of health risks and wellness initiatives and with a lower tolerance for inefficiencies in health-care delivery and claims processes, is less willing to be short-changed on the provision of the benefits portfolio from his/her employer.

Against the backdrop of changing insurance dynamics, all this has resulted in the re-examination of design and implementation strategies and the development of new paradigms that are likely to act as a catalyst on health-care changes.

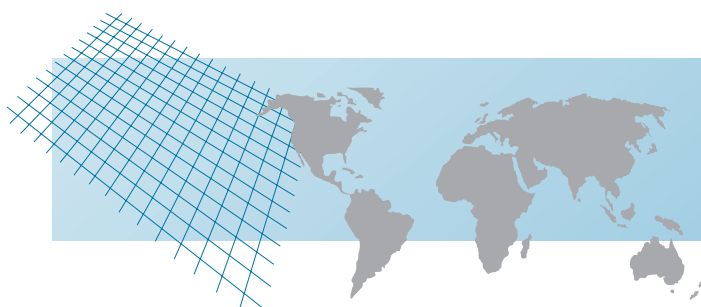
In summary, the following actions should be taken by employers in India:

- Traditional cost-containment measures may provide temporary respite but real solutions cannot be short-term cost-shifting tactics.
- Post detariffing, health costs are set to rise dramatically over the next two to five years. However, the level of preparedness on the part of consumers and insurers seems inadequate.
- The risk of doing nothing may be greater.
- There is a need to communicate early and often with employees on impending changes in benefit design/delivery.
- An employer needs to provide the tools to ensure the successful understanding and adoption of new approaches.
- An effective programme must target consumerism and be holistic in order to change behaviour.

Emerging plans are a work in progress, but can still achieve better economic and affordable models, greater consumer accountability, improved administrative and communication technology, more self-reliance and self-service, coupled with a better sense of benefit value. All this will reduce the escalating health-care cost trend in India. Ω

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