

Human Resources Management

Introduction

For history see the notes

Human Resources Management Definition

According to Gary Dessler HRM can be defined as the practices and policies you need to carry out the personnel aspects of your management job

To be more specific, this involves: acquiring, training, appraising, rewarding and providing a safe and fair environment for your company's employees

It has a dual focus on business and individual needs

A better name for this department would be "Human Capital Leadership" because with the term "resource" we are referring to something that is used instead "capital" provides the means of the value of people. Also "leadership" would be better than "management" because the first word is referred to things and not people

Why HRM?

- People are complex beings with individual attributes – physical, emotional, intellectual and spiritual.
- People cannot be "managed" in the same sense as a machine's production
- Basis of management is to get the people of the business to make things happen in a productive way, so that the business prospers, and people thrive
- Managing resourceful humans requires a constant balancing between meeting the human aspirations of the people and meeting the strategic financial needs of the business
- More careers have been damaged by poor human relations skills than by any other cause
- Having great technical skills but poor people skills is a formula for disaster
- You seldom hear of a manager losing his or her job due to lack of technical skills
- You regularly hear of people failing because they can't get along with others!!!

Objectives of HRM

- *Obtaining, developing and motivating* the people who are needed by the organization to fulfil its task
- *To promote commitment to excellence & quality*
- Developing a co-operative, open and trusting relationship between individual employees & management/employers
- Attempting to train & develop employees so that they can make *the best use of their skills & capacities*
- Ensuring that the organization meets its social & legal responsibilities towards its employees

Function of personnel

- Identify the overall objectives of the HR function in terms of the overall aim of the organization (alignment)
- Devise policies & procedures to assist in achieving these aims
- Ensure actual practice is consistent with the policies
- Strong focus on fulfilling business strategy
- Objective performance measures tied to business goals
- High competence in cause-effect analysis
- Leverage technology
- Organization design & development capabilities
- Outstanding relationship management

External influences on HRM

- Responding to intensified competition
- Managing international operations
- Riding the wave of technological innovation
- Meeting the expectations of the law
- Managing with or without trade unions
- Ethical considerations

HR policies & practices must achieve congruence & fit with the internal organizational challenges & pressures along with external pressures:

Flexibility – adjust speedily to pressures from the environment & the market

Integration – foster a cooperative attitude among all employees, across different divisions

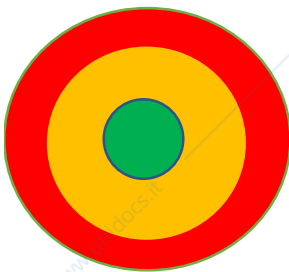
Decentralization – push decision down the line to line managers

Performance-oriented – personnel policies must devise, monitor & implement procedures to enable employees at every level to relate their activities to achieving organizational targets/objectives

Quality Conscious – Total Quality Management (TQM). Gain greater market share or profits by ensuring as far as possible that the customer receives a perfect product or service. The personnel role is to establish policies & procedures which will support the achievement of the quality goal

Co-operative – effective workforce must achieve co-operation among workers. Personnel procedures, which deliver fairness & openness can help to ensure that unnecessary conflict is avoided

Golden Circle Concept



External circle – What?

Medium circle – How?

Internal circle – Why?

It's crucial to understand the Why

Human Resource Planning

Definition

People are an organization's most important strategic resource

According to Armstrong HRP can be defined as “the systematic and continuing process of analysing an organisation's human resource needs under changing conditions and developing personnel policies appropriate to the longer-term effectiveness of the organisation.”

Objectives

The aims of human resource planning in any organisation will depend largely on its context but in general terms, typical aims might be to:

- Attract and retain the number of people required with the appropriate skills expertise and competencies

- Anticipate the problems of potential surpluses or deficits of people
- Develop a well-trained and flexible workforce, thus contributing to the organisation's ability to adapt to an uncertain changing environment
- Reduces dependence on external recruitment when key skills are in short supply by formulating retention, as well as employee development strategies

Benefits

- The reduction of personnel costs through the anticipation of shortages or surpluses of human resources, which can be corrected before they become unmanageable and expensive
- The provision of a basis for planning employee development to make optimum use of worker's aptitudes
- The overall improvement of the business planning process and the provision of equal opportunities for all categories of employees
- Increased awareness of the importance of sound personnel management at all levels of the company

