



# **Contemporary issues** in Human Resource Management

Only study guide for  
**HRM3704**

**Authors:**  
Ingrid Potgieter  
Louis Maré

University of South Africa,  
Pretoria

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# Introduction

## 1 Welcome

Welcome to this module on contemporary issues in human resource management (HRM). We hope that you will enjoy this module and that you will be able to use the knowledge gained from studying this module for years to come!

We furthermore want to commend you on choosing one of the most interesting modules offered at third-year level! We strongly believe that “life is a journey”, and that every step taken adds value to the learning process of this journey. At this juncture of your life this part of your lifelong learning journey includes HRM3704. We will be embarking on this voyage together and you should view this study guide as the “travel map” for this part of the journey.

As you will recall, the second-year module in HRM introduced you to all the basic functions performed by the human resource (HR) manager. These functions include the activities of attracting human resources, assessing and developing human resources, retaining human resources, ensuring positive labour relations and dealing with special HRM issues. You will also remember the presumption that HRM would make a positive contribution to the ultimate success (and even future survival) of the organisation, once the HR manager had succeeded in all these activities. In practice, however, this assumption does not always ring true. In recent times, the HR manager is very often expected to do a lot more in an effort to gain a competitive advantage. This is where the third-year module fits in. We will be looking at several contemporary issues that the HR manager has to tackle to ensure that the organisation truly gains (and holds) a competitive advantage.

You will probably agree that the human resources of an organisation is often the largest (and most vital) resource and that more often than not this resource has the power to make or break an organisation. It is therefore very important for HR managers to be aware of and make use of the many alternatives and additional tools at their disposal to tap into the potential hidden values of this resource.

This study guide is intended as a map to guide you through your HRM3704 learning journey. Keep reading, and you will discover many exciting things in your travels.

## 2 Purpose of the module

The purpose of this module is to equip you with a well-rounded and systematic knowledge base about global contemporary issues related to HRM and about managing human resources in national and international contexts. Students credited with this module are able to demonstrate a coherent and critical understanding of contemporary HR concepts, principles and theories. In addition, students will have insight into global contemporary issues in HRM and a well-rounded and specialised ability to identify and integrate these issues in organisations.

### 3 LINK TO OTHER MODULES

As already mentioned above, it is assumed in this module that you already have a good understanding of the basic HRM principles as you will need a good HR foundation to embark on this journey. It is assumed in this module that you have mastered the learning outcomes of HRM1501, HRM2601 and HRM2602. You can refer back to the prescribed material of these modules if you need to refresh your memory as these basic aspects and principles will not be covered again in this module. It is important that you master the learning outcomes for this module and keep your study material and prescribed book as you will probably have to refer back to them in your future studies and working life.

### 4 Learning outcomes

After completing this module, you should be able to

- explain HRs' role in the evolving paradigm
- demonstrate a working knowledge of HR and competitive advantage
- demonstrate a working knowledge of leadership and the strategic role of HRM
- explain how you would manage flexible patterns of work for competitive advantage
- explain how you would manage talent as an HR challenge
- demonstrate a working knowledge of measuring HRM in organisations
- discuss the important ethical issues and challenges in HRM
- discuss corporate social responsibility, ethics and governance and its implications for corporate citizenship and HRM
- discuss the influence of the electronic era on HRM
- discuss change management and building the learning organisation
- demonstrate a working knowledge of international HRM
- explain the role of HRM in the twenty-first century

### 5 THE STUDY MATERIAL FOR THE MODULE

The study material for this module consists of this study guide, a prescribed book (which you must purchase) and several tutorial letters, which you will receive during the semester. The prescribed book is vitally important because you will not be able to complete this module successfully without studying it.

The following book is prescribed for this module:

Brewster, C, Bothma, R, Carey, L, Grobler, P, Holland, P & Wörnich, S. 2012. <i>Contemporary issues in human resource management</i> . 4th edition. Cape Town: Oxford University Press. (ISBN: 978019599830 6)
--

Please ensure that you purchase the correct edition of the prescribed book as the previous editions cannot be used.

In addition to the prescribed book, you are encouraged to consult other sources such as subject journals, newspapers and additional textbooks on this subject. You can also visit the course page for this module on myUnisa to find additional information.

## 6 THE PURPOSE OF THIS STUDY GUIDE

The main objective of this study guide is to help you grasp the (often foreign) concepts and make the content of the prescribed book your own. We will do this in a conversational manner by talking you through the various chapters in the prescribed book. We will also introduce you to a few practical study techniques.

Together, we will do the following in each study unit:

- set learning outcomes that you should have achieved after working through the study unit
- get a bird's eye view of each chapter
- draw up a brief mind map of the chapter
- identify the key concepts in each chapter
- make summaries of each chapter
- carry out activities that will guide you through the prescribed book
- evaluate your understanding of the chapter
- use a checklist to ensure that you have achieved the learning outcomes of each study unit

In our discussion of the various sections, figures and tables, you will notice that we do not refer to the section, figure or table number in the prescribed book but use the headings and titles of the figures and tables.

## 7 THE RECOMMENDED LEARNING PROCESS

As mentioned previously, the study guide will enable you to understand the theory in each chapter. Remember that you can only master something when you understand it. We therefore suggest that you always use this study guide when working through the prescribed book. One of the best ways of making sure that you understand the material is to make a summary of the theory for each chapter in the prescribed book in your own words. To help you understand and remember the theory, you should also complete the questions at the end of each chapter in the prescribed book. We will also introduce you to a few practical study techniques that you can adapt according to your specific needs and preferences, such as the use of mind maps. However, everyone learns in their own way and at their own pace. You may want to adapt accordingly or even use study techniques other than those we introduce in this study guide. When using mind maps we also suggest that you use different shapes and colours as this may also enhance your learning experience.

Remember that you will only be able to complete this module successfully if you

- study all the prescribed material carefully
- talk to specialists or friends working in this field or even other students enrolled for this module
- contact the lecturers responsible for this module if you encounter any difficulties
- complete all the activities and assignments
- complete the case studies in your tutorial letters as well as the case studies at the end of each chapter in the prescribed book
- try to apply what you have learned
- prepare thoroughly for the examination

You will need to spend at least 120 hours on this module. This includes approximately 40 hours of reading and studying the learning material, 40 hours doing the activities and assignments and 40 hours preparing for the examination.

You may wish to read more widely than only this study guide and the prescribed book. Remember that when you read information in the prescribed book or in other sources you should not simply accept it blindly. You should question the ideas and information you encounter, using what you have learnt in this module as a guideline.

To test your understanding of the ideas that you learn about in this module, you should try to apply them to real situations.

Once you have done all of this, you can rest assured that you know your work, understand it and will also be able to apply it in practice!

Good luck and enjoy the module!

## 8 THE IMPORTANCE OF COMPLETING ACTIVITIES, ASSIGNMENTS AND SELF-ASSESSMENT QUESTIONS

### Activities

As mentioned earlier, you will come across various types of activities in this study guide

- reflection on the work covered
- self-assessment questions

We believe that the completion of the activities in this study guide and the assignments is crucial if you want to complete this module successfully. The activities will help you to

- develop an understanding of the topic at hand and master the learning material and learning outcomes in a meaningful way
- improve your insight into the learning material by discovering things for yourself and assessing yourself by using the feedback provided on all activities

### Assignments

The assignments for this module are provided in Tutorial Letter 101. The completion of assignments is crucial to help you achieve the learning outcomes. By completing the assignments you can

- apply the knowledge that you have learnt
- obtain first-hand feedback from the lecturer

The assignment questions also afford you an opportunity to apply the theory to a case study or a practical situation relating to your own workplace. In each assignment you will be informed of

- the outcomes to be assessed
- the assessment criteria so that you know what is expected of you
- how you can prepare an assignment that will serve as a learning opportunity

Details of the assignments with their associated assessment criteria as well as the format of and requirements for the examination are provided in Tutorial Letter 101. A few weeks after the due date for each assignment, you will receive a tutorial letter containing the answers to and guidelines on each assignment.

### Assessment questions

At the end of each study unit you will find a list of self-assessment questions based on the work covered in the prescribed book and study unit. We advise you to answer these questions diligently since they afford you a perfect opportunity to prepare for possible examination questions. Do not consult the guidelines provided before you have attempted to answer each question yourself. Self-assessment plays a vital role in mastering learning outcomes and you should therefore make an effort to complete all the self-assessment activities in this study guide. You will find most of the answers to these questions in the learning material covered in this study guide and the prescribed book. According to the principles of outcomes-based education, you will not face any nasty surprises in the examination. It is in your own best interest to work through these self-assessment questions as well.

### Assessment of the module

You will be assessed during the semester through assignments and at the end of the semester in the examination against transparent assessment criteria that relate directly to the module outcomes. The assignment marks will contribute towards your year mark, and this mark together with the mark that you obtain during the examination will make up your final mark. Further details of the assessment and examination requirements for this module are provided in Tutorial Letter 101.

## 9 USE OF ICONS

The following icons are used in this tutorial letter – an explanation of each icon is provided below:



This icon indicates the **learning outcomes** of the particular topic. In other words, you should have mastered these outcomes after completing the topic.



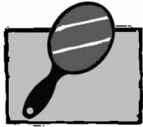
The **key concepts** indicate which terms or key words are important for a particular study unit. The key concepts can be found in the prescribed book.



This icon indicates an **activity** that you should complete to develop a deeper understanding of the learning material.



This icon indicates the **questions** to be completed to assess yourself. By completing these questions you can test whether or not you have mastered the learning outcomes of the study unit/topic.



**Assessment.** When you see this icon you will be required to test your knowledge, understanding and application of the material you have just studied.



This icon indicates **feedback** on an activity that you have completed or self-assessment questions that you have to complete.

## 10 HOW YOU WILL BENEFIT FROM THIS MODULE

To ensure that you deliver the quality of work required to successfully pass this module, we suggest that you

- study the study guide conscientiously according to the guidelines provided
- relate what you are learning to your work situation, if applicable
- plan your studies according to the time available and develop your own study plan; we supplied a basic study programme in Tutorial Letter 101 that you can use as a point of departure
- use this study guide and the prescribed book according to the guidelines provided
- accept responsibility for asking for assistance if you struggle with certain concepts, principles or processes
- submit the assignments on or before the due dates and study the feedback on assignments carefully to ensure that you understand the work properly complete the activities and assessment questions in this study guide
- develop more than a superficial understanding of the concepts and principles in this module
- assess your own progress continuously by completing the activities and assessment questions and carefully study the feedback and guidelines on them
- apply your knowledge in practice
- make sure that you master each of the learning outcomes for this module

## 11 WHAT YOU CAN EXPECT FROM UNISA

You can expect us to

- provide you with updated and relevant learning material that is regularly compared with and benchmarked against similar local and international modules
- ensure that the learning materials are in line with the needs of industry and commerce by consulting regularly with the profession, industry leaders and government officials
- provide you with opportunities to develop competencies and skills at a certain level; the outcomes correspond to the National Qualifications Framework (NQF) level 7, and you will be assessed on the basis of the level descriptors of the NQF
- provide you with clear indications of what we expect from you in terms of your assessment
- support you whenever you require assistance – you may contact your lecturers by making personal appointments, telephonically or by email. We understand that studying through distance education is more challenging than attending a residential university.
- give you timeous feedback on assignments; we will return an assignment to you

within three weeks after the due date if you submitted the assignment on or before the due date. If at all possible we would like to encourage you to use myUnisa to submit your assignments.

## 12 WHAT THE LECTURERS EXPECT FROM YOU

We expect you to

- read all the tutorial letters and correspondence that we send to you and act upon these where required
- purchase and use the correct edition of the prescribed book
- submit assignments on/before the due dates as communicated in Tutorial Letter 101
- spend a sufficient amount of time on this module
- make use of myUnisa regularly
- prepare detailed notes/summaries for each study unit that you will be examined on well in advance
- prepare well in advance for the examination
- master the learning outcomes for this module and understand the content of the module well so that you can apply the knowledge that you have learnt

## 13 CONCLUSION

We hope that you will enjoy your studies and we look forward to being your partners in this exciting endeavour!

Best wishes

**Your lecturer in Contemporary Issues in Human Resource Management**



# Study unit 1

## Human resource management's role in the evolving paradigm



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the chapter.

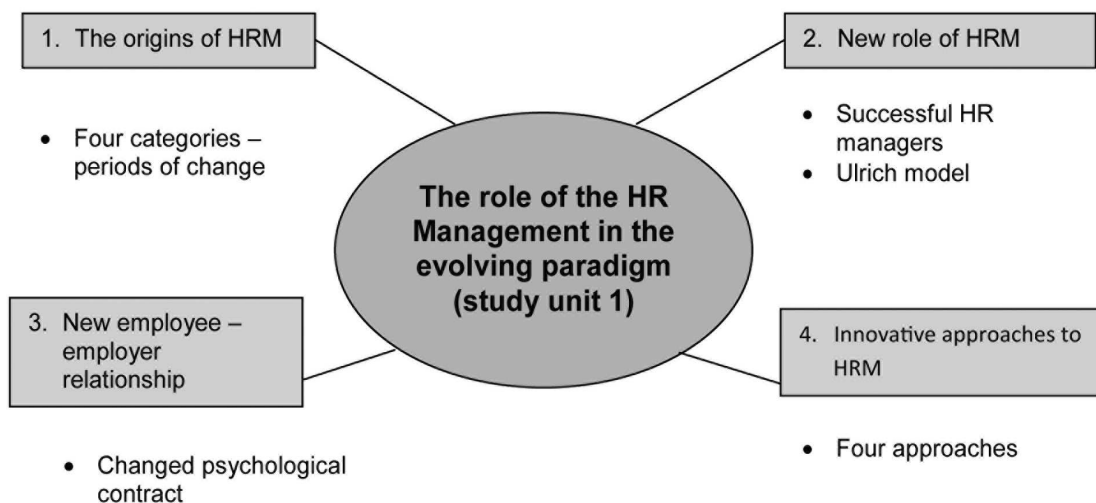
After studying this study-unit you should be able to

- identify the origins of HRM
  - describe the new role of HRM in organisations
  - explain the new employee-employer relationship
  - list and discuss new innovative approaches to HRM
- 

### Adding value

As explained in the introduction to chapter 1 in the prescribed book, human resource management (HRM) has to play an active role in adding value to the organisation. This role is, however, forever changing, as the term “evolving paradigm” indicates. If you are an HR manager, you have to be very creative and keep your finger on the pulse of the business and its external environment so you can react to these constant changes.

For you as student to grasp the contents of the chapters in the prescribed book, we need to start with a bird's-eye view of the contents of each chapter. This can be accomplished by drawing up a mind map. Some of you may be familiar with this study technique, but for those who are not, the following is an example of what a typical mind map of chapter 1 could look like. We advise you to use different colours if possible when you compile your own mind map.



We will now study all the sections in chapter 1. We have included some highlights below. We will be using the mind map above to look at the four main aspects in chapter 1 in a bit more detail. In the prescribed book you will also find references to tables and figures that you have to study when you work through this chapter.

## Origins of HRM

In the section in the prescribed book on “The origins of HRM” you should note that more formal HRM practices only evolved at the beginning of the Industrial Revolution. This is an important point. Also note that business practices have changed over time: four distinct periods of change may be identified. An interesting topic is the catalytic period projected by McKee as well as its characteristics. Read more about this in your prescribed book.

## New role of HRM

As explained in the section on “The new role of HRM”, HR managers are now partners with management in decision-making. This new role requires HR managers to act in a certain manner to be successful. Ulrich takes this matter further in his development of a multiple-role model for HRM (see figure on “HRM’s roles in building a competitive organisation”). Ulrich proposes four different roles that successful HR managers need to play: strategic partner, administrative expert, change agent and employee champion. Ensure that you understand these roles.

## New employee-employer relationship

The new psychological contract is the most important result of changing conditions in the organisation. This is discussed in detail in the section dealing with “The new employee-employer relationship”. Employees now realise that because of constant change, employers cannot offer them long-term secure careers. Consequently employees are only willing to give time and some effort to their jobs usually without the loyalty that a long-term relationship requires. You may decide for yourself whether or not this new psychological contract poses a problem. Is employee loyalty really that important? Try to suggest a few solutions to this problem. Are you able to provide a definition of the new psychological contract after you have studied this section? If not we suggest that you revisit this section again.

## Innovative approaches to HRM

Because the only constant variable is change, employees often react to a changing environment by being more inclined to leave the organisation, HR managers have to become very creative in designing HRM approaches. Four approaches are described in the discussion on “Innovative approaches to HRM”: self-managed work teams, alternative workplaces, e-HRM and talent management. You need to study these in detail. HR managers should therefore realise that it is no longer enough to simply concentrate on administrative, reactive HRM issues (as is unfortunately still the case in

most organisations); it has become necessary to manage the changes in the business environment and their impact on the employer-employee relationship proactively and very creatively.



### Activity 1.1

Now that we have worked through chapter 1, you should have identified the key terms and phrases used in this chapter. We can use these key terms and phrases to summarise the chapter.

Draw up a detailed mind map of the important aspects of chapter 1.



The following summary is an example and lists the key terms and phrases that you should at least have identified in chapter 1:

<b>Introduction</b>
<ul style="list-style-type: none"> <li>● HRM changed dramatically</li> <li>● active role</li> <li>● cutting costs and adding value to the business</li> </ul>
<b>The origins of HRM</b>
<ul style="list-style-type: none"> <li>● beginning of the Industrial Revolution</li> <li>● four categories of change               <ul style="list-style-type: none"> <li>– mechanistic</li> <li>– legalistic</li> <li>– organistic</li> <li>– strategic</li> </ul> </li> <li>● catalytic period (beyond 2000)</li> </ul>
<b>The new role of HRM</b>
<ul style="list-style-type: none"> <li>● partners in decision-making</li> <li>● prerequisites for successful HR professionals</li> <li>● Ulrich's multiple-role model for HRM</li> </ul>
<b>The new employee-employer relationship</b>
<ul style="list-style-type: none"> <li>● changed psychological contract</li> <li>● lack of job security and employee loyalty</li> <li>● "social contract"</li> <li>● unfulfilled or violated psychological contracts (see figure "A process model of the links between contract violation, trust, cynicism and organisational change")               <ul style="list-style-type: none"> <li>– reneging</li> <li>– incongruence</li> </ul> </li> </ul>
<b>Innovative approaches to HRM</b>
<ul style="list-style-type: none"> <li>● self-managed work teams (see table "Reported successes of self-managed teams")               <ul style="list-style-type: none"> <li>– "no-gos" for self-management teams</li> <li>– interorganisational virtual organisation (characteristics)</li> <li>– success factors for virtual team leaders (see table "Practices of effective virtual team leaders")</li> </ul> </li> </ul>

- *alternative workplace*
  - *importance of virtual work*
  - *alternative workplace options (also see appendices 1A and 1B of chapter 1)*
  - *combination of different forms of the alternative workplace (see table “One company, two telecommuting arrangements”)*
- *e-HRM*
  - *stage I: information publishing*
  - *stage II: database inquiry*
  - *stage III: simple HR transactions*
  - *stage IV: complex HR transactions*
  - *stage V: HR workflow over the web*
- *talent management*
  - *building blocks of talent*
  - *roles played by HRM department and HR professional*
  - *best practices (also see figure “The elements of talent management”)*



## Activity 1.2

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Now use the information found under the key terms and phrases as well as the mind map you drew up in the first activity of this study unit to compile a detailed summary of the information in chapter 1 in the prescribed book.

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## SELF-ASSESSMENT

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Once you have mastered the learning outcomes of chapter 1 in the prescribed book, you can evaluate yourself by answering the review questions at the end of chapter 1 in the prescribed book.

### **Question one**

*Describe the issues that will play a major role in the future in McKee’s catalytic period.*

### **Question two**

*Describe the present ways in which HR professionals can be successful.*

### **Question three**

*Give a definition of the new psychological contract.*

### **Question four**

*Give four reasons why virtual teams have become important.*

**Question five**

Give some examples of the training needs of self-managed work teams.

**Question six**

Give a brief explanation of the evolving role of HRM during the four periods of organisational change as described by McKee.

**Question seven**

Explain Ulrich’s multiple-role model for HRM.

**Question eight**

Discuss the employee-employer relationship in the new work environment.

**Question nine**

According to Mahlon Apgar IV, a number of options are available for the alternative workplace to tailor work arrangements to your own needs. Discuss these options.

**Question ten**

Briefly describe what you understand by talent management.



**Reflective Activity**

Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

Learning Outcomes	Yes	No
1. Can I identify the origins of HRM?		
2. Can I describe the new role of HRM in organisations?		
3. Am I able to explain the new employee-employer relationship?		
4. Can I list and discuss new innovative approaches to HRM?		



**GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS**

**Question one**

The answer to this question can be found in the section “The origins of HRM” in the prescribed book. In your answer you should have addressed the following:

The HR function has to adapt to a new role to ensure that organisations develop and maintain a competitive advantage. According to McKee’s catalytic period, several issues will play a major role in the future, including an increase in cross-border employment; a workforce that will be comfortable in and also with other cultures (especially in South Africa); fewer organisations as a result of continued mergers and acquisitions; the use of just-in-time professional workers; an increase in outsourcing of administrative

functions as companies strive to be “leaner and meaner”; more innovative compensation practices; a more selective approach by employees about their careers; telecommuting and other forms of flexible work being widely introduced; and teams in organisations.

### **Question two**

The answer to this question can be found in the section “The new role of HRM”. In your answer you should have addressed the following:

The role of HR professionals has changed dramatically over the last few years. HR professionals are becoming more involved with decisions in organisations and their role as functional experts is no longer the only role they should play. They should also share accountability for organising work to be performed as well as where it is performed. They have made a number of changes in an attempt to become more successful. You may describe these changes.

### **Question three**

The answer to this question can be found in the section “The new employee-employer relationship”. In your answer you should have addressed the following:

A psychological contract is an unwritten contract that defines the employment relationship and manages mutual expectations. In the past employees had a lot of job security. However, this has changed in the new environment where change is inevitable due to the changing economic environment.

There are a number of key aspects which define the new psychological contract. For example, there is no job security and the employee will be employed as long as he or she adds value to the organisation. The employee is personally responsible for finding new ways to add value. In return the employee has the right to demand interesting and important work, has the freedom and resources to perform it well, receives pay that reflects his or her contribution and gets the experience and training needed to be employable at the current employer or elsewhere.

### **Question four**

The answer to this question can be found in the section “Self-managed work teams”. In your answer you should have addressed the following:

Virtual teams have become important due to the fact that organisational structures have become flat or horizontal and previous hierarchies have been substituted with flatter structures. Environments have emerged that require inter-organisational cooperation and also competition between different departments in the same organisation. Workers’ expectations regarding their involvement in organisations have also changed and organisations’ activities and trade in general have globalised.

### **Question five**

The answer to this question can be found in the section “Self-managed work teams”. In your answer you should have addressed the following:

Self-managed work teams need training in addition to the training needed to perform the specific job they have been employed for. Communication is vital for such teams to succeed and each team member will subsequently have to be trained to communicate properly if the team wants to be successful. Linked to this are proper listening skills,

which are vital for proper communication. Supervision is another aspect in which the team will need training. Other aspects that are vital to the success of self-managed work teams are conflict resolution, decision-making, running meetings and time management. These are essential skills without which a self-managed work team will not succeed.

### **Question six**

The answer to this question can be found in the section “The origins of HRM”. In your answer you should have addressed the following:

McKee described the evolving role of human resources during four periods of organisational change. These periods are the mechanistic period, the legalistic period, the organistic period and the strategic period. Each period and the evolving role of human resources must be discussed.

### **Question seven**

The answer to this question can be found in the section “The new role of HRM” and in the figure “HRM’s roles in building a competitive organisation” in the prescribed book. In your answer you should have addressed the following:

In the past human resources’ role was seen as being more operational. Dave Ulrich warns about this one-sided view and proposes a multiple role model for HRM which addresses the strategic role of human resources as well as other issues. According to Ulrich, for human resources to be successful, it will have to play at least four different roles, namely strategic partner, administrative expert, employee champion and change agent. Ulrich proposes that HR professionals should first focus on what they can deliver, before they look at the activities or work of human resources.

Explain what each of these roles entails and refer to the appropriate quadrant for each of these roles in the figure “HRM’s roles in building a competitive organisation”.

### **Question eight**

The answer to this question can be found in the section “The new employee-employer relationship”. In your answer you should have addressed the following:

To understand the employee-employer relationship in the new work environment one needs to understand the previous relationship and the old way of doing business.

Organisations that want to be successful and competitive will be those that are able to turn their strategies into actions quickly, manage their processes efficiently and maximise their employees’ contributions and commitment. For this to be possible the old way of doing things must be abolished and new practices implemented. This can take place through re-engineering, restructuring, downsizing and other activities.

These changes will result in employees being dismissed, not only those working in factories, but also those who were traditionally offered a long-term career in the organisation. Thus, the psychological contract – what employees and employers want and expect from each other – will change dramatically in the new work environment.

The question now is: what will this new contract look like? Describe the new contract and the two types of violations of the psychological contract that can occur.

### **Question nine**

The answer to this question can be found in the section “Alternative workplace”. In your answer you should have addressed the following:

The first option is to place workers on different shifts or travel schedules. By doing this you will enable them to share the same desk and office space. A second option could be to replace traditional offices with open-plan space. Thirdly, the concept of “hotelling” can be implemented. This means “hotel” spaces are furnished, equipped and supported with office services needed which can be reserved per hour, day or week instead of permanently assigning the space to one person. Additional assistance may be supplied to provide employees with travel and other logistical support. The fourth option is to create satellite offices. This implies that large centralised facilities are broken up into a network of smaller workplaces that can be located close to the customer or even the employee’s home. The last option, according to Mahlon Apgar IV, is to introduce telecommuting or virtual offices. This is a widely used phenomenon where employees who telecommute perform work electronically from any location. The idea is that this would rather supplement than substitute the current arrangements.

### **Question ten**

The answer to this question can be found in the section “Talent management”. In your answer you should have addressed the following:

Talent management can be seen as the use of an integrated set of HR activities to ensure that the organisation attracts, retains, motivates and develops the talented people it needs now and in the future.

The concept does not only enhance the value of outsiders, but also looks at the talent the organisation already possesses. Although managing talent in organisations is not new, the approach used, namely to bundle together the activities to produce a more coherent whole that can be a vehicle for obtaining, developing and retaining talent the organisation needs, is new. In your answer you also have to refer to the elements of talent management illustrated in the figure “The elements of talent management”.



### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.
- If you answered no to any of the outcomes, you should work through the specific sections again.

It is very important that you achieve all the learning outcomes of this module before you continue with the next study unit as they guide your learning process.

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You should now realise that doing business the old way has gone forever. A new flexible, fluid and ever-changing environment is a reality. If HR is to survive and add value to the organisation, it must respond with innovative ideas. This will enable the

organisation to gain and sustain its competitive advantage. But what do we mean by a competitive advantage? This will be the focus of study unit 2 and chapter 2 in the prescribed book.

# Study unit 2

## Human resources and the competitive advantage



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

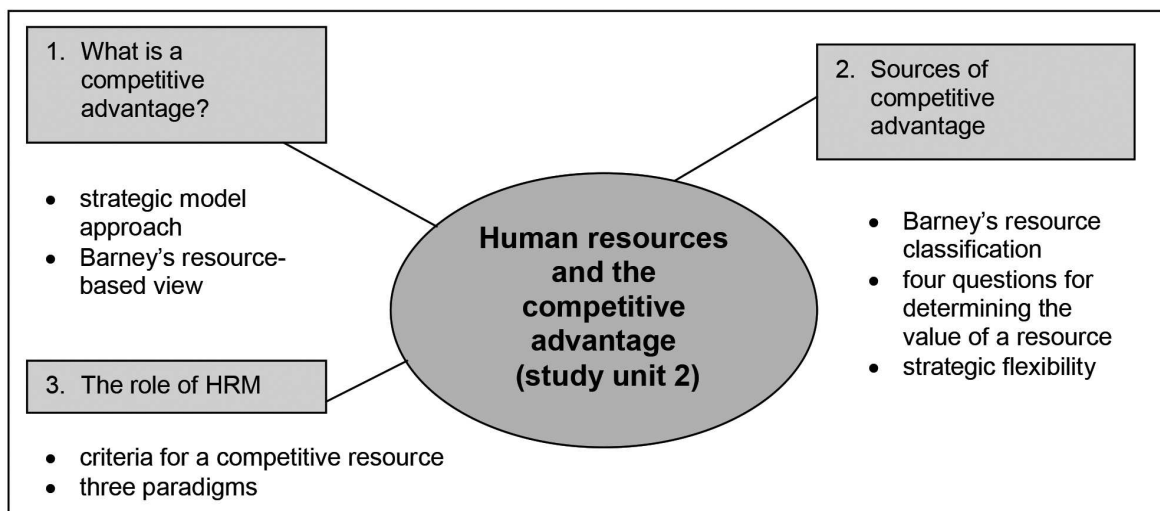
After studying this study unit you should be able to

- explain what a competitive advantage is
  - distinguish between the different sources of competitive advantage
  - discuss the role of human resources in the competitive-advantage paradigm
  - discuss the different paradigms regarding the contribution of human resources to company performance
  - discuss the role of the different mindsets in maintaining the competitive advantage in the new competitive landscape
- 

### One step ahead

Most successful organisations have one thing in common: they are a step ahead of their rivals. This is a very simple explanation of competitive advantage. In the introduction to chapter 2 in the prescribed book, you will note that the primary (and often most important) source of competitive advantage is a company's human resources. The HR manager therefore has a crucial role to play in an organisation's survival because its competitive advantage lies primarily with its employees.

Let us first get an idea of what chapter 2 in the prescribed book is about by drawing up a mind map again:



## Competitive advantage and sustained competitive advantage

As you will gather from the discussion included under “What is a competitive advantage?”, it was (and unfortunately often still is) assumed that competitive advantage depended on the business location. It was then assumed that this organisation would have the competitive advantage over other similar but smaller organisations. This approach is solely industry focused and was known as the strategic model which worked well in a stable environment. Competitive advantage, however, involves much more than this. Internal as well as external environments change constantly and, in addition, competitors do not stay the same forever. As a result of the limited value of the strategic approach, the focus of research has moved to the resource-based view of competitiveness. Most organisations are established for one reason only: to make a profit – so we can assume that any organisation that aims to be successful will continuously adapt and improve to establish and maintain a competitive advantage over other similar organisations. Thus, its internal resources must play a vital role. You should also take note of Barney’s definition of competitive advantage, which includes the sustained competitive advantage.

## Sources of competitive advantage and their value

Obviously, gaining a competitive advantage cannot only lie in the HR area: it involves a unique combination of all the company’s resources – for example, financial, physical, human and organisational resources (see the discussion under the heading “Sources of competitive advantage”). This is also illustrated in the figure “An example of a strategic specialised bundle”. One also needs to determine the value of each resource so as to include only the most valuable resources when aiming to sustain a competitive advantage. This is done by tackling the questions of value, rarity, imitability and organisation (see the discussion under the heading “Sources of competitive advantage”). Seeing that the only constant factor is change, a company will have to be extremely flexible in adapting to internal and external changes to sustain its competitive advantage. What works well today (the so-called strategic-fit position) will not necessarily work well tomorrow. Companies are also continuously changing in an effort to gain the competitive advantage; flexibility must be the building block needed to survive.

## Human resources’ role in gaining a competitive advantage

Consult the beginning of the section “HR’s role in gaining a competitive advantage” where HRM is evaluated according to the criteria for a competitive resource. As you will conclude from the discussion, the human resource is actually indispensable to the organisation because it can ensure a sustained competitive advantage – if managed correctly. Why do we say this? ... Once again we realise the importance of the HR manager’s role in managing human resources in a way that ensures the company’s survival and success. There are different approaches for measuring HRM’s contribution to company performance: the resource-based view paradigm, the best practices paradigm (universal approach, contingency approach and configurational approach) and the process paradigm. Make sure that you understand the underlying principles of each.

## The new competitive landscape: How can it be sustained?

With increased globalisation and fast-changing technology, an additional approach to support the HRM's contribution to company performance needs to be adopted. HR and general managers need to adopt four mindsets to convert potential threats in the company to potential opportunities. These different mindsets include a global mindset (where threats of globalisation are turned into opportunities), a virtual mindset (where threats of hypercompetition are turned into opportunities), an innovation mindset (where fast changes in technologies are turned into opportunities) and a collaboration mindset (where a combination of globalisation, hypercompetition and rapid technological changes are turned into opportunities). The table "Attributes of the four different mindsets" gives a detailed explanation of the four different mindsets.



### Activity 2.1

Now that we have worked through chapter 2, you should have identified the key terms and phrases used. We can use these key terms and phrases to summarise the chapter.

Draw up a detailed mind map of the important aspects of chapter 2.



The following summary is an example and lists the key terms and phrases that you should at least have identified in chapter 2:

<b>What is a competitive advantage</b>
<ul style="list-style-type: none"><li>● <i>strategic model approach</i></li><li>● <i>Barney's resource-based view (RBV)</i></li></ul>
<b>Sources of competitive advantage</b>
<ul style="list-style-type: none"><li>● <i>Barney's four groups of company resources</i><ul style="list-style-type: none"><li>– <i>financial capital</i></li><li>– <i>physical capital</i></li><li>– <i>human capital</i></li><li>– <i>organisational capital</i></li></ul></li><li>● <i>determine a resource's value (tackle four questions)</i><ul style="list-style-type: none"><li>– <i>question of value</i></li><li>– <i>question of rareness</i></li><li>– <i>question of imitability</i></li><li>– <i>question of organisation</i></li></ul></li><li>● <i>strategic flexibility/fit</i></li></ul>
<b>Human resources' role in gaining a competitive advantage</b>
<ul style="list-style-type: none"><li>● <i>criteria for a competitive source</i><ul style="list-style-type: none"><li>– <i>value of human resources</i></li><li>– <i>rarity of human resources</i></li><li>– <i>inimitability of human resources</i></li><li>– <i>substitutability of human resources</i></li></ul></li><li>● <i>three paradigms</i><ul style="list-style-type: none"><li>– <i>resource-based view paradigm</i></li></ul></li></ul>

- *best practices paradigm*
  - *universal approach*
  - *contingency approach*
  - *configurational approach*
- *process paradigm*
- *new competitive landscape*
  - *global mindset*
  - *virtual mindset*
  - *innovation mindset*
  - *collaboration mindset*



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## Activity 2.2

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Now use the information found under the key concepts as well as the mind map you drew up in the first activity to compile a detailed summary of the information in chapter 2 in the prescribed book



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## SELF-ASSESSMENT

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Once you have mastered the learning outcomes of chapter 2, you can evaluate yourself by answering the review questions at the end of chapter 2 in the prescribed book.

### **Question one**

Write a short paragraph on the rareness of human resources.

### **Question two**

According to Barney, imitation can occur in at least two ways. Explain briefly.

### **Question three**

Explain the resource-based view paradigm and its application in interconnected firms. Also refer to the motivation component of the HR assets as it relates to this paradigm.

### **Question four**

Explain the best practices paradigm.

### **Question five**

Explain the process paradigm.

### **Question six**

Give a brief explanation of the term “competitive advantage”.

**Question seven**

According to Barney, an organisation’s resources can be classified into four groups. Name them.

**Question eight**

Briefly discuss the four questions which determine a resource’s value.

**Question nine**

Write a short paragraph on the universal, contingency and configurational approach.

**Question ten**

Write a brief essay on the attributes of the four mindsets needed to retain the competitive advantage in the new competitive landscape.



Reflective Activity

Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

Learning Outcomes	Yes	No
1. Can I explain what a competitive advantage is?		
2. Can I distinguish between the different sources of competitive advantage?		
3. Am I able to discuss the role of human resources in the competitive-advantage paradigm?		
4. Can I discuss the different paradigms regarding the contribution of human resources to company performance?		
5. Do I understand the role of the different mindsets in maintaining the competitive advantage in the new competitive landscape?		



**GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS**

**Question one**

The answer to this question can be found in the section “HR’s role in gaining a competitive advantage”. In your answer you should have addressed the following:

Human resources with high ability levels are rare due to the normal distribution of ability. A good example of this is the selection process. The aim of the selection process is to choose those individuals who have the best abilities and those who will match the requirement of the job the best. Human resources can thus serve as a competitive advantage for the company.

### **Question two**

The answer to this question can be found in the section “HR’s role in gaining a competitive advantage”. In your answer you should have addressed the following:

To determine a resource’s value, managers must address four questions concerning value, rarity, inimitability and organisation. Imitation can occur by means of duplication or by substitution. Duplication occurs when an imitating company builds the same kind of resources that it has established its competitor possesses. In other words it investigates what competitors are doing and then attempts to duplicate this. Substitution on the other hand means that a similar resource may be found that provides the same results. It is important to note that some competing companies may find the imitation of a company’s resources difficult as a result of historical reasons. For example, many resources are built up over years through trial and error in companies, making them unique reflections of personalities, experiences and relationships that can exist only in one company. Another obstacle may be the social integration of resources through trust, friendship, teamwork and culture, which will make them virtually impossible to imitate. You should also keep in mind that you can appoint people with similar qualifications and experience but it will be impossible to totally duplicate or substitute this.

### **Question three**

The answer to this question can be found in the section “The resource-based paradigm”. In your answer you should have addressed the following:

This approach suggests that HR systems can contribute to a sustained competitive advantage by facilitating the development of competencies that are company-specific. However, one of the biggest problems facing the resource-based approach, especially its human resources, is the possibility of employee turnover. Building competencies that do not stay long can have a negative effect on the competitive advantage enjoyed by the company. To limit the damage that can occur as a result of losses, companies can design and implement turnover management strategies. Other approaches that can be implemented include the allocation of a bigger portion of the profits to employees by means of gain-sharing or share options. To further enhance this process, a culture of belonging can also be created in the company.

Performance implications from an HR perspective thus go much further than the knowledge/competencies the human resources have; it also involves their motivation. In your answer you also have to refer to the motivation component of the HR assets as it relates to this paradigm.

### **Question four**

The answer to this question can be found in the section “The best-practices paradigm”. In your answer you should have addressed the following:

The best-practices paradigm implies that there is a direct relationship between particular HR approaches and company performance. Some of the HR practices that can be related to company performance are compensation, selection and training activities. In more recent research evidence has shown that bundles or systems of HR practices have more influence on company performance than individual practices working in isolation. There is a lot of support for a best-practices approach to HR but there are some differences as to what constitutes bundles of “HR best practices”. The

focus is to enhance the skills base of employees through HR activities, for example, selective staffing, comprehensive training and broad developmental efforts like job rotation and cross-utilisation, the promotion of empowerment, participative problem-solving and teamwork. Another important aspect in the best-practices paradigm is the creation of role behaviours which means that company strategies dictate certain unique attitude and role behaviours from employees, and HR practices are the primary means to make this happen. This is not necessarily a sustained competitive advantage because of the fact that this can be duplicated.

When HR practices are matched with an organisation's competitive requirements, which are linked to the goals of the company, the impact of HR practices on the performance of the company can be enhanced. This brings about the strategic approach. In your answer you also have to include this approach where three perspectives emerged, namely a universal approach, a contingency approach and a configurational approach.

### **Question five**

The answer to this question can be found in the section "The process paradigm". In your answer you should have addressed the following:

This approach is anchored in both the resource-based view and the best-practices theory. The creators of this approach, Raphael Amit and Monica Belcourt, refer to HR processes as the deeply embedded company-specific dynamic routines by which a company attracts, socialises, trains, motivates, evaluates and compensates its human resources.

Company-specific HR processes are established by developing and exchanging information throughout the entire organisation. This process, sometimes called organisation learning, creates, transfers and institutionalises knowledge throughout the organisation, which increases its adaptability. HR processes in a company are evolutionary, meaning that they are continuously evolving and adapting by drawing on past experiences to refine the effectiveness of processes and to meet the changing needs of the organisation. Thus, the HR processes can become one of the company's strategic assets if they are able to help it realise superior profitability.

