

HRM 3704

Together We Pass

Study Notes 2018

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WELCOME

If you are reading these notes you are studying **HRM3704** (Contemporary Issues in Human Resources Management) with UNISA. These notes are aimed at being a guide to assist you in passing this module, and aim to extract the essence of what you need to pass this module with ease at your exam.

Please remember to use these notes in conjunction with all our other features. The most important of which is to work together with the lecturers and your fellow students in the study group. Teaching is the **best** way to learn, so make sure you answer other students' questions as often as you post your own questions on areas where you're struggling.

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HRM3704 – Contemporary Issues in Human Resources Management

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STUDY UNIT 1: HUMAN RESOURCE MANAGEMENT'S ROLE IN THE EVOLVING PARADIGM

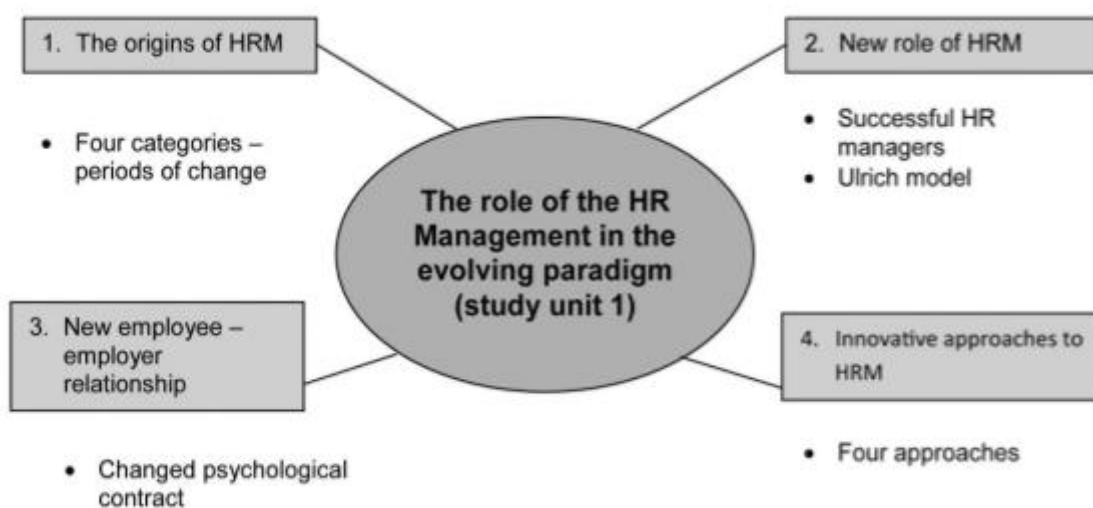
Learning Outcomes for Study Unit 1

After studying this study-unit you should be able to:

- Identify the origins of HRM
- Describe the new role of HRM in organizations
- Explain the new employee-employer relationship
- List and discuss new innovative approaches to HRM

Human Resource Management

Human Resource Management in its simplest definition means management of organization's manpower or workforce or human resources.



Evolution of HRM

The evolution of the concept of Human Resource Management is presented below

Period before industrial revolution – The society was primarily an agriculture economy with limited production. Number of specialized crafts was limited and was usually carried out within a village or community with apprentices assisting the master craftsmen. Communication channel were limited.

Period of industrial revolution (1750 to 1850) – Industrial revolution marked the conversion of economy from agriculture based to industry based. Modernization and increased means of communication gave way to industrial setup. A department was set up to look into workers' wages, welfare and other related issues. This led to emergence of personnel management with the major task as:

- Worker's wages and salaries
- Worker's record maintenance
- Worker's housing facilities and health care

An important event in industrial revolution was growth of Labor Union (1790) – The works working in the industries or factories were subjected to long working hours and very less wages. With growing unrest, workers across the world started protest and this led to the establishment of Labor unions. To deal with labor issues at one end and management at the other Personnel Management department had to be capable of politics and diplomacy, thus the industrial relation department emerged.

Post Industrial revolution – The term Human resource Management saw a major evolution after 1850. Various studies were released and many experiments were conducted during this period which gave HRM altogether a new meaning and importance.

A brief overview of major theories release during this period is presented below

- Frederick W. Taylor gave principles of scientific management (1857 o 1911) led to the evolution of scientific human resource management approach which was involved in:
 - Worker's training
 - Maintaining wage uniformity
 - Focus on attaining better productivity.
- Hawthorne studies, conducted by Elton Mayo & Fritz Roethlisberger (1927 to 1940).

Observations and findings of Hawthorne experiment shifted the focus of Human resource from increasing worker's productivity to increasing worker's efficiency through greater work satisfaction.

- Douglas McGregor Theory X and Theory Y (1960) and Abraham Maslow's Hierarchy of needs (1954) – These studies and observations led to the transition from the administrative and passive Personnel Management approach to a more dynamic Human Resource Management approach which considered workers as a valuable resource.

As a result of these principles and studies, Human resource management became increasingly line management function, linked to core business operations. Some of the major activities of HR department are listed as:

- Recruitment and selection of skilled workforce.
- Motivation and employee benefits
- Training and development of workforce
- Performance related salaries and appraisals.

Strategic Human Resource Management Approach

With increase in technology and knowledge base industries and as a result of global competition, Human Resource Management is assuming more critical role today. Its major accomplishment is aligning individual goals and objectives with corporate goals and objectives. Strategic HRM focuses on actions that differentiate the organization from its competitors and aims to make long term impact on the success of organization.