Identify the main elements of the human resource planning process

- **Stocktaking:** involves listing the number of employees in each of the main employment categories
- **Forecasting:** involves forecasting both the demand and supply, internal and external, of labour. There are many methods to forecast the demand of employees like managerial estimates, sales projections, simulations, and vacancy analysis (projected turnover)
- **Planning:** once an organisation has forecast its demand and the potential supply of labour, it must put into place some form of flexible action plan or strategy to ensure that any mismatch can be dealt with. This may involve internal supply factors, such as providing existing employees with opportunities to acquire new skills through training. May require efforts on the supply side e.g. developing linkages with local colleges to help highlight opportunities for potential graduates. A solution can be recalling past employees and proposing them to fix the problems outlined in the exit interviews; less expensive because they are just trained
- **Implementation:** involves the implementation of decisions outlined in the plans, indicated above
- **Evaluation:** Did the company avoid surpluses/shortages?
What methods were utilised?
How effective were they?
What could have been done differently?

Explain the link between resource planning and other elements of the overall management of the human resource

Resource planning has a huge effect on the other sections of human resource management because it is the base of any future decision. From it depends the recruiting and selection process, if in the plan is underlined the necessity of more employees the company have first to find internal people to cover the vacancy and if there aren't hire them.

The resource planning have also the assignment to find if there is the possibility of making developing and training projects to make a better use of the current employees or if there is a lack in employees' motivation or engagement.

Recruitment and selection

This process is very expensive and errors in it can be dangerous for the overall company

You can replace the position but not the person

Recruitment definition

According to Dowling & Schuler (1990) recruitment can be defined as:

“searching for and obtaining potential job candidates in sufficient numbers & quality so that the organization can select the most appropriate people to fill its job needs”

Selection definition

According to Hackett (1991) selection can be defined as:

“predicting which candidates will make the most appropriate contribution to the organization – now and in the future”

Steps in recruitment and selection

- **Job analysis:** FIT is becoming a heightened significance in organizational settings
 - Job Specification: a specification of the skills, knowledge and attitudes required to effectively perform a job – usually expressed in behavioural terms
 - Person Specification: an interpretation of the job specification in terms of the human attributes/personality traits needed to effectively perform a job
 - Job Description: a statement of the component tasks, dates, objectives, standards and environmental circumstances of a job
 - **Recruitment:** *choice of recruitment method is often determined by the nature of the position being advertised and whether the skills required for the job are in short supply or otherwise*
 - Internal: prior to going outside the firm the organization must ensure that no existing employee can perform the job
 - External: most common form is an advertisement in the local or national newspaper, others are word of mouth, job centres, university visits, professional websites
 - **Selection:** *it is always expensive and not always easy to rectify mistakes in selection. Often the organization lives with the consequences of poor selection for years ahead.* There will never be a perfect selection procedure as one cannot eliminate the human factor, and the fact that subjective judgments will be made. But effective selection procedures must attempt to reduce bias and subjectivity by a systematic approach to find the right candidate. Important to keep the cost factor in mind.
 - Interviews (see file with adv and disadv): the face to face interview is the most common form of selection. It enables to interact and converse with the potential employee in an attempt to ensure that no obvious incompatibility or lack of communication skills manifests itself. The interview is relatively cheap in comparison to other methods. Structured interviews that are built around a pre-planned format are more valid and reliable than unstructured, non-directed conversations
 - Selection tests: according to Hunter & Hunter (1984) cognitive ability tests are among the most valid predictors available to organizations. Testing is separated into two broad categories:
 - Attainment Tests (knowledge you have already attained)
 - Aptitude Tests (attempting to forecast your ability in the future to perform certain tasks)
- | | |
|---|--|
| <p>Advantages:</p> <ul style="list-style-type: none"> ▪ Proper assessment ▪ Objective | <p>Disadvantages</p> <ul style="list-style-type: none"> ▪ Unreliable ▪ Wrong use |
|---|--|

- Uniform basis
- Selection of best person
- Group interview tests usually consists of a number of candidates discussing a particular topic. The discussion is observed by a selection board. Group interviews may be used as an eliminator before individual interviews.

<p>Advantages:</p> <ul style="list-style-type: none"> ▪ Save time ▪ Talent identification ▪ Direct comparison ▪ Wider pool of candidates 	<p>Disadvantages:</p> <ul style="list-style-type: none"> ▪ Fear of exposure ▪ Long results ▪ Limits of knowledge ▪ Not suit all personalities ▪ Handle them require training
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- Assessment centres: some larger firms “buy in” outside expertise to help them find the most suitable candidate.