HR processes is the engine of renewal that can be used to continually adjust the way in which a company selects, trains, socialises and evaluates its human capital, and that enables a company to execute its strategy effectively. The universal adoption of best practices leads to company homogeneity; people may leave or join the company but processes remain and this can improve the company. The crux is that the manner in which things are done is important and not what is produced.

### **Question six**

The answer to this question can be found in the section "What is a competitive advantage?" In your answer you should have addressed the following:

A firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors. A firm is said to have a sustained competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any

current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy. Company resources have a major role to play in obtaining the competitive advantage.

### **Question seven**

The answer to this question can be found in the section "Sources of competitive advantage". In your answer you should have addressed the following:

- financial capital resources – including debt, equity-retained earnings
- physical capital resources – including physical technology, machines, manufacturing facilities and buildings
- human capital resources – including knowledge, experience, insight and wisdoms of employees associated with a company
- organisational capital resources – the history, relationships, trust and organisational culture that are attributes of groups of individuals associated with the company; a company's formal reporting structure, explicit management control systems and compensation policies

### **Question eight**

The answer to this question can be found in the section "Sources of competitive advantage". In your answer you should have addressed the following which determine a resource's value:

- the question of value
- the question of rarity
- the question of inimitability
- the question of organisation

### **Question nine**

The answer to this question can be found in the section "The best-practices paradigm". In your answer you should have addressed the following:

The universalistic approach to strategic HRM assumes that there are certain HRM best practices that will contribute to, for example, increased financial performance of a company, regardless of the strategic goals of the company.

Delery and Doty identify seven practices consistently considered to be strategic in nature. The practices are internal career opportunities, formal training systems, appraisal measures, profit sharing, employment security, voice mechanisms and job definition. It is interesting to note that these practices were utilised in several analyses to test the soundness of the three dominant theoretical perspectives mentioned earlier, namely the universal, contingency and configurational perspective. The results of the analyses provided some support for each of the three perspectives.

Other researchers argue that a contingency perspective is more appropriate to strategic HRM. The contingency approach differs from the universal approach in that research undertaken here attempts to link HRM systems/practices to specific organisational strategies. A closely related body of research calls for a configurational approach to strategic HRM and argues that it is the pattern of HRM practices/systems that contribute to the attainment of organisational goals. Similar to the contingency approach, the configurational approach argues that the fit of HRM practices/systems with the company strategy is a vital factor. However, there are specific "ideal types" of

HRM systems/practices that provide both horizontal and vertical fit of HRM systems/practices to the organisational structure and strategic goals. The configuration of systems/practices that provides the tightest horizontal and vertical fit with any given strategy would then be the ideal type for an organisation pursuing that particular strategy. Horizontal fit refers to the internal consistency of the organisation's HR policies or practices and vertical fit refers to the congruence of the HR system with other organisational characteristics such as the company strategy.

### **Question ten**

The answer to this question can be found in the section "The new competitive landscape: How can it be sustained?" In your answer you should have addressed the following:

A number of paradigms have been identified that describe the contribution of human resources to company performance. These paradigms include the resource-based paradigm, the best-practices paradigm and the process approach. However, with increased globalisation, technological change and hypercompetition, the three paradigms will be placed under severe pressure. Managers therefore need to adopt four mindsets to convert potential threats into opportunities.

The **first** mindset includes the global mindset needed to convert globalisation threats into growth opportunities. This can be achieved by thinking beyond geographic boundaries, valuing integration across borders and appreciating regional and cultural diversity. The **second** mindset includes the innovation mindset which is needed to foster development and the implementation of new ideas, to transform rapid technological change threats into opportunities by valuing the constant generation of new ideas and business models, realising sources of new ideas and stressing next practices rather than best practices. The **third** mindset includes the virtual mindset which empowers managers to be able to hand over their companies' activities to external providers, which will turn hypercompetition into prospects for growth through flexibility and responsiveness. The **fourth** mindset is a collaboration mindset which refers to the willingness to engage in business partnerships which can lead to synergy by combining business complementarities.



### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.
- If you answered no to any of the outcomes, you should work through the specific sections again.

It is very important that you achieve all the learning outcomes of this module as they guide your learning process.

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Obtaining and sustaining a competitive advantage for a company not only requires good management but also another vital component – good leadership. Once again, HRM has a crucial role to play in this regard. We will now take a closer look at the role of HRM in leadership in study unit 3.

# Study unit 3

## Human resources and leadership



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

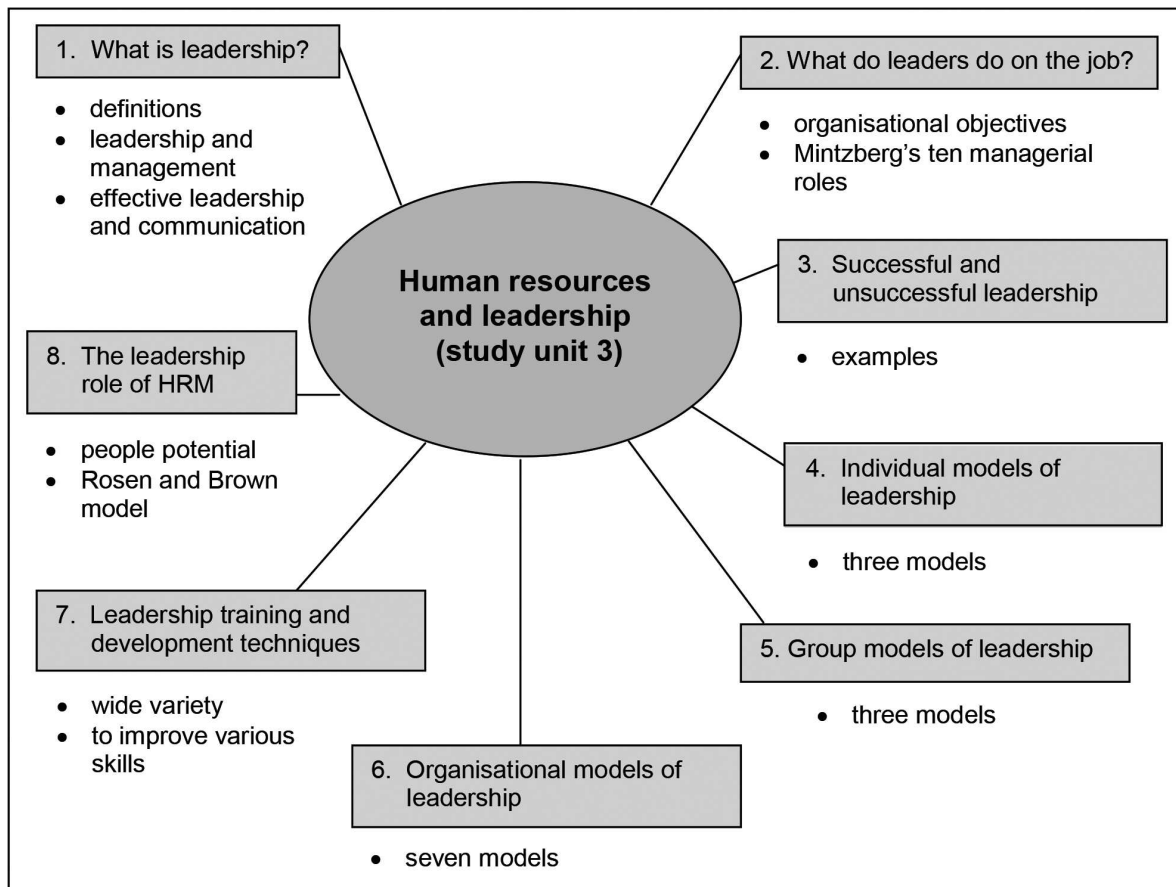
After studying this study unit you should be able to

- define the concept of leadership
  - discuss the ten leadership management roles
  - explain the difference between successful and unsuccessful leadership
  - identify several individual models of leadership
  - identify several group models of leadership
  - identify several organisational models of leadership
  - list the various leadership training and development techniques
  - describe the leadership role of human resources
- 

### To follow blindly

Leadership is a concept that has been researched extensively because of its power to excite people to do what they may never do on their own accord (in fact, people often follow their leaders blindly). What is needed in light of the profound challenges the world is facing today are responsible leaders in both business and society who are able to tackle these pressing public problems, who are engaging in sustainable business practices and are willing to contribute to the global common good. HR managers should, therefore, aim to be responsible leaders rather than dictators – you would surely agree that much more can be accomplished by leading rather than by prescribing.

Let us first get an idea of what chapter 3 in the prescribed book is about by once again drawing up a mind map:



We will now discuss chapter 3 based on the above mind map.

## What is leadership?

There are several definitions of leadership (see the section “What is leadership?”), but most researchers agree that definitions would include a leader, followers and a situation. We could think that managers are also leaders because they have followers (who in turn have to perform managerial tasks in various situations). Is this really true? The answer is “no”. You will note from the section dealing with the question “What is leadership?” that there are several differences between managing and leading (also see the figure “The complementarity of management and leadership”). If they wish to become successful leaders, managers (including HR managers) need to note the critical competencies of effective leaders as well as the crucial role played by effective communication (see the section “What is leadership?”).

## What do leaders do on the job?

You may be wondering what leaders actually do on the job. You will see in the section “What leaders do on the job?” that the so-called leadership managerial roles are grouped into three categories, namely interpersonal, informational and decision roles (see table “Mintzberg’s 10 managerial roles of leaders”). These roles are performed to accomplish organisational objectives. Managers should aim to become leaders when in the past it was enough for them to simply do their jobs (i.e. to manage their

subordinates and thus maintain the status quo). You will find that it is leadership that enhances organisational performance – the leaders have the necessary confidence to take an organisation into an unknown future. Note the entrepreneurial role that leaders perform.

## Successful and unsuccessful leadership

All organisations aim to perform to their full potential and any means of achieving this aim is welcome and should be actively pursued. It is only the successful leader who can play a vital role in gaining and sustaining a competitive advantage for the organisation. You will find examples of successful and unsuccessful leadership in the table “Examples of successful and unsuccessful leadership as found in different research studies”.

## Models of leadership

### **Individual models**

As you will see from the section on “Individual models of leadership”, three individual models of leadership are discussed, namely the traits-based approach, the behavioural-based approach and the situational-based approach. Make sure that you understand the basic elements of each as well as the differences between them. You will also note that individual models of leadership focus on the individual leader (usually the manager) in the workplace.

### **Group models**

Today, however, there is a global movement away from the focus on the individual manager to a team-based approach, as discussed in chapter 1 of the prescribed book. This is where the group models of leadership fit in. Three group models are discussed under “Group models of leadership”, namely cross-functional teams, self-managed teams and executive teams. The underlying purpose of these models is to empower others, not just managers. Therefore any employee can perform leadership functions, whether a manager or someone much lower down in the organisational hierarchy.

### **Organisational models**

During the 1980s and 1990s new models, which can be classified as organisational models, started to appear as a result of various problems experienced with many of the previous approaches. Seven of these models are discussed, including transactional-based approach, transformational-based approach, charismatic-based approach, managerial-based approach, strategic-based approach, institutional-based approach and the e-leadership approach. Also note the interesting new development regarding leadership discussed in the section dealing with “Institutional leadership”, specifically the figure “Institutionalised leadership”.

## Leadership training/development techniques

By now you will probably agree that leadership plays a vital role in organisational

success (which, as you will recall, constitutes gaining and sustaining a competitive advantage). You will also realise that because all employees will have to perform some leadership role at one time or another, they will have to be trained in leadership techniques. A wide variety of training methods are mentioned in the section dealing with “Techniques for leadership training and development “, as well as certain skills that should be improved on. You can also evaluate your own personal leadership competencies (refer to the table “How good a leader are you?”) The fact that leaders should be developing other leaders is also discussed.

## Leadership role of HRM

Now that you understand leadership and why it is important in the organisational context, it is time to look at the HR manager’s leadership role. As argued earlier, when it comes to HR management issues, it makes much more sense for the HR manager to act like a leader rather than to prescribe to people what they should or should not do. The HR manager’s leadership role is to unlock employees’ potential (see the section “The leadership role of HRM”). Also note the model developed by Rosen and Brown about what the HR manager should do to become a more successful leader (see the figure “Reorientating HRM for its leadership role”). The leading organisations of today are continuously on the lookout for functional managers who can be inspiring leaders at the same time.



### Activity 3.1

Now that we have worked through chapter 3, you should have identified the key terms and phrases used. We can use these key terms and phrases to summarise the chapter.

Draw up your own detailed mind map of the important aspects of chapter 3.



The following summary is an example and lists the key concepts that you should at least have identified in chapter 3:

<b>What is leadership?</b>
<ul style="list-style-type: none"> <li>● definitions</li> <li>● process involving leader, follower, situation</li> <li>● difference between leadership and management (also refer to figure “The complementarity of management and leadership”)’ critical competencies of effective leaders</li> <li>● effective communication (also refer to common characteristics in organisations that communicate well)</li> <li>● emotional intelligence (also refer to the table “The four fundamental capabilities and competencies of emotional intelligence”)</li> </ul>
<b>What do leaders do on the job?</b>
<ul style="list-style-type: none"> <li>● Mintzberg’s leadership managerial roles (see table “Mintzberg’s 10 managerial roles of leaders”)</li> <li>● organisational objectives</li> </ul>
<b>Successful and unsuccessful leadership</b>
<ul style="list-style-type: none"> <li>● variety of approaches</li> </ul>

<ul style="list-style-type: none"> <li>● examples of successful and unsuccessful leadership (see table “Examples of successful and unsuccessful leadership as found in different research studies”)</li> </ul>
<p><b>Individual models of leadership</b></p>
<ul style="list-style-type: none"> <li>● three models <ul style="list-style-type: none"> <li>– traits-based approach</li> <li>– behavioural-based approach</li> <li>– situational-based approach</li> </ul> </li> </ul>
<p><b>Group models of leadership</b></p>
<ul style="list-style-type: none"> <li>● empowering others</li> <li>● leadership acts</li> <li>● leadership functions</li> <li>● three models <ul style="list-style-type: none"> <li>– cross-functional teams</li> <li>– self-managed teams</li> <li>– executive teams (see table “Elements of executive team effectiveness”) <ul style="list-style-type: none"> <li>● governance</li> <li>● developing strategy</li> <li>● leading strategic-change teams (SCTs) (also refer to figure “Building framework for SCTs)</li> <li>● creating a high performance operating environment</li> </ul> </li> </ul> </li> </ul>
<p><b>Organisational models of leadership</b></p>
<ul style="list-style-type: none"> <li>● seven models <ul style="list-style-type: none"> <li>– transactional-based approach</li> <li>– transformational-based approach</li> <li>– charismatic-based approach</li> <li>– managerial-based approach</li> <li>– strategic-based approach (see table “Strategic leadership practices for the twenty-first century”)</li> <li>– institutional leadership approach (see Nadler model illustrated in figure “Institutional leadership”)</li> <li>– e-leadership approach</li> </ul> </li> </ul>
<p><b>Techniques for leadership training and development</b></p>
<ul style="list-style-type: none"> <li>● wide variety of methods</li> <li>● to improve <ul style="list-style-type: none"> <li>– technical skills</li> <li>– conceptual and administrative skills</li> <li>– interpersonal skills and ethics</li> </ul> </li> <li>● involvement and commitment of CEO and senior executives</li> <li>● leaders should develop other leaders</li> <li>● table “How good a leader are you?”</li> </ul>
<p><b>The leadership role of HRM</b></p>
<ul style="list-style-type: none"> <li>● unlocking the organisation’s people potential</li> <li>● acting like a leader</li> <li>● Rosen and Brown model (figure “Reorientating HRM for its leadership role”)</li> </ul>



## Activity 3.2

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Now use the information found under the key terms and phrases as well as the mind map you drew up in activity 3.1 to compile your own detailed summary of the information in chapter 3 in the prescribed book.



## SELF-ASSESSMENT

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Once you have mastered the learning outcomes for this study unit you can use the self-assessment questions to evaluate your progress and by answering the review questions at the end of chapter 3 in the prescribed book.

### **Question one**

Define the concept of leadership.

### **Question two**

Explain the difference between leadership and management.

### **Question three**

Provide five examples of successful leadership and five examples of unsuccessful leadership.

### **Question four**

Name some of the characteristics of organisations that communicate well.

### **Question five**

Write a short paragraph on leadership traits.

### **Question six**

List ten leadership managerial roles.

### **Question seven**

Briefly discuss the advantages and disadvantages of cross-functional teams.

### **Question eight**

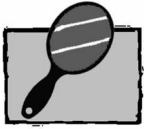
Critically discuss the following organisational models of leadership: transactional and transformational leadership.

### **Question nine**

Discuss the strategic leadership practices of the past and future, according to Ireland and Hitt.

### **Question ten**

Nadler identifies four different types of change that can occur in organisations: tuning, adaptation, reorientation and recreation. Discuss these changes briefly.



## Reflective Activity

Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

Learning Outcomes	Yes	No
1. Can I define leadership?		
2. Can I discuss the ten leadership management roles?		
3. Am I able to explain the difference between successful leadership and unsuccessful leadership?		
4. Can I identify several individual models of leadership?		
5. Can I identify several group models of leadership?		
6. Can I identify several organisational models of leadership?		
7. Am I able to list the various leadership training and development techniques?		
8. Can I describe the leadership role of human resources?		



### **GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS**

#### **Question one**

The answer to this question can be found in the section “What is leadership?” In your answer you should have addressed the following:

*There are numerous definitions of leadership but a number of central issues are prevalent in these definitions. These include that leadership is a process not a position. Secondly, there is a relationship between a leader and followers in a given situation. Thirdly, people are influenced by the leader. It is important to understand that leaders gain the commitment and enthusiasm of followers who are willing to be influenced; these followers are influenced to think of the interest of the organisation and not only their own interest. Followers are also influenced to bring about change that will contribute to the desired future state of the organisation. The three key aspects in this definition are leaders, followers and the situation.*

#### **Question two**

The answer to this question can be found in the section “What is leadership?” and the figure “The complementarity of management and leadership”. In your answer you should have addressed the following:

*The two concepts complement each other.*

*Typical characteristics of leadership*

- *alertness to opportunities*
- *imagination and vision to capitalise on them*
- *creating a new paradigm*
- *working on the system*
- *a natural unforced ability to inspire people*

- *requiring respect and a genuine interest in people*
- *an attitude of serving*

*Typical characteristics of management are*

- *creative problem-solving*
- *working in the paradigm*
- *working in a system*
- *setting people and “things” in motion by means of methods and techniques*
- *using people as means*
- *an attitude of doing*

*Both of these are vital for the success of an organisation. According to Hinterhuber and Krauthammer, the sources of leadership are alertness to opportunity and the imagination and vision to exploit or capitalise on it, thereby creating value for all the stakeholders – people, society, customers and shareholders. On the other hand, they see management as creative problem-solving that works in the system and is easier to learn than leadership. They also believe that, in a time of uncertainty, leadership is more important than management.*

### **Question three**

*The answer to this question can be found in the table “Examples of successful and unsuccessful leadership as found in different research studies”.*

*Note the different examples grouped under the appropriate themes.*

### **Question four**

*The answer to this question can be found in the section “What is leadership?”*

*The literature identifies a number of common characteristics in organisations that do communicate well and these can be described by the following keywords:*

- *top management commitment*
- *open and honest*
- *planned and deliberate*
- *upwards, downwards, sideways*
- *supported by training*
- *agreed objectives*
- *interesting, significant content*
- *systematic*
- *two-way*
- *relevant*
- *sufficient time and money*
- *reliable*
- *regular and well timed*
- *right amount*
- *support in preparation*
- *flexible*
- *think message, then medium*
- *supportive attitudes*
- *in recipients’ horizon*
- *constantly reinforced*

### **Question five**

The answer to this question can be found in the section “Traits-based approach”. In your answer you should have addressed the following:

According to the prescribed book the early studies on leadership (during the 1930s and 1940s) looked at the various issues concerning the individual leader in the workplace. These studies began with a focus on traits or characteristics (physical or mental), followed by a focus on skills (ability to carry out tasks), and moved on to behaviours (performing in specific ways). Very extensive literature on leadership traits (so-called traits-based leadership) exists. The figure “Leadership traits” summarises the traits into four categories, namely physical, social, personality and intellectual. However, the trait theory was not very successful as it was found that no particular set of personality characteristics had recurred in leaders. As Hunt correctly states, “the reverse is more likely to be true – leaders are noted for being different from each other in personality traits”.

### **Question six**

The answer to this question can be found in the table “Mintzberg’s 10 managerial roles of leaders”.

These roles are grouped into three categories, namely

- interpersonal roles
- informational roles
- decision roles

### **Question seven**

The answer to this question can be found in the section “Cross-functional teams”. In your answer you should have addressed the following:

Organisations are increasingly using cross-functional teams with a view to improving coordination of the independent activities among specialised subunits. This type of team usually includes employees from each of the functional subunits. These teams allow flexible, efficient deployment of personnel and resources to solve problems as they occur. As a result of the different backgrounds of the team members, they are normally creative in generating different ideas and also in providing interesting solutions to various problems. Although cross-functional teams are beneficial to organisations, they do have a number of negative aspects. For example, it is not always possible to get the members to participate sufficiently, and time-consuming meetings may result. A further problem is the possibility of role conflicts as a result of the competing demands of team members.

### **Question eight**

The answer to this question can be found in the sections “Transactional-based approach” and “Transformational-based approach”. In your answer you should have addressed the following:

*Transactional leadership*

Here, leaders are characterised by contingent-reward and management-by-exception styles of leadership. Exchanges or agreements with followers are developed which point out what the followers will receive if they do something right (or wrong). The

transactional leadership approach thus lasts only as long as the needs of both leader and follower are satisfied by the continuing exchange process. It is consequently not a relationship that binds the leader and follower together in a mutual and continuing pursuit of higher purpose. Thus, in a sense one can say that a purely transactional style of leadership may be counter-productive.

#### *Transformational leadership*

As discussed in your prescribed book this is in direct contrast to the transactional approach (where the status quo in the organisation is maintained). The transformational-based approach raises both leaders and followers to higher levels of motivation and morality with a view to changing the present situation by focusing primarily on the external environment. Transformational leadership consists of four behavioural components, namely charisma, inspiration, intellectual stimulation and individual consideration. Charisma is viewed as the process through which leaders arouse strong emotions in followers, while inspiration refers to leader behaviours such as articulating an appealing vision. Intellectual stimulation, on the other hand, encourages followers to be creative in solving problems, while individual consideration includes leader behaviours that provide special support to followers, such as expressing appreciation for a job well done.

#### **Question nine**

The answer to this question can be found in the section “Strategic-based approach”. In your answer you should have addressed the following:

According to Ireland and Hitt, strategic leadership can be defined as “a person’s ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organisation”. From this definition it is clear that this approach will enable an organisation to achieve superior performance when competing in turbulent and unpredictable environments. CEOs who apply practices associated with 21st-century strategic leadership can create sources of competitive advantage for their organisations. However, the CEOs will have to cease viewing their leadership position as one with rank and title, but rather as a position of significant responsibility to a range of stakeholders.

In this process, the CEOs will also have to satisfy the requirements associated with six key leadership practices, namely

- determining the company’s purpose or vision
- exploiting and maintaining core competencies
- developing human intellectual capital
- sustaining an effective organisational culture
- emphasising ethical practices
- establishing balanced organisational controls

#### **Question ten**

The answer to this question can be found in the section “Institutional leadership”.

The four different types of change as identified by Nadler are

- **Tuning.** Here organisations initiate incremental change in anticipation of environmental events. There is thus no immediate need for change. According to Nadler, this type of change maintains or enhances the fit between strategy and organisation.

- **Adaptation.** While tuning is initiated internally and is proactive in nature, adaptation takes place as a result of external conditions and is reactive in nature.
- **Reorientation.** Here the company initiates change as a result of an emerging environmental shift that is perceived. This involves redefining the company's identity, vision and mission.
- **Recreation.** As companies do not always have visionary leaders, they are sometimes caught unawares about certain changes that are taking place. In this situation they must move quickly and change all the basic elements of the organisational system if they want to survive.

Focusing on the reorientation type of organisation change, Nadler et al suggest that for success under these circumstances two types of leadership are required, one "heroic" and the other "instrumental". The heroic leader excites the employees, shapes their aspirations and directs their energy, while the instrumental leader ensures that the individuals throughout the organisation do indeed behave in ways needed for the change to occur. It thus appears that effective organisational change (reorientation change) requires both heroic and instrumental leadership.

Although individuals may exist who can fulfil both roles, it may be wise to also involve other employees in the leadership roles. According to Nadler et al the best option is to extend the leadership role beyond the individual leader and create institutionalised leadership. They consequently suggest extending the leadership to at least three groups – namely the senior team, the broader senior management group and, lastly, throughout the entire organisation. This makes the challenge of leadership in the organisation even more exciting.




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### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.
- If you answered no to any of the outcomes, you should work through the specific sections again.

*It is very important that you achieve all the learning outcomes of this module as they guide your learning process.*

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You have now familiarised yourself with HRM's role in the new ever-changing environment (study unit 1), in gaining and sustaining a competitive advantage (study unit 2) and in leadership (study unit 3). An HR manager should therefore not simply manage the company's human resources in a changing internal and external environment reactively, but should strive to add value to the organisation in a creative manner by being an excellent leader. If you want to do all this successfully, you, as an HR manager, need to think in a proactive, forward-looking and strategic manner. This brings us to study unit 4, where we will discuss the strategic role of HRM.

# Study unit 4

## The strategic role of human resource management



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

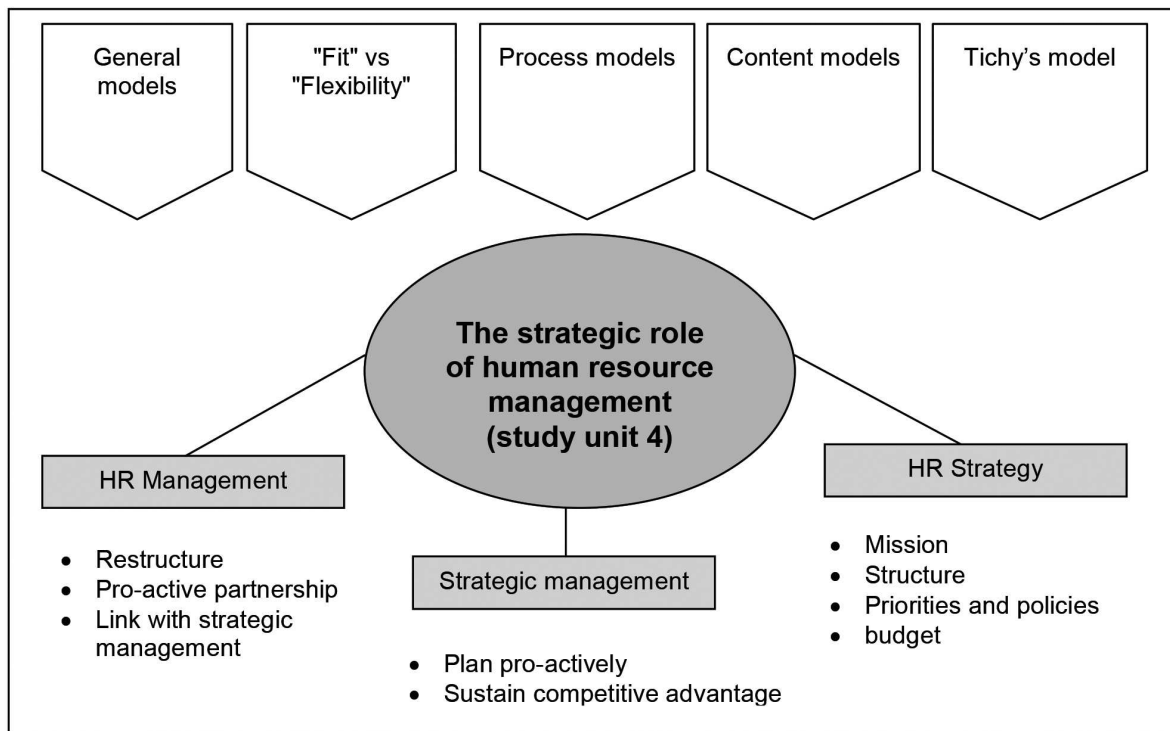
After studying this study unit you should be able to

- explain the basic principles of strategic human resource management (SHRM)
  - discuss critically the relationship between strategic management and SHRM
  - describe the design of an HR strategy
  - describe the various models of SHRM
- 

### Proactive partnership

To manage strategically basically means to think and act in a proactive manner and always with the future in mind. This way of doing things will give your organisation some leverage on its competitors because you will identify possible future threats and opportunities long before they actually manifest themselves. SHRM is focused on the people that the organisation needs to ensure that it gains and sustains its competitive advantage. This is accomplished by ensuring that the HR department nurtures and builds on a business partnership with line management (see the introduction to chapter 4). This way, an organisation's HR needs are continuously and proactively planned for and consistently met. Here you should also note the benefits of SHRM as discussed in the introductory part of chapter 4.

Let us first get an idea of what chapter 4 in the prescribed book is about by drawing up a mind map again:



## Basic principles of SHRM

The section dealing with “The basic principles of SHRM” describes the basic principles and starts by looking at various definitions. Note that most of these definitions say the following: SHRM is a proactive approach, a strategic management process should be in place and the HRM function should be restructured in some way or another. Therefore, to think (and act) strategically requires a different mindset from the reactive one that we often find in organisations – problems are only confronted once they appear and no effort is made to predict future opportunities and threats and their impact on the organisation’s human resources proactively.

Note in the section “The basic principles of SHRM” that strategic management is in fact a process of organisational renewal and growth and not, as with reactive management, a process of dealing with existing issues and problems on a day-to-day basis. Also note that, for SHRM to function effectively, it should reorganise itself on strategic, operational and functional levels. A proactive partnership with line managers is required at all three levels:

- strategic level – HRM is involved in corporate and strategic HRM planning.
- operational level – action plans are developed.
- functional level – HRM activities are executed to meet HR needs.

## Strategic management and SHRM

You will agree that for an organisation to be successful it must plan its actions proactively before executing them. Done properly, this strategic management process will help the organisation to achieve a competitive advantage. An organisation will be able to sustain its competitive advantage if strategic management is carried out on an

ongoing basis (as the internal and external environment changes). The same goes for the HRM function it should also be managed strategically. If you want your organisation to function effectively, it makes sense to link the strategic management and SHRM processes in some way. As you will note in the section “The relationship between strategic management and SHRM”, this is usually not the case the essential relationship between the processes of strategic management and SHRM is often non-existent. So this is a common problem found in most organisations and clearly needs to be looked at carefully if it is to be satisfactorily resolved. The model proposed by Tichy (see figure “The HRM cube”) illustrates the relationship between strategic management and SHRM and clears up much of the confusion about this essential relationship.

## Design of an HRM strategy

Now that you realise the importance of an SHRM plan of action, you should familiarise yourself with the design of strategies to implement an HRM plan. This is discussed under the heading “The design of an HR strategy”. Note that a proper strategic plan will include four components: a mission statement, an organisational structure, priorities and policies, and a budget. The HR manager should therefore have clear goals (ends), identify plans of action to achieve these (means), have proper structures in place, know which issues to deal with first and, of course, secure the necessary funds to execute the plans of action (note the different types of HRM practices listed in the table “HRM practice menu”). To execute the different HRM plans of action successfully, management should be committed to its employees this requires certain actions (see the seven actions identified by Nininger as discussed in the section “The design of an HR strategy”).

When formulating the different HRM strategies, the HR manager should take note of certain internal and external issues. These issues may involve factors inside as well as outside the organisation, all of which should be thoroughly monitored to ensure that the HRM strategy is able to cope with possible threats and to capitalise on opportunities. These HRM strategies can either be part of the overall organisational strategy (organisational HRM strategy) or include HR issues only (functional HR strategy). Once again, regardless of what type of HR strategy you want to formulate, you need a strategic, proactive approach with a long-term view.

## SHRM models

When formulating HR strategies (where the HR function is involved in the organisation’s overall strategy formulation process) a proactive approach is advisable. Very often, though, a reactive approach is still followed where the organisational strategy is first formulated, which then dictates the formulation of the HR strategy. Which do you think is more effective? You will agree that, in practice, it is often easier to take a reactive approach because of the time and effort involved in proactive HR strategy formulation. Because of the importance of proper strategy formulation for the HR function, different models have been developed over time in an effort to simplify the process and give structure to it. Note the different models discussed in the section dealing with “Models of SHRM”. These include content models, process models, general models and models of “fit” versus “flexibility”. Make sure that you know the main characteristics of each as well as the differences between them.



## Activity 4.1

Now that we have worked through chapter 4, you should have identified the key terms and phrases used. We can use these key terms and phrases to summarise the chapter.

Draw up a detailed mind map of the important aspects of chapter 4.



The following summary is an example and lists the key terms and phrases that you should have identified in chapter 4:

<b>Introduction</b>
<ul style="list-style-type: none"> <li>● <i>business partnership with line management</i></li> <li>● <i>alignment model – HR strategy and strategic planning</i></li> <li>● <i>benefits of SHRM</i></li> </ul>
<b>Basic principles of SHRM</b>
<ul style="list-style-type: none"> <li>● <i>SHRM definitions</i> <ul style="list-style-type: none"> <li>– <i>proactive approach</i></li> <li>– <i>two major issues to be in place</i> <ul style="list-style-type: none"> <li>● <i>strategic management process</i></li> <li>● <i>a restructured HRM function</i></li> </ul> </li> </ul> </li> <li>● <i>strategic management – organisational renewal and growth</i></li> <li>● <i>SHRM must reorganise into three levels to function effectively</i> <ul style="list-style-type: none"> <li>– <i>strategic</i></li> <li>– <i>operational</i></li> <li>– <i>functional</i></li> </ul> </li> <li>● <i>proper communication links</i></li> </ul>
<b>The relationship between strategic management and SHRM</b>
<ul style="list-style-type: none"> <li>● <i>reasons for not having a relationship</i></li> <li>● <i>Tichy's model of relationships (see figure "The HRM cube")</i> <ul style="list-style-type: none"> <li>– <i>three problems, three systems, three aids, three levels</i></li> </ul> </li> </ul>
<b>The design of an HR strategy</b>
<ul style="list-style-type: none"> <li>● <i>HR strategies includes four components</i> <ul style="list-style-type: none"> <li>– <i>mission statements</i></li> <li>– <i>organisational structures</i></li> <li>– <i>priorities and policies</i></li> <li>– <i>budget</i></li> </ul> </li> <li>● <i>strategy = plan of action, including means and ends</i></li> <li>● <i>use of HR practices (Schuler, see table "HRM practice menu")</i></li> <li>● <i>successful HR practices management commitment to employees</i> <ul style="list-style-type: none"> <li>– <i>seven actions (Nininger)</i></li> </ul> </li> <li>● <i>external and internal issues influence HR strategy formulation</i></li> <li>● <i>two types of HR strategies</i> <ul style="list-style-type: none"> <li>– <i>organisational</i></li> <li>– <i>functional</i></li> </ul> </li> <li>● <i>priority strategic issues to be addressed to meet long-term objectives (Swamy, figure "High level framework for understanding strategic imperatives")</i></li> </ul>

### **Models of SHRM**

- two approaches
  - reactive
  - proactive
- four model types
  - content models
  - process models
  - general models
  - “fit” vs “flexibility” models



#### Activity 4.2

Now use the information found under the key terms and phrases as well as the mind map you drew up in the first activity to summarise the information in chapter 4 in the prescribed book.



#### SELF-ASSESSMENT

You can now evaluate yourself by answering the review questions at the end of chapter 4 in the prescribed book.

##### **Question one**

Write a short paragraph on the benefits that can be derived from the strategic human resource management (SHRM) process.

##### **Question two**

One of the early definitions to be found in the SHRM literature is that of Tsui. Discuss briefly.

##### **Question three**

At a strategic level, HR professionals fulfil their strategic partner role and are involved in corporate and HR planning. Identify the four features of this role, according to Casio.

##### **Question four**

Give four reasons (according to Rothwell & Kazanas) why the relationship between strategic management and SHRM is non-existent.

##### **Question five**

What are the four essential components of HR strategies, according to Dyer and Holder?

### **Question six**

Explain Tichy's HRM cube model, which indicates the important relationship between strategic management and SHRM. In your discussion focus on

- the basic problems that confront organisations
- the design of three systems to solve these problems
- aids required to manage these systems
- the process of integration of all the issues

### **Question seven**

Discuss the design of an HR strategy by referring to the issue of strategic imperatives.

### **Question eight**

Explain the two dominant approaches of two models of SHRM and Dyer's classification method of these models.

### **Question nine**

Briefly explain Rothwell and Kazanas' model of SHRM.

### **Question ten**

Explain the fit/flexibility model of Wright and Snell.



## Reflective Activity

Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

<b>Learning Outcomes</b>	<b>Yes</b>	<b>No</b>
1. Can I explain the basic principles of strategic HRM?		
2. Am I able to critically discuss the relationship between strategic management and SHRM?		
3. Can I describe the design of an HR strategy?		
4. Can I describe the various models of SHRM?		



## **GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS**

### **Question one**

The answer to this question can be found in the introduction to chapter 4 in your prescribed book. In your answer you should have addressed the following:

The SHRM process is often an after thought in organisations, but there are numerous benefits from this process. For example, it can contribute to the goal accomplishment and survival of the company, it can support and successfully implement given corporate and business strategies of the company, it can create and maintain a competitive

advantage for the company and it can improve the responsiveness and innovation potential of the company. The SHRM process can also increase the number of feasible strategic options available to the company, participate in strategic planning and influencing the strategic direction of the company as an equally entitled member of top management, and improve cooperation between the HRM department and line managers.

### **Question two**

The answer to this question can be found in the section "The basic principles of SHRM". In your answer you should have addressed the following:

Tsui describes SHRM as follows:

The concept of SHRM tends to focus on organisation-wide HR concerns and addresses issues that are related to the firm's business, both short term and long term. It is particularly useful for designing specific HR programmes, policies, systems or management practices at the organisational or business level. It also suggests that the line executive is the most important constituent of the HR function.

This definition clearly supports the "proactive" approach to be found in the literature. With this approach HR professionals participate in the strategic planning process and can, as a result of limitations in the company's HR situation, potentially influence the formulation of the company strategy. Dyer and Holder, also describe this concept as follows:

Strategic human resource management consists of three major tasks. The first task, which arises during the formulation of business strategies, is to assure that the HR issues and implications of various alternatives or proposals are fully considered (their desirability and feasibility). The next task involves establishing HR goals and action plans – that is HR strategies (at all levels) – to support the business strategies. And the final task requires working with line managers as principal clients to ensure that established action plans are indeed implemented.

From the above definitions it is clear that two major issues or aspects need to be in place within the organisation before the SHRM process can function successfully. The first of these is the presence of a strategic management process, the second, the restructuring of the HRM function itself.

### **Question three**

The answer to this question can be found in the section "The basic principles of SHRM". In your answer you should have addressed the following:

For the HR function to operate at a strategic level, it needs to reorganise the existing HR administrative function into three distinct levels, namely strategic, operational and functional.

At the **strategic level**, HR professionals fulfil their strategic partner role and are involved in corporate and HR planning. Casio identifies the following four features of this role:

- Senior HR professionals meet regularly with their counterparts in line management to formulate and to review broad HR strategies (those designed to promote innovation, quality enhancement or cost control).
- Senior HR professionals participate fully in all top-level business strategy sessions.

This permits early evaluation of proposals in terms of their feasibility and desirability from an HR perspective, as well as an early warning of upcoming HRM issues.

- HR professionals at all levels work closely with line managers on an ongoing basis to assure that all components of the business strategy are implemented adequately.
- The HRM function itself is managed strategically. It has its own departmental strategy that identifies priorities, directs the allocation of resources and guides the work of various specialists (e.g. compensation, labour relations).

The other two levels are **operational** and **functional**, although a discussion on these two levels is not required to answer this question.