<p>Advantages:</p> <ul style="list-style-type: none"> ▪ Screening many candidates ▪ Accurate profile ▪ Evaluation by experts ▪ Candidates can improve 	<p>Disadvantages:</p> <ul style="list-style-type: none"> ▪ Expensive ▪ Time consuming ▪ Not proper feedback
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- Headhunting: is a process of recruitment of a person, who is working elsewhere and who has relevant work experience for a particular job profile. It is carried out by the HR of a company or is outsourced to an agency or job consultant. It is one of the most effective methods for sourcing and getting candidates for top positions, who might not necessarily look for a job change.
- **Induction**: after the selection and hiring of the best candidate there usually is an induction, a day in which the company gives the new employee the welcome and basic information to set down quickly. In many organisations, they have to do a period of training before they can start to do their new job

Training and Development

Training definition

Training is a systematic process through which an organization’s human resources gain knowledge and skills by instruction and practical activities that result in improved corporate performance

Development definition

Development is the process in which someone or something grows or changes and becomes more advanced

Needs assessment definition

A needs assessment is the process of identifying performance requirements and the "gap" between what performance is required and what presently exists. The gap can be due to lack of skill, knowledge or systems

Can’t do vs. don’t want to do

Training might be appropriate when the performance issue is a “can’t do” issue:

- Poor performance (resulting from a knowledge or skill deficiency).
- Lack of basic skills (reading, writing, technology, math skills).
- Legislation or policies requiring new knowledge or skills.
- New technology.
- A customer request for new products or services.
- Higher performance standards.

- New jobs.

If is a case of don't want to do you have to use discipline and performance management

Training at a Macro & Micro Level

Macro

- Aligned with strategic goals
- Three levels
 - Organizational
 - Occupational
 - Individual

Micro

- Initiated by performance problems or change
- Assessment done to clarify problem, determine if training is the solution, analyze performance, and characteristics of trainees

ADDIE Model

- **Analysis**
 - Organizational analysis: align training with business strategy and to ensure there are resources and managerial support for training.
 - Task analysis: identify the important work-related tasks and knowledge, skills, behaviours, abilities (KSBAs); determine if the content and activities are consistent with trainee on-the-job experience; and to develop measurable and relevant content, objectives and methods.
 - Selecting the job(s) to be analyzed.
 - Developing a list of tasks performed (from an interview or survey of exemplary employees).
 - Mining data sources: Ask SMEs, managers and/or exemplary employees to validate tasks:
 - Identify KSBAs that should be trained to address the gap
 - Person analysis: ensure that trainees have the basic skills, motivation, prerequisite skills or confidence.
 - Determining whether performance deficiencies result from a lack of knowledge, skill, behavior or ability (a training issue) or from a motivational or work design problem.
 - Identifying who needs the training; who has a KSBA deficiency.
 - Determining readiness for training: basic skills, motivation, self-efficacy
- **Design** prototype and storyboards
 - Specifying training objectives: Training Objectives must be specific and measurable
 - What should trainees be able to accomplish after participating in the training program?
 - What is the desired level of such accomplishment, according to industry or organizational standards?
 - Do you want to develop attitudes, skills, knowledge or some combination of these three?
 - Designing the training program:
 - Program duration
 - Program structure
 - Instruction methods
 - On the job training
 - Off the job training

- Trainers qualification
- Nature of trainees
- Support resources – materials, OHP, classroom
- Training location & environment
- Criteria & methods for assessing participant learning and achievement
- Criteria & methods for evaluating the program
- **Development:** make the training, it is uploaded on the Learning Management System and delivery options are set up (enrollment, pass mark, feedback)
- **Evaluation:** four levels of evaluation
 - Evaluate reactions --- distribute and analyse questionnaires
 - Did the trainees like the program, the trainers and the facilitates?
 - Did they think the course was useful?
 - What improvements can they suggest?
 - Evaluate learning --- written tests, performance tests and graded simulations
 - To what extent do trainees have greater knowledge or skill after the training program than they did before?
 - Evaluate behaviour --- performance data from superior, peer, client, subordinate
 - Are trainees behaving differently on the job after training?
 - Are they using skills and knowledge they learned in training?
 - Evaluate results --- measure accidents, quality productivity, turnover, morale, costs and profits
 - Is the organization or unit because of training?

Training process

1. Assessing training needs
2. Preparing training plan
3. Specifying training objectives
4. Designing the training program(s)
5. Selecting the instructional methods
6. Completing the training plan
7. Implementing the training program
8. Evaluating the training
9. Planning future training

Benefits of training to the organization

- Maintains qualified products / services
- Achieves high service standards
- Provides information for newcomers
- Refreshes memory of old employees
- Achieves learning about new things; technology, products / service delivery
- Reduces mistakes - minimizing costs
- Opportunity for staff to feedback / suggest improvements
- Improves communication & relationships - better teamwork

Benefits of training for individuals

- Formal qualification
- Recognition of existing skills
- Opportunity to up skill – close the gap
- Promotional opportunities
- Confidence in job role - Morale

Motivation

Define motivation

The term motivation derives from the Latin word *movere* that means *move*.

Motivation referred to organizational life represents *those psychological processes that cause the arousal, direction, and persistence of voluntary actions that are goal directed.*

It is also defined as *the awareness of a need to achieve some selected goal and the resultant drives that influence action towards that goal*

Differentiate between content & process theories of motivation

The content theories of motivation assume that needs are the most important determinant of individuals levels of motivation. Instead the process theorist of motivation propose that people are more complex, more pragmatic and more contemplative than need theories suggest. They seek to establish not only what people want from their work situations, but how they believe they can actually achieve it and what influence the process.

Describe the four main content theories of motivation

- **Maslow's Hierarchy of Needs:** he propose that people seek to satisfy a series of needs that exist in a hierarchical order, lower order needs first, once they have been satisfied they will no longer serve as a motivator, but rather the next level of needs become dominant. In a crescent order the needs are:
 - Psychological needs --- pay
 - Safety needs --- long term job contract
 - Social needs --- teamworking
 - Esteem needs --- promotion
 - Self-actualization --- challenging job assignment and achieving an ambition
- **Alderfer's Existence-Relatedness-Growth theory:** this theory serve to redress some of the critiques of Maslow's theory like that needs are not hierarchical; they may be equal of status and held simultaneously, need satisfaction may be an iterative process. The outcome of this more flexible & perhaps more realistic theory is a loss of simplicity & potential applicability, necessary to know the level of need that motivates each employee. The three needs are:
 - Existence needs: a desire for psychological and material well being
 - Relatedness needs: a desire for social and meaningful relationships with significant others
 - Growth needs: a desire to growth and maximize personal potential
- **McClelland's Theory of Needs:** these needs are not represented or have to be satisfied in any order, people will hold a difference balance of these three needs, and they be best applied by matching people with jobs that suit their individual needs
 - Needs of achievement: people are motivated by job that will give them individual responsibility, feedback on their performance and realistic, achievable goals. They are highly suited to entrepreneurial activities However their managerial skills may suffer from a lack of concern for others and a focus upon their own performance
 - Needs of power: those with a high need for power like to be in charge. They are primarily concerned with gaining influence over other people & control over information and resources. Are more likely to be effective managers, since managing is concerned with influencing and controlling the behaviour of others. The drawback may be that their motivation for more personal power is at the expense of others or the goals of the organization

- **Needs of affiliation:** those with a high need for affiliation desire to be liked and accepted by superiors and subordinates. They may not be good managers as they could seek to avoid conflict and may be unwilling to take an unpopular stance that is sometimes required by managers. Alternatively, people with this need will be good at maintaining positive relationships with team members & will seek work that enables social interaction
- **Herzberg's Dual Factors theory:** job design & job enrichment are the main areas where the practical application of Herzberg's motivator-hygiene theory of job satisfaction is applied, if the intrinsic factors are properly manipulated in the design of jobs, then this will result in feelings of satisfaction for those doing the job.
 - **Hygiene factors:** relate to the physical and psychological context of the work. They include pay levels, the working environment, job security & relations with others at work. These factors do not motivate, but if they are at an adequate level they will bring a person to a point whereby they can become motivated if the next set of factors, motivators, are present
 - **Motivator factors:** providing Hygiene factors are present, the additional provisions of Motivating factors will lead to job satisfaction & motivation. They relate to the nature of the work itself & how challenging it is. This implies people will only become motivated if they have responsibility, opportunities for growth & stimulating work to perform