Once the new HR structure has been finalised, it is important that proper communication links are established with line management. This relationship can be enhanced by having regular meetings with line managers, circulating relevant HR reports to them and establishing a computerised HR system that allows access by all stakeholders.

#### **Question four**

The answer to this question can be found in the section "The relationship between strategic management and SHRM". In your answer you should have addressed the following:

If the functioning of an organisation is to be successful, the relationship that must exist between strategic management and SHRM cannot be ignored. However, in many cases, this relationship between the two processes in a company is non-existent for a number of reasons. Rothwell and Kazanas have named a few:

- top managers not perceiving a need for a relationship
- HR practitioners being perceived as "personnel experts" not "experts in business"
- HR information sometimes being incompatible with other information used in strategy formulation
- conflicts existing between short-term and long-term HR needs

#### **Question five**

The answer to this question can be found in the section "The design of an HR strategy". In your answer you should have addressed the following:

To implement the SHRM process, you need HR strategies. Dyer and Holder make the following remarks regarding HR strategies (while a wide variety of issues are addressed in such strategies, at a minimum they include four components):

- a mission statement or a set of prioritised goals for the function and the major subfunctions (e.g. training, compensation)
- a proposed organisation structure
- a programme portfolio to outline priorities and policies
- a budget to address the issue of resource allocation

### **Question six**

The answer to this question can be found in the section “The relationship between strategic management and SHRM”. In your answer you should have addressed the following:

According to Tichy, companies are continually confronted by **three basic problems** that must be managed: a technical problem, a political problem and a cultural problem. Discuss these problems by referring to the HRM cube illustrated in the figure “The HRM cube”.

To solve these problems, Tichy suggests that companies design three systems, namely the technical system, the political system and the cultural system. The technical system will include all those aspects that are required to solve the production problem. The political system will contain all the practices, activities and elements that will be involved in the allocation problem, and the cultural system will contain all the symbols, values and elements necessary to address the ideology problem in the organisation.

Tichy suggests that, for these systems to be managed properly, certain aids are required. He identifies the following three as necessary:

- the mission and strategy of the company
- the structure of the organisation, including the administrative procedures
- the HRM systems of the company

“Mission and strategy” refer to the setting of goals and the development of a strategy. The structure will include the tasks, the manner in which workers are grouped and coordinated to perform the tasks, and the management processes of control and information to enable the organisation to function properly. The HRM system will include all the activities such as recruitment, selection, performance appraisal, training and development, and compensation. Thus, for the organisation to be managed efficiently and effectively, these issues must be managed as an integrated whole. You should discuss this process briefly.

### **Question seven**

The answer to this question can be found in the section “The design of an HR strategy” and in the figure “High-level framework for understanding strategic imperatives” in the prescribed book. In your answer you should have addressed the following:

It is clear that many issues need to be considered in the design of an HR strategy. A key aspect in this regard is to understand the strategic imperatives behind important decisions taken either in the HR department or in the company. According to Swamy, strategic imperatives are “priority issues that must be addressed to meet long-term objectives”. These imperatives, when properly understood, are used to guide the behaviour of, for example, the HR department or company. Thus, major undertakings in the company or HR department demand a properly evaluated strategic imperative. In other words, when an HR department/company starts a new initiative or addresses a critical or urgent concern that will affect its long-term future, it is very important for management to understand the rationale, set goals, test them with independent, objective reliable tools or systems, consider alternative options and plan a roadmap for execution.

Swamy continues to indicate that strategic imperatives can be categorised into two broad categories.

- Firstly, an **aspiration-driven imperative** which consists of two components, namely a growth imperative e.g. a merger or acquisition and an efficiency-imperative e.g. informal restructuring. The aspiration imperative thus comes from within.
- Secondly is a **situation-driven imperative**. This imperative comes from external forces, e.g. a government-facilitated imperative such as regulatory change or a market-led imperative such as cost-cutting to remain competitive.

The question thus is: how can an HR department/company, for example, better understand its strategic imperatives? To answer this question it is clear that the HR department/company must identify a priority that must be addressed and understand why it is a priority. Depending on whether it is aspiration driven or situation driven, there are different considerations to take into account (see figure “High-level framework for understanding strategic imperatives”). The steps contained in this figure should be briefly described.

In conclusion, note that two types of HR strategies can be distinguished, namely organisational strategies and functional strategies. Organisational strategies can be seen as part of the organisational or company strategy and have a major impact throughout the organisation. On the other hand, functional strategies are seen as more narrowly focused and are involved only with the strategic management of HR divisions or departments.

### **Question eight**

The answer to this question can be found in the section “Models of SHRM”. In your answer you should have addressed the following:

According to the prescribed book several SHRM models have been developed over the years which describe how the company strategy and HRM should be linked. However, two dominant approaches to integration can be found. The first approach is the **reactive role** of HRM, in which strategy dictates HR policies, and the second is a **proactive role**, in which HRM is involved in the strategy formulation process itself.

To understand the SHRM models found in the literature, a classification method designed by Dyer will be applied. Dyer suggests in his four-quadrant model that two dichotomies are important to consider. The first is to separate the organisational from the functional-level HR concerns, and the second, to differentiate between content and process elements.

Content concerns specific choices such as policies and practices in SHRM, whereas process focuses on the means by which these policies and practices are derived and implemented.

### **Question nine**

The answer to this question can be found in the section “General SHRM models” and the figure “The SHRM model of Rothwell and Kazanas”. In your answer you should have addressed the following:

The model of Rothwell and Kazanas creates a framework for the inclusion of human resources as an integral part of the total business strategy. The model is interactive and integrative, and at each step permits the exchange of both data and feedback. It is

important to note that although the model might create the impression that human resources are a separate element to be integrated into the company strategy, this is not the case. There can be no company strategy without the inclusion of human resources.

The model that any type of company can implement consists of the following steps:

**Step 1:** Link the purpose, goals and objectives of the HR department and/or HR plan to the organisation's purpose, goals and objectives. This step is necessary if the HRM process is to be goal directed. Without a proper understanding of where the organisation is going, it will not be possible to provide the necessary support.

**Step 2:** Assess the present status of human resources in the organisation by analysing the following: the work done in jobs, positions or job categories; the people in the jobs, positions or job categories; and the HR department. The HR process directly affects the functioning of the organisation through the work that is done, the people performing the tasks and the HR department structure. It is thus important to identify where the organisation stands on these issues at present.

**Step 3:** Scan the environment to assess how jobs, positions or job categories will change over time; how people in those jobs, positions or job categories will have to change overtime to keep up with the job changes; and how the HR department will be affected by changes inside and outside the organisation over time. To function successfully in a turbulent environment you must continuously scan the external environment. This must be done to identify potential threats and opportunities that have an impact on the management of the company's human resources. Changes taking place in the economic, technological, social, political, legal, geographical and cultural spheres (as well as the labour market) must be monitored for their impact on the jobs to be performed, the people in those jobs as well as the functioning of the HR department.

**Step 4:** Compare the present work being done in jobs with expected work that will probably be done in future and compare the present people doing the work with those who will be needed in the future (the result is a planning gap in the work force). The identification of the gap that exists between where we are now and where we want to be is absolutely essential for planning purposes. Without this information the development of suitable HRM strategies will not be possible.

**Step 5:** Consider the range of long-term HR strategies that will help to close the planning gaps – HR grand strategy. The HR executive must be actively involved in the formulation of the company strategy. This involvement will entail the evaluation of the proposed company strategies from a feasibility point of view (can the manpower be obtained) and a desirability aspect (will there be a strike?) The HR executive must then accept or reject the company strategies. The approved company strategies must be used to identify the quality (skill composition) and quantity (number) of people desired for the future. With this information available, the HR executive must develop various HR strategic alternatives and evaluate them to choose the most appropriate one to be included in a grand HR plan.

**Step 6:** Implement the HR grand strategy through the coordination of HR practice areas such as career management programmes, training, recruitment, job design, organisational development, labour relations, employee assistance programmes and compensation/benefits. These specialised functions must be integrated into and related

to the company strategy. In addition, priority should be given to the various programmes developed so that the HR budget can be allocated in the most effective manner.

**Step 7:** Manage the HR function so that it is an effective vehicle for helping to implement the HR grand strategy by changing people and jobs. Without the availability of a proper HR function, no effective implementation of the HR grand strategy is possible. Various issues such as a good communication system and the use of power and politics can play an important role in the enhancement of effectiveness of such a function.

**Step 8:** Evaluate the HR grand strategy before, during and after implementation. The results are fed back to step 1. This final step in the model entails the evaluation and review of the whole SHRM process. Thus the vital question here is “How well is the HR plan working?” Elements that are important here are how well the HR programmes are succeeding in the attainment of the HR goals and how easily the programmes are being executed. The ultimate goal of this step of the model is to establish the impact that SHRM has on the overall effectiveness of organisational performance.

### **Question ten**

The answer to this question can be found in the section “Models of ‘fit’ versus ‘flexibility’” and in the figure “A fit/flexibility model of SHRM” in the prescribed book. In your answer you should have addressed the following:

Wright and Snell see “fit” as an interface between an external and internal variable, while “flexibility” is seen as only focusing internally. According to Wright, a company is required to increasingly promote organisational flexibility to achieve a dynamic fit.

A brief discussion of the HR model as it appears in the figure “A fit/flexibility model of SHRM” follows. In the model, the top half depicts the ‘fit component and the lower half the “flexibility” part.

Like other SHRM models, this model starts with the mission and goals of the organisation, followed by an examination of internal resources (strengths and weaknesses) and external developments (opportunities and threats). These make up the basic components of the model that lead to the choice of a given strategy. At the same time, input is also received from the HRM function regarding the strengths and weaknesses, opportunities and threats, as seen from the point of view of the company’s human resources. As in previous models, the model also uses the company’s strategy to dictate the skills and behaviours required from employees to successfully implement the strategy. This subsequently drives the HRM practices. These desired HRM practices are then operationalised into actual HRM practices which influence the actual skills and behaviours of human resources that have an impact on the company’s performance. Finally, the company’s performance is fed back into the strategy formulation process that will affect future strategies. This concludes the “fit” process of the model. It is interesting to note that a number of assumptions are made here, namely that decision-makers are able to identify all the skills and behaviours required for a specific strategy, that decision-makers can specify and control all HRM practices, and lastly that the environment stays stable enough to achieve fit.

However, these assumptions cannot always be accepted in an ever-changing environment; hence the lower part of the model, where flexibility plays an important role. The authors view this part as important in that achieving fit over time may depend

upon the extent to which flexibility exists in the system. The flexibility component expands upon the fit component in a number of ways: it is accepted that HR practices can focus on more than just fit; a broader range of skills than those needed to implement the current strategy exists; and the employees possess a broader repertoire of behaviours than simply those relevant to the strategy. These various skills and behaviours make it possible to implement different strategies that can respond to a variety of different competitive demands. Finally, the model also highlights the role of the participative infrastructure in developing, identifying and exploiting emergent strategies. This model is an interesting development in the SHRM theory and reflects the future trend in the flexible firm.

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### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- *If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.*
- *If you answered no to any of the outcomes, you should work through the specific sections again.*

*It is very important that you achieve all the learning outcomes of this module as they guide your learning process.*

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You now understand the importance of SHRM, its role in supporting organisational strategy and the impact of a proactive approach. You also realise that internal and external factors influence the formulation of an HR strategy and that it should be evaluated on an ongoing basis. When implementing the different plans of action contained in an HR strategy, the HR manager should be careful not to assume that conditions will remain stable. The implementation of HR strategy should, in fact, be approached in a flexible manner to accommodate constant change. This is where study unit 5 fits in.

# Study unit 5

## Managing flexible patterns of work for competitive advantage



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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

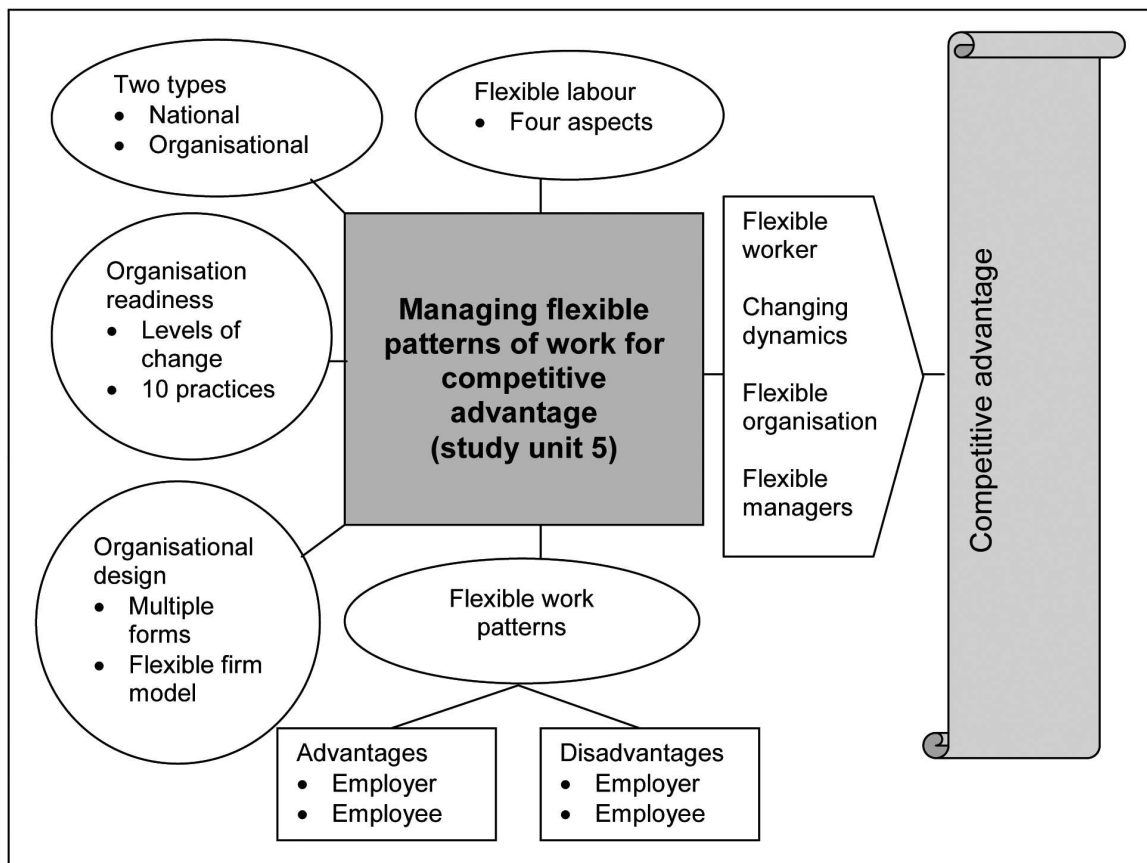
After studying this study unit you should be able to

- define the concept of flexibility
  - distinguish between different types of flexibility
  - list ten organisational/management practices organisations can use to determine whether they are ready for flex work
  - discuss the flexible-firm model
  - discuss the changing dynamics of the workplace and their impact on new forms of flexibility
- 

### Continuous change

Organisations, as well as the environments inside and outside these organisations, change continuously. For organisations to survive, they have to adapt constantly. This is why some academics (and many managers) prefer to compare the organisation to a living organism, which has to be very flexible in order to survive. Change is a given and the organisation has to adapt. This truth is even more applicable to human resources because here we deal with people, who all have different frames of reference, needs and emotions. Therefore the HR manager has to be particularly innovative in managing the labour force so that it contributes to the organisation's goals and objectives. Chapter 5 in the prescribed book deals specifically with the management of flexible patterns of work.

Let us first get an idea of what chapter 5 in the prescribed book is about by drawing up a mind map again:



We will now discuss chapter 5, basing our discussion on the above mind map.

## Focus shift of competitive advantage

You will remember how important it is for an organisation's survival to gain as well as sustain a competitive advantage. This is done by constantly adapting to change in a strategic way and by endorsing the actions and functions of leadership. Internal and external environments never remain stable – and they can change very fast. To cope with these changes, an organisation has to be flexible. This is where the organisation takes the competitive advantage issue one step further – it develops the competitive advantage by being flexible in adjusting to these changes and demands, and by adjusting its labour force to the market. Also note the points included in the discussion on developing a competitive advantage (in the introduction to chapter 5). Here an important issue is the shift of focus from the traditional areas of capital and technology to the management of an organisation's human resources.

## What is flexibility?

The section "What is flexibility?" describes two types of flexibility: flexibility at national level and flexibility at organisational level. An HR manager is concerned only with the latter. Here, flexibility is described as the capacity to adapt to and manage innovation by using employment practices and organisational structures. This basically means that an HR manager has the power to adapt to change by altering the organisation's HR practices. You will note that this section discusses the nine types of organisational

flexibility at the HR manager's disposal, ranging from functional flexibility to organisational flexibility. You will agree that, with so many alternatives to choose from, an HR manager should be able to adapt to internal and external change on an ongoing basis.

## Organisation readiness for flex work

Before implementing flexible work patterns it is necessary to determine the organisation's readiness. For example, all structures need to be in place to accommodate these patterns of work. If this is not done, it will have detrimental effects on the organisation. The use of flexible work arrangements can imply operational, managerial, organisational and cultural changes in organisations. In the section "Organisation readiness for flex work" ten organisational and management practices are identified to determine if an organisation is ready to implement flexible work techniques. These practices range from approved policies on the one hand to effective communication on the other.

## Flexibility and organisational design

Just as we should consider a country's overall state of affairs before implementing certain practices (e.g. flexible work patterns), so we should examine and alter the organisational design to accommodate an employment practice such as flexible work patterns. The section "Flexibility and organisational design" proposes the following model of organisational design to accommodate flexible work patterns: the flexible firm or core-periphery model (see the figure "The flexible-firm model"). Make sure that you understand the basic characteristics of this model.

## Changing dynamics of flexibility

The section "The changing dynamics of flexibility" describes four role players involved in the new flexible environment, namely the flexible core worker, the flexible organisation, flexible work systems and flexible managers. The new generation of core workers will experience fundamental changes to the nature of their employment relationship and they will need an organisational structure to reflect this. The new flexible worker will also need managers that can apply new practices and shed old habits. To make certain that the organisation develops sustained competitive advantage through their human resources, it will have to continue investing resources in these employees.

## Advantages and disadvantages

Although having flexible patterns of work seems an excellent way of developing an organisation's competitive advantage, the model does have its disadvantages. The next section discusses the advantages and disadvantages of flexible work patterns, both for the employer and the employee (see the discussion under the heading "Advantages and disadvantages of flexible patterns of work"). The advantages should always outweigh the disadvantages. An HR manager should make sure of this and always eliminate as many disadvantages as possible. Also remember that in some

cases, as in large organisations in South Africa and other developing countries, flexible work patterns may not be a viable employment practice for some years to come. Even in developed countries, there is a fine balance between success and failure when it comes to implementing the useful employment practice of flexible work patterns. So, to implement, develop and maintain flexible patterns of work, an HR manager should take note of three key themes for success (see the summary of chapter 5).



### Activity 5.1

Now that we have worked through chapter 5, you should have identified the key terms and phrases used. We can use these key terms and phrases to summarise the chapter.

Draw up a detailed mind map of the important aspects of chapter 5.



The following summary is an example and lists the key terms and phrases that you should have identified in chapter 5:

<b>Introduction</b>
<ul style="list-style-type: none"> <li>● shift of focus on competitive advantage</li> <li>● four factors of flexible labour</li> </ul>
<b>What is flexibility?</b>
<ul style="list-style-type: none"> <li>● at national and organisational level</li> <li>● nine forms of flexibility <ul style="list-style-type: none"> <li>– functional flexibility</li> <li>– numerical flexibility</li> <li>– work time/internal numerical flexibility</li> <li>– financial flexibility</li> <li>– procedural flexibility</li> <li>– regulatory flexibility</li> <li>– mobility/location flexibility</li> <li>– cognitive flexibility</li> <li>– organisational flexibility</li> </ul> </li> </ul>
<b>Organisational readiness for flex work</b>
<ul style="list-style-type: none"> <li>● levels of change (operational, managerial, organisational, cultural)</li> <li>● ten organisational and managerial practices to determine organisations' readiness for flex work</li> </ul>
<b>Flexibility and organisational design</b>
<ul style="list-style-type: none"> <li>● flexible-firm model/core-periphery model (see figure "The flexible-firm model")</li> </ul>
<b>The changing dynamics of flexibility</b>
<ul style="list-style-type: none"> <li>● changing dynamics of the flexible core worker (see table "Tips for flexible workplace practices that attract and keep good staff")</li> <li>● changing dynamics of the flexible organisation (see table "Flexibility key in employee retention strategy")</li> <li>● flexible workers need flexible managers</li> </ul>

### **Advantages and disadvantages of flexible patterns of work**

- employer
  - advantages
  - disadvantages
- employee
  - advantages
  - disadvantages

### **Summary**

- three key themes to ensure successful implementation, development and maintenance of flexible patterns of work



### Activity 5.2

Now use the information found under the key terms and phrases as well as the mind map you drew up in the first activity to summarise the information in chapter 5 in the prescribed book.



### SELF-ASSESSMENT

You can now evaluate yourself by answering the review questions at the end of chapter 5 in the prescribed book.

#### **Question one**

A major goal implicit in the idea of flexible labour is to render HRM as a strategic activity. By this it is meant that a multifold process involving a number of issues exists. Discuss briefly.

#### **Question two**

Explain the major differences between numerical flexibility and functional flexibility.

#### **Question three**

Explain the major differences between financial flexibility and procedural flexibility.

#### **Question four**

What are the key advantages and disadvantages of flexible patterns of work from the employer's perspective?

#### **Question five**

What are the key advantages and disadvantages of flexible patterns of work from the employee's perspective?

#### **Question six**

Briefly discuss why it is important to develop and manage flexible patterns of work.

**Question seven**

List ten organisational/management practices organisations can use to determine whether they are ready for flex work.

**Question eight**

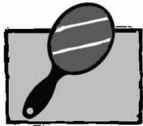
Briefly outline the flexible-firm model, including a discussion of its merits and criticisms.

**Question nine**

List the characteristics of a “gold collar” worker and discuss how this new employee affects organisational flexibility.

**Question ten**

Write a short essay on flexibility.



**Reflective Activity**

Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

<b>Learning Outcomes</b>	<b>Yes</b>	<b>No</b>
1. Can I define the concept of flexibility?		
2. Am I able to distinguish between the different types of flexibility?		
3. Can I list ten organisational/management practices organisations can use to determine whether they are ready for flex work?		
4. Can I discuss the flexible-firm model?		
5. Am I able to discuss the changing dynamics of the workplace and their impact on new forms of flexibility?		



**GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS**

**Question one**

The answer to this question can be found in the introduction to chapter 5 in your prescribed book. In your answer you should have addressed the following:

A major goal implicit in the idea of flexible labour is to render HRM as a strategic, rather than merely a tactical activity. By this is meant a multifold process involving one or more of the following:

- for any individual worker, a wider range of tasks and abilities and a willingness to employ them on behalf of the organisation which purchases them
- a greater variety in the time periods of employment
- a greater ability by the employer to dispense with certain workers when not strictly

essential to the production process (an ability which may be grounded in the replacement of traditional contracts of employment by franchise and subcontractor relations, and/or the greater use of part-time and temporary employees)

- a greater capacity among workers (in both internal and external labour markets) to be so deployed, necessitating changed attitudes for all, and skill and time-management change for some

The inference from the development of these work patterns and practices is a new-found strategic focus by management, integrating both the “hard” or quantitative approach to human resources which emphasises the link to organisational strategy and the “soft” or qualitative approach which focuses on the developmental aspects of managing human resources.

### Question two

The answer to this question can be found in the section “What is flexibility?”

<b>Numerical flexibility</b>	<b>Functional flexibility</b>
<p>Is a quantitative approach to the utilisation of the workforce.</p>	<p>Refers to management’s ability to deploy and redeploy particular sections of the workforce on a wide range of tasks, in response to market demand, as and when required.</p>
<ul style="list-style-type: none"> <li>• Based on the principle of relating the size of the workforce to the levels of economic activity easily and at short notice.</li> <li>• As the workload fluctuates, management has the option to adjust or redeploy its human resources accordingly.</li> <li>• The use of seasonal, casual, part-time and subcontracted workers typically provides this form of flexibility.</li> <li>• The pressures of unpredictable short-term fluctuations in demand, combined with increased competitiveness, make these work patterns efficient and effective to sustain, as organisations are relieved of the cost of a fixed labour force – while these patterns of work organisation have been traditional aspects of some segments of the labour market (e.g. the service and retail sectors), the use of these work practices to externalise traditional core organisational activities is the major factor in increasing enterprise efficiency through numerical flexibility.</li> </ul>	<ul style="list-style-type: none"> <li>• To ensure that this can be achieved efficiently, employees are trained in a wide range of skills. As Atkinson notes: This might mean the deployment of multiskilled craftsmen from mechanical, electrical and pneumatic jobs; it might mean moving workers between indirect and direct production jobs; or it might mean a complete change of career. As products and production methods change, functional flexibility implies that the same labour force changes with them, in both short and medium term.</li> <li>• The volatility of product markets and the blurring of skill boundaries through technological change provide the environment for the development of this form of flexibility.</li> <li>• Central to the development of functional flexibility is the reversal of the Taylorist (or scientific management) practices of fragmentation and deskilling.</li> <li>• Working practices which incorporate elements of functional flexibility include team-working, empowerment, multi-killing, reskilling and project-working.</li> </ul>

### Question three

The answer to this question can be found in the section “What is flexibility?”

<b>Financial flexibility</b>	<b>Procedural flexibility</b>
<p>Is a compensation system designed to facilitate the development of flexible patterns of work, in particular numerical and functional flexibility.</p>	<p>Is the central tenet in the development of flexible patterns of work, particularly in the highly regulated labour markets and it is concerned with the establishment of consultative mechanisms for introducing changes or negotiating variations in work practices, primarily through changes in both legal and traditional practices covering employment.</p>
<ul style="list-style-type: none"> <li>● As Atkinson outlines: Financial flexibility is sought-after for two reasons. Firstly, so that pay and other employment costs reflect the state of supply and demand in the external labour market. Secondly, and probably of greater importance in the long term, pay flexibility means a shift to new pay and remuneration systems that facilitate numerical or functional flexibility, such as assessment-based pay systems in place of rate-for-the-job systems.</li> <li>● Provides the duality of (a) allowing market forces to dictate relative wage rates, providing cost-efficient numerical flexibility to the organisation, and (b) providing the incentive for the core workforce to increase its skills base by relating pay to skill levels (other examples include gainsharing, profit-sharing and variable executive pay schemes).</li> </ul>	<ul style="list-style-type: none"> <li>● As Woods notes: In most industrialised countries the “flexibility debate”, concerned with changing rigidities in labour and employment patterns has been an important element in industrial policy-making and industrial relations.</li> <li>● At the level of the organisation the process can range from directive through to a participative framework of negotiation.</li> <li>● The substantive aspects of the traditional Taylorist relationship between employer and employee and the employee’s representative (trade unions) are fundamentally recast for flexible patterns of work to be fully utilised.</li> <li>● Central to procedural flexibility is the acceptance of and a role in managing the new relationship for the employees and their representatives.</li> <li>● Such procedures are indicative of commitment to joint administration of labour flexibility in the workplace.</li> <li>● Facilitates the combination of work patterns and practices that increase the utilisation of the enterprise’s human resources.</li> </ul>

### Question four

The answer to this question can be found in the section “Advantages and disadvantages of flexible patterns of work”.

<b>Advantages from an employer's perspective</b>	<b>Disadvantages from an employer's perspective</b>
<ul style="list-style-type: none"> <li>● employers enabled to match organisational resources more closely with customer/product demand</li> <li>● reduced fixed costs (e.g. homeworkers do not require office space)</li> <li>● recruitment and retention aided</li> <li>● increased productivity those working for a reduced period of time are likely to be less tired and stressed</li> <li>● reduced absence and turnover</li> </ul>	<ul style="list-style-type: none"> <li>● increased training costs</li> <li>● higher direct costs (e.g. part-timers who receive pro rata benefits)</li> <li>● a more complex administration</li> <li>● communication difficulties</li> <li>● management of the flexible workforce</li> </ul>

### **Question five**

The answer to this question can be found in the section "Advantages and disadvantages of flexible patterns of work".

<b>Advantages from an employee's perspective</b>	<b>Disadvantages from an employee's perspective</b>
<ul style="list-style-type: none"> <li>● the ability to combine work with outside interests (e.g. career responsibilities or hobbies)</li> <li>● greater job satisfaction</li> <li>● improved motivation</li> <li>● less tiredness</li> </ul>	<ul style="list-style-type: none"> <li>● unequal treatment in terms of pay and benefits</li> <li>● reduced career opportunities</li> <li>● limited training opportunities</li> <li>● the "psychological contract" challenged</li> <li>● increased job insecurity</li> <li>● increased stress</li> </ul>

### **Question six**

The answer to this question can be found in the section "New workers the changing dynamics of the flexible core worker". In your answer you should have addressed the following:

Flexible work patterns are key in generating sustainable competitive advantage. Organisations need to attract, retain and develop key employees for the core activities and develop a stable supply of workers for the periphery. Consequently, flexibility has become a key platform of the new organisational environment. A key aspect of the new "core" workers in the emerging "knowledge" economy is that they increasingly own the means of production – knowledge – which attracts large rewards. The changing labour market has also changed the nature of the psychological contract which has significantly transformed the employer-employee relationship.

The management of gold-collar workers assumes greater significance. The term "gold-collar worker" implies that these workers need to be managed carefully and provided with excellent working conditions. It is this group that is at the core of a firm's unique strategic advantage. It is not possible to develop a competitive advantage without the consideration of the people that form the core of a firm's knowledge base. As such, the management of these human resources throws out particular challenges to organisations that base their advantage on these "free thinking" workers and

“managed” resources. As such there is a need for organisations to focus their employment systems, practices and organisational structure to ensure they capture this unique resource.

The key to developing strategies that attract, develop and retain these employees is to understand what motivates them. These workers think differently, behave differently and have needs different to the traditional employee. Typically, these workers are self-focused and less interested in the traditional benefits of employment such as job security and working conditions. The fundamental issue for organisations to identify is “employability”. There is an expectation therefore that an organisation will play a part in not only securing employment, but in upgrading employees’ knowledge, skills and ability so that they remain in demand in the wider employment market. While the concept of job-hopping may become the norm, this approach or characteristic of employment paradoxically may be a factor in, at least, reducing turnover. It can even make the organisation an “employer of choice” for these increasingly discerning workers to move back to.

These fundamental changes to the nature of the employment relationship will further accelerate the move away from the traditional employment relationship as exemplified in the traditional psychological contract based on loyalty and stability of employment. Organisations will have to adapt to this new paradigm in a variety of ways. In particular, terms and conditions of employment and the way work is organised will need to be conducive to these workers.

### **Question seven**

The answer to this question can be found in the section “Organisation readiness for flex work”.

You have to list the ten organisational/management practices organisations can use to determine whether they are ready for flex work.

### **Question eight**

The answer to this question can be found in the section titled “The flexible-firm model or core-periphery model” and in the figure “The flexible-firm model” in the prescribed book. In your answer you should have addressed the following:

Research by the Institute for Employment Studies (IES), formerly the Institute of Manpower Studies (IMS), in the UK identified the development of a distinct organisational structure – the flexible-firm model – to accommodate the development of multiple forms of flexibilities, in particular, functional, numerical and financial flexibility. The flexible-firm or core-periphery model provides competitive advantage through the restructuring of the employment relationship:

The flexible-firm model is based on a break with unitary and hierarchical labour markets and organisation of internal means of allocating labour to create a core workforce and a cluster of peripheral employment relationships. In place of the traditional hierarchical structures, the flexible-firm model redefines the organisation into two broad segments – the core and the periphery. The make-up of the two segments reflects the different types of flexibility required by the organisation. The core is made up of a permanent, highly-skilled group of employees with internal career paths. As a result “core” employees experience a high degree of job security, with resources provided for training in firm-specific skills not readily bought in. This segment

of the organisation is characterised by functional forms of flexibility. In contrast, the peripheral workforce is associated with the organisation's development of qualitative or numerical flexibility. The key function of this sector for the organisation is the undertaking of day-to-day activities that are important but not vital to the organisation.

As Atkinson points out – in effect they are offered a job not a career. For example, they might be clerical, supervisory, component assembly and testing occupations. The key point is that their jobs are “plug-in” ones, not firm-specific. As a result the firm looks to the external market to fill these jobs, and seeks to achieve numerical flexibility and financial flexibility through more direct and immediate links to the external labour market than is sought for the core group.

Where either the core or peripheral workforce needs supplementing, the secondary peripheral workforce accommodates this through part-time temporary or subcontracting work. This provides increased numerical and functional flexibility with minimal organisational commitment or disruption. The new organisation therefore takes the form of a core with a variety of peripheral activities to serve its changing requirements, as the figure “The flexible-firm model” illustrates. The focus of the flexible-firm model is to closely match organisational (labour) resources with work demand, increasing the efficiency of HR utilisation while dampening the effects of market volatility and uncertainty, thereby increasing organisational effectiveness.

Despite the mixed evidence relating to the development of the flexible firm, the model has generated significant debate. What is distinctive about the flexible-firm model and its approach to the organisation and management of human resources is the extent to which it implies a distinctive strategy on the part of management in developing more efficient and effective labour utilisation. Critics of the flexible-firm model contend that this is simplistic, and argue that change is far more uneven and complex – as such they contend that the model is too abstract to represent reality.

The flexible-firm model is also criticised for its promotion of variation in terms and conditions of employment in organisations, the outcome of which is the creation of a (skilled) polarised workforce with an elite core workforce and a disenfranchised, low-skilled, low-wage peripheral workforce. From a management perspective, it can be argued that the flexible-firm model incorrectly assumes that organisations have uniformly moved from ad hoc to explicit labour strategies in both the short and the long term. In addition, many researchers note the lack of empirical evidence to support the uniform development of the flexible firm.

Despite these criticisms, the flexible-firm model does provide a framework for analysis, insight and explanation of the development of new patterns of work.

### **Question nine**

The answer to this question can be found in the section “New workers – the changing dynamics of the flexible core worker”. In your answer you should have addressed the following:

At the beginning of the 21st century there is a renewed recognition of the key role of flexible work patterns in generating sustainable competitive advantage. At the centre of this is the need to attract, retain and develop key employees for the core activities and develop a stable supply of workers for the periphery. Consequently, flexibility has become a key platform of the new organisational environment. What is significant

about the new “core” workers in the emerging “knowledge” economy is that they increasingly own the means of production – knowledge – which attracts large rewards. The changing labour market has also changed the nature of the psychological contract which has significantly transformed the employer-employee relationship.

As the ACIRRT (Australian Centre for Industrial Relations Research and Training) research report states:

*Sometimes known as ‘gold-collar workers’ this latter group of workers has benefited considerably from technological change and economic deregulation. Often found in the cutting edge of computer technology in banking or in publishing, ‘gold collar workers’ have found high paying jobs which stimulate and challenge them. They often spend extremely long hours at their job, they are young, ambitious and very well paid. Their loyalty, however, is owed less to their employer than it is to their career. As a result, they are highly mobile, lured by new jobs, which offer technical challenges or opportunities for self-development.*

The term “gold collar worker” implies that these workers need to be managed carefully and provided with excellent working conditions. It is this group that is at the core of a firm’s unique strategic advantage. It is not possible to develop a competitive advantage without the consideration of the people that form the core of a firm’s knowledge base. As such, the management of these human resources throws out particular challenges to organisations that base their advantage on these “free-thinking” workers and “managed” resources. As such there is a need for organisations to focus their employment systems, practices and organisational structure to ensure they capture this unique resource.

The key to developing strategies that attract, develop and retain these employees is to understand what motivates them – these workers think differently, behave differently and have needs different from the traditional employee. Typically, these workers are self-focused and less interested in the traditional benefits of employment such as job security and working conditions. The fundamental issue for organisations to identify is “employability”. There is an expectation therefore that an organisation will play a part in not only securing employment, but in upgrading employees’ knowledge, skills and ability so that they remain in demand in the wider employment market. While the concept of job-hopping may become the norm, this approach or characteristic of employment paradoxically may be a factor in, at least, reducing turnover. It can even make the organisation an “employer of choice” for these increasingly discerning workers to move back to.

The onus, for any of the gold-collar workers, will be to manage their own careers, which will mean constantly upgrading skills and employment. This will require them to direct their own training and development for a broader range of skills, and accept greater role ambiguity and responsibility. Organisations will have to adapt to this new paradigm in a variety of ways. In particular, terms and conditions of employment and the way work is organised will need to be conducive to these workers. Management must therefore pay careful attention to both structural and cultural conditions that exist in the firm.

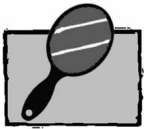
### **Question ten**

The answer to this question can be found in the section “What is flexibility?”. In your answer you should have addressed the following:

The term “flexibility” is difficult to define as it has been applied to a wide range of issues and levels of analysis. At a national level the debate is focused on rigidities in the regulation of the labour markets. At an organisational level flexibility is concerned with the integrative use of employment practices and organisational structures to create a capacity to adapt and manage innovation. However, one such definition that is found in the literature and describes the term broadly, states: “The ability of the organisation to adapt the size, composition, responsiveness and cost of the people inputs required to achieve organisational objectives”. In the context of these dimensions a number of forms of flexibility have been identified. The categorisation should not suggest that the forms of flexibility are mutually exclusive. There are many forms of overlapping flexibility which managers need to distinguish to be able to seize opportunities for increasing organisational flexibility, but they should also be aware of the problems inherent in categorisation.

There are numerous types of flexibility, namely functional, numerical, work-time, job-sharing, distancing, financial, procedural, regulatory, location, cognitive and organisational flexibility.

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#### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.
- If you answered no to any of the outcomes, you should work through the specific sections again.

*It is very important that you achieve all the learning outcomes of this module as they guide your learning process in this module.*

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An HR manager not only has to manage an organisation’s resources in a way that contributes to gaining and sustaining a competitive advantage, but should also ensure that this competitive advantage is further enhanced by attracting, retaining and managing talented employees. In study unit 6 we discuss talent management as one of the HR challenges.

# Study unit 6

## Talent management – an HR challenge



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

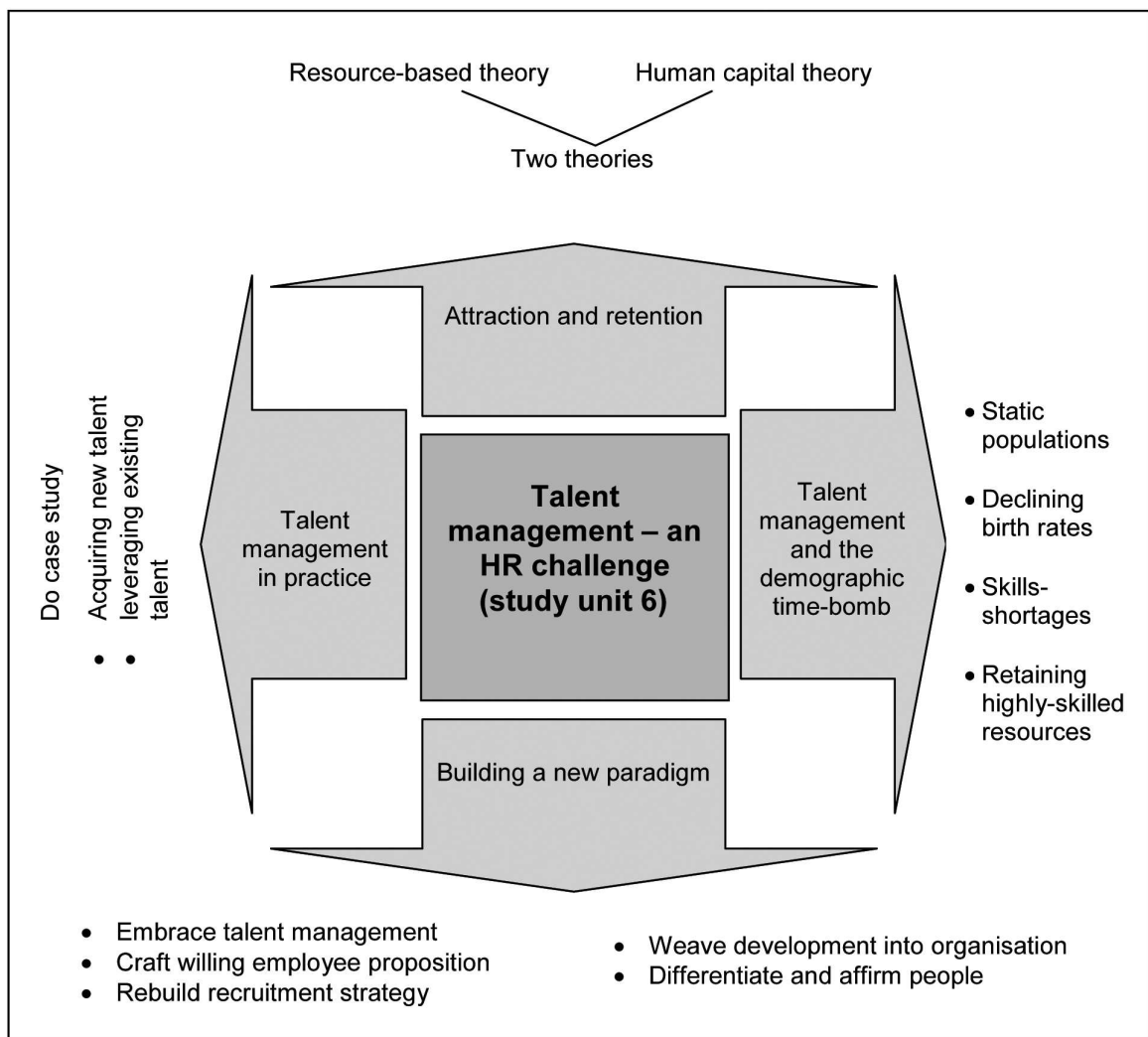
After studying this study unit you should be able to

- define the concept “talent”
  - discuss the changing dynamics of the workplace in the twenty-first century facilitating an increased emphasis on talent management
  - list the five key areas to make talent a source of competitive advantage
  - discuss the reasons for the perceived increasing shortage of skills
  - discuss strategies for dealing with the “war for talent”
- 

### Enhancing competitive advantage

In the previous study units you learnt more about the changing nature of the employment relationship which has contributed to an increasing recognition of the individual employee as the primary source of competitiveness. As a result of this focus on the employee, the HR function has an increasingly critical role to play in the development of systems and practices to attract, retain and develop these key human resources. Increasing shortages of skills created major changes in the labour market. If organisations are to remain competitive, the management of talented employees will be a key focus.

Let us first get an idea of what chapter 6 in the prescribed book is about by drawing up a mind map again:



Now we will discuss chapter 6, basing our discussion on the above mind map.

## Attraction and retention – a theoretical perspective

In recent years, the attraction and retention of employees have become increasingly significant aspects of contemporary HRM. You will note in the section “Attraction and retention – a theoretical perspective” that two theories are used to provide a framework to analyse the strategic approach to the development of the organisation’s human resources. The first is the human capital theory, which links investment in the organisation’s employees to increased productivity and sustained competitive advantage. The focus of the second theory, the resource-based view of the firm, is on an organisation retaining and developing these human resources. This retention and development will ensure that these assets become valuable, rare and difficult to imitate, further enhancing the organisation’s competitive advantage.

## Talent management and the demographic time bomb

Talent management has become increasingly important in the more industrialised economies over the last two decades for a variety of reasons (see figure “Talent-

management system”). Trends across most industrialised countries reveal almost static populations and declining birth rates. Under current strategies for employment, more people will be leaving the workforce than joining it. This will lead to a skills shortage. As a result of this, HR practices need to become more creative to attract and retain talented employees. Organisations focusing on attracting and developing talent will be in a stronger position to retain key human resources as the so-called war for talent intensifies. The way organisations seek to retain these highly skilled resources will have to change (see tables “The old and new realities of business” and “The old and the new ways of doing things”).

## Building a new paradigm

In the discussion on “Building a new paradigm” five key areas are identified for organisations to act upon if they are going to make talent a source of competitive advantage. In the first key area the focus is on instilling a talent-focused mindset in organisations. To outperform its competition an organisation must have better talent at all levels. Here organisations have to be careful not to adopt the old style of talent management (see table “The old talent mindset vs the new talent mindset”). Crafting a winning employee value proposition (EVP) is the second key area, which is everything an employee experiences in an organisation. The EVP is a key differentiator of success for organisations competing to recruit, develop, inspire and retain talented people. It includes intrinsic factors such as having interesting and challenging work and extrinsic factors such as pay and wealth creation (see figure “The employee value proposition (EVP)” and table “What employees are looking for”). Note that extrinsic factors such as pay and wealth creation are not the main drivers in attracting and retaining talent. Rebuilding their recruitment strategies is the third key area for organisations to act upon. When HR managers restructure a recruitment strategy in the emerging labour market, a critical issue is being able to understand new potential employees and how these employees view or obtain information about the organisation. In this context, the new approaches to recruitment should be differentiated from the old approaches as the table “The old recruiting strategies vs the new recruiting strategies” shows. To fulfil the fourth key area, organisations must develop their talent at all levels and weave it into their culture (see table “The old approaches to development vs the new approaches to development”). Employees are looking for work that is challenging and provides training and development opportunities. To differentiate and affirm your people is the fifth key area for organisations to act upon if they are going to make talent a source of competitive advantage. In this regard, organisations have to be aware of their employees’ diverse lifestyles and needs. Note that allowing employees the flexibility to meet personal needs also becomes an important retention factor.

## Workforce advisory: superior talent = tomorrow’s competitive advantage

The section “Workplace advisory: Superior talent = tomorrow’s competitive advantage” clearly illustrates how an organisation can achieve sustained competitive advantage by embracing talent management, whether it is recruiting new talent, leveraging existing talent or retaining current talent.



## Activity 6.1

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Now that we have worked through chapter 6, you should have identified the key terms and phrases used. We can use these key terms and phrases to summarise the chapter.

Draw up a detailed mind map of the important aspects of chapter 6.



The following summary is an example and lists the key terms and phrases that you should have identified in chapter 6:

<b>Attraction and retention a theoretical perspective</b>
<ul style="list-style-type: none"> <li>● two theories <ul style="list-style-type: none"> <li>– human capital theory</li> <li>– resource-based view (RBV) theory</li> </ul> </li> </ul>
<b>Talent management and the demographic time bomb</b>
<ul style="list-style-type: none"> <li>● static populations</li> <li>● declining birth rates</li> <li>● skills shortage/talent management (see figure “Talent management system”)</li> <li>● retaining highly-skilled resources (see tables “The old and new realities of business” and “The old and new ways of doing things”)</li> </ul>
<b>Building a new paradigm</b>
<ul style="list-style-type: none"> <li>● embrace a talent mindset (see table “The old talent mindset vs the new talent mindset” and figure “Talent management: a CEO job”)</li> <li>● craft a winning employee value proposition (EVP) (see figure “The employee value proposition (EVP)” and table “What employees are looking for”)</li> <li>● rebuild your recruitment strategy (see table “The old recruiting strategies vs the new recruiting strategies”)</li> <li>● weave development into you organisation (see table “The old approaches to development vs the new approaches to development”)</li> <li>● differentiate and affirm your people (see set of 20 questions to rate organisation’s process for talent management)</li> </ul>
<b>Workforce advisory: superior talent = tomorrow’s competitive advantage</b>
<ul style="list-style-type: none"> <li>● acquiring new talent</li> <li>● leveraging existing talent</li> <li>● retaining talent</li> </ul>



## Activity 6.2

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Now use the information found under the key concepts as well as the mind map you drew up in the first activity to summarise the information in chapter 6 in the prescribed book



## SELF-ASSESSMENT

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You can now evaluate yourself by answering the review questions at the end of chapter 6 in the prescribed book.

### **Question one**

*Discuss the changing dynamics of the workplace in the 21st century facilitating an increased emphasis on talent management.*

### **Question two**

*How has the psychological contract between employees and employers been affected by the new era of HRM? Discuss.*

### **Question three**

*Discuss the reasons for the perceived increasing skills shortages.*

### **Question four**

*Define the concept of “talent”.*

### **Question five**

*Discuss strategies for dealing with the “war for talent” from a human capital/resource-based perspective.*

### **Question six**

- (a) *List the key findings from the 1998 McKinsey report and its recommendations.*
- (b) *How has the scenario depicted in this report been criticised?*

### **Question seven**

- (a) *Outline the critical characteristics of a talent mindset.*
- (b) *How does this differ from the old view of management?*

### **Question eight**

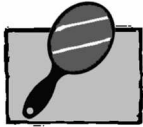
- (a) *Define an employee value proposition.*
- (b) *Outline the items McKinsey found to be strongly and causally related to employee satisfaction.*

### **Question nine**

*As noted by Michaels et al (2001), in this new era of HRM employees look for challenge and opportunities. Discuss how organisations can approach this through employee development.*

### **Question ten**

- (a) *What are the key factors in making AgencyCo an employer of choice?*
- (b) *Are these factors transferable to other organisations?*



## Reflective Activity

Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

Learning Outcomes	Yes	No
1. Can I define the concept talent?		
2. Am I able to discuss the changing dynamics of the workplace in the 21st century facilitating an increased emphasis on talent management?		
3. Can I list the five key areas to make talent a source of competitive advantage?		
4. Can I discuss the reasons for the perceived increasing shortage of skills?		
5. Am I able to discuss strategies for dealing with the new “war for talent”?		



## GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS

### Question one

The answer to this question can be found in the introduction to chapter 6 in your prescribed book. In your answer you should have addressed the following:

*In the first decade of the 21st century there is a growing recognition of the changing nature of the employment relationship. The production base of advanced economies is evolving from an industrial to a service and knowledge focus. This has contributed to a shift in the nature of work, with the individual employee increasingly recognised as the primary source of competitiveness (as discussed in chapter 2 in the prescribed book). As a result of this focus on the employee, the HR function has the potential to assume an increasingly critical and dynamic role in generating a sustainable competitive advantage through people by focusing on the development of diverse policies, practices and systems to attract, retain and develop these key resources.*

*The recognition of the role of human resources has come at a time of major change in the nature of the labour market. Increasing skills shortages in many advanced economies, combined with a generation of workers that are focused on employability rather than employment, has been the catalyst for a shift away from the traditional employer-employee relationship and created a major change in the balance of power in this relationship. In addition, declining birth rates in most countries over the last two decades have and will continue to exacerbate a growing labour and skills shortage which is only now starting to become apparent. However, as Cappelli and Critchley argue, this may be more to do with contemporary employment and retirement trends than demographic issues associated with growing labour and/or skills shortages. Despite the differing perspective, it is clear that in this emerging world of work, if organisations are to remain competitive, the management of talented employees will be a key focus and fundamentally different to the latter half of the 20th century. Many recruitment advertisements ask for talented people, yet if organisations are lucky enough to recruit a talented individual, they often experience difficulty in engaging or*

retaining them. A new HRM trend, namely talent management, has emerged. This is linked to the required new perspective associated with building and retaining human resources to build a sustained competitive advantage.

### **Question two**

The answer to this question can be found in the section "Talent management and the demographic time bomb" and in the tables "The old and new business realities" and "The old and new ways of doing things" in the prescribed book. In your answer you should have addressed the following:

The employment relationship has changed employees will look for employability not employment and will want to change jobs often. Critchley argues that psychological contracts and engagement profiles will be substantially different for older workers. These trends indicate that organisations that are prepared to focus on attracting and developing talent will be in a stronger position to retain key human resources as the so-called "war for talent" intensifies. It is also clear that the way organisations seek to retain these highly skilled resources will have to change. This places human resources at the centre of policy and systems development to achieve outcomes that promote the organisation as an "employer of choice" for increasingly discerning (potential) employees. The structural changes driving the "war for talent" are widespread across many advanced market economies. This creates what Michaels et al describe as a "new" business reality in which management skills and ability to embrace a new mindset are critical. Refer to the tables "The old and new business realities" and "The old and new ways of doing things". From the above it is clear that the way of doing business will change.

### **Question three**

The answer to this question can be found in the section "Weave development into your organisation". In your answer you should have addressed the following:

In this new era employees are looking for work that provides opportunities and is challenging. As Michaels et al note "Talent rarely arrives fully developed" and "People possess vast amounts of potential that, when nurtured and challenged, can be brought to full bloom". In other words, organisations must develop their talent at all levels and weave it into the culture. Old approaches to development noted that development just happens, it means training, the unit owns the talent, only poor performers have development needs and that a few lucky people find mentors. The new approaches to development see development as woven into the fabric of the organisation, providing challenging experiences, coaching, feedback and mentoring. According to the new approaches to development the company owns the talent and people move easily around the company, everyone has development needs and they receive coaching, and mentors are assigned to all employees with high potential.

This is closely linked to areas such as job design, job analysis and team-building, which, contribute to the day to day experience on the job, determining what people actually do at work and how effectively they do it. Boxall, Macky and Rasmussen identify, in a review of the labour turnover and retention in New Zealand, that one of the main reasons why respondents left their employer was to pursue more interesting work elsewhere. In an environment characterised by skill shortages and an increasingly discerning workforce, it is imperative for employers to review how jobs are constructed and connected.

Another critical factor in the retention of skilled workers is the provision of training and development. Edgar and Geare's study of aspects of HRM that are important to employees identify training and development to be of "paramount" importance. Boxall et al also identify training opportunities as a determining issue in the decision made by employees to leave their employer. This reinforces the point that HRM and development assumes an increasingly significant role in the retention of key employees. Resistance to investment in human resources may reflect the traditional approach of many organisations and industries, particularly those reliant on immigration and poaching to solve skill shortages. In addition, organisational resistance to heavy investment in career development may reflect the changing psychological contract between employers and employees. Employees are choosing to manage their own careers by moving between organisations. Employers may therefore be questioning the value in investing heavily in training and development opportunities for employees who may not stay. Nevertheless, as Edgar et al point out, training and development are still considered to be critical issues in employee retention and, as such, should be recognised as important lures in the "war for talent".

#### **Question four**

The answer to this question can be found in the section "Talent management and the demographic time bomb". In your answer you should have addressed the following:

Talent is the sum of the person's abilities – his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgement, attitude, character and drive. It also includes the ability to learn and grow.

#### **Question five**

The answer to this question can be found in the section "Attraction and retention – a theoretical perspective". In your answer you should have addressed the following:

The attraction and retention of employees has become an increasingly significant aspect of contemporary HRM. A review of the literature reveals two theoretical perspectives which provide a framework to analyse the strategic approach linked to the long-term development of the organisation's human resources.

- The first is **human capital theory** which links investment in the organisation's key asset, its employees, to increased productivity and sustained competitive advantage. The strategic aspect is the long-term enhancement of the firm's resource base by linking employee skills development with retention through training and development, career management and progression. This is also consistent with the second theoretical perspective.
- The **resource-based view (RBV) of the firm** is the second theory and the focus of the RBV is on an organisation retaining and developing these human resources through investments such as human resource development (HRD) strategies. This will ensure that these assets become valuable, rare and difficult to imitate, enhancing further the organisation's competitive advantage. Many scholars have adopted these theoretical approaches in interpreting the essential elements in building a competitive organisational advantage.

The strategic focus on the management and development of human resources can be linked to the deliberate promotion of HRD strategies as a catalyst for the attraction and retention of talented employees. This has led to an increased focus on HRM as a

platform for building a competitive advantage. A critical element is the strategic development of diverse strategies for staff enhancement and development as important attraction and retention tools. Organisations taking the strategic course will seek a long-term and diverse approach to managing and investing in their human resources to ensure that appropriate training and development is available to all employees.

The management of learning and knowledge in organisations is a complex task in the creation of a competitive advantage; a theme which is increasingly reflected in the literature. In a dynamic environment, this means that the organisations must commit resources to developing a diverse and adaptive approach to ensure that each area in the organisation has access to appropriate levels of training and development to meet diverse organisational objectives.

### **Question six**

The answer to this question can be found in the section "Talent management and the demographic time bomb". In your answer you should have addressed the following:

The 1998 McKinsey report highlighted the importance of the coming skills shortage crisis. The report identified that the principal corporate resource over the next 20 years will be talent which, due to identified demographic changes, would become increasingly difficult to find and costly to battle for. The research recommended a fundamental change in organisations' HR practices, including finding more imaginative ways to attract and retain this talent. The report also identified that 75 per cent of organisations in their survey either did not have enough talent or were chronically short of talent. This shortage was also highlighted by another survey undertaken in 2006. In January 2006, staffing service provider Manpower Inc conducted a Talent Shortage Survey of nearly 33 000 employers across 23 countries. The survey asked employers which positions they were having difficulty filling. The following results were found in order of importance:

- 1 sales representatives
- 2 engineers
- 3 technicians (primarily production/operations, engineering and maintenance)
- 4 production operators
- 5 skilled manual trades (primarily carpenters, welders and plumbers)
- 6 IT staff (primarily programmers/developers)
- 7 administrative/personal assistants
- 8 drivers
- 9 accountants
- 10 management/executives

It has been criticised by different authors.

- They acknowledge the changing demographics but argue that the critical flaws are that they assume employment strategies and relationships will not adapt accordingly.
- Other authors argue for a fundamental rethink in the nature of employment.
- The retirement concept in advanced economies and re-engagement of the post-50 age group or sector of the workforce need to be re-examined. Secondly, policies need to be developed to attract and retain a multi-generational workforce.

The McKinsey report and others, as well as their critics, do agree upon the need for more creative HR practices to attract and retain talented employees.

### **Question seven**

The answer to this question can be found in the section “Embrace a talent mindset” and in the table “The old talent mindset versus the new talent mindset”. In your answer you should have addressed the following:

<b>Old talent mindset</b>	<b>New talent mindset</b>
A vague notion that “people are our most important asset”.	A deep conviction that better talent leads to better corporate performance.
Human resources is responsible for people management.	All managers are accountable for strengthening their talent pool.
We do a two-day succession planning exercise once a year.	Talent management is a central part of how we run the company.
I work with people I inherit.	I take bold actions to build the talent pool I need.

### **Question eight**

The answer to this question can be found in the section “Craft a winning employee value proposition (EVP)” and in the table “What employees are looking for”. In your answer you should have addressed the following:

A winning employee value proposition (EVP) is defined as everything an employee experiences in an organisation including intrinsic and extrinsic satisfaction, values, ethics and culture. It is also about how well the organisation fulfils the employees’ needs, expectations and aspirations.

You also have to refer to the table “What employees are looking for”. It is evident from the results in this table that intrinsic factors such as having interesting, challenging work that one is passionate about are rated highly by employees when considering the place of employment. These factors are followed closely by good culture, commitment, support and career advancement. It is interesting to note that pay and wealth creation were in the bottom quartile suggesting that extrinsic factors are not the main drivers in attracting and retaining talent.

### **Question nine**

The answer to this question can be found in the section “Weave development into your organisation” and in the table “The old development strategies versus the new development strategies”. In your answer you should have addressed the following:

In this new era employees are looking for work that provides opportunities and is challenging. However this often receives lip service in many organisations as in particular, the Anglo-American world. Michaels et al note “Talent rarely arrives fully developed” and “People possess vast amounts of potential that, when nurtured and challenged, can be brought to full bloom”. In other words, organisations must develop their talent at all levels and weave it into the culture (refer to the table “The old development strategies versus the new development strategies”). This is closely linked

to areas such as job design, job analysis and team-building which contribute to the day-to-day experience on the job, determining what people actually do at work and how effectively they do it. Boxall, Macky and Rasmussen identify, in a review of the labour turnover and retention in New Zealand that one of the main reasons why respondents left their employer was to pursue more interesting work elsewhere. In an environment characterised by skills shortages and an increasingly discerning workforce, it is imperative for employers to review how jobs are constructed and connected.

Another critical factor in the retention of skilled workers is the provision of training and development. Edgar and Geare's study of aspects of HRM that are important to employees identify training and development to be of "paramount" importance. Boxall et al also identify training opportunities as a determining issue in the decision made by employees to leave their employer. This reinforces the point that HRM and development assumes an increasingly significant role in the retention of key employees. Resistance to investment in human resources may reflect the traditional approach of many organisations and industries, particularly those reliant on immigration and poaching to solve skills shortages. In addition, organisational resistance to heavy investment in career development may reflect the changing psychological contract between employers and employees. Employees are choosing to manage their own careers by moving between organisations. Employers may therefore be questioning the value in investing heavily in training and development opportunities for employees who may not stay. Nevertheless, as Edgar et al point out, training and development are still considered to be critical issues in employee retention and, as such, should be recognised as important lures in the "war for talent".

### **Question ten**

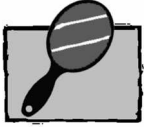
*In your answer you should have addressed the following:*

*AgencyCo is an employer of choice because it developed a partnering programme with its network of distributors and customers. In doing this, partners were provided with staff members who were appropriately skilled to onsite project management and these staff members were provided with opportunities for career and skills development.*

*The organisation's core knowledge, skills and ability of the IT staff, has grown. It aims to attract potential IT staff by providing inhouse training and development and employment within AgencyCo and its partners. Employees striving to become independent contractors received assistance from the company to set up their own businesses which are contracted back to the company – this implies that work is guaranteed and AgencyCo saves cost in terms of full-time employment.*

*To ensure that this is successful the organisation has restructured to accommodate it. The employee turnover has decreased and it has been able to identify key competencies for entry-level positions, including customer service and problem-solving. It also provides management training that will assist employees with their career paths. The result of all these efforts is that the company has a waiting list of potential employees.*

*The question whether these factors are transferable to other organisations remains. Some of the elements may be transferable but AgencyCo has a unique source of knowledge, and the culture it has created will not be easily copied or transferred. Some of the ideas it has implemented can be transferred but cannot be duplicated.*



### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- *If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.*
- *If you answered no to any of the outcomes, you should work through the specific sections again.*

*It is very important that you achieve all the learning outcomes of this module as they guide your learning process.*

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The HR department not only has to manage an organisation's resources in a way that contributes to gaining and sustaining a competitive advantage, but should also ensure that this competitive advantage is further enhanced by its own performance in the organisation. Next, we will be looking at measuring HR's performance in organisations.

# Study unit 7

## Measuring human resource management within organisations



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

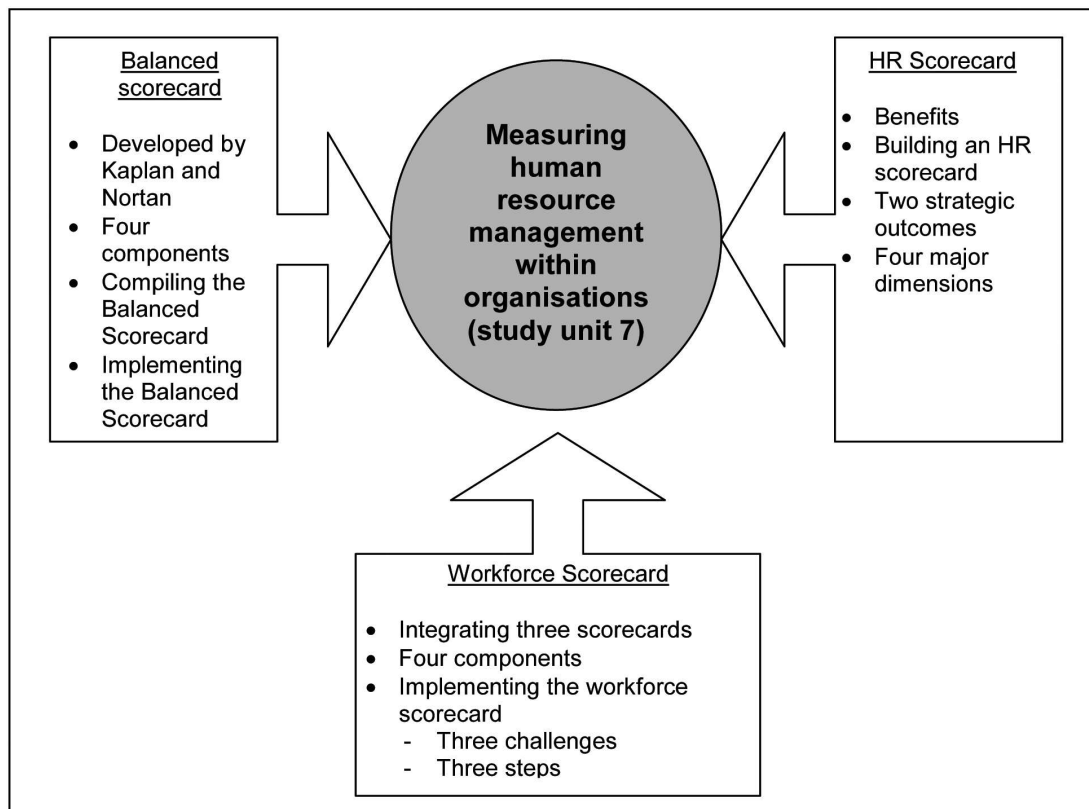
After studying this study unit you should be able to

- identify the key forces driving the use of scorecards in organisations
  - list the three different scorecards available for measuring a company's performance
  - identify the components of the balanced scorecard, the HR scorecard and the workforce scorecard
  - list the stakeholders needed to implement the scorecards successfully in organisations
- 

### You can only manage what you can measure

In the previous study unit you learnt more about the management of talented employees, one of the key sources of competitiveness. As a result of this focus on the employee, HR professionals are increasingly challenged about their role in the organisation. We find that, as these professionals respond to this challenge, measuring HR's performance and its contribution to the company's performance consistently emerges as a key theme. This should come as no surprise. The last decade has been highlighted by an ever-increasing appreciation for the value of intangible assets and the associated trend towards strategic performance measurement systems. New opportunities for HR professionals, new demands for HR's accountability and new perspectives on measuring organisational performance have all come to the forefront. This study unit focuses on guiding HR managers through the challenges of these converging trends by looking at a variety of measuring instruments.

Let us first get an idea of what chapter 7 in the prescribed book is about by drawing up a mind map again:



Now we will discuss chapter 7, basing our discussion on the above mind map.

## The balanced scorecard

This approach was developed by Kaplan and Norton in the early 1990s. The balanced scorecard allows managers to look at the organisation from the following important perspectives, followed by the questions pertaining to each perspective:

- a customer perspective – how do customers see us?
- an internal perspective – what must we excel at?
- an innovation and learning perspective – how can we continue to improve and create value?
- a financial perspective – how do our shareholders see us?

To activate this scorecard, managers translate the company goals relating to the four perspectives into specific measures reflecting the business factors that really matter (see figures “The Balanced Scorecard” and “Cascading the Balanced Scorecard”). Compiling the balanced scorecard is the responsibility of a team which should include members of top management and senior members from business units and support groups such as human resources, finance, and information technology (IT). Training and communication are essential elements for implementing the balanced scorecard in the organisation, while linking the balanced scorecard to the budget and employees’ pay to performance will also play an important role. The strength of this scorecard is that it provides a simple tool to ensure that companies utilise the right processes and people to drive customer and business performance. Included in its strength are the building blocks of improved customer service, quality and teamwork, and ensuring that the organisation’s assets are not underutilised.

## The HR scorecard

The HR scorecard answers the question of how best to integrate human resources' role into the company's measurement of business performance. Building an HR scorecard is not a one-time or annual event. In other words, if the performance drivers (supported by HR) in the company changes, this scorecard must change accordingly. The table "Guidelines for implementing an HR Scorecard" provides the seven steps needed to implement an HR scorecard. This scorecard helps to integrate human resources into the organisational performance management and measurement system by identifying the strategic results that human resources have to deliver. These are strategic HR outcomes that enable the organisation to execute its strategy. The figure "Linking the HR Scorecard to the Business Scorecard" illustrates the four major dimensions in the HR scorecard. This scorecard can only work successfully if the organisation involves line management, is willing to invest in HR systems and can hire HR employees with the required competencies. This scorecard should also be communicated throughout the organisation and the results of the HR scorecard should be weaved into the reward systems of the organisation.

## The workforce scorecard

A company needs a business strategy, a strategy for the HR function, and a workforce strategy, to be successful. These strategies are operationalised in the balanced scorecard, the HR scorecard and the workforce scorecard, respectively. The integration of these scorecards is illustrated in the figure "Managing human capital to execute strategy". The workforce scorecard is therefore a critical element in the strategy-execution process in companies. The components of the workforce scorecard include the following, followed by typical measures pertaining to each component:

- workforce success (most important dimension) – number and quality of customer complaints
- workforce mindset and culture – the extent to which the average employee can describe the company's HR strategy
- workforce competencies – the extent of organisation learning
- leadership and workforce behaviour – effectiveness in dealing with poor performers

It should also be noted here that line managers perform most of the workforce-management activities in any company, implying that they take responsibility for workforce success. To implement the workforce scorecard successfully, three challenges have to be met and three steps have to be followed. Note these challenges and steps in the section "Implementing the Workforce Scorecard". Again, this process can only be successful if a team of people is involved. This team must include the CEO and the executive team, line managers, the workforce and HRM.



### Activity 7.1

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Now that we have worked through chapter 7, you should have identified the key terms and phrases used. We can use these key terms and phrases to summarise the chapter.

Draw up a detailed mind map of the important aspects of chapter 7.



The following summary is an example and lists the key terms and phrases that you should have identified in chapter 7:

<b>Introduction</b>
<ul style="list-style-type: none"><li>● <i>impact of knowledge workers on the changing role of human resources</i></li><li>● <i>HRM no longer an observer</i></li><li>● <i>measuring a company's performance becoming increasingly important</i></li></ul>
<b>The balanced scorecard</b>
<ul style="list-style-type: none"><li>● <i>developed by Kaplan and Norton in the early 1990s</i></li><li>● <i>four perspectives/components (see figure "The Balanced Scorecard")</i><ul style="list-style-type: none"><li>– <i>a customer perspective</i></li><li>– <i>an internal perspective</i></li><li>– <i>an innovation and learning perspective</i></li><li>– <i>a financial perspective</i></li></ul></li><li>● <i>compiling the balanced scorecard</i><ul style="list-style-type: none"><li>– <i>team responsible for process</i></li><li>– <i>compiling the balanced scorecard team</i></li></ul></li><li>● <i>implementing the balanced scorecard (see figure "Cascading the Balanced Scorecard")</i><ul style="list-style-type: none"><li>– <i>staff training</i></li><li>– <i>information session</i></li><li>– <i>reviewing results</i></li><li>– <i>advantages of balanced scorecard</i></li><li>– <i>strength of balanced scorecard</i></li></ul></li></ul>
<b>The HR scorecard</b>
<ul style="list-style-type: none"><li>● <i>strengthening the balanced scorecard</i></li><li>● <i>benefits of the HR scorecard</i></li><li>● <i>building an HR scorecard (see table "Guidelines for implementing an HR Scorecard")</i></li><li>● <i>how does the HR scorecard work?</i><ul style="list-style-type: none"><li>– <i>two strategic HR deliverables/outcomes</i></li><li>– <i>four major dimensions (see figure "Linking the HR Scorecard to the Business Scorecard")</i></li><li>– <i>requirements for HR scorecard to be successful</i></li></ul></li></ul>
<b>The workforce scorecard</b>
<ul style="list-style-type: none"><li>● <i>integrating three scorecards (see figure "Managing human capital to execute strategy")</i></li><li>● <i>four components</i><ul style="list-style-type: none"><li>– <i>workforce success</i></li><li>– <i>workforce mindset and culture</i></li><li>– <i>workforce competence</i></li><li>– <i>leadership and workforce behaviour</i></li></ul></li><li>● <i>implementing the workforce scorecard</i><ul style="list-style-type: none"><li>– <i>three challenges</i></li><li>– <i>three steps for practical implementation</i></li><li>– <i>requirement for success = team involvement</i></li></ul></li></ul>



## Activity 7.2

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Now use the information found under the key concepts as well as the mind map you drew up in the first activity to summarise the information in chapter 7 in the prescribed book.



## SELF-ASSESSMENT

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You can now evaluate yourself by answering the review questions at the end of chapter 7 in the prescribed book.

### **Question one**

Why has the role of human resources changed so dramatically over the past few years? Discuss briefly.

### **Question two**

Briefly discuss the four perspectives of the balanced scorecard.

### **Question three**

Write a short paragraph on who is responsible for compiling the balanced scorecard.

### **Question four**

How would you go about implementing the balanced scorecard in your organisation?

### **Question five**

What, in your view, is the strength of the balanced scorecard?

### **Question six**

Briefly discuss the benefits of the HR scorecard.

### **Question seven**

Write a short paragraph on how the HR scorecard works by referring to the four dimensions of the scorecard.

### **Question eight**

What, in your view, are the attributes of a successful HR scorecard? Briefly discuss.

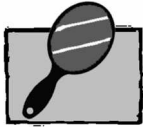
### **Question nine**

Write a short paragraph on the rationale for the existence of a workforce scorecard in an organisation.

### **Question ten**

Briefly discuss the four components of the workforce scorecard.

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## Reflective Activity

Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

Learning Outcomes	Yes	No
1. Can I identify the key forces driving the use of scorecards in organisations?		
2. Am I able to list the three different scorecards available for measuring a company's performance?		
3. Can I identify the components of the balanced scorecard, the HR scorecard, and the workforce scorecard?		
4. Can I list the stakeholders needed to implement the scorecards successfully in organisations?		



## GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS

### Question one

The answer to this question can be found in the introduction to chapter 7 in your prescribed book. In your answer you should have addressed the following:

The impact that knowledge workers have had on the changing role of human resources is tremendous. Observers, both internally and externally to the organisation, have come to view a company's workforce as far more valuable than ever before. This situation has placed the HR function directly in the spotlight. Thus, human resources can no longer be an observer that can be removed or outsourced by the company, but must become a player on the field, in the game with the ability to score. The ability to score (according to Beatty, Huselid & Schneier) necessitates a new understanding of the rules of the game, a new perspective on what human resources need to contribute, how their systems enable them to contribute, and how their ultimate deliverables can be measured.

### Question two

The answer to this question can be found in the section "The Balanced Scorecard". In your answer you should have addressed the following:

To activate the balanced scorecard, managers must translate the company goals relating to the four perspectives (these are normally generic issues which form part of any mission statement) into specific measures that reflect the factors that really matter.

- customer perspective  
The question that can be asked about customer perspective is: how do customers see us?
- internal perspective  
The question that can be asked about the issue of an internal perspective is: what must we excel at?
- innovation and learning perspective  
The question that can be asked about the innovation and learning perspective is: can we continue to improve and create value?

- *financial perspective*  
The question that can be asked about the financial perspective is: how do we look at shareholders or how do our shareholders see us?

You have to discuss these perspectives briefly by answering the questions about each of the perspectives.

### **Question three**

The answer to this question can be found in the section "Compiling the Balanced Scorecard – who is responsible?". In your answer you should have addressed the following:

A team approach will have to be followed. This process cannot be the responsibility of one person only; it should at least involve a balanced scorecard team. The question that should be asked is: what will this team look like? Members of top management will be important stakeholders in the team. This group is vital as they can influence change brought about by this process at the very top of the organisation. Besides this group the higher the level of people you can assemble from across the business units in an organisation, the better. The advantages of this approach are obvious: with rank comes experience and knowledge, credibility, and the ability to interact with the most senior executives at regular intervals. Besides senior representatives from the different business units in an organisation, senior members from support groups such as human resources, finance and information technology (IT) will also be necessary. According to Niven conflict is at the essence of balanced scorecard development and thus one trait all team members must possess will have to be the ability to work comfortably in an atmosphere of conflict. As every team needs a leader, the balanced scorecard process is no exception, and in the case of this team the person can be called the balanced scorecard champion. The responsibilities of this person will include scheduling meetings, tracking results, ensuring the distribution of materials, interacting with top management and providing guidance on tough issues. Thus, the compilation of the balanced scorecard team is a very important part of its execution.

### **Question four**

The answer to this question can be found in the section "Implementing the Balanced Scorecard within an organisation" and in the figure "Cascading the Balanced Scorecard". In your answer you should have addressed the following:

Once the process of compiling the balanced scorecard has been completed, the scorecard must be implemented, that is, cascaded down into the organisation to all the levels. (Refer to the figure "Cascading the Balanced Scorecard" about the customer perspective component of the scorecard.) However, this process is not that simple – employees in the organisation in many cases may never have heard of the term "balanced scorecard", and they may also not have a working knowledge of the scorecard. Thus, for successful implementation some staff training needs to be undertaken.

One way of doing this is by making some articles on the topic available to the staff. The employees can then attend an information session. These sessions can address issues such as the origins of the scorecard, the four perspectives and the implementation principles. Thus proper communication between everybody is absolutely essential. No scorecard can work without linking it to the budget of the company. Linking the

employees' pay to performance will also play an important role. Once implemented, it is important to hold the first review of the balanced scorecard results within 60 days. Thereafter scorecard results must be reviewed and discussed frequently throughout the organisation to achieve long-term success.

From the above discussion it is clear that using the balanced scorecard has a number of advantages, namely

- It brings together many of the competitive elements, for example, becoming customer oriented, improving quality and emphasising teamwork.
- It guards against the underutilisation of assets by allowing management to see whether the improvement in one area took place at the expense of another area.

There is no doubt from the literature review that the balanced scorecard has grown in popularity over the past few years. This is due to the fact that it meets the demands of a modern business world characterised by value creation stemming from intangible assets such as employee know-how, deep customer relationships and cultures capable of innovation and change. However, even an excellent set of balanced scorecard measures cannot guarantee a winning strategy. The balanced scorecard can only translate a company's strategy into specific measurable objectives. A failure to convert improved operational performance as measured in the scorecard into improved financial performance should send management back to the drawing board to rethink the company's strategy or its implementation plans.

From the foregoing it is clear that the balanced scorecard places the strategy of the company – and not the control efforts – at the centre of the process. The measures are thus designed to pull the employees towards the overall mission of the company. The strength of the scorecard is that it provides a simple conceptual and diagnostic tool to ensure that companies utilise the right processes and people to drive customer and business performance – the goal of any company striving to gain a sustained competitive advantage. To assist a company to determine whether the time is right to implement a balanced scorecard, an assessment tool is included in Appendix 7A to chapter 7 in the prescribed book.

#### **Question five**

The answer to this question can be found in the section "Implementing the Balanced Scorecard within an organisation". In your answer you should have addressed the following:

The strength of the balanced scorecard is that it provides a simple conceptual and diagnostic tool to ensure that companies utilise the right processes and people to drive customer and business performance – the goal of any company striving to gain a sustained competitive advantage.

#### **Question six**

The answer to this question can be found in the section "The HR Scorecard". In your answer you should have addressed the following:

According to Becker, Huselid and Ulrich the benefits of the HR scorecard includes the following:

- It reinforces the distinction between HR doables and HR deliverables.
- It enables you to control costs and create value.

- It measures leading indicators.
- It assesses HR's contribution to strategy implementation and ultimately, to the "bottom line".
- It lets HR professionals effectively manage their strategic responsibilities.
- It encourages flexibility and change.

### **Question seven**

The answer to this question can be found in the section "How does the HR Scorecard work?" and in the figure "Linking the HR Scorecard to the Business Scorecard". In your answer you should have addressed the following:

The HR scorecard helps to integrate human resources into the organisational performance management and measurement system by identifying the points of intersection between human resources and the organisation's strategy – in other words, strategic HR deliverables. These are strategic HR outcomes that enable the execution of the organisation's strategy. The deliverables come in two categories: performance **drivers** and **enablers**. HR performance drivers are core people-related capabilities or assets such as employee productivity or employee satisfaction. It is important to note that there is actually no single correct set of performance drivers. Each company custom-identifies its own set based on its unique characteristics and the requirements of its strategy implementation process. Enablers reinforce performance drivers. For example, if a company identifies employee productivity as a core performance driver, then reskilling might be an enabler. However, it is important that you should not only consider HR-focused enablers in your company (those that influence the more central HR performance drivers), but also how specific HR enablers reinforce performance drivers in the operations, customer and financial segments of the organisation.