Describe the three main process theories of motivation

- **McGregor's Theory X and Theory Y (1950s):** McGregor believed that all workers were by nature Theory Y but may become Theory X "as a result of experience in organizations". Therefore, the implication for management is that if the manage workers in a Theory X manner, they will behave as Theory X. To motivate their workforce, managers need to manage in a way that encourages workers to be Theory Y.
 - **Theory X:** managers see these employees as inherently lazy, lacking ambition, disliking work, being self-centred and having a limited intellectual capacity. They want security and material rewards. Managers thought that they needed to control, direct, reward and punish Theory X workers in order to get them to work because they are unable to motivate themselves
 - **Theory Y:** these employees enjoy work and seek responsibility. They are motivated from engaging in challenging work tasks. They do not have to be controlled or coerced and want intrinsic rewards.
- **Expectancy theory (1964):** this theory was proposed by Victor Vroom; high motivation will only result from the presence of high expectancy, instrumentality, and valence. According to this theory workers will be motivated if they believe they can achieve a required level of performance, and if so it will lead to a reward that they value. This implies that managers should ensure that:
 - Workers have realistic targets to achieve
 - Workers have the skills & ability to achieve performance targets
 - Workers will be rewarded when they achieve performance targets, with rewards that they want

The three values that are the base of this theory are:

- **Effort-performance linkage (Expectancy)** – is the employee's belief that by exerting a given amount of effort they can achieve a required level of performance
- **Performance-reward linkage (Instrumentality)** – is the belief that performing at a particular level is instrumental in, or will lead to, the attainment of a desired outcome

- Attractiveness of the reward (Valence) – is the importance that the individual places on the potential outcome or reward that can be achieved on the job
- **Equity theory (1965):** this theory was developed by Adams and suggests that motivation to work is influenced by the perception of fairness in relation to work inputs & outcomes. If they believe it to be unfair they will seek to adjust the level of work they perform to redress the balance. The challenge for management is to create an equitable environment whereby employees feel that they are being fairly rewarded for their efforts in relation to other, similar workers both inside & outside the organization. The employee should be given a voice in decisions that affect them and an opportunity to appeal against decisions that affect their welfare

Motivation theorists also highlight that, due to the individualistic nature of humans, the search for a universal all-embracing theory of motivation appears to be unrealistic. Therefore, a contingency approach to motivation would seem more appropriate

Engagement

What is employee engagement?

Employee engagement is the extent to which employees feel passionate about their jobs, are committed to the organization, and put discretionary effort into their work.

Engaged employees proactively seeks opportunities to serve the mission of the organization, willing to go the “extra mile” and to withhold criticism and/or be constructively critical for the good of the organization.

Why does engagement matter?

Engagement matters because it arises employee’s profitability, productivity and customer scores while it decreases safety incidents, lost or stolen inventory, turnover and absenteeism.

According to Deloitte engagement improves employee’s performance to support the mission, creates more collaborative and innovative work environments and obviously lower cost of disengagement.

How we know if our employees are engaged?

We can discover if our employees are engaged asking them through surveys; in it there are many types of questions which aim is to analyse all aspects of engagement. The principle topics are the pride in work and workplace, satisfaction with leadership, opportunity to perform well, satisfaction with recognition received, prospect for personal and professional growth, and positive environment and teamwork.

How have organizations achieved high levels of engagement?

Measurement without targeted actions is useless

Engagement is everyone responsibility; it must be a strategy lead from the top with the collaboration of unions. It is necessary to hire with care; probation is part of selection. A key role is the one of supervisors, they have to supervise and build engagement, and they need training, resources, and support. For achieve high levels of engagement is also important to manage performance; make sure employees know what is expected and how work links to submission, meet regularly with employees, provide opportunity to grow and develop, and hold employees accountable.

How to get started?

To start the process of increasing employees' engagement is necessary to make a long-term commitment and communicate the business case. Then a company have to get leaders, managers and supervisors onboard and involve unions. After, they have to plan and communicate the strategy. The last step is surveying the employees about the results of the organization's effort in increasing engagement.

VABS

Are the values, assumptions, beliefs and expectations that form the company culture

Reward Management

Key questions:

- What makes up compensation?
- Why must an organization compensate fairly?
- Why is internal equity important?

Reward management definition

It is concerned with the formulation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to an organization.

The reward package is often one of the largest costs faced by employers, many of whom have labour costs as high as 50 per cent of all operating costs.

Pay: basic wage (weekly, flexibility) or salary (monthly, fixed) an employee receives.

Incentives: reward employee for surpassing normal performance expectations.

Benefits: indirect rewards, e.g. health insurance cover, pension entitlements.