Four major dimensions in the HR scorecard can be identified (refer to the figure "Linking the HR Scorecard to the Business Scorecard"), namely

- the key human resource deliverables that will leverage human resources' role in your company's overall strategy (e.g. the extent to which employees' behaviours change in ways that make a real difference to the business)
- the high-performance work system (e.g. the key HR policies and practices that must be in place and implemented well to achieve the organisation's strategy)
- the extent to which that system is aligned with the company strategy (e.g. the extent to which the HR practices that you deploy are internally consistent and not working at cross purposes, and are really the right ones to drive organisational strategy)
- the efficiency with which the deliverable are generated (e.g. the extent to which you are efficient in delivering HR services to the organisation)

### **Question eight**

The answer to this question can be found in the section "How does the HR Scorecard work?" and in the figure "Linking the HR Scorecard to the Business Scorecard". In your answer you should have addressed the following:

The attributes of a successful HR scorecard include

- investment in HR systems
- hiring HR employees with the required competencies

- communicating the scorecard throughout the organisation
- weaving the HR results into reward and recognition systems

You have to discuss these attributes briefly and also refer to the figure “Linking the HR Scorecard to the Business Scorecard” in your answer.

### **Question nine**

The answer to this question can be found in the section “The Workforce Scorecard”. In your answer you should have addressed the following:

After implementing the balanced scorecard and the HR scorecard in numerous organisations around the world, the authors Mark Huselid, Brian Becker and Richard Beatty, soon noticed in their dealings with these organisations that something was missing in this process. They realised that it was not the activity that counts, but the impact of the activity on organisational outcomes that meant the most to companies. They believe that companies need a business strategy and a strategy for the HR function, but also a workforce strategy. These strategies are operationalised in the balanced scorecard, the HR scorecard and the new proposed workforce scorecard respectively. Hence the workforce scorecard is a crucial lever in the strategy execution process in companies.

### **Question ten**

The answer to this question can be found in the section “The composition of the Workforce Scorecard”. In your answer you should have addressed the following:

The workforce scorecard points out that workforce investments should help execute strategy through the components of workforce mindset and culture, workforce competencies and workforce behaviours. These components become the link between strategy, HR investments and the workforce, which lead to workforce success (refer to the figure “Managing human capital to execute strategy”). The components of the workforce scorecard are:

#### **● Workforce success**

This is the most important dimension of the workforce scorecard because it captures the “bottom line” of the workforce performance. These are the measures that reflect how well the workforce has contributed to the execution of the company’s strategy. Typical measures here include: the number and quality of customer complaints, the number of new distributors and the response time for customer inquiries.

#### **● Workforce mindset and culture**

The question in this area is two-fold, namely does the workforce understand the company strategy, and does the culture in the organisation support the execution of this strategy? Organisations create norms and expectations that the workforce needs to understand. This creates the culture of the organisation which ultimately shapes employee behaviour. This culture can consequently be measured and assessed in terms of its impact on the company’s strategic success. Typical measures to use here can include: the extent to which the company strategy is clearly and widely understood, the extent to which the average employee can describe the company’s HR strategy and the extent to which employees take pride in working for the company.

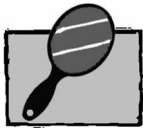
- **Workforce competencies**

The question in this area is: does the workforce have the skills it needs to execute the strategy? The competencies represent the knowledge, skills and ability each employee possesses, and can also be measured and monitored. Typical measures here include: the effectiveness of information sharing among departments, exposure of cross-functional job experiences and the extent of organisation learning.

- **Leadership and workforce behaviours**

The question in this area is: are the employees consistently behaving in a way that will lead to the achievement of the company's strategic objectives? Leaders and employees must behave in ways that are consistent with the strategy for it to be executed. These behaviours can be defined and measured to ensure that leaders and employees do what the strategy suggests needs to be done. Typical measures here are: effectiveness in dealing with poor performers, percentage of employees making suggestions and per cent retention of core competency workforces.

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### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.
- If you answered no to any of the outcomes, you should work through the specific sections again.

*It is very important that you achieve all the learning outcomes of this module as they guide your learning process.*

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In this study unit we have confirmed the important role of HRM in implementing measurement systems to sustain a competitive advantage for the organisation. As an HR manager, you should not only obtain human resources, but you should also ensure that the performance of human resources is measured, and that they are developed and retained. All these issues can be seen to take place in an ethical paradigm as well. This will be addressed in the next chapter.

# Study unit 8

## Ethical issues and challenges in human resource management



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

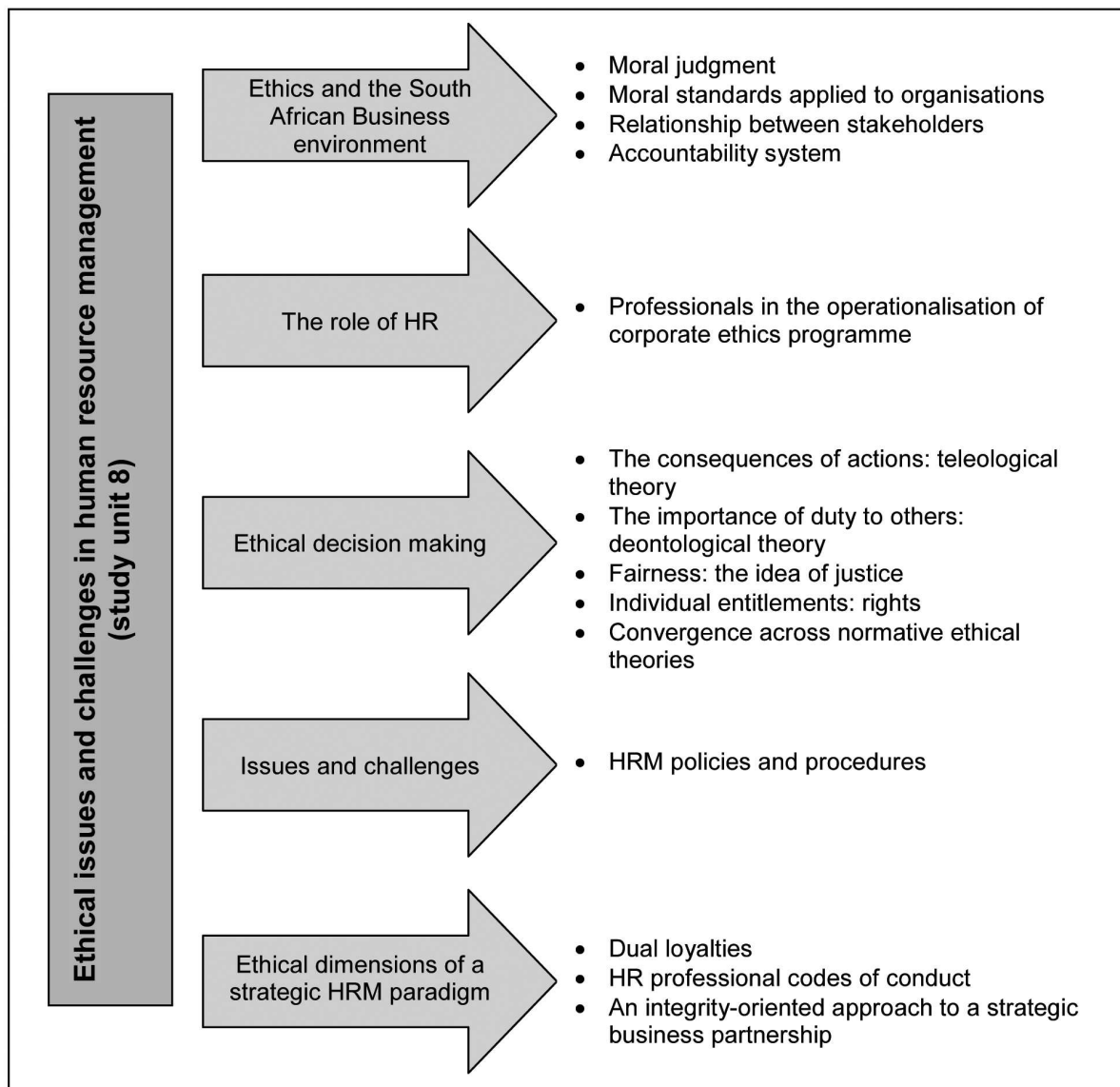
After studying this study unit you should be able to

- define the concepts “ethics” and “business ethics”
  - identify and discuss the ethical dimensions of a strategic HRM paradigm
  - explain the ethical decision-making framework of utilitarianism, Kantian deontology, justice and rights and be able to apply them to the HR function and activities
  - identify and discuss issues that arise in the employment relationship from the perspective of utilitarianism, Kantian deontology, justice and rights
  - discuss the role of HR professionals in the management of corporate ethics programmes and the benefits of such programmes from an organisational perspective
  - apply critical thinking skills and ethical imagination to resolve dilemmas and enhance decision-making in the practice of HRM
- 

### Standards of conduct

Ethics not only have an impact on our personal lives, they also affect the way organisations do business. Ethics also raise many interesting issues regarding the management of employees in the workplace and the way HR decisions are made. Just think about how many times you have heard people complaining about things that are unfair and the way people handle certain situations? Has the word ethics ever been mentioned in these conversations? Let us now take a look at the ethical issues and challenges in HRM.

Let us first get an idea of what chapter 8 in the prescribed book is about by drawing up a mind map again:



Now we will discuss chapter 8, basing our discussion on the above mind map.

## Ethics and the South African business environment

Some dictionaries define ethics as motivation based on ideas of right and wrong, the rules of conduct or moral principles of an individual or group, moral values and moral and professional principles. Although these definitions differ slightly, the same basic ideas are conveyed. The word “ethics”, in the organisational context, deals with moral judgment, standards of conduct and a shared value system that serves to guide, channel, shape and direct the behaviour of individuals in the organisation in a productive direction. As you will see from the discussion under the section “Ethics and the South African business environment”, it means that there are certain mechanisms that encourage appropriate decisions and behaviour at work. In South African-based enterprises business ethics have two important anchors, namely the Constitution’s founding values and the King reports on corporate governance. Ethics also then apply to HRM. Let us now take a look at the ethical dimensions of strategic HRM.

## Ethical dimensions of a strategic HRM paradigm

When you study the section “Ethical dimensions of a strategic HRM paradigm” you will notice that HR professionals are confronted with two conflicting roles, namely the friend of the worker and management’s instrument of competitive advantage. The unitarist and pluralistic views are discussed in this section. Make sure that you understand the different concepts (see the discussion “The problem of dual loyalties”). Furthermore there are professional codes of conduct that serve as moral anchors and provide reassurance for professionals that their activities are underpinned by moral principles (see the discussion under “HR professional codes of conduct”). The last aspect addressed under “Ethical dimensions of a strategic HRM paradigm” deals with the integrity-oriented approach to a strategic business partnership (see table “Ethics roles played by HR professionals – perceived frequency and effectiveness”). This implies that ethics involve more than just legal compliance. How does this fit into the bigger picture? Ethics need to be integrated into strategic HRM decision-making and HR executives need to be fully capable of identifying the social and ethical issues attached to alternative business strategies, and they also need to be able to resolve them. The question that arises now is how ethical issues and challenges can be integrated into the workplace?

## Ethical decision-making frameworks

You should have noticed the following when you worked through the section dealing with the integrity-oriented approach to a strategic business partnership. There are essentially three characteristics of ethical decision-making, namely, ethical consciousness, competency and commitment. The section “Ethical decision-making frameworks” focuses on ethical competency, which is the ability to engage in ethical reasoning to explore and resolve these issues and dilemmas. There are a number of **teleology** and **deontology** frameworks that can be used in moral reasoning (see the table “Summary of ethical frameworks for moral reasoning and decision-making” as well as the discussions “The consequences of actions: teleological theory”, “The importance of duty to others: deontological theory”, “Fairness: the idea of justice”, “Individual entitlements: rights” and “Convergence across normative ethical theories”). Make sure that you understand all these frameworks and that you can use them to engage in ethical reasoning. Although there are no formulae that can be used to make the right decisions, the frameworks mentioned can provide a means of analysis to arrive at a reasoned judgment; but remember that when we act, we need to act with integrity! This brings us to the ethical issues and challenges that face the HR professional in the workplace.

## Ethical issues and challenges in the workplace

The old saying of a fair day’s pay for a fair day’s work is very simplistic. However, there are many other important ethical issues that also come into play, especially when we look at some of the more traditional HR activities such as selection, compensation, promotion and performance management (see the section “Ethical issues and challenges in the workplace”). Make sure that you understand the ethical issues that

may arise in the different HR activities. The challenge that arises now is the role that the HR professional can play in the operationalisation of corporate ethics programmes in the organisation.

## The role of HR professionals in the operationalisation of corporate ethics programmes

A big debate exists regarding the responsibility for the organisation's ethical programme. The latest research indicates that it should be allocated to the HR function. However, most experts believe that it should not be the sole responsibility of HR. According to research undertaken in most organisations, the responsibility for the formulation of written standards, the communication thereof and the monitoring and enforcement of an ethics programme are mainly the responsibility of the HR manager and the CEO of the company. This stresses the fact that human resources can make an important contribution to creating, implementing and sustaining ethical behaviour. Although human resources can play a very important role, the responsibility for ethical leadership ultimately cuts across all functions and managerial levels in organisations (see section "The role of HR professionals in the operationalisation of corporate ethics programmes").



### Activity 8.1

Now that we have worked through chapter 8, you should have identified the key terms and phrases used. We can use these key concepts to summarise the chapter. Draw up your own detailed mind map of the important aspects in chapter 8.



The following summary is an example and lists the key terms and phrases that you should at least have identified in chapter 8:

<b>Ethics and the South African business environment</b>
<ul style="list-style-type: none"> <li>● moral judgment</li> <li>● principles and standards of conduct</li> <li>● business ethics <ul style="list-style-type: none"> <li>– moral standards as they apply to organisations</li> <li>– relationships between stakeholders</li> <li>– two important anchors in South African-based enterprises</li> <li>– table "Web site resources for ethics and HRM"</li> </ul> </li> </ul>
<b>Ethical dimensions of a strategic HRM paradigm</b>
<ul style="list-style-type: none"> <li>● dual loyalties</li> <li>● unitarist</li> <li>● pluralist</li> <li>● HR professional codes of conduct <ul style="list-style-type: none"> <li>– moral anchors</li> <li>– SHRM</li> <li>– AHRI</li> <li>– SABPP (see table "The South African Board for People Practices (SABPP) Code of Conduct")</li> </ul> </li> </ul>

- an integrity-oriented approach to a strategic business partnership
  - monitoring for policy and legal compliance (see table “Ethics role played by HR professionals – perceived frequency and effectiveness”)
  - three qualities of ethical decision-making
  - integrity
  - integrating ethics into strategic planning and corporate decision-making

**Ethical decision-making frameworks (see table “Summary of ethical frameworks for moral reasoning and decision-making”)**

- the consequences of actions: teleological theory
  - the greatest good for the greatest number
  - utilitarianism
  - egoism
- the importance of duty to others: deontological theory
  - universal respect for autonomous beings
  - characteristics of Kantian ethics (consistency, universality and a priori)
- fairness: the idea of justice
  - fair distribution of benefits and burdens
  - distributive justice
  - procedural justice
  - retributive justice
  - compensatory justice
- individual entitlements: rights
  - individual entitlements which impose obligations on others
  - concept of equality
  - concept of hierarchy of rights
  - major types of employee rights (see table “Employee rights and related HR activities”)
- convergence across normative ethical theories
  - four key questions to evaluate prospective responses to ethical challenges and dilemmas

**Ethical issues and challenges in the workplace**

- HRM policies and procedures
  - selection
  - compensation
  - promotion and performance management

**The role of HR professionals in the operationalisation of corporate ethics programmes**

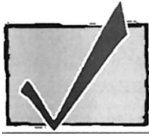
- responsibility for corporate ethics programmes
  - HR departments (Australia, Canada, South Africa and USA)
  - legal departments/corporate services (UK)
  - support of top-level management
  - ethical leadership involves all functions and managerial levels



## Activity 8.2

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Now use the information found under the key terms and phrases as well as the mind map you drew up in the first activity to summarise the information in chapter 8 in the prescribed book.



## SELF-ASSESSMENT

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You can now evaluate yourself by answering the review questions at the end of chapter 8 in the prescribed book.

### **Question one**

Identify the important concepts involved in a definition of business ethics. How are these concepts relevant in the context of South Africa?

### **Question two**

What is the problem of dual loyalties and why does it arise? Provide an example of dual loyalties that an HR professional might encounter.

### **Question three**

Evaluate the appropriateness of the professional code of conduct of the South African Board for People Practices (SABPP). How effective is the code in providing guidance to HR professionals who face the problem of dual loyalties? Why?

### **Question four**

Outline the main features of an integrity-based approach to a strategic HR paradigm.

### **Question five**

Explain and evaluate the utilitarian and deontological approaches (Kant, justice and rights) to ethics and discuss their relevance to HRM. Illustrate your discussion with reference to examples in South African workplaces and society.

### **Question six**

Discuss the ethical issues that may arise in the traditional HR activities of employee selection, compensation and promotion.

### **Question seven**

Discuss the issues that should be addressed in formulating a company's policy on employee privacy.

### **Question eight**

The moral issues surrounding affirmative action are controversial. Discuss the pros and cons of affirmative action programmes. In your view, are affirmative action programmes morally justified or is employment equity legislation sufficient to address the problem of discrimination? Why?

### **Question nine**

Identify and discuss the key justice and rights issues in contemporary South Africa. How would Mill, Kant, Rawls and Nozick address them? How do South African enterprises deal with them?

### **Question ten**

In your view, what is the proper role of HR professionals in the operationalisation of corporate ethics programmes? Why?



### Reflective Activity

Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

<b>Learning Outcomes</b>	<b>Yes</b>	<b>No</b>
1. Can I define the concepts “ethics” and “business ethics”?		
2. Can I identify and discuss the ethical dimensions of an SHRM paradigm?		
3. Am I able to explain the ethical decision-making frameworks of utilitarianism, Kantian deontology, justice, and rights?		
4. Can I apply ethical decision-making frameworks of utilitarianism, Kantian deontology, justice and rights to the HR function and activities?		
5. Can I identify and discuss the issues that arise in the employment relationship from the perspective of utilitarianism, Kantian deontology, justice and rights?		
6. Am I able to discuss the role of HR professionals in the management of corporate ethics programmes from an organisational perspective?		
7. Can I apply critical thinking skills and ethical imagination to resolve dilemmas and enhance decision-making in the practice of HRM?		



### **GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS**

#### **Question one**

The answer to this question can be found in the section “Ethics and the South African business environment”. In your answer you should have addressed the following:

According to Peter Singer ethics deal with values, with good and bad, with right and wrong. We cannot avoid involvement in ethics what we do and what we don't do is always a possible subject of ethical evaluation. Anyone who thinks about what he or she ought to do is, consciously or unconsciously, involved in ethics.

*Business ethics (or management ethics) focuses on moral standards as they apply to organisations and the behaviour of organisational members. Most decisions in business, particularly those relating to human resources, have an ethical component. Business ethics thus require an integrated approach to decision-making. An integrated approach recognises that managers must take the moral point of view as well as make economically sound decisions and act within applicable law. The moral point of view requires that we act impartially and in accordance with reason, rather than on the sole basis of self-interest or tradition. If ethics are about relationships between people then business ethics are about relationships between stakeholders and the recognition that their divergent interests must be accommodated. Decisions must also be understood as involving different levels of analysis, including on the individual, the organisational, the professional, the business-system and societal levels. Employment equity is a case in point.*

*In South Africa, business ethics have two important anchors in both the public and private sector.*

- *The first anchor is the Constitution's founding values of human dignity, the achievement of equality and the advancement of human rights and freedom.*
- *The second anchor is the King reports on corporate governance which have been instrumental in moving ethics onto the agenda of corporate boards in South African-based enterprises.*

*It is important to note that the King reports recognised that many enterprises need to put in place training programmes to develop ethical competency and to develop organisational processes that embed ethics into organisational cultures and operations. The HR activities of recruitment, selection, training and development, compensation and performance management are not only a means to gaining competitive advantage, they are important vehicles for promulgating an ethical culture.*

### **Question two**

*The answer to this question can be found in the section "The problem of dual loyalties". In your answer you should have addressed the following:*

*HR executives (who are literate in both financial and people skills) are in a strong position to balance judgments of economic rationality with social responsibility. Evidence suggests that some HR practitioners find this position burdensome. They see conflict between the understanding of themselves as "friends of the workers" and their new role as management's instruments of competitive advantage. There are numerous examples of the problem. In some research, respondents cite pressure to meet unrealistic or overly aggressive business objectives and deadlines as the most likely factor to cause organisational members to compromise their companies' ethical standards. In a study by Schwoerer, May and Benson, 785 members of the Society for Human Resource Management in the USA found that "many organisations report difficulty establishing a balanced and coherent strategy between employee and employer rights". Hendry suggests that in the UK it has been difficult for HR managers to act as a "neutral go-between" and that the HR manager "became more unequivocally the representative of management, counter-balancing the power of trade unions and individual rights enshrined in legislation".*

*Hendry's suggestion is congruent with many UK researchers who have been critical of the unitarist/managerialist view of human resources, maintaining instead that workers*

and managers have different interests. The unitarist assumption that the interests of employees are the same as those of their employers, gives rise to the view that the proper employee-employer relationship is one of partnership. This contrasts with the pluralist perspective that recognises the possibility of diverse interest groups and sources of loyalty or even worse, inevitable conflict between employers and employees. A paradigm shift from pluralism to unitarism is problematic. On the one hand, treating human resources as valued assets, integrating HR policies into the business strategy and striving for employee commitment through the management of culture rather than seeking compliance with rules and regulations, can be viewed as beneficial to both employees and employers. On the other hand, these practices may allow labour to be used as business needs dictate and can therefore be thought of as serving primarily the interests of employers. Moreover when corporate ethics and corporate culture are seen solely as systems for controlling behaviour, they function at the lowest level of moral development. Not surprisingly then, the nature and role of socialisation in the workplace raise myriad ethical issues for HR professionals charged with developing corporate cultures and embedding ethics into them. This is because the process of socialisation or induction into an organisation's culture tends to move beyond fostering knowledge of cultural norms and values to promoting the internalisation of corporate values by individual members. According to Hoffman, it is moral autonomy that enables corporate cultures to be critiqued.

Developing strategies and policies that protect employee interests, yet balance operational and HR needs, is a difficult mandate because it requires HR professionals to quantify the contribution of human resources to organisational performance in ways that do not compromise respect for and the dignity of individual organisational members. It is not surprising, therefore, that HR professionals may experience some ambivalence about the pursuit of competitive advantage, particularly when one considers that HR activities such as staffing, compensation and training, have a direct impact upon organisational members in a way that other business functions, for example, sales, marketing, finance and production, do not.

### **Question three**

The answer to this question can be found in the section "HR professional codes of conduct". In your answer you should have addressed the following:

When faced with conflicts of dual loyalties many professionals turn to their profession's code of ethics for guidance. Professional codes of conduct serve as "moral anchors", embody a profession's values, help it to establish an ethical climate and provide a framework for evaluating alternative courses of action. Professional codes of conduct can also reassure stakeholders (the public, employees, managers and shareholders) that a profession's activities are underpinned by moral principles, and provide stakeholders with a benchmark by which to evaluate the ethical performance of a profession.

The South African Board for People Practices (SABPP) is a professional body for managers, practitioners, consultants, academics and students in the field of HR management and has a membership of over 7 000. The pre-2006 Code of Professional Conduct from the SABPP somewhat ambiguously stated that "registered members of the human resources profession are obliged to uphold certain standards in their practice, both in the interests of the public and their calling".

At its board meeting in August 2006, the SABPP approved in principle a new code of

conduct which appears to directly recognise the problem of conflicting or dual loyalties and gives a clear statement on them to its members. In part, the SABPP code states that:

*Our first responsibility is to meaningfully transform the lives of those men and women who are employed by the organisations we serve. We have a further responsibility to contribute to the success and sustainability of the organisations that employ us or that we render a service to. It is our responsibility to comply with the expectations of our profession and fellow practitioners. We accept responsibility for the outcomes of our actions and interventions. In this we contribute to the greater goodness of society.*

The code also emphasises the obligation of HR professionals to uphold respect for the dignity of all human persons and empowers them to be vigilant and aggressive in this pursuit. For example, the code states that:

*We are unwaveringly committed to tolerance, respect for human dignity and upholding the human rights as prescribed by the constitution of the country. We treat all our stakeholders with respect. We stand in service of those organisations that remunerate us for our professional contribution. We have an obligation to prevent breaches of principles of respect and to assertively object to such violations when they occur.*

The SABPP's revised code appears to try to balance the diverse values it has inherited from multiple traditions. These include not only HRM paradigms, but also South Africa's Constitution. In doing so the code is an important vehicle for providing direction and counsel to the HR profession in South Africa as it moves forward to meet local and global contemporary challenges, including the demands of a strategic HRM paradigm. Also refer to Table 8.1 "The South African Board for People Practices (SABPP) Code of Conduct" in your prescribed book.

#### **Question four**

The answer to this question can be found in the section "An integrity-oriented approach to strategic business partnership". In your answer you should have addressed the following:

The main features are

- legal compliance
- monitoring for policy
- human resources being a business partner

These will now be discussed in detail.

#### ● **Legal compliance and monitoring for policy**

A study conducted in the USA suggests that the dominant role performed by HR professionals in workplace ethical issues is that of monitoring for policy and legal compliance; less dominant are the roles of employee advocate, educator and questioning the ethical dimensions of managerial decisions. The role of monitoring for legal compliance is important, but it is a narrow one and remains focused on a reactive administrative approach to both ethics and human resources. Although the 2006 SHRM survey reported an increase in human resources' involvement at the

strategic level, it also reported that more than 80% of survey respondents felt their department's focus on administrative duties rather than on strategy limited their ability to contribute at the strategic level. In HR literature it is argued that an emphasis on the administrative-service role frustrates a transformation of the HR function. In business ethics literature it is generally recognised that the law specifies an ethical minimum and that ethics involve more than minimal legal compliance.

One reason for the emphasis on legal compliance may be that the HR profession has left the business of ethics to external bodies – either the law or unions. As a result, many HR policies and practices relating to workplace rights, bribery, global human rights and the environment, are designed to avoid lawsuits, union conflict and consumer boycotts. The common misconception that ethics are primarily concerned with avoiding wrongdoing can obfuscate an important dimension of ethics; they are also guidelines for the constructive role that decision-makers can play in an organisation.

A second reason for an emphasis on legal compliance may be that the HR profession has not adequately addressed ethics in the training and professional development of HR practitioners. Without an understanding of ethical principles, the emerging role of ethics for the HR practitioner is likely to become locked into the administrative-supportive HR paradigm, rather than a strategic one. This point is similar to Beer's observation that the most formidable obstacle to the transformation of the HR function is the lack of high-level analytical and interpersonal skills by many HR professionals. Certainly it is easier to monitor behaviour for compliance with legal and organisational guidelines, than engage in complex philosophical debates germane to ethical issues. The issues of junior wage rates and employment equity compliance illustrate this point. Monitors need only administer the policy according to a manual; they avoid the complexities of comparative worth, distributive justice and hourly wage rates based on skill level regardless of personal characteristics, such as age, gender and race. Similarly, monitors may be more interested in a prescribed monetary figure to determine when legitimate entertainment becomes bribery, rather than understanding the principles which censure bribery while condoning limited gift-giving. Monitoring and legal compliance have more to do with standardising behaviour than ethical decision-making. Ethical decision-making requires three qualities which can be developed or enhanced through education: 1) the ability to perceive ethical issues in a situation; 2) the ability to engage principled reasoning and problem-solving strategies; and 3) a personal resolve to act ethically. Josephson refers to these qualities as ethical consciousness, ethical competency and ethical commitment.

#### ● **Human resources being a business partner**

An SHRM paradigm calls for HR professionals to move beyond the roles of "policy police and regulatory watchdog" to business partner. While the concept of business partner is an attractive one, it must be remembered that it may be associated with a unitarist perspective – any commitment to balance competing interests could be easily overshadowed by the expectation that HR professionals should demonstrate their contribution to the bottom line. This is particularly problematic when codes of practice for HR professionals reflect a unitarist view. Likewise, recent empirical studies which have expressed interest in investigating the effectiveness of values-oriented ethics programmes over compliance-oriented ethics programmes, tend to speak of shared values throughout the organisation without due regard for the pluralist-unitarist debate. One way around this problem may be to adopt De George's notion of integrity.

The term is a useful one because it avoids some of the negative connotations that many people attach to the terms ethics and morality while, at the same time, suggesting that acting ethically “extends beyond satisfying the bare moral minimum”. Paine also speaks about integrity as a governing ethic:

*From the perspective of integrity, the task of ethics management is to define and give life to an organisation’s guiding values, to create an environment that supports ethically sound behaviour, and to instil a sense of shared accountability among employees.*

Extending the notion of business partner to include integrity means that HR executives should integrate ethics into strategic decision-making. As integrity-based business partners, senior HR executives would need to develop the presently under-utilised roles of questioner and educator in ethical matters. The execution of these roles requires the high-level analytical skills referred to earlier, in particular Josephson’s ethical consciousness, competency and commitment. Integrity-based business partners would question, for example, the exploitation of workers in any strategic plan which suggested the payment of below subsistence wages, even in situations where it is legal to do so. Ethical values can influence which business opportunities are accepted, as well as the design of operating systems, including those related to risk-taking, hiring, compensation, performance management and safety. For example, in 2003 South Africa’s “Big Four” banks (Absa, First National, Nedcor and Standard Bank) developed the Financial Sector Charter which is a voluntary initiative designed to address the issue of black economic empowerment in the financial services industry and to reverse previous inequalities arising from apartheid. In particular, the charter aims to increase access to finance and banking services, including home loan finance for poorer South Africans who were previously denied access and to promote diversity in management ranks. Too often enterprises fail to make ethics a “before-profit concern” and consequently fail to recognise the role ethics play in achieving entrepreneurial success and avoiding costly errors.

A HR approach to business partnership that is based on integrity would combine concern for the competitive use of human capital with managerial responsibility for the ethical dimensions of an enterprise’s strategic operations. Without an integrity-oriented approach to business partnership, there is the danger that HR professionals may continue in the administrative-service role under the guise of being a strategic player.

### **Question five**

The answer to this question can be found in the section “Ethical decision-making frameworks” and the tables “Summary of ethical frameworks for moral reasoning and decision making” and “Employee rights and related HR activities”.

In your answer you should have discussed the following theories/approaches using the tables in your prescribed book as a guideline:

- utilitarianism (teleological theory)
- deontological theories (Kantian duty)
- fairness: the idea of justice (distributive, procedural, retributive and compensatory)
- individual entitlements: rights

Note that understanding, implementing and protecting employee rights is essential to good HRM practice. In developed countries many employee rights are enshrined in law

and some rights are institutionalised in international agreements such as the International Labour Organisation (ILO). Human rights watch groups are likely to report human rights violations by multinational enterprises operating in less developed countries and through the medium of the world wide web. These violations are reported widely – often to the detriment of the offending multinational. The major types of employee rights in the workplace and the relevant HR activities are presented in the table “Employee rights and related HR activities” in your prescribed book. Although many of these rights must be balanced against the rights of employers, certain employee rights, such as the right to a living wage and a safe workplace, are non-negotiable.

The discussion of ethical theory generates four key questions that HR managers can usefully employ to evaluate prospective responses to ethical challenges and dilemmas they may face. These questions are as follows:

- Who is affected and how? Which action will result in the greatest good for the greatest number of people affected by it? (utilitarianism)
- Is the action one that universally respects autonomous rational beings as ends in themselves? (Kantian deontology)
- Is the action one that treats all stakeholders fairly? (justice)
- Is the action one that upholds fundamental human rights? (rights)

You have to keep in mind that ethical theories do not provide formulae for correct decision-making. Rather, they provide a means of analysis for arriving at a reasoned judgement concerning the propriety of alternative courses of action. The same analysis can be applied to myriad ethics issues, for example, judging the ethicality of drug testing in the workplace, performance measurement and evaluation systems, training and development policies, diversity programmes, bonus schemes, retrenchment programmes and discipline measures. Judging with integrity requires careful reasoning by taking into account consequences, duties, justice and rights and weighing them in cases of conflict. Only when we act in accordance with this balanced and reasoned judgement do we act with integrity. When workplace practices are perceived to have integrity there is a positive impact on employee morale, motivation, loyalty, commitment, recruitment and turnover, all of which have a positive impact on the bottom line of enterprises. However, care must be taken not to shift the rationale for ethical HR policies and procedures from one grounded in principles of justice and rights to one grounded solely in economic rationalism.

### **Question six**

The answer to this question can be found in the section “Ethical issues and challenges in the workplace”. In your answer you should have addressed the following:

Traditionally the primary responsibility of the employer to the employee was to pay a fair wage and in return, employees were expected to give their employers a fair day’s work. However, this model is too simple to address the many ethical issues and challenges that arise out of the interplay between employers and employees in contemporary workplaces. The failure to recognise ethics issues when they arise (ethical consciousness) is often seen as one of the main reasons why good people do bad things. For example, a recent SHRM survey of HR professionals reported that the most serious ethical problems for HR professionals, and the ones they had the least success dealing with, came from decisions made by managers where factors other than

job performance were the basis for decisions in hiring, training, pay, promotion and discipline. The ethics issues and challenges that arise about the HR activities of selection, compensation and promotion of employees will now be discussed briefly. You have to add more detail.

- **Selection**

Effective and fair selection practices for the strategic deployment of highly motivated and competent employees are an important vehicle for enterprises to gain competitive advantage. In making selection decisions, HR practitioners **must ensure that all job applicants are treated fairly**. Selection practices typically include screening, the employment interview and psychometric testing, all of which can be viewed as strategic tools supporting business strategy.

**Screening** begins with a job description and a job specification which provides details about a job's duties, responsibilities, working conditions and physical requirements, while the latter describes the qualifications, skills, educational experience and physical attributes needed to successfully undertake the job. A successful screening process is one that ensures there is a pool of suitable candidates who have all been treated fairly with regard to their right to equal employment opportunity. The screening out of unsuitable or less suitable candidates must be done on the basis of **job-relevant criteria** for it to be considered fair.

**The employment interview** remains the most widely used selection tool and is often the first point of formal contact between a potential employee and an enterprise. Interviews can vary in structure from unstructured to semi-structured to structured. Structured interviews standardise questions and processes across interviews with different candidates. Structured interviews are considered to be fair since each candidate has the same opportunity and interviewer bias is minimised.

A critical component of ethical employment interviewing is the standardisation and objectification of the interview. Although they will not guarantee the elimination of discrimination and harmful practices, they are essential steps for HR practitioners who seek to interview ethically.

**Psychometric testing** is another screening and selection tool often used by enterprises, especially larger ones. The most common types measure **ability** (cognitive, mechanical or psychomotor) and **personality**, but **may also include drug testing, health screening and more recently genetic testing**. The ethical implications of genetic testing are huge, mostly because there is a danger that "the risk of disease will be treated as a disease". However, in principle, genetic testing and drug testing raise the same questions as ability and personality tests: Are the tests valid and reliable? Is the test job relevant? Are the tests culturally based? Has informed consent been obtained? Are the interests of the enterprise and the general public sufficient to justify an encroachment upon individual privacy?

In addition to the issues of fairness and discrimination discussed above, an individual's **right to privacy** is problematic. Included in the notion of privacy are psychological privacy (relating to your inner life), physical privacy (relating to your space and time) and autonomy to determine when, how and what information is communicated about yourself to others. When conducting psychometric testing, HR professionals must safeguard the interests of enterprises and candidates by upholding the rights of those tested.

*The issue of discrimination figures prominently in the selection process. Considerations of justice and rights play an important role in ensuring that all candidates are treated fairly and are assured equal employment opportunity. In addition to the issue of discrimination, if jobs are to be truly fair, the selection process must also recognise that it provides an opportunity for a potential employee to select the organisation.*

### ● **Compensation**

*The right to fair compensation, often referred to as the right to a living wage, is derived from the right to life, the right to employment and the right to respect. While for some, a just wage is simply whatever the market determines, traditionally it has involved a mix of variables, including merit or contribution to the enterprise, need, effort, the nature of particular jobs (for example, some are more dangerous, socially undesirable or lack security), bargaining power of unions, laws governing minimum wages, the capability and profitability of the enterprise, and more recently, concern with equality, as well as conditions of the labour market.*

*Recently performance pay and other contingent systems of reward have been implemented, as have the flattening of pay scales with fewer, but broader pay grades, and flexible cafeteria-style benefit systems. It is generally recognised in the HR literature that the new approach to compensation, often referred to as "new pay", is more suitable to today's changing organisational environments and structures than the older methods of pay related to job-evaluated pay structures, time and seniority, which suited hierarchical organisations operating in predictable environments. In particular it is advocated that new pay is "strategic pay", that is, it both flows from and implements an enterprise's business strategy. From an ethical perspective, these developments in compensation practice are potentially flawed as they represent a "movement towards greater risk in remuneration" because from an employee perspective, salaries and benefits are less secure and predictable and a "movement away from employee representation" in the setting of policies and practices relating to compensation systems.*

*Compensation strategies that are perceived to be fair and equitable are central to employee motivation and self-esteem. When developing new compensation strategies to drive business strategy, HR managers can discharge their responsibilities to both management and employees by balancing employer interest in contingent pay with employee interest in stable and predictable income. Principles of ethical pay management help to identify acceptable levels of risk and the task of minimising harm while maximising benefits for all stakeholders.*

### ● **Promotion**

*The key ethical issue in managing the promotion of employees, is fairness. The difficulty is in determining the criteria that should serve as the basis for fair promotion procedures. While there is debate over how much weight should be given to the criteria of seniority and job qualifications, it is widely recognised that promotion should normally be on the basis of job-related criteria, especially performance, and that employees should not be discriminated against on the basis of inappropriate criteria such as gender, race and religion. Employees may not have a right to promotion, but they do have a right to fair evaluations and consideration for promotion. They also have a right to be informed of the reasons for lack of promotion in those situations*

where it might reasonably be expected. Promotion is one more example where HR practitioners are challenged to “merge dual responsibilities in a way that is beneficial to the firm and fair to all concerned.”

### **Question seven**

The answer to this question can be found in the section “Selection”. In your answer you should have addressed the following:

Employees have a right to privacy and human resources should take the following actions to ensure that this privacy is respected in the workplace:

- ensure that there are procedures in place to protect the employee’s data
- ensure that due process is followed in video surveillance practices
- ensure that due process is followed in testing, drug testing and genetic screening practices (see additional information below)
- encourage work-life balance
- e-mail access notification (based on concepts of respect, fairness, autonomy)

An individual’s right to privacy should always be respected. Included in the notion of privacy are psychological privacy (relating to your inner life), physical privacy (relating to your space and time) and autonomy to determine when, how and what information is communicated about yourself to others. When conducting psychometric testing, HR professionals must safeguard the interests of enterprises and candidates by upholding the rights of those tested to

- informed consent
- not be harmed or unfairly disadvantaged by the process of assessment (or testing)
- full information about the purpose and results of the assessment
- suitable preparation for the process of assessment
- not be subjected to assessment processes which have systematic bias, high error rates, unwarranted discrimination or which are not relevant to the job
- confidentiality
- secure storage of test data and results
- destruction of results when no longer needed
- counselling, especially in the case of drug, health and genetic testing

### **Question eight**

The answer to this question can be found in the section “Fairness: The idea of justice”. In your answer you should have addressed the following:

**Compensatory justice** involves compensating people for any harm or loss they have suffered. The most controversial forms of compensation are the preferential treatment or affirmative action programmes that attempt to remedy past injustices by giving groups that suffered past discrimination, preference in hiring, training and promotion policies. The controversy arises largely because the principle of compensatory justice generates demands which conflict with the demands made by the principle of equality. Some have argued that when the argument for compensatory justice is combined with the principle of equity in the long term and the principle of the greatest good for the greatest number, then there is sufficient justification for overriding the principle of equity for some in the short term.

The controversy over affirmative action is compounded when affirmative action

programmes are of the strong type, for example, quota based, rather than the weaker form which upholds the merit principle first and then applies affirmative action. You have to discuss affirmative action programmes in more detail by referring to the application of these programmes in Australia, the USA, India and South Africa.

### **Question nine**

The answer to this question can be based around tables "Employee rights and related HR activities" and "Summary of ethical frameworks for moral reasoning and decision making". In your answer you should have addressed the following:

Students who have limited work experience to draw upon can review the websites of specified South African enterprises, particularly those known to be active in corporate ethics programmes. However, it is also insightful to observe something about enterprises that do not have active ethics programmes.

In its broadest sense, justice involves policies that a corporation or society develops to deal with conflicts between different rights of different people, the same but limited rights of different people and human rights violations. Two issues that many students are likely to raise are those of equity and affirmative action in South Africa. Do you think the South African workplace has been transformed since apartheid to represent the demographics of South Africa? Affirmative action is a true ethical dilemma in that the principle of compensation for past harm and inequity is given priority over the principle of equity for some in the short term.

Affirmative action can be supported by Mill's utilitarianism in that when everyone is free to contribute their talents and skills, society is better served. However, strong forms of affirmative action, that is, those requiring quotas especially when not supported by adequate training and development, might result in inefficiencies.

Affirmative action is not likely to be supported by Nozick and his principle of libertarianism and focus on the free market with limited government intervention in market forces. Nozick's idea of justice is not concerned with redistributive justice or patterned justice and instead focuses on liberty arguing that people are entitled to what they have as long as they acquired it legitimately. Of course many would argue that in the context of apartheid, there have been significant violations of social and economic rights.

Rawls and Kant are more problematic. To address affirmative action from a Rawlsian perspective, you would need to go behind the veil of ignorance where, under the conditions of objectivity, rationality and the desire to further one's own good, Rawls argues that all people would agree on two principles of justice (refer to section 8.3.3 in your prescribed book). A strong form of affirmative action is not likely to be supported by Rawls. In so far as affirmative action does violate the principle of equity for some in the short term, it is not likely to pass Kant's test of consistency, respect for persons as ends in themselves or autonomy. Nevertheless, when you combine notions of the common good with compensatory justice and equality for all in the long term, there is a powerful argument for affirmative action even though it may violate the principle of equity in the short term.

### **Question ten**

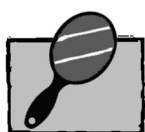
The answer to this question can be found in the section “The role of HR professionals in the operationalisation of corporate ethics programmes”. In your answer you should have addressed the following:

Two broad themes can be identified in the literature on responsibility for corporate ethics programmes. (1) Responsibility for corporate ethics programmes has been assigned to existing functional areas of management, primarily HR departments in Australia, Canada, South Africa and the USA, and legal departments or corporate services in the UK. (2) To be effective, corporate ethics programmes must have the support of top level management.

Despite the enormous growth in corporate ethics programmes, the ethics process does not yet seem to have evolved into a separate function. However, in many large enterprises, ethics or compliance officers and executives with ethics responsibilities have been introduced. The HR function ought to take on the role of ethical stewardship, with some writers suggesting that human resources has a special role to play in the formulation, communication, monitoring and enforcement of an enterprise’s ethics programme. The US-based business ethics literature generally presents the view that the HR function along with finance and law, is the appropriate locus of responsibility for an enterprise’s ethics programme. Donaldson places human resources at the top of this triangle arguing that “seventy per cent of the responsibility for values and ethics should fall to HR”. This is not surprising when we consider that ethical issues are people issues and HR activities are instrumental to the development and maintenance of corporate ethical cultures. Whether the role of the HR manager is that of strategist or conscience of the organisation is a contentious issue and influenced by the culture and structure of an organisation, as well as the status and credibility of the HR function and its specialists.

Empirical studies have investigated whether ethics initiatives and strategies for ethics management should be HR driven. Numerous studies have been completed in the USA, UK, Canada, Australia and South Africa.

These studies recognise that human resources are well positioned to make an important contribution to creating, implementing and sustaining ethical organisational behaviour in a strategic HR paradigm. HR professionals have specialised expertise in the areas of organisational culture, communication, recruitment, training, performance management, leadership, motivation, group dynamics, organisational structure and change management – all of which are key factors for integrating ethics into all aspects of organisational life and for developing positive corporate ethics cultures. For example, studies have found that the most common source of pressure to compromise ethics standards in organisations is related to conflicts of interest (a superior’s directive, meeting overly aggressive business objectives and helping the organisation to survive). Human resources play a critical role in ensuring that employees have, and are aware of, recourse to such pressure. At the same time, the findings suggest that responsibility for ethical leadership should cut across all functions and managerial levels, including line and senior managers.



### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.

- *If you answered no to any of the outcomes, you should work through the specific sections again.*

*It is very important that you achieve all the learning outcomes of this module as they guide your learning process.*

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You are now familiar with the ethical issues and challenges that HR professionals have to face in organisations, as well as the issues of ethics and business ethics in the business environment. Closely related to these issues is the ethical role of business in society which will be the focus of the next study unit.

# Study unit 9

## Corporate responsibility and governance: Implications for HRM



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

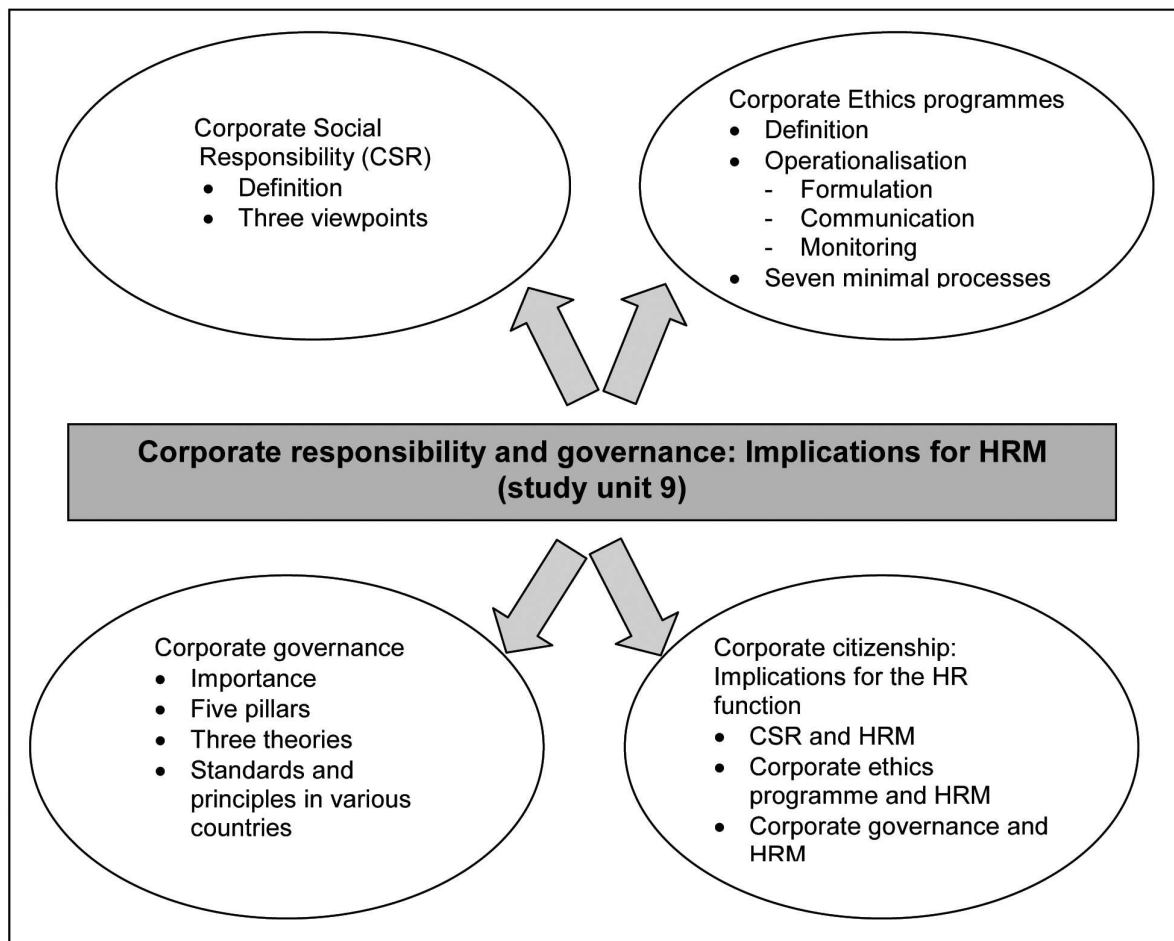
After studying this study unit you should be able to

- distinguish between the concepts “corporate responsibility”, “corporate ethics programmes” and “corporate governance”
  - explain and discuss the shareholder and stakeholder models of corporate responsibility (CR) and how the two models reflect different theories of the corporation
  - identify the key components of an effective corporate ethics programme and explain the impact they have on the implementation of CR and citizenship
  - discuss recent global initiatives in corporate governance
  - discuss the implications of ethics governance and the governance of ethics for the HR function
- 

### Profit taking vs social conscience

Corporations are living entities made up of multiple stakeholders and can therefore never be static entities. Businesses never operate in a vacuum and are always part of a smaller or bigger society. Because corporations are the conduits of society, they have the responsibility to harness human, monetary, environmental and social capital in the best interest of the planet. This implies that business enterprises can no longer only focus on the profit-taking interests of their shareholders, but also have to take into account the diverse needs of individuals and groups in the societies where they operate. Thus, the focus of chapter 9 will be on corporate ethics.

Let us first get an idea of what chapter 9 in the prescribed book is about by drawing up a mind map again:



Now we will discuss chapter 9 in the prescribed book, basing our discussion on the above mind map.

## Business and society

Obviously, the approaches regarding corporate ethics differ considerably in the different countries around the world, not to mention in the different types of organisations that are to be found. Because of this, organisations, academics and governments in the various countries use different terms when they refer to issues related to corporate ethics. Whatever term is used, the landscape is vast. It is therefore useful to distinguish the key domains both theory and practice attribute to them. The following terms are defined and discussed in the introductory section of chapter 9: corporate social responsibility (CSR), corporate ethics programmes, corporate governance and corporate citizenship. In the sections that follow, these terms are explored in more detail.

## Corporate social responsibility (CSR)

The different viewpoints on CSR are summarised in the table “Three viewpoints on corporate social responsibility”. These include the narrow classical economic view, the socio-economic view and the broad maximal view. The values underlying these viewpoints on CSR are derived from the normative ethical theory which was discussed

in chapter 8 and they are prescriptive beliefs for right and wrong. Current trends in CSR that are likely to shape CSR in the next decade vary from the growing recognition that CSR and business ethics are intertwined to an increased focus on the effectiveness of corporate ethics initiatives and best-practice corporate ethics programmes. Companies will fail to convince stakeholders that they are serious about CSR unless they can demonstrate that their policies consistently achieve the desired social, environmental and ethical outcome. The stakeholders of every company include the following: employees and business partners (those who know the company best), the community (those who know the company directly) and society (those who know the company by reputation)

## Corporate ethics programmes

These are the programmes that enterprises have instituted to manage ethics, legal compliance and social responsibilities in order to be good corporate citizens. Written standards of ethical business behaviour (such as a code of conduct) are regarded as the cornerstone of corporate ethics programmes. An important function of these standards is that they make a company's values explicit. Having written standards is, however, insufficient, if it is not aligned with the enterprise's organisational structure, culture and leadership. To put corporate ethics programmes into practice these programmes have to be operationalised through the use of mechanisms and processes to integrate ethics into organisational structures, cultures and decision-making practices of employees. When a company implements a corporate ethics programme, it should also establish measurable programme objectives to evaluate programme effectiveness and they should also, when required, amend the processes and review the objectives.

## Corporate governance

Corporate governance is about ethical conduct in business. Ethics are concerned with the code of values and principles that enables a person to choose between right and wrong, and therefore, select from alternative courses of action. Large-scale corporate scandals and collapses around the world, and the development of international market economies have led to renewed interest in corporate governance, which is not a new concept. Common themes in definitions of corporate governance are shareholder and stakeholder rights, disclosure and transparency, executive management and board accountability. Good governance is important because it enables predictability, transparency, participation and accountability. The essence of good corporate governance is accountability (see the figure "The five pillars of corporate governance"). Each of the three theories of corporate governance, namely the agency, stewardship and stakeholder theories, emphasises different aspects of corporate governance. Ensure that you are able to explain the essence of each of these theories. Although the renewed interest in corporate governance mostly originated in the USA and the UK, it quickly influenced developments in other European countries, Australia and South Africa. The manner in which various organisations in these countries approached the key elements of corporate governance principles are discussed in the section "Global governance systems, principles and practices". Note that the most important corporate governance reports in South Africa are the King I report of 1994, the King II report of 2002, and the King III report of 2009. These reports came from committees chaired by

Mervyn King, who claimed that South Africa has taken the lead in defining corporate governance in broadly inclusive terms, whereby companies consider the interests of a wide range of stakeholders with regard to good financial, social, ethical and environmental practice.

## Corporate citizenship: implications for the HR function

Corporate citizenship is referred to as an umbrella term covering CSR, corporate ethics programmes and corporate governance. The policies, practices and initiatives related to corporate citizenship aim to influence the attitude and behaviour of an organisation's internal and external stakeholders while also aiming to make corporations more effective and more satisfying places to work in. An important HR leadership function related to this – one that is critical to encouraging ethical behaviour as well as the pursuit of shareholder value – is that HRM has to ensure consistency in organisational design. The fact that corporate citizenship shares much in common with HRM has significant implications for the HR function. These implications are discussed under the headings “Corporate responsibility and HRM”, “Corporate ethics programmes and HRM” and “Corporate governance and HRM”. Make sure that you understand the basic elements of each.



### Activity 9.1

Now that we have worked through chapter 9, you should have identified the key terms and phrases used. We can use these key concepts to summarise the chapter.

Compile your own detailed mind map of the important aspects discussed in chapter 9.



The following summary is an example and lists the key terms and phrases that you should have identified in chapter 9:

<b>Definition of concepts</b>
<ul style="list-style-type: none"> <li>● corporate social responsibility (CSR)</li> <li>● corporate ethics programmes</li> <li>● corporate governance</li> <li>● corporate citizenship</li> </ul>
<b>Exploring concepts in more detail</b>
<ul style="list-style-type: none"> <li>● CSR (see table “Three viewpoints on corporate social responsibility”) <ul style="list-style-type: none"> <li>– narrow classical economic view</li> <li>– socio-economic view</li> <li>– broad maximal view</li> <li>– current developments in CSR</li> </ul> </li> <li>● corporate ethics programmes <ul style="list-style-type: none"> <li>– operationalisation of corporate ethics programmes <ul style="list-style-type: none"> <li>● formulation phase</li> <li>● communication phase</li> <li>● monitoring and enforcement (of written standards) phase</li> </ul> </li> </ul> </li> </ul>

- effectiveness of corporate ethics programmes
  - guidelines to identify seven minimal processes
  - measurable programme objectives
  - amending processes and reviewing objectives when required
- corporate governance (see figure “The five pillars of corporate governance”)
  - importance
    - shareholder and stakeholder rights
    - disclosure and transparency
    - executive management
    - board accountability
    - essence of good corporate governance: accountability
  - theories of corporate governance
    - agency theory
    - stewardship theory
    - stakeholder theory
  - governance standards and principles
    - OECD principles of corporate governance
    - corporate governance in the UK
    - corporate governance in the USA
    - corporate governance in Australia
    - corporate governance in South Africa
- corporate citizenship: implications for the HR function
  - CSR and HRM
  - corporate ethics programmes and HRM
  - corporate governance and HRM



## Activity 9.2

Now use the information found under the key terms and phrases as well as the mind map you drew up in the first activity to summarise the information in chapter 9 in the prescribed book.



## SELF-ASSESSMENT

You can now evaluate yourself by answering the review questions at the end of chapter 1 in the prescribed book.

### **Question one**

What is the purpose of business and is it in transition?

### **Question two**

Identify and discuss the aspects of this chapter that you think are most relevant for providing a framework for companies to incorporate corporate responsibility (CR) into their operating procedures and management practices.

**Question three**

Explain Friedman’s main arguments for his view that the purpose of a corporation is to maximise profits for shareholders. How can Friedman’s arguments be criticised?

**Question four**

Discuss the implications of the moral minimum expressed as (a) “do no harm,” (b) “prevent harm” and (c) assist society.

**Question five**

What is the significance of the Kew Gardens Principles (criteria of need, capability, proximity and last resort) to affirmative duties to prevent harm and assist society?

**Question six**

What is your view about CR and the role of corporations in society?

**Question seven**

Discuss the five pillars of corporate governance and the issues which need to be addressed in each of these pillars.

**Question eight**

What is corporate governance, and is it important?

**Question nine**

Discuss the difficulties of harmonising the different interests of different stakeholders. In addition, consider if it is reasonable for corporate governance guidelines to direct boards to manage the business in the best interests, primarily, of shareholders, yet at the same time direct them to broaden the scope of their responsibility to a number of other stakeholders.

**Question ten**

Identify and discuss ways in which the HR function can contribute to corporate citizenship through implementing CR, corporate ethics and corporate governance.



**Reflective Activity**

Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

Learning Outcomes	Yes	No
1. Can I distinguish between the concepts “corporate responsibility”, “corporate ethics programmes” and “corporate governance”?		
2. Am I able to explain the shareholder and stakeholder models of CR and how the two models reflect different theories of the corporation?		

Learning Outcomes	Yes	No
3. Can I identify the key components of an effective corporate ethics programme and explain the impact they have on the implementation of CR and corporate citizenship?		
4. Am I able to discuss recent global initiatives in corporate governance?		
5. Can I discuss the implications of ethics governance and the governance of ethics for the HR function?		



## **GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS**

### **Question one**

The answer to this question can be found in the section “Corporate responsibility” and “Current developments in CR”. In your answer you should have addressed the following:

*It is to be expected that there will be a variety of responses to this question ranging from maximising shareholder profit to providing services to communities. Students can be challenged to consider if business can and should do both. Some students may cite their personal goals and interests. If so, this can be used as an opportunity to have students explore why they are pursuing a business degree (or more specifically an HR, marketing, international business or accounting degree). The material covered in chapters 8 and 9 of this text offers business students a vision of what the wider purpose of business can and should be, and what it can accomplish for individuals, corporations, local communities and the world.*

*Originally, the purpose of business was more closely related to serving the community. However, over the past century less emphasis was placed on socially driven objectives. In the last 25 years business schools have concentrated on training their students in the areas of economics, accounting, marketing and international business, often without due regard for the means by which competitive advantage in markets should be obtained. After the global financial crisis business schools around the world are introducing a more values-centred model into their curricula, and encouraging students to develop a vision for the business profession and a moral basis for what the responsibility of business truly is. A review of corporate websites shows that there is a consensus among many enterprises, especially larger ones, that business has a social and a financial purpose and that the two are interdependent. As present and future leaders in business, students need to be able to articulate their vision for the business profession.*

*In view of the evolution of CSR to date, a number of trends can be identified that are likely to shape CSR in the decade ahead.*

- *There is a growing recognition that CSR and business ethics are intertwined. Thus, corporate ethics programmes are likely to be focused on the prevention of harm as well as initiatives to do good and focus not only internally on primary stakeholders, but also on external stakeholders, including the community.*

- *Business ethics and CSR initiatives will be strategically focused.*
- *There is likely to be an increase in both mandatory and voluntary reporting and perhaps government regulation.*
- *There is likely to be greater public expectations about corporate leadership in solving social problems.*
- *There is an increased focus on the effectiveness of corporate ethics initiatives and best-practice corporate ethics programmes. It is in this sense that CSR programmes combine principles, processes and outcomes.*

### **Question two**

*The answer to this question can be found in chapter 9. In your answer you should have addressed the following:*

*The remaining questions will provide students with the opportunity to discuss specific aspects of CR in detail. This question invites and encourages students to become familiar with the areas covered in chapter 9 and to consider those aspects they find most relevant. Some students may find the material dense and expansive and if so, this question helps them to focus on a couple of key areas. Through questions and discussion with the class, the instructor can help students to begin to link the areas they find most relevant to other areas and concepts in chapter 9.*

*For example, some students may find the discussion on different viewpoints of CR interesting, but may not fully grasp how affirmative duties need to be operationalised through corporate ethics programs and how corporate ethics programs are related to governance issues. Others may find it interesting to consider self-regulation versus government regulation of business. Some may find it interesting to consider different approaches by different countries to corporate governance and in particular, the status of corporate governance in South Africa or their home country.*

### **Question three**

*The answer to this question can be found in the section “The narrow classical economic view of CR”. In your answer you should have addressed the following:*

*The essence of Milton Friedman’s philosophy is that that the sole responsibility of business is to maximise profits in the law and the “rules of the game” (coercion and fraud are disallowed), and that governments should not interfere in the workings of the free market beyond providing a minimal state of order and securing public welfare. The premise underlying this philosophy is that corporations are not moral agents, but legal entities only and that while they can be held legally responsible for actions, they cannot be held morally responsible. Friedman gives three arguments to support his view.*

*Friedman’s first argument in support of his classical economic view is the “free society” argument. This argument states that any obligations placed on business to spend resources on concerns other than the pursuit of profit (in the law) are at odds with the principles of a free society. Furthermore, Friedman claims that business people who defend the idea of CSR undermine the basis of a free society and are “unwitting puppets” of socialism and that “capitalism is a necessary condition for political freedom” (1962:10).*

*Friedman’s second argument in support of the classical economic view of CSR is the so-called “agent-principal argument”: “the manager is the agent of the individuals who own the corporation ... and his [sic] primary responsibility is to them” (Friedman*

1970:51). Here he claims that corporate executives are the employees of stockholders and as such have a primary fiduciary responsibility to protect their interests, which Friedman claims is to maximise profits (Friedman 1962; 1970).

The third argument is linked to the second. It is called the “taxation argument”. The claim is that corporate executives who spend the corporation’s resources on social concerns do not maximise profits for the corporation (shareholders). Friedman arrives at this claim by arguing that in cases where an executive spends the corporation’s resources on social concerns that do not maximise profits for the corporation, the executive “is in effect imposing taxes, on the one hand [by reducing returns to owners], and deciding how the tax proceeds shall be spent, on the other [by lowering wages or adding costs to customers]” (Friedman 1970). For Friedman this is akin to stealing from stockholders unless contributions to charity are done as a public relations exercise for the purpose of increasing profits. Moreover, for Friedman, imposing taxes and spending the revenue on social concerns is a governmental function, not a corporate function, and when corporate officers become involved in community activities and public policy, they are acting outside their area of competence. These matters says Friedman, are best left through the political process to elected and trained civil servants.

The above arguments have been the subject of much debate and criticism. These include the following:

- Why maximum profits, rather than reasonable profits?
- Some shareholders may be interested in the social dimensions of their investments as well as financial returns.
- “Primary responsibility” suggests other responsibilities to other stakeholders.
- The moral minimum of “do no harm” cannot be guaranteed by a free market approach alone.
- Rights are limited by the equal rights of others, for example, the right to do business as one pleases is limited by the right of others (consumers, employees, etc) not to be harmed.
- The characteristics needed for a free market that Friedman is talking about do not exist, for example, monopolistic practices, the inequality of information between companies and their stakeholders (e.g. consumers and employees).
- Market failures due to factors such as the exclusion of external costs (e.g. pollution).
- Managers today are well trained and have access to expert consultation.

A key critique (which shows the relevance of Simon et al) is that Friedman seems to avoid the issue of “do no harm”. His view is that consumers are free to express their preference for risk or harm via the market, and that the market forces of supply and demand, not governments, will resolve the issue and forces a choice between profit maximisation and philanthropy. Philanthropy alone is not the same as CSR. For this reason some people suggest that the terms corporate responsibility or corporate citizenship are preferable as they underscore the importance of embedding affirmative duties to prevent harm in all the operational practices, policies and decision-making of organisations.

#### **Question four**

The answer to this question can be found in the section “The socio-economic view of CR” and “The broad maximal view of CSR”. In your answer you should have addressed the following:

A moral minimum refers to what is considered to be the bare minimum requirement for ethical behaviour. The moral minimum for CR expressed as “do no harm” is a step in advance of the classical view which advocates that the only responsibility of business is to maximise profits in the law. It holds that a corporation’s duty is to make a profit while avoiding harm to others. It is sometimes expressed as “do no intentional harm”. In most countries, the moral minimum of do no harm is enforced in law, for example, occupational safety laws, product safety laws, consumer protection laws and compensation laws for injuries and harm to employees. A limitation of the “do no harm” view is that it only requires you to refrain from harming others or the environment, for example, “do not pour waste into waterways”.

When the moral minimum is expressed as an affirmative (positive) duty it can be at two levels. The first is to act in ways that “prevent harm”. This is more demanding than “do no harm” (a negative duty) as it requires you to act in ways that will prevent harm. For example, undertaking research and development to find innovative ways to produce products without harming the environment, providing operational health and safety training to employees to prevent workplace injuries and testing products before releasing them to market.

The second form of the moral minimum expressed as an affirmative duty is stronger than the first. It requires individuals or corporations to act to assist society even in those areas outside a business’ primary area of operations. For example, under the moral minimum of providing assistance to society, corporations have an obligation to help solve social problems such as homelessness, poverty and climate change. Students can be asked to consider the moral minimum duties of multinational enterprises operating in less developed countries.

The implication of a moral minimum is that at whatever level it is set, it is stated as a duty or obligation that individuals and corporations must uphold. If the moral minimum is to assist society, then it is not a voluntary or philanthropic activity, but an obligation that must be met.

### **Question five**

The answer to this question can be found in the section “The socio-economic view of CR”. In your answer you should have addressed the following:

It is not possible to always do no harm or to prevent all harm or to assist all of society. Simon, Powers and Gunnemann’s (1972) Kew Gardens Principles (KGP) can be thought of as a decision-making tool to help individuals and corporations determine when they have a duty to do no harm, prevent harm or assist society. Simon et al generally use the KGP to determine when there is a duty to prevent harm. However, they can also be used to determine when there is a stronger affirmative duty to assist society. Simon et al describe the following four aspects of the KGP:

**Need.** In cases where the other three criteria are constant, increased need increases responsibility. Just as there is no precise definition of social injury (one kind of need), there is no precise definition of need or way of measuring its extent.

**Proximity** to a situation of need is not necessarily spatial. Proximity is largely a function of notice. We blame people if they know of imperilment and do not do what they reasonably can to remedy the situation.

**Capability.** Even if there is a need to which a person has proximity, that person is not usually held responsible unless there is something they can reasonably be expected to

do to meet the need. To follow Immanuel Kant, **ought** assumes **can**. What one is reasonably capable of doing, of course, admits to some variety of interpretation. In business it can include profitability, technology and knowledge.

**Last resort.** In emergency situations you become more responsible, when it is less likely that someone else will be able to aid. Physical proximity is a factor here, as is time. It is important to note here that determination of last resort becomes more difficult the more complex the social situation or organisation (Simon et al 1972).

### **Question six**

The answer to this question can be found in the sections “Corporate responsibility”, “The narrow classical economic view of CR”, “The socio-economic view of CR”, “The broad maximal view of CR” and “Current developments in CR”. In your answer you should have addressed the following:

What is your view on CSR as well as the role of corporations in society? In expressing your view, you must be able to provide relevant arguments from the chapter to support the views. Consider the three viewpoints: the narrow classical economic view, the socio-economic view and the broad maximal view. You should understand that the latter two views are not opposed to making a profit, but they do accept that some profit may have to be sacrificed for social ends.

You can provide examples of companies and your CSR projects. Look at corporate websites to see examples of how companies do or do not practice CR. For example, the Campbell Soup Company’s website will allow you to see its triple bottomline reporting approach to CSR and how it is responsible to shareholders, but also to employees, consumers, the local community and the environment. The Campbell’s website shows the company is on a journey. For example, it gives specific data on its performance in regard to its various stakeholders for the previous year and its targets for the year ahead.

Guard against reducing CSR to PR (public relations). While it may be true that some companies have CSR practices only for PR reasons, if they do they are operating in Friedman’s framework, that is, CSR can be practiced if doing so leads to higher profits. This is different from doing CSR for the right reasons. There is a growing body of research which supports the view that CSR does result in long-term profitability, which is good news. However, if it is the only reason for practising CSR, you may ask, what will happen in cases or times when it is not profitable?

### **Question seven**

The answer to this question can be found in the section “Theories of corporate governance”.

You can use the figure “The five pillars of corporate governance” in your prescribed book to discuss the various aspects.

### **Question eight**

The answer to this question can be found in the sections “Corporate governance”, and “Corporate governance and its importance”. In your answer you should have addressed the following:

Corporate governance refers to the processes by which enterprises are directed, controlled and held to account. It is concerned with the performance of enterprises for

the benefit of shareholders, stakeholders and economic growth. Corporate governance focuses on the conduct of boards of directors, managers and shareholders. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the enterprise.

There are many definitions of corporate governance, but the common themes are shareholder rights, stakeholder rights, disclosure and transparency, executive management and board accountability. The corporate governance framework includes business ethics and CSR. The Organisation for Economic Co-operation and Development (OECD) has defined corporate governance as:

*A set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interest of the company and its shareholders and should facilitate effective monitoring.*

Fraud and abuse have led to a greater awareness of the need for good corporate governance. Bosch states that good governance is important for two reasons: (1) "investor protection has increased with the enormous surge in share ownership" and (2) the creation of wealth can be increased by "improving the performance of honestly managed and financially sound companies".

Good governance is also important because it enables predictability, transparency, participation and accountability. Predictability refers to the consistent interpretation and enforcement of rules, procedures and regulations. Transparency enhances predictability and quality decision-making by ensuring that all relevant information is available and disclosed to all relevant stakeholders. Transparency serves participation by providing stakeholders with the necessary information to participate in decision-making processes and practices. Finally, accountability requires enterprises to account for their actions. The account should explain the appropriateness, legality and morality of corporate actions. To support accountability practices, corporations should identify who is accountable, to whom they are accountable and for what they are accountable. The essence of good corporate governance is accountability.

### **Question nine**

The answer to this question can be found in the section "Corporate responsibility and HRM". In your answer you should have addressed the following:

Stakeholder theory has been criticised for its lack of guidance on how to manage and balance competing interests of different stakeholders. For example, the King II report stated that "[t]he stakeholder concept of being accountable to all legitimate stakeholders must be rejected for the simple reason that to ask boards to be accountable to everyone would result in their being accountable to no one".

However, the stakeholder theory does provide guidance about myriad CR issues and expectations of stakeholders. You can glean many of these issues from a review of corporate codes of conduct. Students can be asked about codes from their own companies and their own experience with harmonising the competing interests of different stakeholders.

Chapter 9 provides a good example of a proactive programme of stakeholder engagement (see Table 9.1 “Stakeholder engagement at Campbell Soup Company”). You can also discuss Coghill, Black and Holmes’s (2005) five key stakeholder groups (see chapter 9) and the attendant HR issues.

### **Question ten**

The answer to this question can be found in the sections “Corporate responsibility and HRM”, “Corporate ethics programmes and HRM” and “Corporate governance and HRM”. In your answer you should have addressed the following:

#### Corporate responsibility and HRM (sec 9.4.1)

A stakeholder understanding of CR puts people at the centre and builds relationships of mutual trust and mutual benefit. It requires corporations to operate in ways that not only avoid harming people and the environment, but which have a positive impact on people’s health and safety, quality of life and personal growth. In the case of employees, this involves HRM practices associated with equal employment opportunity, diversity, job security, compensation, occupational health and safety, industrial relations, performance and remuneration, and work-life balance. In global operations, it involves managing human rights, particularly those relating to child labour, wage exploitation, basic health and safety, empowerment and quality of life.

#### Corporate ethics programmes and HRM (sec 9.4.2)

Chapter 8 discusses the role of HR professionals in operationalising corporate ethics programmes, particularly the formulation, training and monitoring/enforcement phases. It reports that, with the exception of the UK, the day-to-day responsibilities for corporate ethics programmes appear to be carried by the HR function. In chapter 9, two key areas where HRM can make a significant contribution to corporate ethics programmes are addressed.

The first is ethics training, both at the orientation phase for new employees, but also the provision of in-depth training programmes, particularly for employees who are involved in complex ethical decision-making. At the orientation phase training should

- convey to new employees an organisation’s commitment to its values and ethical business conduct as stated in its written standards
- raise new employees’ awareness of ethical issues that may arise in the conduct of their daily work
- provide information about organisational resources available to employees when faced with conflicts or observed breaches of the standards
- inform employees of linkages between ethical business practice and sanctions, rewards and performance management

More in-depth ethics training can include organisation-specific case studies, interactive e-learning programmes, mentoring, “ethics moments” as a normal part of meetings and decision-making, and regularly scheduled seminars with an external ethics consultant. If HR professionals provide ethics advice to other employees, it is essential that those HR professionals have a solid grounding in ethical analysis.

Secondly, HR professionals can make a strong contribution to corporate ethics programmes by initiating creative and meaningful ways to link ethics and organisational values to performance management and reward programmes.

### Corporate governance and HRM (sec 9.4.3)

The traditional HRM activities of recruitment and selection, training and development, performance management and remuneration have a critical role to play in the development and maintenance of good corporate-governance practices. This not only applies to boards of directors, but also to improving shareholder value through the development of human capital and upholding a company's responsibilities to stakeholders, in particular its employees. As Mervyn King notes, "good human resource management is imperative for good governance".

HRM also has an important role to play in providing objective recruitment and selection processes for independent and diverse board members, providing orientation training and ongoing development opportunities for the board, and assessing the board's performance for both independent oversight and effectiveness.

HRM also has an important role in leading and advising remuneration committees about competitive, fair and equitable remuneration for directors as well as succession planning. In addition to a base salary, remuneration packages for directors typically include bonuses, share options and retirement benefits. Remuneration committees may also assist in the determination and review of remuneration packages.

The monitoring and measurement of board performance is related to remuneration. Performance appraisals require that performance indicators be identified. Such indicators should include financial and non-financial metrics. For example, in addition to a company's share price, performance measures could include such things as compliance with regulations and standards, transparency, leadership, shaping long-term strategy and balancing the interests of different stakeholders.

The governance of risk is another area where human resources can make an important contribution, particularly in expanding a board's understanding of risk to include human capital risks. The SABPP proposes that people risks include corporate culture, talent shortages, retention, incompetence, employee performance, unethical behaviour, low morale, grievances, disputes, absenteeism, employee wellness, sabotage, harassment and non-compliance with codes and laws.

Finally, it is important to consider an HR governance role, not an HR compliance role. Students can consider the implications of the statement from SABPP that "[P]rogressive HR directors and managers will become HR governors true high-level professionals who connect HR with the board".



### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.
- If you answered no to any of the outcomes, you should work through the specific sections again.

It is very important that you achieve all the learning outcomes of this module as they guide your learning process.

You are now familiar with all the HR issues concerning the attainment, development and enhancement of a sustained competitive advantage. You should also understand the relationship between HR and leadership and the strategic role of HRM, as well as the crucial role of the HR manager in managing talent and measuring HRM in organisations. You are also familiar with the ethical issues and challenges in HRM as well as the important role of corporate ethics in society. We will now look at the influence of technology and the electronic era on HRM.

# Study unit 10

## Human resource management in the electronic era



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

After studying this study unit you should be able to

- define the concept “e-business”
  - describe the design of an e-business strategy
  - define the concept “electronic HRM” also known as “e-HR”
  - distinguish between the different levels of HR intranets
  - discuss how human resources can effectively integrate the HRIS with the intranet
  - identify the advantages and disadvantages of e-HR
  - understand how technology can assist in creating and managing an effective talent management strategy
  - discuss the effects of technology on several key HRM functions
  - discuss the advantages of an effective change management strategy when implementing e-HR
  - discuss how the effectiveness of an e-HR system can be measured
  - discuss why measuring a return on investment is an important step in the entire e-HR process
- 

### E-HRM

With the advent of web technology there has been a significant shift in the way the individual functions in an organisation are managed. An important function in this regard is the management of people – so-called e-HR. E-HR touches every corner of a business and as such requires new tools, such as portals, intranets and extranets. If you are an HR manager you therefore have to understand these new developments fully.

Let us first get an idea of what chapter 10 in the prescribed book is about by drawing up a mind map again:

What is E-business?	Formulating an E-business strategy <ul style="list-style-type: none"> <li>• Corporate strategy</li> <li>• E-business strategy</li> <li>• Important questions</li> </ul>	Implementing strategy <ul style="list-style-type: none"> <li>• Different approaches</li> <li>• Changed culture</li> <li>• Different skills</li> <li>• 4 elements</li> <li>• issues</li> </ul>
<b>E-HR (study unit 10)</b>		
What is E-HR? <ul style="list-style-type: none"> <li>• HRIS</li> <li>• Reduced distance</li> <li>• Universal access</li> </ul>	E-HR <ul style="list-style-type: none"> <li>• Advantages</li> <li>• Disadvantages</li> </ul>	HR Intranet sites <ul style="list-style-type: none"> <li>• 4 types</li> <li>• Tips for an effective intranet site</li> </ul>

Now we will discuss chapter 10, basing our discussion on the above mind map.

## The impact of the electronic era on business

Although web technology has developed substantially over the last few years, this does not mean that it should not be managed. Its impact on the way that companies are managed and organised is enormous. Before we can understand the impact of web technology on HR specifically (e-HR), we first have to understand what the impact of the electronic era is on a business. This is why it is important that you understand the section “The impact of the electronic era on business”. Web technologies such as the internet, intranet and extranet have an enormous influence on the way companies do business (e-business). This e-transformation demands that companies develop new “best practices” to excel in this new era.

## What does e-business mean?

Old ways of doing business are redefined and digital media and network technology are used to optimise customer value delivery. The internet is used to support the open flow of information and makes interaction with customers via the internet possible. This is not only used to develop products and services but also to provide more variety and choices to customers. As you probably know by now, this cannot be done without adapting the strategy of the business, the processes, the relationships and the way work is done. The question now is how and where should a business start when it wants to move towards e-business?

## Where does a company start on the e-business path?

Moving into the e-business environment means that a company should firstly identify the areas where web-based technology can be introduced. In the section “Where does a company start on the e-business path?” three domains are discussed. Make sure that you can discuss each of the domains. After identifying the domains, what do you think the next step should be?

## Formulating an e-business strategy

E-business strategy should be derived from corporate strategy. There are several important questions that should be answered by such a strategy and these are discussed in the section “Formulating an e-business strategy”. The formulation of an e-business strategy is an important issue and you should therefore study it carefully. After the strategy has been formulated, the next logical step would be to implement this strategy. Let us now take a closer look at how an e-business strategy would be implemented.

## Implementing e-business strategy

Implementing an e-business strategy means that the company has to change the way it approaches customers, markets the company, orders and delivers and tracks these deliveries. On the other hand, this strategy will also affect the culture of the organisation and the skills it needs. In the section “Implementing the e-business strategy” you will notice that they discuss this issue as well as the expertise needed to implement such a strategy. This ranges from process and technical redesign to system-to-system integration. However, this can only be done if you gain top management’s support, establish a cross-functional project team, draw up a communication plan, obtain your own budget, create a transition plan and then evaluate the process. You will notice that each of the issues is discussed in the prescribed book. Make sure that you understand these and are able to discuss each in detail. The actual evaluation of the process is further highlighted in the figure “The four elements of e-business success”. Study this carefully. You will probably agree that the idea of e-business has captured the attention of the business world and that this also has an impact on human resources. Human resources are also rapidly moving towards what they call e-HR and we will now look at this briefly.