Reward management objectives

- Attract potential employees.
- Assist in retaining good employees.
- Motivate employees.
- Contributes to human resources and strategic business plans.
- Advance other organisational objectives, e.g. rapid growth, survival or innovation.
- Relevance for employees:
 - Provides means to satisfy basic needs
 - Allows them to satisfy fewer tangible desires.

Types of rewards

Extrinsic rewards: recognize the comparative value of organizational roles and the contribution the individuals make in performing them

- Salary or wages
- Incentives
- Benefits

Intrinsic rewards:

- Physical surroundings
- Value of leadership
- Learning and development opportunities

Non-financial rewards:

- Appreciation (it's free)
- Contacts
- Privileges

External comparisons

Factors in business environment:

- Economic climate: level of inflations and disposable income
- Labour market
- Government policy
- Trade unions

Organisation factors:

- Managerial philosophy and style
- Organisation's competitive position

Approaches to job evaluation

Non-analytical schemes: making comparisons between whole jobs without analysing them into constituent parts or elements

- **Job ranking:** jobs are arranged from highest to lowest in order to their value or merit to an organization.

Advantages:

- How people instinctively value jobs
- Simple and easy to understand
- Quick and cheap
- Way of checking results of more sophisticated methods.

Disadvantages:

- No defined standards for judging relative worth
- Not acceptable for equal-value cases
- Evaluators need knowledge of every job
- Difficult to produce felt-fair rankings in different functions
- Division of rank order into grades may be arbitrary.

- **Job classification:** a pre-determinate number of job groups are established, and the jobs are assigned to these groups

- Executives
- Skilled workers
- Semi-skilled

Advantages:

- Simple and easy to understand
- Greater objectivity
- Standards for making grade decisions included in grade definitions.

Disadvantages

- One factor or many factors
- Difficult to apply to complex jobs
- May not be able to cater for wide range of jobs
- Not an analytical system

- **Paired comparison:** compares one job with another as opposed to a large number of jobs together.

Advantages:

- Easier to compare one job to another at a time
- Greater overall consistency

Disadvantages:

- Relies on whole or complete job ranking
- Limit to the number of jobs that can be ranked.

Analytical schemes: breaks each job down into component factors and analyses these separately defined factors that are common to all jobs.

Designing:

- Select factors and decide on the number of levels required (typically between three and 12 factors)
- Allocate points to levels and weights to factors
- Select benchmark jobs
- Analyse benchmark jobs
- Rank jobs according to points value
- Determine the number of job grades and define them in terms of points
- Allocate jobs according to points values

Hay method: points-factor scheme where total evaluation is based on addition of points for problem-solving, know-how and accountability

Advantages:

- Wide acceptance
- Consider range of factors
- Higher level of objectivity
- External comparisons available

Disadvantages:

- Degree of complexity
- Standardised nature
- Human judgement is required in the process

Competence base job evaluation: evaluates the individual performing the job – pay for the person.

Advantages:

- Provides a framework for relevant ongoing employee development
- Helps make the organisation more flexible
- Clear focus on the person.

Disadvantages:

- Vague in its terminology
- Complex and difficult
- Too much emphasis on skills and knowledge instead of output.

Criticism of job evaluation

- Fails to recognise contribution of the individual.
- Detailed job descriptions in some schemes inhibit flexibility.
- Inappropriate focus on promotion.
- Inability to reward knowledge workers.
- Inability to keep pace with high-speed organisational changes.
- Potential for error in human judgement

Pay structures

Management normally seek a pay system they believe will:

- Give the greatest degree of cost and supervisory control
- Provide the best incentive for employees

Pay and fringe benefits remain central features in contracts of employment and are always prominent issues in collective bargaining

Reward package will be influenced by:

- Company ownership
- Size of organisation
- Technical system
- Labour costs
- Product/service

Types of payment systems

Pay by time: hours worked and overtime. In a pure payment-by-time system the employees' performance can only be managed by supervision, or by custom or other social pressure. The simplicity of the time rate system is its main virtue, but this is often compromised in practice by additional payments, 'grade drift' and proliferation of grades.