## The impact of the electronic era on HRM

### **Describing e-HR**

Web technology has not only transformed businesses but also the way that people are managed in organisations. It also influences the way the HR professional operates. You may now ask the question “What is e-HR?” The answer to this can be found in the section “Describing E-HR”. You will probably now agree that the Human Resource Information System (HRIS) forms the basis of e-HR. It makes it possible to connect to other systems, service suppliers and business partners. What is the implication of this? The distance between the HR department and its internal customers is reduced and this allows for the universal access to HR data in a very cost-effective way. However, this is not the only advantage. Refer to your prescribed book for more advantages.

### **Advantages of e-HR**

Making use of e-HR not only benefits companies through vast improvements in efficiencies, but it also automates the business-to-employee (B2E) relationship, which in turn enhances employee productivity and return on investment (see table “Ways in which HRM can benefit from electronic systems”). A brief discussion about this can be

found under the heading “Advantages of E-HR”. Make sure that you work through this section thoroughly. You may now rightly ask whether there are any disadvantages. Let us investigate this further.

## Disadvantages of e-HR

As discussed in the book (see section “Disadvantages of E-HR”), HR-related information is perhaps more critical than any other because it involves private and highly sensitive individual data. The important issue here is that the data should be secure and that people should only have access to certain information. This implies that security should be a high priority in e-HR and that individual authorisations should be arranged. Access to information can be gained by means of an HR intranet site where a high level of security may be maintained.

## HR intranet sites

It is important to note that there are different levels of website development and the effectiveness of these sites increases as it evolves to the next level (see section “HR intranet sites”). There are four types of HR intranet sites. Make sure that you understand each one. You may now ask the question “What are the practical implications of e-HR?” The answer to this can be found in the section “E-HR in practice”.

## E-HR in practice

In the section titled “E-HR in practice” you will notice that they discuss the effects of technology on several key HR functions, e.g. recruitment, selection, training, performance management and compensation. Regarding recruitment and selection, an example is illustrated in the figure “A typical e-recruitment/e-selection process” while HR professionals involved in training can get more insight by studying the table “Benefits and disadvantages of E-learning”.



### Activity 10.1

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Now that we have worked through chapter 10, you should be able to identify the key terms and phrases used. We can use these key terms and phrases to summarise the chapter.

Draw up a detailed mind map of the important aspects of chapter 10.



*The following summary is an example and lists the key terms and phrases that you should have identified in chapter 10:*

<b>The impact of the electronic era on business</b>
<ul style="list-style-type: none"><li>● e-business</li><li>● e-transformation</li><li>● new “best practices”</li></ul>
<b>What does e-business mean?</b>
<ul style="list-style-type: none"><li>● doing business digitally</li><li>● dramatic changes in strategy, organisation processes, relationships and systems</li></ul>

### **Where does a company start on the e-business path?**

- construct a coherent map for introducing web-based technology
- three domains
  - e-operations
  - e-marketing
  - e-services

### **Formulating an e-business strategy**

- e-business strategy follows the company strategy' questions to be answered

### **Implementing the e-business strategy**

- change in the "new economy" will almost be immediate
- expertise required
  - e-business strategies
  - leading operational-level business practices
  - process and technical redesign
  - data management
  - security
  - specialist services such as web-marketing and design
  - knowledge-management techniques for choosing and implementing business information and decision-making tools
  - supply-chain management, supplier management and strategic sourcing
  - system-to-system integration
- issues identified when implementing the e-business strategy
  - gain top management support
  - establish a cross-functional project team
  - draw up a communication plan
  - obtain a budget
  - create a transition plan
  - evaluate the process
- success of e-business (see figure "The four elements of e-business success")

### **The impact of the electronic era on HRM**

- describing e-HR
- Advantages of e-HR (also refer to the table "Ways in which HRM can benefit from electronic systems")
- disadvantages of e-HR
- HR intranet sites
  - brochureware
  - transactional
  - integrated
  - personalised
- e-HR in practice
  - e-recruitment and e-selection (also refer to the figure "A typical e-recruitment/e-selection process")
  - e-training (also refer to the table "Benefits and disadvantages of E-learning")
  - e-performance management
  - e-compensation



## Activity 10.2

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Now use the information found under the key concepts as well as the mind map you drew up in the first activity to summarise the information in chapter 10 in the prescribed book.



## SELF-ASSESSMENT

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You can now evaluate yourself by answering the review questions at the end of chapter 10 in the prescribed book.

### **Question one**

*Briefly describe what e-business means.*

### **Question two**

*Feeny suggests that companies that are interested in e-business should first construct a coherent map identifying the areas where web-based technology could be introduced. Discuss briefly.*

### **Question three**

*According to Brache and Webb, a company's e-business strategy should answer a number of questions. Briefly discuss some of these issues.*

### **Question four**

*Write a short essay on the implementation of an e-business strategy.*

### **Question five**

*Do you think the establishment of a cross-functional project team is very important when implementing an e-business strategy? Explain briefly why you think so.*

### **Question six**

*Write a short essay on e-HR.*

### **Question seven**

*Discuss the benefits and disadvantages of implementing e-learning in a company.*

### **Question eight**

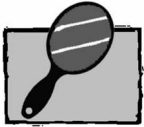
*Four types of HR intranet sites are identified by Chamine. Discuss each site briefly.*

### **Question nine**

*Write a short essay on e-HR-based performance management.*

### **Question ten**

*Briefly explain a typical e-recruitment process and e-selection process.*



## Reflective Activity

Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

Learning Outcomes	Yes	No
1. Can I define the concept “e-learning”?		
2. Can I describe the design of an e-business strategy?		
3. Am I able to define the concept e-HRM?		
4. Can I distinguish between the different levels of HR intranets?		
5. Can I discuss how human resources can effectively integrate the HRIS with the intranet?		
6. Can I identify the advantages and disadvantages of e-HR?		
7. Do I understand how technology can assist in creating and managing an effective talent management strategy?		
8. Can I discuss the effects of technology and several key HRM functions?		
9. Am I able to discuss how effectiveness of an e-HR system can be measured?		
10. Can I discuss why measuring a return on investment is an important step in the entire e-HR process?		



## ***GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS***

### ***Question one***

*The answer to this question can be found in the section “What does e-business mean?” In your answer you should have addressed the following:*

*E-business means that you are doing business digitally, which can include everything from buying and selling on the web to extranets that link a company to suppliers, intranets that enable an organisation to better manage its knowledge, enterprise resource planning systems that streamline an enterprise’s supply chain, electronic customer support and automated order tracking.*

*It implies that the overall business strategy redefines the old business models and uses digital media and network technology to optimise customer value delivery. It relies on internet-based computing which is the platform that supports the open flow of information between systems. It capitalises on an existing technology backbone consisting of front-end and back-end enterprise business systems, it makes effective use of component technology and interacts with customers via business portals established over the internet. Technology is used in this case both as the actual cause and also driver of business strategy. It is used not only to develop the product or the service but also to provide better choices to customers along with enhanced delivery options.*

If an e-business strategy is to be implemented, dramatic changes in strategy, organisation processes, relationships and systems will be required as well as significant changes to the way employees do work.

### **Question two**

The answer to this question can be found in the section “Where does a company start on the e-business path?” In your answer you should have addressed the following:

Three core areas or domains are suggested, namely e-operations, e-marketing and e-services. David Feeny suggests that e-operations and e-marketing should receive the most urgent attention as they provide the most certain rewards. He further suggests that it is important to distinguish clearly between these three domains as they each require their own distinctive framework for identifying ideas that can bring a competitive advantage to a given context.

- **e-operations** – covers web-based initiatives that improve the creation of existing products. Of importance is the way a business manages itself and its supply chain. An example would be the improvement of a company’s purchasing by posting requirements on a website and having suppliers bid electronically.
- **e-marketing** – covers web-based initiatives that improve the marketing of existing products. Aspects of importance are the way the product is delivered and the scope of support services. An example would be where Amazon notifies customers of new book-buying options based on a profile of previous purchases.
- **e-services** – covers web-based initiatives that provide customer-affiliated services. Aspects of importance are, for example, new ways to address an identified set of customer needs. An example would be shopping robots which search the internet to find the best deals available. A number of new dot.com businesses are currently active in this area.

### **Question three**

The answer to this question can be found in the section “Formulating an e-business strategy”. In your answer you should have addressed the following:

According to Alan Brache et al, a company’s e-business strategy should answer the following questions:

- What objectives of our business strategy can be digitally enabled?
- Where does e-business (not just e-commerce) fit into our strategic priorities?
- How will we ensure that the internet does not make our niche in the value chain obsolete?
- How will we protect our customer base in the digital world?
- How will e-business help us attract new customers in the markets our strategy has targeted?
- How will we interface electronically with our customers? Our suppliers? Ourselves?
- What role will our website play? How will people find it?
- How will we ensure that we have the systems and technological capabilities to implement this vision?
- How will we ensure that we have the processes to implement it?
- How will we ensure that we have the human capabilities to implement this vision?
- What are the priorities among our digital initiatives?
- What is our plan for making all of this happen?

#### **Question four**

The answer to this question can be found in the section “Implementing the e-business strategy”. In your answer you should have addressed the following:

The old business paradigm has changed and the way that a company does business will also change. Changes will have to be made to how the organisation approaches its customers, and how it markets, orders, tracks and delivers its products or services. Organisations will have to build at rapid speed the business and technical architectures required as well as develop the new cultures and skills needed. This implies that companies will need experts in various fields such as e-business strategies, leading operational-level business practices, process and technical redesign, data management, security, specialist services such as web-marketing and design, knowledge management techniques for choosing and implementing business information and decision-support tools, supply-chain management, supplier management and strategic sourcing, and system-to-system integration.

To implement a successful e-business strategy it is crucial to gain top management support, establish a cross-functional project team, draw up a communication plan, obtain their own budget, create a transition plan and evaluate the plan.

#### **Question five**

The answer to this question can be found in the section “Implementing the e-business strategy”. In your answer you should have addressed the following:

The establishment of a cross-functional project team is very important to drive the implementation of the e-strategy successfully. It has been proven that creating a dedicated team of people will produce the quickest results. Such a team will consolidate new ideas, and coordinate and manage the efforts between the different parts of the organisation.

It is also important to have both a technical as well as a non-technical component in the project team, given the technical matters and non-technical aspects. The success of such a project team depends on its leader. This person will need to understand how the business works and will have to believe in the project passionately. Besides the project leader, team members must also be selected. Here it is vital to select team members who are optimistic and enthusiastic about the project. The ideal e-business team member will possess leadership qualities, creativity, strong interpersonal skills, and also be able to influence co-workers and supervisors. It would also be good to appoint at least two individuals from outside the organisation.

#### **Question six**

The answer to this question can be found in the section “Describing E-HR”. In your answer you should have addressed the following:

When defining e-HR it implies that human resources need to do some groundwork, executives should participate in the process and there needs to be an appreciation of technology and the use thereof. Key to the success is the existence of a well-developed HRIS and the need to use various networks of technologies wisely.

The HRIS will thus form the backbone of the e-HR system. This system will interface with the organisation’s intranet and also connect to HR service providers and business partners via an extranet as well as have links to the internet via HR portals (single points of access).

The aim of this is to provide cost-effective universal access to HR data by all authorised parties, including employees, managers, executives, HR service providers, relevant communities, corporate customers and the public at large. It will also reduce the distance between the HR department and its internal customers.

### **Question seven**

The answer to this question can be found in the sections “Advantages and Disadvantages of E-HR”. In your answer you should have addressed the following:

From the literature it is clear that vast improvements in efficiencies can be achieved by taking human resources online. These include the following benefits:

- Portals can create a single interface for accessing key data.
- Online recruiting can eliminate paperwork and speed up the hiring process.
- Employee self-service can automate record-keeping.
- A web-accessible knowledge base can reduce questions to the HR department or a call centre.
- Electronic benefits enrolment lets employees sort through options faster, while reducing paperwork and questions for human resources.
- Electronic payroll can cut costs and make data more easily accessible.
- Trading exchanges and e-market places can reduce the costs of products and services.
- E-procurement can eliminate catalogues and manual processes that are expensive and slow.
- Electronic travel and expense reporting can crumple the paper glut and speed up reimbursements to both employees and the company.
- Online retirement planning can help employees map out their future, while reducing questions and paperwork for human resources.
- Online learning can slash travel costs and make training available anytime, anywhere.
- Competency management can help an organisation identify strengths and weaknesses.

Many routine day-to-day administrative tasks have been taken online, freeing the HR department to focus on more important issues.

There are also negative aspects related to the implementation of an e-HR strategy, including the security of the HR data (data includes private and sensitive information). The disclosure and cross-border movement of HR data is a critical issue that must be managed very carefully, based on country- and organisation-specific as well as individual authorisations. Thus data and multiplatform security aspects are perhaps the most serious factors that need to be taken into consideration during the formulation of an organisation’s e-HR strategy.

### **Question eight**

The answer to this question can be found in the section “HR intranet sites”. In your answer you should have addressed the following:

Chamine identified the following four types of HR intranet sites:

- Brochureware – Normally at the launch of a website, companies post most of their written materials on the site and consequently use the site as an electronic bulletin

board. Under these circumstances employees are bombarded with lots of information and for a busy employee looking for a simple piece of information, this can be very time-consuming and frustrating. Under these conditions this format does not take advantage of the integrated, interactive and personalised capabilities of web technology.

- *Transactional* – When the enormous potential of the intranet is appreciated, by allowing employees to conduct transactions online, the site moves up in capability. Typical online transactions include changing personal information, registering for courses, submitting expense reports, reviewing vacation information and leave, reviewing and updating benefit selections or applying for other jobs in the company. New technologies have enabled the creation of truly engaging easy-to-use applications for self-service.
- *Integrated* – Here multiple sites are linked together to create a seamless experience for the individual. The challenge at this stage is how to integrate the various services in a way that makes sense to the employee.
- *Personalised* – The ultimate goal is to create a truly individualised experience for each user where unique content is provided based on the person's profile: Is the person a manager, supervisor or hourly worker? What region do they work in? Which benefits package are they entitled to? What are their unique skills, motivations and objectives for career advancement?

### **Question nine**

The answer to this question can be found in the section "E-HR in practice". In your answer you should have addressed the following:

*Performance management has traditionally been an activity that was mainly paper-based, but with the implementation of new technology other electronic methods can now be utilised. A number of key principles should be adhered to such as the fact that employees should be satisfied with the system, meaning that they should perceive the system as being fair. If this is not the case they will perceive the system as unfair and this will have a negative impact on their motivation.*

*Technology can be used in two ways when embarking on performance management:*

- *Employee's performance can be measured via computer monitoring which demands minimal inputs from the individual. This is called computerised performance monitoring (CPM).*
- *Another approach is a tool that facilitates the process of writing reviews or generating performance feedback which may include multirater feedback provided online and even off-the-shelf packages.*

*Several ways exist to achieve technological enhancement of performance management systems in this option:*

- *One method is to incorporate appraisal as part of an overall enterprise resource planning (ERP) software system.*
- *Besides the ERP software system, company intranets or the internet may also be utilised.*
- *Another positive feature of this type of process is that many of the software packages also include a training component for the rater.*

*All these options have the potential to make the performance evaluation process less*

daunting for frontline managers, engineers, scientists or others who often strongly resist the time and effort spent on this activity. Thus, numerous benefits to online performance appraisal exist, but only if the issues of trust, fairness, system factors, computer literacy and training of the raters as well as the employees being rated, are considered.

You have to explain e-HR-based performance management in more detail using the above discussion as a guideline.

### **Question ten**

The answer to this question can be found in the section "E-HR in practice". In your answer you should have addressed the following:

Companies are increasingly making use of electronic systems such as web-based job sites, portals and kiosks, to attract applicants. The most common practices used for online recruitment involve the following:

- adding recruitment pages to existing company websites
- using specialised recruitment websites, e.g. job portals, online job boards
- developing interactive tools for processing applications such as online applications and automatic e-mail responses
- using online screening techniques such as keyword systems, online interviews and personality assessments

Job postings are also done on the intranet of the company. A number of benefits can be derived from using e-recruiting namely:

- It increases the effectiveness of the recruitment process by reaching larger numbers of qualified people.
- It reduces recruitment costs, it decreases and streamlines the administrative process cycle times.
- It enables the company to evaluate the success of its recruitment strategy.

There are also a number of dysfunctional or unintended consequences of e-recruiting, for example:

- The computerised system may make the recruitment process more impersonal and inflexible.
- Some groups may not have access to computerised systems or even lack the skills to use them.
- Some applicants may also see the online system as more likely to invade their personal privacy and as a result may make them less willing to apply.

These problems can be overcome by the following:

- restricting unauthorised access to data gathered online
- restricting disclosure of data to only that which is required for decision-making purposes
- developing systems that are culturally sensitive
- aligning the system with the strategic goals of the company
- providing sufficient evidence on the system about the company
- designing the site so that it is easy to use

Once the recruitment has been completed the next step is to select the most suitable candidate from the pool of applicants. The implementation of any selection process is complex, and the integration of technology to use in this process is even more complex, especially when considering that one of the critical steps in the process is that of testing. A number of steps can be followed when implementing the e-selection process namely:

- 1 Draw up a flow chart of the current assessment process.
- 2 Draft the desired flow process that will result from the e-selection process – from this step, process improvements, efficiencies and cost savings should be evident, for example fewer staff members will be involved in the new process.
- 3 Consider how the various new stakeholders and clients (recruiters, administrators, etc.) will use the system.
- 4 Choose a new technology enabled scoring system – with e-selection the scoring should be rapid or instantaneous, test results should be readily combinable with other test results and score reports should be available that are readily interpretable and printable. Another important aspect is the equivalency of the previous paper and pencil system with the new one. Rules regarding the interpretation of the score results must also be determined, for example, “definitely hire”, “possibly hire” and “definitely reject”.
- 5 An issue that also needs to be addressed is how to prepare the candidate for the test – this will help with test anxiety, for example, provide a few practice items.
- 6 Train the employees who will be responsible for the administration of the process.



#### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.
- If you answered no to any of the outcomes, you should work through the specific sections again.

*It is very important that you achieve all the learning outcomes of this module as they guide your learning process.*

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You are now familiar with the impact of the electronic era on HRM and the crucial role of the HR manager in managing human resources in this forever-changing environment. You will agree that to remain competitive organisations have to adapt to constant changes in their local and global business environments. This implies that to stay in business organisations will have to manage change on a continuous basis and ensure that their employees stay abreast of constant changes and the latest developments. These issues will be addressed in the next study unit.

# Study unit 11

## Change management and building the learning organisation



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

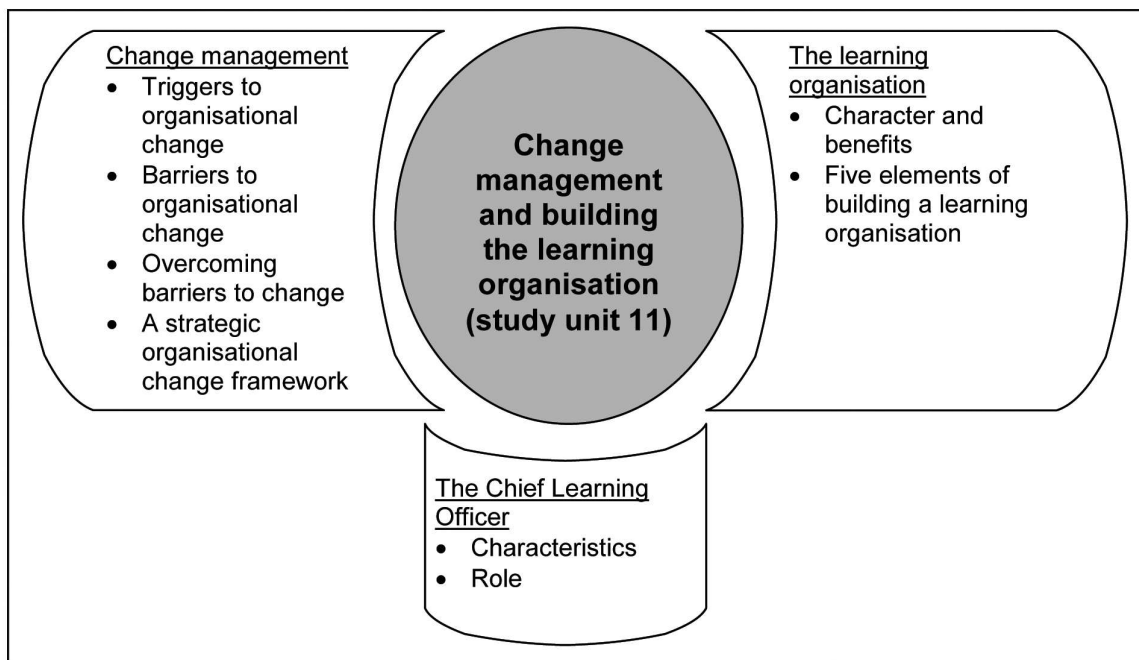
After studying this study unit you should be able to

- identify the forces that trigger change in organisations
  - describe the barriers to organisational change and how to overcome them
  - specify three important steps to follow to implement change successfully in organisations
  - discuss the role of the learning organisation and its benefits to all stakeholders
  - describe the five subsystems in a learning organisation
  - identify the role of the chief learning officer (CLO) in an organisation
- 

### Change is inevitable

Organisations change all the time, every day. The change that occurs in organisations is, for the most part, unplanned and gradual. Planned organisational change, especially on a large scale affecting the entire system, is not exactly an everyday occurrence. Revolutionary change – a major overhaul of the organisation resulting in a modified or entirely new mission, a change in strategy, leadership and culture – is rare indeed. Most organisational change is evolutionary. It is important to note that change-capable organisations inspire continuous learning. In short, change is inevitable if a company is to remain competitive in the business environment of today.

Let us first get an idea of what chapter 11 in the prescribed book is about by drawing up a mind map again:



Now we will discuss chapter 11, basing our discussion on the above mind map.

## Change management

In the South African business societal context change is more the norm than the exception. Under these circumstances the HRM approach in companies also changes. The question that now comes to mind is what triggers change in companies. The internal and external triggers to change are discussed in the section “The triggers to organisational change”. The internal triggers range from technological changes to the restructuring of administrative processes, while the external triggers can vary from the political to the technological. Change is not always successful because individuals and organisations sometimes put up barriers when they perceive the change to be threatening. These barriers are rooted in three main areas, namely the organisational system, leadership and management, and the human dimension. The table “Common barriers to change” indicates the common barriers that these three main areas exhibit. The challenge for managers and HRM professionals is to develop strategies to address these obstacles. The table “Overcoming barriers to change” identifies strategies to overcome these obstacles. The question that now arises is how to implement change successfully in an organisation. To drive this process successfully, an organisation needs some form of framework. Such a framework is presented in the figure “The strategic organisational change (SOC) framework”. The SOC framework addresses three essential questions of any change: Where are we now? What do we need to change? How will we implement those changes and build in dynamism? Dynamism implies an ongoing and continuous process which will be the focus of the next section.

## The learning organisation

Organisations that inspire continuous learning are generally known as learning organisations. In these organisations, learning is accomplished by the organisation as a whole and employees have uninterrupted access to information and data, to name just a few of their characteristics. The table “Benefits of a learning organisation” shows

some of the benefits that these organisations offer to their stakeholders. Building a learning organisation is no simple task. It requires cooperation between numerous stakeholders and it also needs a person to oversee the process. This person is normally known as a chief learning officer (CLO). The figure “The learning organisation model” illustrates the process to build a learning organisation. The model mainly consists of five elements (subsystems) for corporate learning, namely the learning subsystem, the organisation subsystem, the people subsystem, the knowledge subsystem and the technology subsystem. Thousands of companies around the world have successfully implemented this model. In the next section we look more closely at the CLO.

## The chief learning officer (CLO)

This is a relatively new concept. General Electric and Coca-Cola, two of the world’s major companies, were the first to hire such individuals. These individuals are normally part of the HR departmental structure and report directly to the head of HRM and the CEO of the company. Characteristics of CLOs include the following: they should have circulated through the company to develop a holistic approach; they must be able to energise the organisation and withstand pressure; they must get work satisfaction through other people’s successes; and they must have a good relationship with the head of HRM. The role the CLO fulfils in some of the major companies in the world is summarised in the table “What the CKO/CLO does”. Make sure that you understand the indispensable role of the CLO in today’s highly competitive global environment, where the organisation needs knowledge workers more than knowledge workers need the organisation.



### Activity 11.1

Now that we have worked through chapter 11, you should have identified the key terms and phrases used. We can use these key terms and phrases to summarise the chapter.

Draw up a detailed mind map of the important aspects of chapter 11.



The following summary is an example and lists the key terms and phrases that you should have identified in chapter 11:

<b>Introduction</b>
<ul style="list-style-type: none"> <li>● changes to HRM’s traditional role</li> <li>● HRM to adopt change-management principles</li> <li>● examples of corporate change failures</li> </ul>
<b>Change management</b>
<ul style="list-style-type: none"> <li>● triggers to organisational change               <ul style="list-style-type: none"> <li>– internal triggers</li> <li>– external triggers</li> </ul> </li> <li>● barriers to organisational change               <ul style="list-style-type: none"> <li>– barriers rooted in three main areas                   <ul style="list-style-type: none"> <li>● organisational system</li> <li>● leadership and management</li> <li>● human dimension</li> </ul> </li> <li>– possible causes of resistance (see table “Common barriers to change”)</li> </ul> </li> </ul>

- overcoming barriers to change (see table “Overcoming barriers to change”)
- a strategic organisational change (SOC) framework (see figure “The strategic organisational change (SOC) framework”)
  - three essential questions
    - where are we now?
    - what do we need to change?
    - how will we implement those changes and build in dynamism?

### **The learning organisation**

- characteristics and benefits of a learning organisation (see table “Benefits of a learning organisation”)
- building a learning organisation (see figure “The learning organisation model”)
  - five elements of subsystems:
    - the learning subsystem
    - the organisation subsystem
    - the people subsystem
    - the knowledge subsystem
    - the technology subsystem

### **Chief learning officer (CLO)**

- characteristics of CLO
  - holistic perspective
  - energise the organisation
  - withstand pressures
  - feel rewarded by other people’s accomplishments
  - good relationship with head of HRM
- the role of the CLO (see table “What the CKO/CLO does”)



### Activity 11.2

Now use the information found under the key concepts as well as the mind map you drew up in the first activity to summarise the information in chapter 11 in the prescribed book.



### SELF-ASSESSMENT

You can now evaluate yourself by answering the review questions at the end of chapter 11 in the prescribed book.

#### **Question one**

Provide examples of internal and external triggers to organisational change.

#### **Question two**

Common barriers to change can be rooted in three main areas. Discuss briefly.

#### **Question three**

List a number of possible causes why employees in companies resist change.

**Question four**

What are typical symptoms of resistance to change from an employee’s perspective?

**Question five**

Write an essay on how to overcome barriers to change in organisations.

**Question six**

Auster, Wylie and Valente have designed a strategic organisational change (SOC) framework to assist companies in the successful implementation of change. Write a short essay on this framework by referring to the three questions posed in this framework.

**Question seven**

Distinguish between the concepts “organisation learning” and the “learning organisation”.

**Question eight**

List nine characteristics of a learning organisation.

**Question nine**

Briefly discuss the “systems learning organisation model” developed by Marquardt by referring to the five subsystems of the model.

**Question ten**

Write a short essay on the chief learning officer (CLO) found in many organisations today.

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**Reflective Activity**

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Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

Learning Outcomes	Yes	No
1. Can I identify the forces that trigger change in organisations?		
2. Can I describe the barriers to organisational change and how to overcome them?		
3. Am I able to specify the three important steps to follow to implement change successfully in organisations?		
4. Can I discuss the role of the learning organisation and its benefits to all stakeholders?		
5. Am I able to describe the five subsystems in a learning organisation?		
6. Do I understand the role of the chief learning officer (CLO) in an organisation?		

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## **GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS**

### **Question one**

The answer to this question can be found in the section “The triggers to organisational change”. In your answer you should have addressed the following:

#### **Internal triggers to change**

- *Technology – the term “technology” can be used broadly here to refer to the use of new machinery and tools and the associated way work is designed in organisations to produce goods and services.*
- *Changing nature of customers – the needs of consumers change constantly necessitating new products and services.*
- *People – new HRM initiatives such as team-based working arrangements necessitate the retraining and multiskilling of employees.*
- *Administrative structures – the restructuring of administrative processes and the redefining of authority relationships must be undertaken to accommodate new work practices.*

#### **External triggers to change**

- *Political – government laws and regulations can have an impact on an organisation, for example employment laws, pricing regulations.*
- *Economic – no business functions in isolation and economic growth, interest rates and the level of unemployment can have an impact on the way business is conducted. The internationalisation of business can also have a major impact on how business is conducted.*
- *Social – organisations consist of people and changes in their lifestyle can have an impact on how they are managed. Other issues of importance here are the population growth, age distribution of the population and also leisure interests.*
- *Technology – the rate of technological developments can also have an impact on organisations, for example the computerisation of business processes.*

### **Question two**

The answer to this question can be found in the section “Barriers to organisational change” and in the table “Common barriers to change”. In your answer you should have addressed the following:

*Individuals and organisations are not inherently resistant to change. They only put up barriers when they perceive the change to be threatening. They therefore react to the threat and not the change. Whether change will be perceived as threatening or not, will depend on the way it is introduced. According to Gilley et al, common barriers to change can be rooted in three main areas, namely:*

- *in the organisation system (structure, policies, procedures etc.)*
- *leadership/management (philosophies, capabilities and actions)*
- *the human dimension*

*There are a number of common barriers in each of these three areas. Refer to the table “Common barriers to change” for a detailed list.*

### **Question three**

The answer to this question can be found in the section “Barriers to organisational change” and in the table “Common barriers to change” In your answer you should have addressed the following:

*Eccles identifies the following possible causes of resistance:*

- *failure to understand the problem*
- *the solution is disliked because an alternative is preferred*
- *a feeling that the proposed solution will not work*
- *the change has unacceptable personal costs*
- *rewards are not sufficient*
- *fear of being unable to cope with the new situation*
- *the change threatens to destroy existing social arrangements*
- *sources of influence and control will be eroded*
- *new values and practices are repellent*
- *the willingness to change is low*
- *management’s motives for change are considered suspicious*
- *other interests are more highly valued than the new proposals*
- *the change will reduce power and career opportunities*

### **Question four**

The answer to this question can be found in the section “Barriers to organisational change”. In your answer you should have addressed the following:

*Symptoms of resistance to change include the following: withdrawal, aggression, arguing, negativism, blaming, gossip, slowdown of work, sabotage of the change effort and increased absenteeism.*

### **Question five**

The answer to this question can be found in the section “Overcoming barriers to change” and in the table “Overcoming barriers to change”. In your answer you should have addressed the following:

*Interventions or strategies need to be devised to overcome the barriers to change if an organisation is to survive and thrive over the long term. In the table “Overcoming barriers to change”, Gilley et al have identified strategies for leaders, managers and HRM professionals to overcome these obstacles to change. Refer to this table in your essay.*

*The HR professional plays a vital role in overcoming these obstacles. Certain skills need to be possessed by change managers if they are to function effectively and efficiently. These can include social relationship skills, communication skills, persuasive skills, presentation skills, problem-solving skills and planning skills. According to Higgs and Rowland, managers should also possess the following eight change management competencies to be successful:*

- *change initiation*
- *change impact*
- *change facilitation*
- *change leadership*
- *change learning*
- *change execution*

- *change presence*
- *change technology*

### **Question six**

*The answer to this question can be found in the section “A strategic organisational change (SOC) framework” and in the figure “The strategic organisational change (SOC) framework”. In your answer you should have addressed the following:*

*The SOC framework addresses three questions, namely:*

- *“Where are we now?”*
- *“What do we need to change?”*
- *“How will we implement these changes and build in dynamism?”*

*To answer this question you have to refer to these three questions posed in this framework.*

#### **● Where are we now?**

*Working from left to right in the figure “The strategic organisational change (SOC) framework”, the first question posed is “Where are we now?” This question can be answered by doing two things, firstly, to continuously assess the external environment and secondly to understand the present state of the organisation, for example to identify what is working well and what is not. This process will help the company to establish whether it is still in line with what is going on outside the organisation. As far as the internal organisation is concerned, we must establish what is working well so that we do not tamper with this during the change process. To find the answer we need to analyse operational dimensions such as strategy, leadership, structure, HR practices, physical layout, technology and culture.*

#### **● What do we need to change?**

*Having answered the first question successfully we can now look at the second question namely “What do we need to change? Looking at the previous discussion, it is clear that one of the changes will involve solving the problems which exist at present in the organisation. However, besides doing this, we must also position the organisation for future success. As indicated in the figure “The strategic organisational change (SOC) framework”, the various dimensions from strategy to leadership to structure can each reveal an array of possible changes which may be pursued. Once a range of possible alternatives are generated we can evaluate each one to find the most optimal path for change.*

#### **● How will we implement these changes and build in dynamism?**

*This question addresses the issue of implementation. Here we must try and do everything from ensuring the necessary resources and commitment to navigating the political dynamics of the organisation. Some of the steps in this process include the following:*

*Getting ready for change*

*Readying the organisation for change will involve securing the necessary resources*

*needed for the process or finding ways to work with limited resources. It also means involving all parties and obtaining their commitment as well as understanding why the changes are being made.*

#### **Working with the politics of change**

*There is no doubt that different people see things differently. For this reason people will try and push the agenda they see fit. This will inevitably result in the emergence of politics. To ensure successful change, we need to work effectively with the political dynamics in the company. Identifying influential people in the organisation who are also excited about the change, and using them to propel the change forward are essential. Besides this, an effort must also be made to convince those who are not so sure of the value of the change to gain their commitment as well.*

#### **Supporting emotional transitioning**

*An effort must be made to establish how different individuals in the organisation feel about the change. Once this is done you can leverage those who are open to change and help the others to work on their personal barriers to change.*

#### **Planning the implementation details**

*The change can be derailed if not planned in detail. Important issues to take care of are: pacing and timing of the change, who will be responsible for key deliverables, what impact the changes will have on the customers, and which communication channels will be used.*

#### **Fostering creativity and spontaneity**

*Although the details of change are important, you do not have to plan for everything. Effective change leaders let the people work with the various elements of change which can sometimes result in unexpected positive results. This type of approach will also help to develop a passion for change among the employees which will be to the advantage of the organisation in the future.*

#### **Inspiring continuous learning and evolution**

*To achieve continued success, organisations will have to build ongoing capabilities needed for continuous learning and evolution. The ones who will be successful will continuously engage in ongoing external scanning, develop strong stakeholder feedback loops and leverage collective knowledge.*

*The strategic organisational change framework offers a unique approach to change. It enables the stakeholders both to see the complexity of change and to work through all the different facets necessary for achieving success, not only for change now, but also for the inevitable changes that will come in the future. How the framework is used will depend on the specific situation and change challenges faced.*

#### **Question seven**

*The answer to this question can be found in the section “The learning organisation”. In your answer you should have addressed the following:*

*According to Mabey, Salaman and Storey, the **learning organisation** is a term that has been used to characterise an enterprise where learning is open ended, takes place*

at all levels and is self-questioning. At the same time these authors see **organisation learning** as a descriptive device to explain and quantify learning activities and events taking place in an organisation. Thus, a critical distinction between an organisation that learns and the learning organisation seems to be that in the latter, individual learning activities feed and integrate with broader and deeper learning processes in the organisation while this is not the case with organisation learning.

### **Question eight**

The answer to this question can be found in the section “Characteristics and benefits of a learning organisation”. In your answer you should have addressed the following:

Marquardt identifies the following characteristics of a learning organisation:

- Learning is accomplished by the organisation as a whole.
- Employees in the organisation recognise the importance of current and future success of ongoing learning.
- Learning is a continuous, strategically used process that is integrated and runs parallel to work.
- There is a focus on creative and generative learning in the organisation.
- Systems thinking is fundamental in a learning organisation.
- An organisation climate exists that encourages, rewards and accelerates individual and group learning.
- Employees network in an innovative manner that resembles a community both inside and outside the organisation.
- Everyone is driven by a desire for quality and continuous improvement.
- Employees have uninterrupted access to information and data.

### **Question nine**

The answer to this question can be found in the section “Building a learning organisation” and in the figure “The learning organisation model”. In your answer you should have addressed the following:

There should be no doubt in your mind that becoming a learning organisation is an absolute prerequisite to remaining competitive. You will also understand that moving from a non-learning to a learning organisation is no simple task. It requires, among others, the cooperation between numerous stakeholders. It also needs a person to oversee this process who is normally known as a chief learning officer (CLO). But, how can companies then move from a non-learning mode to a learning organisation? To answer this question, we will look at the “systems learning organisation model” developed by Michael J Marquardt, and discussed in his book *Building the learning organisation: mastering the five elements for corporate learning*. This model, which is practical and workable, has been adopted successfully by thousands of companies around the world. The model consists of five related subsystems (see the figure “The learning organisation model”) namely, learning, organisation, people, knowledge and technology. It is important to note that all five of the subsystems are necessary to sustain a viable ongoing learning organisation. As will be noticed from the figure “The learning organisation model”, the subsystems in the model consist of a number of elements/components.

You will have to discuss each of these subsystems briefly by referring to the figure “The learning organisation model”.

From your discussion it should be clear that to become a learning organisation demands an understanding of and commitment to mobilising all five subsystems of the model. Taking the specific steps to build a learning organisation requires well-orchestrated planning on the part of many people in the organisation. Maintaining this new higher level of learning power is perhaps as challenging as initiating the process. However, appointing a chief learning officer (CLO) to oversee this process may well be a good idea.

### **Question ten**

The answer to this question can be found in the section “The chief learning officer (CLO)” and in the table “What the CKO/CLO does”. In your answer you should have addressed the following:

In many circles, the rise of the chief learning officer (CLO), also known as the chief knowledge officer (CKO), as a senior corporate position is seen as a recent phenomenon. General Electric and Coca-Cola, two of the world's major companies, were the first to hire such individuals. These individuals are normally part of the HR departmental structure and report directly to the head of human resources and the CEO of the company.

The CLO plays a vital role in building and sustaining the high-level learning organisation. But what are the characteristics of such a person?

### **Characteristics of a chief learning officer**

Recent studies have identified a number of characteristics that are most prevalent among these individuals, for example:

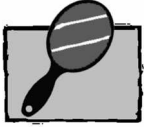
- Knowledge officers should have circulated through the company and should have developed a holistic perspective.
- They must be able to energise the organisation and function as cheerleaders to build momentum behind the knowledge initiatives.
- They must be able to withstand a multitude of pressures.
- They must feel rewarded by the accomplishments of other people.
- They must have a good relationship with the head of human resources.

Although the CLO appears to be a rare type of person, the identification, appointment and training of such a person is of utmost importance to the company. So what is the role of the CLO?

### **The role of the chief learning officer (CLO/CKO)**

The CLO/CKO can influence the organisation in several ways (see the table “What the CKO/CLO does” in some of the major companies in the world). One is to rapidly generate new knowledge, ideas and solutions to problems throughout the organisation by means of information technology.

In today's highly competitive global environment, the organisation needs knowledge workers more than knowledge workers need the organisation, and the role of the CLO in this process is thus indispensable. The good news is that CLOs continue to grow worldwide.



### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- *If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.*
- *If you answered no to any of the outcomes, you should work through the specific sections again.*

*It is very important that you achieve all the learning outcomes of this module as they guide your learning process.*

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Once again we have confirmed the critical role of the HR manager. The most dynamic and powerful element of a sustained competitive advantage seems to be hidden in the employees of an organisation. Employees should not be seen as a cost to be managed, but an asset to be developed – a key stakeholder of the firm. As an HR manager you should also adapt to change management. As chapter 11 indicated, change-capable organisations inspire continuous learning and the HR manager should also play a prominent role in this process. As if this is not challenging enough, an HR manager also has to keep international issues in mind because of the emergence of the worldwide trend of globalisation. The international dimension of HRM will thus be discussed in study unit 12.

# Study unit 12

## Human resource management – An international dimension



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

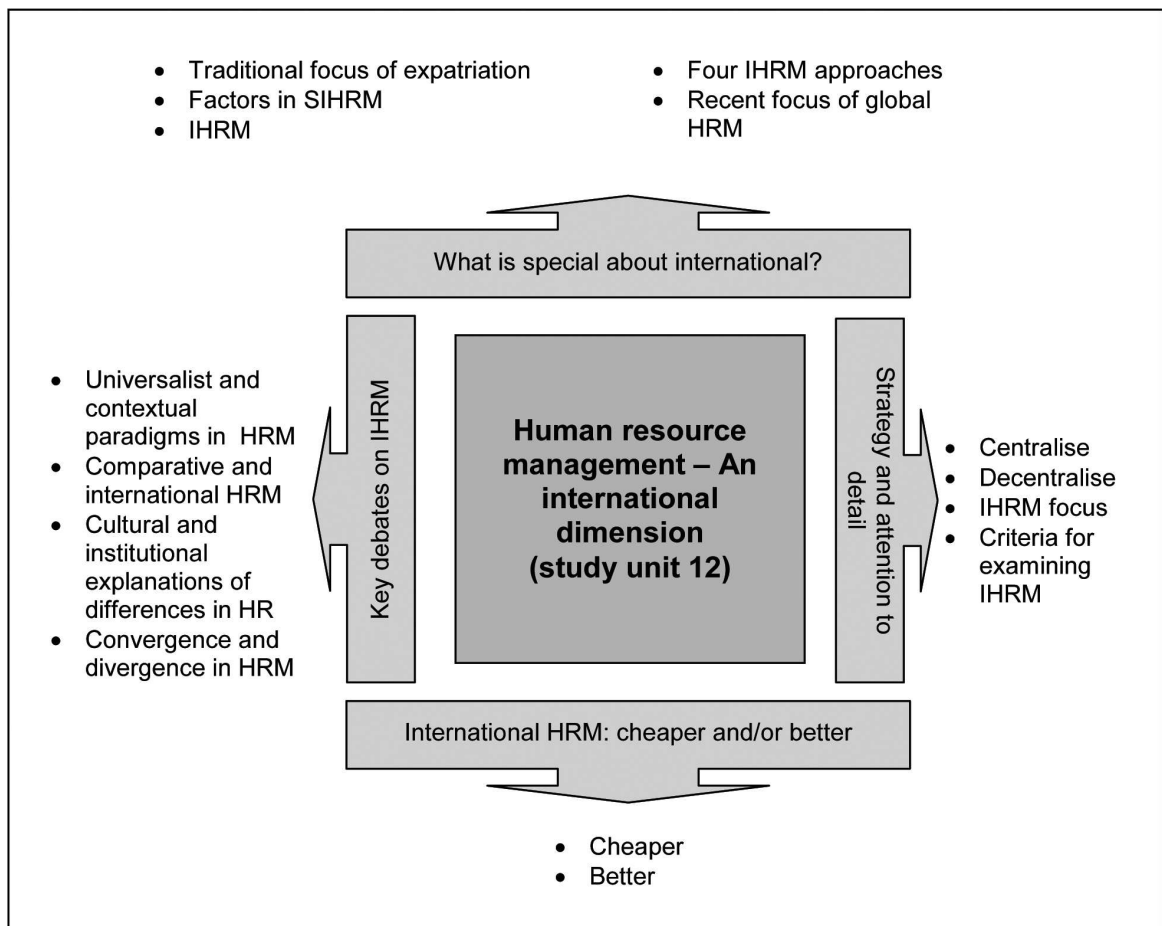
After studying this study unit you should be able to

- understand the different issues posted by operating HRM internationally
  - discuss some of the underlying academic debates in international human resource management (IHRM)
  - debate the duality raised by the simultaneous need for standardisation and localisation of HRM
  - identify some of the new features of IHRM that are changing the way organisations operate
  - understand the way in which organisations manage international transfers of employees
- 

### Global perspective

Successful local organisations often find it necessary to expand their operations and operate internationally. Local employees are then sent overseas to work for the organisation. Alternatively, the workforce of the overseas country or that of a third country is used. In all these cases, HRM once again has to play a significant role. The employees involved will have to be managed and utilised properly if the international venture is to be successful. It is thus necessary for the HR manager to develop a global perspective of managing human resources to ensure a sustained competitive advantage. This is the sphere of international human resource management (IHRM).

Let us first get an idea of what chapter 12 in the prescribed book is about by drawing up a mind map again:



Now we will discuss chapter 12, basing our discussion on the above mind map.

## Four key debates

Approaches to HRM, and the practice of HRM, vary across the world. In this chapter we will be looking at how organisations that operate internationally, cope with the cultural and institutional differences they face. We begin by exploring some of the key debates in IHRM. These are the paradigms that describe how the topic is understood. The second key issue focuses on the question of whether the differences between societies, in the way that organisations manage people, are being reduced as globalisation increases, and the issue of explaining the cultural and institutional differences in the approaches to HRM.

## IHRM: What is special about “international”?

You will note in the section “IHRM: What is special about international?” that expatriation comes up whenever IHRM is involved. Traditionally, IHRM has only focused on expatriation without taking other important factors into account. Although expatriates are among the most expensive human resources, we have far less understanding of expatriates and the management of expatriates than we have of other employees. You should also realise that, although expatriation plays a crucial role, there is much more to IHRM than this. IHRM is described in the discussion on “IHRM:

What is special about international?" as the worldwide management of people. This section then discusses different IHRM approaches, ranging from Adler and Chadar's approach to the integrative framework offered by Schuler, Dowling and De Cieri (see the table "Four approaches to international human resource management" and the figure "Factors in strategic international human resource management"). Recent research regarding IHRM focuses on the drivers and enablers of HRM in multinational enterprises (see figure "Model of global HR"). It is therefore obvious that, although important, expatriation is not the only factor to consider when we manage human resources internationally.

## International transfers

IHRM is usually mentioned in the same breath as huge capital expenditure. An expatriate costs at least three to four times as much as a local employee in the country where the expatriate is posted. As an HR manager you will therefore have to do your best to manage your organisation's expatriation efforts as effectively as possible, with as little unnecessary cost as possible. The section on "International transfers" discusses two important issues in this regard. First, it focuses on the cheaper alternatives to expatriation. You will note that these include using third-country nationals, temporary employees and, of course, locals. The expatriate cycle and its effective management are then discussed, starting with selection and ending with repatriation (often the factor with the biggest influence on the success of the expatriation effort).

## Strategy and attention to detail

The section "Strategy and attention to detail" deals with how the HR managers in multinational enterprises have to use human resources internationally. The focus of strategic IHRM has been on expatriation and the remuneration of expatriates. It may be wise for HR managers to use the same criteria applicable to national HR management for the management of human resources internationally, especially if the national HR practices are successful. Do you think it is time for South African HR managers to take note of IHRM? Which of the issues mentioned in chapter 12 are applicable?



### Activity 12.1

Now that we have worked through chapter 12, you should have identified the key terms and phrases used. We can use these key concepts to summarise the chapter. Draw up a detailed mind map of the important aspects of chapter 12.



The following summary is an example and lists the key terms and phrases that you should have identified in chapter 12.

#### **Three key debates**

- universalist and contextual paradigms in HRM
- convergence and divergence in HRM
- cultural and institutional explanations of differences in HRM

### **IHRM: What is special about “international”?**

- traditional focus on expatriation
- expatriates
- IHRM – worldwide management of people
- approaches to IHRM
  - Adler and Ghadar (see table “Four approaches to international human resource management”)
  - Shuler, Dowling and De Cieri (see figure “Factors in strategic international human resource management”)
- recent research focus of “global HRM” (see figure “Model of global HRM”)
  - drivers of global HRM in multinational enterprises
  - enablers of global HRM in multinational enterprises

### **International transfers**

- doing it cheaper: alternatives to expatriation
- doing it better: the expatriate cycle
  - selection
  - training and development programmes
  - adjustment
  - pay and rewards
  - performance measurement and management
  - repatriation

### **Strategy and attention to detail**

- criteria for examining IHRM



### Activity 12.2

Now use the information found under the key terms and phrases as well as the mind map you drew up in the first activity to summarise the information in chapter 12 in the prescribed book.



### SELF-ASSESSMENT

You can now evaluate yourself by answering the review questions at the end of chapter 12 in the prescribed book.

#### **Question one**

Briefly define the concept of strategic international human resource management (SIHRM).

#### **Question two**

Write a short essay on expatriates.

#### **Question three**

Briefly discuss the “universal” and “contextual” paradigms in HRM.

**Question four**

Briefly discuss the four approaches to IHRM by referring to the following aspects of the organisation: staffing, communication and coordination, and lastly, standard setting, evaluation and control.

**Question five**

Write a short essay on the “institutional” perspective in IHRM.

**Question six**

Write a short essay on the “drivers” of global HRM.

**Question seven**

Provide a detailed discussion of the alternatives to expatriation.

**Question eight**

Write a short paragraph on the repatriation of expatriates.

**Question nine**

Briefly discuss the issue of culture in IHRM.

**Question ten**

Write a short paragraph on the “enablers” of global HRM.



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Reflective Activity

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Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

Learning Outcomes	Yes	No
1. Do I understand the different issues posed by operating HRM internationally?		
2. Can I discuss some of the underlying academic debates in international human resource management (IHRM)?		
3. Can I debate the duality raised by the simultaneous need for standardisation and localisation of HRM?		
4. Am I able to identify some of the new features of IHRM that are changing the way organisations operate?		
5. Do I understand the way in which organisations manage international transfers of employees?		



## **GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS**

### **Question one**

The answer to this question can be found in the section “IHRM: What is special about ‘international?’” and in the figure “Factors in strategic international human resource management.” In your answer you should have addressed the following:

Before we can define the concept of strategic international human resource management (SIHRM) we first need to grasp what the concept of international human resource management (IHRM) entails. Current definitions have a narrow focus and it is important to realise that it does not only imply that organisations have to manage their staff across country borders. It also covers a far broader spectrum than just managing expatriates – it is the worldwide management of people.

SIHRM is defined by Schuler, Dowling and De Cieri as “human resource management issues, functions and policies and practices that result from the strategic activities of multinational enterprises and that impact on the international concerns and goals of those enterprises”.

The breadth of issues involved is illustrated by a framework linking SIHRM orientations and activities to the strategic components of multinational enterprises (MNEs). The framework comprises inter-unit linkages and internal operations (see figure “Factors in strategic international human resource management”). The authors argue that the key determinant of effectiveness for MNEs is the extent to which their various operating units across the world are to be differentiated and at the same time, integrated, controlled and coordinated. The link between strategy-structure configuration in MNEs and the demands for global integration on the one hand, and the need for local responsiveness on the other, is a recurring theme. An element of both is required in most organisations but where global integration and coordination is important, subsidiaries need to be globally integrated with other parts of the organisation or/and strategically coordinated by the parent. HRM practices that are as far as possible common across the organisation will be appropriate. In contrast, where local responsiveness is important, subsidiaries will have far greater autonomy and there is less need for integration. Hence, in such cases the organisation will gain little from trying to coordinate HRM at the global level.

Evidence of different solutions adopted by MNEs to the tension between differentiation and integration, otherwise termed the “global vs local” dilemma, are seen to result from the influence of a wide variety of exogenous and endogenous (external and internal) factors. Exogenous factors include industry characteristics such as type of business and technology available, the nature of competitors and the extent of change and country/regional characteristics such as political, economic and socio-cultural conditions and legal requirements. Endogenous factors include the structure of international operations, the international orientation of the organisation’s headquarters, the competitive strategy being used and the MNE’s experience in managing international operations.

### **Question two**

The answer to this question can be found in the section “International transfers”. In your answer you should have addressed the following:

Expatriation implies cross-border assignments of employees that last for more or less

three to four years. For many organisations IHRM and expatriate management are virtually synonymous. Expatriates are among the most expensive human resources in any internationally operating organisation and they are almost invariably in crucial positions for the organisation. They have, and their management involves, issues and problems that go beyond those of most other employees. IHRM covers a far broader spectrum than the management of expatriates it involves the worldwide management of people.

All international organisations struggle with the problems created by the need to fill and manage important assignments that may not be in the home country. Expatriates (also known as parent country nationals PCNs) are usually chosen to fill key positions, such as country manager, financial controller or technical specialist. These positions are important to the success of the organisation. The people involved are invariably expensive to service, perhaps costing three or four times as much as a similar posting at home and often far more than a local appointment would cost. At the same time, assignments in the overseas subsidiaries are rarely other than a very small proportion of the overall organisational staffing. Because the numbers are few, it is difficult for all but the largest international organisations to develop the expertise and the policies that they have in dealing with other employees. The problem has been exacerbated by the increasing pressure to cut costs. Many of the larger organisations have done so by reducing the number of expatriates, only to find later that this has caused very significant problems of communication, coordination and control. Smaller and younger organisations face a different situation, but one that can lead to the same problem: how to decide which assignments can be localised and which should be filled by expatriates.

### **Question three**

The answer to this question can be found in the section “The universalist and contextual paradigms in HRM”. In your answer you should have addressed the following:

Things are done differently in different countries. This includes differences in the way that HRM is conceptualised, the research traditions through which it is explored and the way that HRM is conducted. In conceptual and research terms two different (ideal type) paradigms, namely the universalist and the contextual have been classified. The notion of paradigm is used here in Kuhn’s (1970) sense as an accepted model or theory, and with the corollary that different researchers may be using competing models or theories. It is to some degree the difference between these paradigms, lack of awareness of them and the tendency for commentators to drift from one to another, which have led to the debates about the very nature of HRM as a field of study.

You have to discuss the following paradigms briefly:

- the universalist paradigm
- the contextual paradigm

### **Question four**

The answer to this question can be found in the section “IHRM: What is special about ‘international?’” and in the table “Four approaches to international human resource management” in your prescribed book. In your answer you should have addressed the following:

IHRM covers a far broader spectrum than the management of expatriates – it involves the worldwide management of people. Several researchers have proposed detailed models of how IHRM fits into the overall globalisation strategy of organisations. Adler and Ghadar suggest that organisations will need to follow very different IHRM policies and practices according to the relevant stage of international corporate evolution, which they identify as domestic, international, multinational and global. Linking this with the attitudes and values of top management at headquarters (classified by Heenan and Perlmutter as ethnocentric, polycentric, regiocentric and geocentric – see the table “Four approaches to international human resource management”) they outline how organisations could adapt their HRM approaches and practices to fit the external environment in which the firm operates as well as its strategic intent. These categories have been critiqued on the grounds that they imply a development from earlier to later categories which may not be the case; that they imply, without evidence, that the earlier stages are less appropriate or effective; and that they give equal weight to the various categories when in practice the vast majority of organisations are clearly ethnocentric.

### **Question five**

The answer to this question can be found in the section “Cultural and institutional explanations of differences in HRM”. In your answer you should have addressed the following:

The institutional perspective assumes that the institutions keep a society distinctive. Social arrangements in a nation are always distinct and many of the institutions are likely to shape the social construction of an organisation. Thus, the wealth of a society, the general and vocational education system, employment legislation and the amount of informal working in an economy will all have an impact on the way that HRM can be conducted. Since these vary from country to country, HRM in those countries will vary. As with the culture effects, there seems to be a kind of societal recipe that it is possible to go against, or ignore, but only at a cost. Most people, or most organisations, generally do not do so.

The recognition of institutional differences is not new, but there is increasing research in this area:

- There are variations between countries typical in patterns of ownership.
- Public ownership is not widespread in the USA, but in many northern European or African countries it continues to be the main provider of work in the formal sector.
- Private sector ownership may not mean the same thing.

Each of these factors, and many other institutional differences in terms of labour and educational markets, legislation and trade unionism will have important implications for IHRM experts.

Perhaps neither an exclusively “culturalist” nor an exclusively “institutional” approach can be satisfactory. Many “institutional” writers include culture as one of the institutional elements explaining differences. Institutions cannot survive without legitimacy, but the way they operate also affects the views of people in a society about what is legitimate. In the end, the two explanations simply explore the same factors from different points of view.

In the organisational literature, HRM is one of the areas where organisations are most likely to maintain a “national flavour” and the point at which business and national

cultures have the sharpest interface. This therefore presents a dilemma for internationally operating companies. On the one hand, they want to get the advantages of integration, ensuring that HRM policies and practices are as far as possible similar in all countries. This brings benefits of scale and benefits of learning across the organisation (no “reinventing the wheel”), and ensures fairness and equity. On the other hand, they have to be sensitive to national differences. Some policies and practices have to be adapted to local contexts, for example, the cultures and laws surrounding equal opportunities in the USA, the European Union and South Africa are very different, even if the intentions may be similar.

### **Question six**

The answer to this question can be found in the section “The drivers of global HRM”.

You have to write a short essay on the following drivers of global HRM:

- *Efficiency: It is a pressure for things such as the outsourcing of business processes and a high degree of centralisation.*
- *Global provision: It comprises two key elements – building a global presence and e-enabling management.*
- *Information exchange and organisational learning: It also comprises two key elements – in this case, knowledge transfer and management, and forging strategic partnerships.*
- *Core business process convergence: It involves the HRM response to the creation of core business processes and the movement away from country-based operations towards business-line-driven organisations.*
- *Localisation: In practice, not many firms seem to be incorporating the option of decentralisation into their strategic driver recipe.*

### **Question seven**

The answer to this question can be found in the section “International transfers: Cheaper and/or better”. In your answer you should have addressed the following:

*Expatriation is always expensive. Expatriates tend to be paid more than other staff, even at the same level, they get substantially more benefits, their transfer may involve a partner and a family and it will certainly involve a disproportionate amount of specialist HR support and senior management time. Many established MNEs are looking carefully at their budgets and trying to reduce the costs involved.*

*In your answer you have to refer to the following aspects/approaches:*

- *One approach is to negotiate more toughly.*
- *Increasingly, international organisations are employing expatriates on local terms and conditions.*
- *There has been increasing interest in the use of third-country nationals (TCNs).*
- *Many international workers are not expatriates but short-term assignees, international commuters, the frequent flyers and the international project teams.*
- *The international commuter phenomenon is becoming more widespread.*
- *The argument has been made that the development of information and communications technology (ICT) will render both international transfers and international travelling redundant.*
- *The cheapest option is usually the employment of locals.*

### **Question eight**

The answer to this question can be found in the section “International transfers: Cheaper and/or better”. In your answer you should have addressed the following:

The repatriation of expatriates has been identified as a major problem for multinational companies, but is still comparatively under-researched. For many MNEs this problem has become more acute in recent years because expansion of foreign operations had taken place at the same time as the rationalisation of headquarter operations: there are few unfilled positions suitable for expatriates in the majority of companies. From the repatriate perspective other problems associated with reintegrating into the home country are loss of status, loss of autonomy, loss of career direction and a feeling that international experience is undervalued by the company. There is growing recognition that where companies are seen to deal unsympathetically with the problems faced by expatriates on re-entry, managers will be more reluctant to accept the offer of international assignments. It has been reported that 10–25% of expatriates leave their company within twelve months of repatriation, a figure which is notably higher than for equivalent non-expatriates. Yet while it is widely accepted that the costs of expatriate turnover are considerable, very few firms have effective repatriation programmes. One study of a cohort of Finnish expatriates found that most had received great value from their international assignment, but that within a year many had left their firm and many others were looking to leave. Recent research in Europe has placed repatriation in the context of career development and loss of corporate knowledge. The focus now is on seeing the expatriation phase as part of an individual's career rather than repatriation being seen as the end of the process.

### **Question nine**

The answer to this question can be found in the section “Cultural and institutional explanations of differences in HRM”. In your answer you should have addressed the following:

Exploring different cultures is not easy, because “culture is one of those terms that defy a single all-purpose definition and there are almost as many meanings of culture as people using the term”. Organisations represent “cultural communities”, but so do much wider groupings. Often, these will reflect national boundaries, but this is by no means always the case. Thus, countries like Belgium, Spain and Switzerland contain communities speaking different languages, with different religions and different legislation, seeming, at least to the citizens there, sharply different in their approach to life. In Africa and in the Middle East, cultural groups were divided by the colonial mapmakers and the individuals in those groups may have more cultural similarities with groups in countries across the national border than they do with other citizens of their own country. In many countries, however, especially the longer established ones and those in coherent geographical boundaries, such as islands, culture equates to country – and that is certainly the assumption made in the research into workplace values.

The “culturalist” school includes many different approaches, but they share in common the notion that it is not possible to depart radically from established rules and norms. Culture is seen as shared by individuals as a means of conferring meaning and adding sense to social interactions. The national culture provides a persistent boundary, horizon or “segment” to the life of individuals that enables them to make sense of their

world. When companies try to operate against the national culture, their local subsidiary in that country may find “ways around” or adaptations of the company policy so as to fit in with the expectations and values of people in their country.

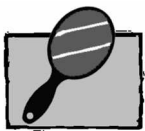
Many different researchers have found geographically-based, usually national, differences in deep-seated values about what is good or bad, honest or dishonest, fair or unfair, etc. These perceptions affect the way people in a country, especially managers, view the world. There is, of course, an interrelation between cultural-level and individual-level values; each individual will be different but the aggregation of their approaches makes what is acceptable and desirable in one country different from what is acceptable or desirable in another. HRM is concerned with interactions between people at different hierarchical levels in an organisation, so these cultural differences will inevitably be reflected in differences in the way people are managed.

### **Question ten**

The answer to this question can be found in the section “The enablers of global HRM”.

You have to write a short paragraph on the following enablers of global HRM:

- *HR affordability: This is about the need to deliver global business strategies in the most cost efficient manner possible.*
  - *Central HR philosophy: This consists of two elements centralisation of HR decision-making and industry-wide convergence of HR practice.*
  - *E-enabled HR and knowledge transfer: This is an increasingly critical component in terms of IHRM positioning. The HRM department’s role as knowledge management champion has three key elements: capitalising on the e-enablement of HRM, the pursuit of knowledge transfer and management, and the building of a global HRM presence.*
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### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- *If you answered yes to all of the above outcomes, you are now ready to move onto the next study unit.*
- *If you answered no to any of the outcomes, you should work through the specific sections again.*

*It is very important that you achieve all the learning outcomes of this module as they guide your learning process.*

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Now that you understand the important role played by the HR manager once the organisation becomes part of the global environment, we can conclude with the last and very interesting matter of the future role of HRM in the age of the new millennium. This will be done in study unit 13.

# Study unit 13

## The role of human resource management in the twenty-first century



### Learning outcomes

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Read through the objectives before you continue. This will enable you to get a bigger picture of what will be discussed throughout the whole chapter.

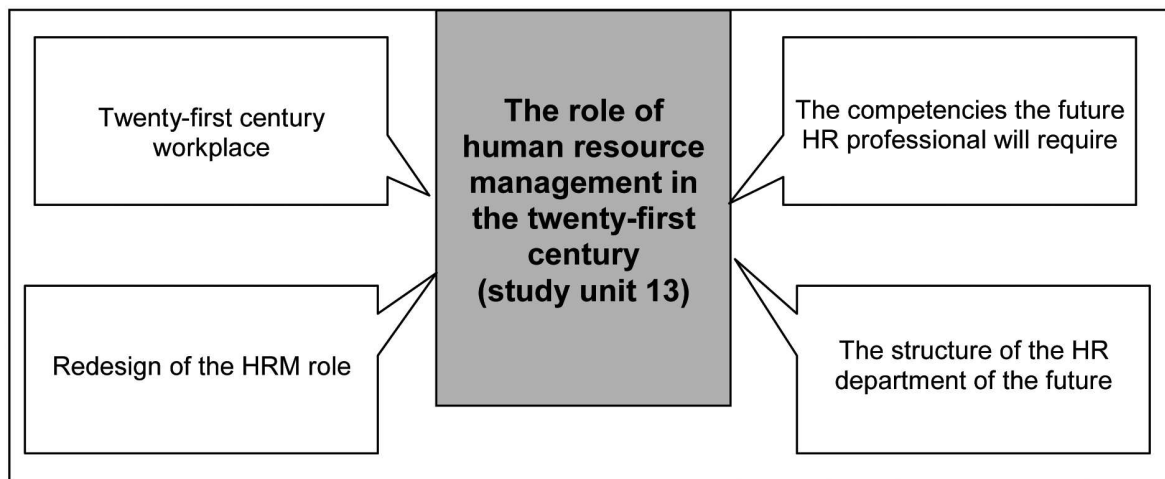
After studying this study unit you should be able to

- describe the workplace of the twenty-first century
  - explain the redesign of the role of HRM
  - identify the competencies required of the HR professional of the future
  - describe the structure of the HR department of the future
- 

### The impact of continuous change

As mentioned in the previous study units, the only constant variable in organisations is change. In the first twenty years of the twenty-first century, we find ourselves in the so-called information age (see chapter 10). Rapid technological change and innovation are characteristics of today's world of work. Obviously, once the world of work is an issue, employees are also affected. Constant and dramatic changes in the environment have a direct impact on employees' working lives (where most of their time is spent) and even on their future survival (constant change often results in jobs becoming obsolete). We can therefore agree that the role of HRM in the twenty-first century is fast-paced, rapidly changing and challenging.

Let us first get an idea of what chapter 13 in the prescribed book is about by drawing up a mind map again:



Now we will discuss chapter 13, basing our discussion on the above mind map.

## The workplace of the twenty-first century

The seven changes that will reshape the work environment in the twenty-first century are discussed in the section “The workplace of the twenty-first century”. As you will notice, these changes have a direct impact on the HR manager’s role. An HR manager therefore has the added responsibility of keeping abreast with these changes and having a plan of action in place to deal proactively with them. If this is not done the organisation’s future survival may be jeopardised. For this reason, the HRM role will obviously have to be redesigned to cope with these changes successfully.

## Redesigning the HRM role

In the traditional mode of HR management (which, unfortunately, is still the way things are done in most organisations) the HR manager deals reactively with HR problems. The redesign of the HRM role will, however, require a complete mind shift from reactive to proactive thinking. HR managers will have to become much more aware of the impact of changes in the environment on work and on HR management and of how HRM will have to change to keep up with these changes. Unfortunately all this is much easier said than done! The section dealing with “The redesign of the HRM role” suggests three tactics. These include working closely with line management to determine a new role for HRM (including performance capabilities and their practical implementation), identifying and developing new HRM competencies and redesigning HRM work, systems and the organisation.

## Competencies required for the future HR professional

HR professionals need certain skills to execute their new role successfully. As explained in the section “The competencies the future HR professional will require”, they will have to prove their competence (which is described as demonstrated knowledge, skills or abilities) by adding real value to the business. The HRM competencies required for the future will therefore have to be conceptualised. Ulrich, Younger, Brockbank and Ulrich developed a six-domain framework illustrated in the figure “Six domains to

become a successful HR professional”, which includes a strategic positioner, credible activist, capability builder, change champion, HR innovator and integrator and technology proponent. The essential competencies underlying these domains are summarised in the figure “Competencies for the HR professional of the future”.

## Future structure of the HR department

Once the HR manager’s role has changed, the HR department will also have to be restructured to accommodate the new activities and processes that result. Major restructuring is therefore needed for the HR function to be successful and to ensure its future survival. The traditional, reactive role of HR management will not fall away completely, but will have to be modified to ensure that administrative tasks are done, not as the main function of HR management, but rather as a service to whoever needs it. Ulrich, Younger and Brockbank have developed a twenty-first century model for the structure of the HR department, which is illustrated in the figure “The twenty-first century HR organisation”. Another new development in restructuring the HR department is the emergence of the HR shared services model, which entails providing HR services both to their own organisation and to external clients as an outsourcing business. Organisations supporting this approach commonly believe that it can enable the HR function to be more strategic at the corporate level and more cost-effective at the operational level. Organisations considering this new model should use the guidelines provided by Cooke in the table “Key questions to consider when adopting HR shared services centres”, which clearly indicates that it involves major organisational change and careful management.



### Activity 13.1

Now that we have worked through chapter 13, you should have identified the key terms and phrases used. We can use these key terms and phrases to summarise the chapter.

Draw up a detailed mind map of the important aspects of chapter 13.



The following summary is an example and lists the key concepts that you should have identified in chapter 13:

<b>Introduction</b>
<ul style="list-style-type: none"> <li>● challenges facing organisations (see figure “Business challenges and their impact on people and HR departments”)</li> </ul>
<b>The workplace of the twenty-first century</b>
<ul style="list-style-type: none"> <li>● seven changes that will reshape the work environment <ul style="list-style-type: none"> <li>– virtual organisation</li> <li>– just-in-time workplace</li> <li>– ascendancy of knowledge workers</li> <li>– computerised coaching and electronic monitoring</li> <li>– growth of worker diversity</li> <li>– aging workforce</li> <li>– birth of a dynamic workforce</li> </ul> </li> </ul>

<b>The redesign of the HRM role</b>
<ul style="list-style-type: none"> <li>● re-engineering of traditional HRM processes</li> <li>● three re-engineering tactics <ul style="list-style-type: none"> <li>– contracting with line management for a new role for HR</li> <li>– identifying and developing new HR competencies</li> <li>– redesigning HR work, systems and the organisation</li> </ul> </li> </ul>
<b>The competencies the future HR professional will require</b>
<ul style="list-style-type: none"> <li>● demonstrated competency</li> <li>● six-domain framework for conceptualising HR competencies (see figures “Six domains to become a successful HR professional” and “Competencies for the HR professional of the future”) <ul style="list-style-type: none"> <li>– the strategic positioner</li> <li>– credible activist</li> <li>– capability builder</li> <li>– change champion</li> <li>– HR innovator and integrator</li> <li>– technology proponent</li> </ul> </li> </ul>
<b>The structure of the HR department of the future</b>
<ul style="list-style-type: none"> <li>● The twenty-first century HR organisation <ul style="list-style-type: none"> <li>– service centres</li> <li>– corporate HR</li> <li>– embedded HR</li> <li>– centres of expertise</li> <li>– operational executors</li> </ul> </li> <li>● emerging new HR shared-services model (see table “Key questions to consider when adopting HR shared services centres”) <ul style="list-style-type: none"> <li>– more strategic human resources at corporate level</li> <li>– more cost-effective human resources at operational level</li> <li>– involves major organisational change and careful management</li> </ul> </li> </ul>



### Activity 13.2

Now use the information found under the key terms and phrases as well as the mind map you drew up in the first activity to summarise the information in chapter 13 in the prescribed book.



### SELF-ASSESSMENT

You can now evaluate yourself by answering the review questions at the end of chapter 13 in the prescribed book.

#### **Question one**

Discuss the important challenges facing management and HR professionals about the development of virtual organisations.

**Question two**

Briefly explain Kesler’s performance capabilities model.

**Question three**

Ulrich, Younger, Brockbank and Ulrich recently identified six domains which can serve as a framework for identifying competencies for HR professionals. Briefly discuss.

**Question four**

Write a short paragraph on the concept “service centres”.

**Question five**

Explain Dave Ulrich, Jon Younger and Wayne Brockbank’s structure of the HR department of the future.

**Question six**

Provide a list of the seven changes identified by Barner that will take place over the next number of years and will reshape the work environment.

**Question seven**

HR professionals will have to find new ways to motivate the just-in-time workforce. Discuss briefly.

**Question eight**

Write a short paragraph on the challenges facing HR professionals about computerised coaching and electronic monitoring in the new workplace.

**Question nine**

List Kesler’s three tactics that can be followed in the redesign of the HRM role.

**Question ten**

Write a short paragraph on the ageing workforce.



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**Reflective Activity**

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Reflect on your learning while working through this study unit. Complete the following self-assessment checklist to determine your understanding of this study unit and whether you have mastered the learning outcomes:

Learning Outcomes	Yes	No
1. Can I describe the workplace of the twenty-first century?		
2. Do I understand the redesign of the role of HRM?		
3. Can I identify the competencies required of the HR professional of the future?		
4. Am I able to describe the structure of the HR department of the future?		

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## GUIDELINES FOR ANSWERING THE SELF-ASSESSMENT QUESTIONS

### **Question one**

The answer to this question can be found in the section “The virtual organisation”.

You have to discuss the following perspectives in more detail:

- *Management perspective: From this perspective, issues such as effective communication and planning will need attention as the face-to-face approaches which have worked well over the years disappear.*
- *HRM perspective: From an HRM point of view the virtual organisation also holds a number of challenges. For example, the way recruitment and career development have been approached in the past will change rapidly.*

### **Question two**

The answer to this question can be found in the section “Contracting new roles” and in the table “The performance capabilities model: defining the fundamental role of HRM”. In your answer you should have addressed the following:

A “performance capabilities (PC)” model that will help in this regard has been proposed by Kesler (see the table “The performance capabilities model: defining the fundamental role of HRM”). As can be seen, the model consists of a continuum of six value-adding roles, each of which is a distinct competency. The roles from left to right in the model are:

- *catalytic influence*
- *diagnostic and fact-based analysis*
- *innovating business structures and processes*
- *assuring standards*
- *administration and services*
- *problem-solving*

*Roles 1 to 3 generally exert more leverage, as indicated in the model. Here a partnership between human resources and line people creates benefits to the line organisation that are greater than the immediate efforts of the HR staff member. Roles 4 to 6, however, have less leverage because they are more transactional in nature and are less likely to add value to the money invested. Most HR departments are of the opinion that their current activities and resources fall in the “controlling, administering and problem-solving” roles. However, the value of the various roles can be determined only in the context of a given company and its needs. But to be successful the business strategy must be supported more directly by the partnership-oriented performance capabilities (roles 1 to 3) than by the service transactions portion of the continuum (roles 4 to 6). The most effective use of resources is served when the continuum is utilised effectively.*

*Activating the left side of the model first will normally reduce the resources consumed on the right side of the continuum later, according to Kesler. For example, labour relations planning and joint labour management process facilitation will usually result in less labour relations problem-solving. Thus, to be effective, the HR role which normally*

starts on the right side of the model (roles 4 to 6) must move to the left (roles 1 to 3) where conditions are best accomplished. Thus both halves of the model must be delivered to the appropriate extent and in a highly competent manner to be successful.

### **Question three**

The answer to this question can be found in the section “The competencies the future HR professional will require”.

You have to discuss the following elements which serve as a framework for identifying competencies for HR professionals:

- the strategic positioner
- credible activist
- capability builder
- change champion
- HR innovator and integrator
- technology proponent

### **Question four**

The answer to this question can be found in the section “The structure of the HR department of the future” and in the table “Key questions to consider when adopting HR shared services centres” in the prescribed book. In your answer you should have addressed the following:

With major advances in information technology, companies realise that administrative work can be done more efficiently and be performed in a standardised and centralised manner via the use of service centres. Service centres thus provide employees with a better service and use fewer dedicated HR resources. A number of benefits are associated with the use of service centres and these include the following:

- cost effectiveness
- reduced redundancy and duplication
- accessible 24 hours per day, seven days a week from inside and outside the company

### **Question five**

The answer to this question can be found in the section “The structure of the HR department of the future” and in the figure “The twenty-first century HR organisation” in the prescribed book. In your answer you should have addressed the following:

For the HR department to function successfully and survive the tremendous changes taking place in organisations, it needs to undergo major restructuring. Thus, reorganisation should better position the function to enable it to provide support for the changing business needs.

The HR organisation needs to facilitate and achieve two fundamental ends needed in the future, namely value creation and capability enhancement. Dave Ulrich, Jon Younger and Wayne Brockbank identify a “twenty-first century HR organisation” model and include five elements in the model, namely:

- service centres
- corporate human resources
- embedded human resources

- centres of expertise
- operational executors

Each element needs to be discussed in more detail.

### **Question six**

The answer to this question can be found in the section “The workplace of the twenty-first century”. In your answer you should have addressed the following:

Seven changes that will reshape the work environment over the next number of years

- the virtual organisation
- a just-in-time workplace
- the ascendancy of knowledge workers
- computerised coaching and electronic monitoring
- growth of worker diversity
- an ageing workforce
- the birth of a dynamic workforce

### **Question seven**

The answer to this question can be found in the section “The just-in-time workforce”. In your answer you should have addressed the following:

The growth in temporary workers, just-in-time workers and the outsourcing of a large number of organisational functions has resulted in companies using more temporary workers.

HR professionals utilising these types of workers will have to find new ways to motivate them as serious problems in performance and morale will occur. Research in the USA has indicated that conflict between permanent and temporary staff can easily occur where, for example, permanent staff are paid for production outputs while temporary employees are given a flat hourly rate as mentioned earlier in the book. Due to their employment contract, temporary workers cannot be motivated by the traditional methods of promotion, merit increases or even profit-sharing programmes. To overcome these problems, management and HR professionals will have to spend more time and money on providing training, giving such workers greater access to company information and a bigger role in decision-making. Thus, in tomorrow’s workplace, HR professionals will have to look at issues such as orientation and training of just-in-time workers.

### **Question eight**

The answer to this question can be found in the section “Computerised coaching and electronic monitoring”. In your answer you should have addressed the following:

The growth in electronic systems over the next number of years will allow employees to become fully independent. Easier control by managers over work performed may result in employees feeling manipulated and exploited, placing the relationship between the manager and employee under great pressure. Employees will also be able to learn more rapidly, for example, by placing solutions to problems in a central database which can be accessed globally. Employees will also become less dependent on managers for coaching, training and performance feedback, resulting in the redesign of managers’ jobs. The operation of the electronic networks 24 hours a day will make it difficult for

employees to draw a line between work and home, which may result in domestic problems. Employees' right to privacy may also be invaded as a result of the permanent presence of the network system in the home environment.

### **Question nine**

The answer to this question can be found in the section "The redesign of the HRM role". In your answer you should have addressed the following:

Kesler identifies three tactics that can be followed in the redesign of the HRM role

- contracting with line management for a new role for HR
- identifying and developing new HR competencies
- redesigning HR work, systems and organisation

All these components cannot achieve change alone, but need to be done in conjunction with one another. As Kesler remarks:

*Contracting for new roles without competencies to deliver is pointless; redesigning or eliminating work without a consensus from the client organisation leads to confusion and dissatisfied clients.*

### **Question ten**

The answer to this question can be found in the section "The aging workforce". In your answer you should have addressed the following:

Companies were to a large extent in the past reluctant to employ older workers, as they saw them as less productive, less flexible and more expensive. Older workers were also denied challenging jobs. However, with the lack of skills in numerous areas, older workers are again being employed because of their experience and maturity. These workers are also more flexible about taking part-time and odd-hour shifts than younger workers. However, the implications would be that younger managers may find themselves threatened when managing older staff. In this situation, HR managers must arrange for these managers to undergo training in managing teams and communication skills to enable them to extract the best efforts from older teams.



### **GUIDELINES FOR COMPLETING THE REFLECTIVE ACTIVITY**

- If you answered yes to all of the above outcomes, you have now concluded this study unit.
- If you answered no to any of the outcomes, you should work through the specific sections again.

This is the last study unit for this module.

It is very important that you achieve all the learning outcomes of this module as they guide your learning process.

You now have a clear understanding of how the HR function can reposition itself to provide the organisation with a sustained competitive advantage. Issues pertaining to this involve new responsibilities, new skills and a new HR structure.

## CONCLUSION

You should now have insight into the changing role of the HRM function and the important role the HR professional can play in enabling an organisation to realise its competitive advantage in the marketplace. As we have seen, this process is not a once-off activity but needs the HR professional's constant attention.

You have now worked through all the study units in this study guide. If you have completed all the activities in this guide you should have comprehensive notes on each chapter that will be very useful in your preparations for the examination. You will have mind maps to give you a brief overview of each chapter. You should also have compiled detailed notes on each of these aspects for all the chapters. When preparing for the examination, we suggest that you first understand and memorise the mind maps and then look at the key concepts listed in the study guide. Then use the summaries of the chapters that you prepared during the second activity in each study unit to memorise and understand the important aspects of the chapter in the prescribed book, always using your mind map as a point of departure. Remember that on third-year level you are expected to apply the knowledge that you have gained and you will also be examined by means of case studies. At the end of each chapter in the prescribed book you will find case studies that you can use to test your understanding and identify aspects that you perhaps need to revisit.

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