Performance-Related Pay or 'incentive pay schemes':

- Payment By Results (PBR) in which the variable element is determined by some objective measure of work done or its value
 - Piecework
 - Gainsharing and share ownership schemes: profit sharing, employee stock ownership, employee stock options
 - Competence or skill-based pay: linked to the number, kind and depth of skills which individuals develop and use
- Merit Based Systems in which the variable element is related to an assessment of overall job performance by a supervisor or manager
 - Employees are able to influence performance
 - The reward is clearly and closely linked to the effort of the individual or group
 - The reward closely follows the accomplishment that generated it
 - Employees are clear about the targets and standards of performance needed
 - It is possible to measure performance with fairness and consistency
 - The pay systems use a clearly defined and understood formula
 - There is a reasonable degree of stability in work methods

Employee benefits

Can ensure that a competitive total remuneration package is provided to attract, retain and motivate staff, increase the employee's commitment to the organisation, and take advantage of tax-efficient methods of rewarding employees.

Constitute an additional 25–30% on top of basic weekly pay (manual grades) 15–35% (clerical grades).

Benefits include:

- Childcare/crèche facilities
- Career breaks
- Additional holidays/pay/bonuses
- Sick-pay schemes
- Sports and recreation facilities
- Company cars

The Cafeteria Approach to Rewards Management

Allows employees a degree of choice in their total remuneration package e.g. by permitting them to take less in non-pay benefits and more in pay, or vice versa.

The total overall value of their compensation will be the same, whatever choices they make.

This allows individuals to tailor their rewards to their particular needs and alter them as their needs change.

Advantages:

- Employee satisfaction
- Communication of the real costs of benefits to employees and employers
- Determining the popularity of various benefits

Disadvantages:

- Costing of non-pay benefits can be complex
- Possibly greater administrative costs
- Possible tax complications for employees

Pay as a motivator (issues)

- Pay as an incentive will be influenced by existing pay scale and value placed on money
- If money is valued, employees must believe good performance will allow them to realise that reward
- Equity is important
- Employees must believe performance levels necessary to achieve reward are attainable

Key issues in rewarding people

- Rewards have to be actively managed to secure the maximum utilisation of human assets, and to attract, motivate and retain core employees
- We cannot ignore the importance of money in reward packages
- Payment systems may be based in time, or may be variable in cases where an element of total pay is dependent on some measure of output or an assessment of overall performance
- A 'cafeteria' system of rewards allows employees the flexibility to decide the composition of their total rewards package
- Performance management is really a management philosophy rather than just a set of techniques, and more comprehensive than simply performance-related pay or performance appraisal
- Since only an analytical job evaluation scheme can provide an employer with a legal defence in equal pay cases, its importance is growing

Performance Management

Define performance management systems

Performance Management can be defined as being a set of techniques which share the following common features:

- Providing information on the contribution of human resources to the strategic objectives of the organization
- Forming a framework of techniques to secure maximum achievements of objectives for given inputs
- Providing a means of inspecting the functioning of the process links which deliver performance against objectives

It should be both strategic in that the focus should be about broader issues & longer-term goals & integrated as it should link various aspects of the business, individuals, & teams together

Objectives of Performance Management

The major objectives of performance management are discussed below:

- To enable the employees towards achievement of superior standards of work performance.

- To help the employees in identifying the knowledge and skills required for performing the job efficiently as this would drive their focus towards performing the right task in the right way.
- Boosting the performance of the employees by encouraging employee empowerment, motivation and implementation of an effective reward mechanism.
- Promoting a two-way system of communication between the supervisors and the employees for clarifying expectations about the roles and accountabilities, communicating the functional and organizational goals, providing a regular and a transparent feedback for improving employee performance and continuous coaching.
- Identifying the barriers to effective performance and resolving those barriers through constant monitoring, coaching and development interventions.
- Creating a basis for several administrative decisions strategic planning, succession planning, promotions and performance-based payment.
- Promoting personal growth and advancement in the career of the employees by helping them in acquiring the desired knowledge and skills.

Identify Success Factors in Good Performance Appraisal Programs

- Tailor-made for particular need
- Congruent with the existing culture
- Support the achievement of the organization's mission & the realization of values
- Clarify accountabilities
- Enable a systematic review of performance
- Develop a PRP system
- Provide an integrated approach to increasing motivation & commitment

Benefits of a Good Performance Management System

Benefits to the managers:

- Opportunities to learn about employee's hopes & fears
- Chance to clarify & reinforce important goals & priorities
- Mechanism for measuring changes in employee work performance
- Opportunity to motivate staff
- Clarification of overlap or ambiguities that may exist in the work structure

Benefits to the employees

- Opportunity to receive feedback on how performance is viewed
- Opportunity to communicate views about the job
- Opportunity to discuss career options
- Recognition of tasks carried out & objectives achieved
- Basis for identifying training & development needs

Benefits for the organization

- Assistance with succession planning & the identification of future potential
- Facilitation of HR planning through competency analysis
- Ensuring harmony between business objectives & employee performance
- Improved communications throughout the organization

Performance Management process

1. Setting Performance Objectives
The individual objectives must be SMART & must cascade down from the departmental objectives & the organizational objectives
2. Measuring Outcomes

Objectively (using statistics, e.g. units produced, number of complaints, etc) & subjectively (opinions about how individual is performing).

3. Feedback of Results

Measurements of performance must be communicated with the employee involved.

Feedback should be specific, involve positive aspects as well as areas for improvement & focus on action. This can take place in a meeting or interview, which sometimes is called a

performance appraisal

4. Rewards Linked To Outcomes

Some organizations choose to link financial payments to other rewards (e.g. recognition, promotion).

5. Amendments To Objectives & Activities

Objectives do not remain static throughout the individual's working life. They may change because the organizational/departmental objectives have changed

Performance Management Measurement/Appraisal Essentials:

In order to design & implement any performance measurement system it is vital to address eight factors:

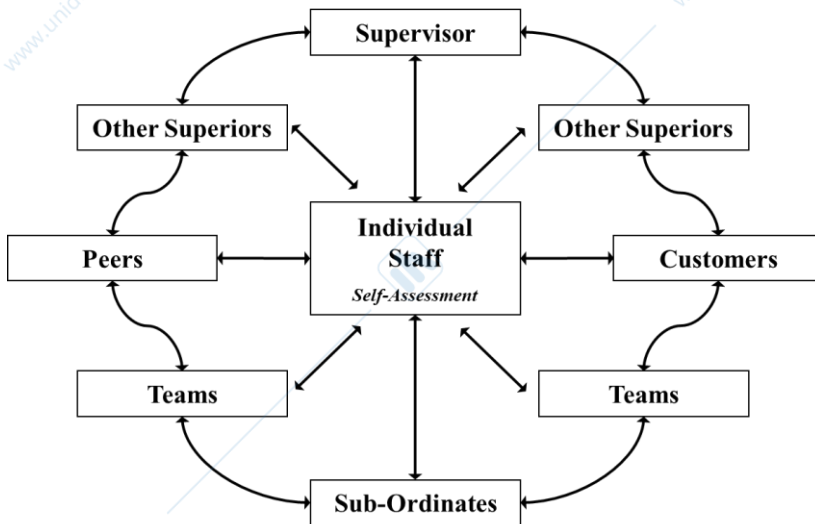
- Use a balanced set of measures
- Make sure you measure what matters to service users & other stakeholders
- Involve staff in determining the measures
- Include both perception measures & performance indicators
- Use a combination of both outcome & process measures
- Take account of the cost of measuring performance
- Have clear systems for translating feedback from measures into strategy for action

Reasons for Appraisals

- Compensation "Pay for Performance"
- Job Performance Improvements
- Feedback to Subordinates
- Documentation for Decisions
- Goal Setting - Later Evaluation
- Promotion Decisions
- Identify Training Needs
- HR Planning

Who perform the appraisal?

- Immediate Supervisor & Higher Management : performance appraisal done by an employee's manager and often reviewed by a manager one level higher.
- Self-Appraisals: performance appraisal done by the employee being evaluated, generally on an appraisal form completed by the employee prior to the performance review.
- Peers (Co-Workers): performance appraisal done by one's fellow employees, generally on forms that are compiled into a single profile for use in the performance interview conducted by the employee's manager
- Evaluation Teams: performance appraisal, based on TQM concepts, that recognizes team accomplishment rather than individual performance
- Customers
- "360° Appraisals"



Performance Appraisal problems

- Popularity Contest
- Punitive Implications
- Control Relinquishment (rinuncia)
- Stereotypes
- Poor Training of Raters

Rating errors:

- **Halo effect:** it is the tendency for positive impression of a person (or company, brand, product) in one area to positively influence one's opinion or feelings in other areas
- **Horn effect:** it is the tendency for negative impression of a person (or company, brand, product) in one area to negatively influence one's opinion or feelings in other areas
- **Recency effect:** performance-rating error in which the appraisal is based largely on the employee's most recent behaviour rather than on behaviour throughout the appraisal period.
- **Leniency or Strictness effects:** performance-rating error in which the appraiser tends to give employees either unusually high or unusually low ratings.
- **Central Tendency effect:** performance-rating error in which all employees are rated about average