Employer-Employee Relationship

The term 'employee relations' refers to a company's efforts to manage relationships between employers and employees. An organization with a good employee relations program provides fair and consistent treatment to all employees so they will be committed to their jobs and loyal to the company. Many typical employer-employee relationships will vary on the scale of closeness and familiarity, but it is essential that all employer-employee relationships involve at least these five major characteristics:

1. Mutual respect

It's perfectly fine to instigate a closer relationship with your employees to the point of socializing with them outside of work. (This is particularly common in smaller businesses and start-ups).

But even in a relaxed workplace, it is crucial to retain the traditional hierarchal structure and encourage awareness of this in your employees.

2. Mutual reliance

There should be a balanced amount of reliance on both employer and employee. The employer relies on the employee to do his or her job well for the benefit of the business; the employee relies on the employer to treat them fairly and pay them equitably.

When this mutual reliance becomes imbalanced or one-way, problems will inevitably occur.

3. Openness & communication

Any healthy working environment involves openness and transparency.

Employers can help create a forum of openness and honesty by asking employees candidly about their lives, families, and interests. Employees can, in return, contribute to this setting by being forthcoming about their lives outside of work.

4. Support (and nurturing)

Employers should want their employees to reach their full potential and recognize when their capabilities exceed their current role. Leaving natural abilities to stagnate will cause boredom and frustration to grow in the employee, and as mentioned earlier, waste valuable energy that could better help the team.

5. Gratitude

Gratitude should exist on both sides of the relationship, but it is probably a larger responsibility of the employer to recognize and appreciate exceptional effort from their employees.

When employees consistently deliver and receive little or no appreciation, it can become very easy for them to become disheartened, frustrated, and apathetic about their job, which destroys productivity.

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Approaches to Modern HRM

- HRM has developed over time from mere administrative role to modern role of strategic development. Strategic HRM has gained both credibility and popularity over the past decade, employee are considered as part of the overall strategy.
- HR Practitioners acts as the bridge of communication flow between Management and employees. Sometimes heavily involved in the operational role, handling grievances and discipline while new demands are made from them. It is quite difficult to measure the effectiveness of the HR as it is so complex.

The HR Practitioners should be able to:

- Add Value - demonstrate their impact on the business
- Recruitment and retention - Aware of labour market, recruitment source and key talent retention.
- Succession planning- Clear workforce development plan - Turnover, change to business (technological or legal)
- Motivation and Engagement - Demonstrate that people make a difference (Employee motivation and engagement).
- Employer of choice - To engage the best talent and keep these people engaged.

STUDY UNIT 2: HUMAN RESOURCES AND THE COMPETITIVE ADVANTAGE

Learning Outcomes for Study Unit 2

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 mind-sets in maintaining the competitive advantage in the new competitive landscape.

Competitive Advantage

Competitive advantage is a business concept describing attributes that allow an organization to outperform its competitors.

Historically: a matter of position, companies occupied a competitive space and built and defended their market share competitive advantage depended on the area in which business was located and where it chose to provide its goods and services known as the strategic model strategy worked well in stable environment (for large and dominant organizations) with rapid competition appearing, new meaning of 'competitive advantage' emerged

- These attributes may include access to natural resources, such as high grade ores or inexpensive power, highly skilled personnel, geographic location, high entry barriers, etc.
- New technologies, such as robotics and information technology, can also provide competitive advantage, whether as a part of the product itself, as an advantage to the making of the product, or as a competitive aid in the business process (for example, better identification and understanding of customers).

Michael Porter defined the two types of competitive advantage an organization can achieve relative to its rivals: lower cost or differentiation.

Comparative advantage, or cost advantage, is a firm's ability to produce a good or service at a lower cost than its competitors, which gives the firm the ability sell its goods or services at a lower price than its competition or to generate a larger margin on sales

A differential advantage is created when a firm's products or services differ from its competitors and are seen as better than a competitor's products by customers.

Sources of Competitive Advantage

- The differences in company resources across an industry will be reflected in the variability in profits generated by them
- No two companies are alike, because no two companies have had the same
 - Set of experiences, acquired the same assets and skills or built the same organization culture
- Each company, therefore, is truly unique

Four groups of company resources (Barney)

Resource	Description
financial capital resources	debt, equity-retained earnings
physical capital resources	physical technology, machines, manufacturing facilities and buildings
human capital resources	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

Four questions to determine a resource's value

- Question of value - do a company's resources add value by enabling it to exploit the opportunities and/or neutralize the threats in the company's environment?
- Question of rarity - how many other companies already possess the valuable resources?
- Question of inimitability - do companies without a resource face a prohibitive cost disadvantage in obtaining the resources other companies already possess?
- Question of organization - is a company organized to exploit the full competitive potential of its resource?

Strategic fit and flexibility

- Strategic fit - aligning a company strategy and its resources with the environment, a company can achieve superior performance
- Strategic flexibility - the ability of a company to adjust to the changes (when rapid external and internal changes takes place the strategic fit becomes more challenging)

How can a company sustain strategic fit whilst enjoying flexibility in a competitive environment?

- Give a system flexibility within the company which allows it to create batches of unique products quickly, at a relatively low cost, as and when required
- Transferability makes the flexible system a valuable resource
- Strive to acquire flexible (knowledge) workers and organic structures in a hypercompetitive environment
- Basis for this flexibility can be made possible by installing a company culture based on creativity and quick response

HR's role in gaining a competitive advantage

- Value a company's stock of human intellectual capital as a way of measuring the contribution of HR to the company's performance
- RBV
- identify HR's best practices, specify and measure the bundles of typologies of HR practices associated with the high performance of labour
- Process approach is anchored in both the resource-based view and the best-practices theory, integrating economic considerations with social legitimacy aspects

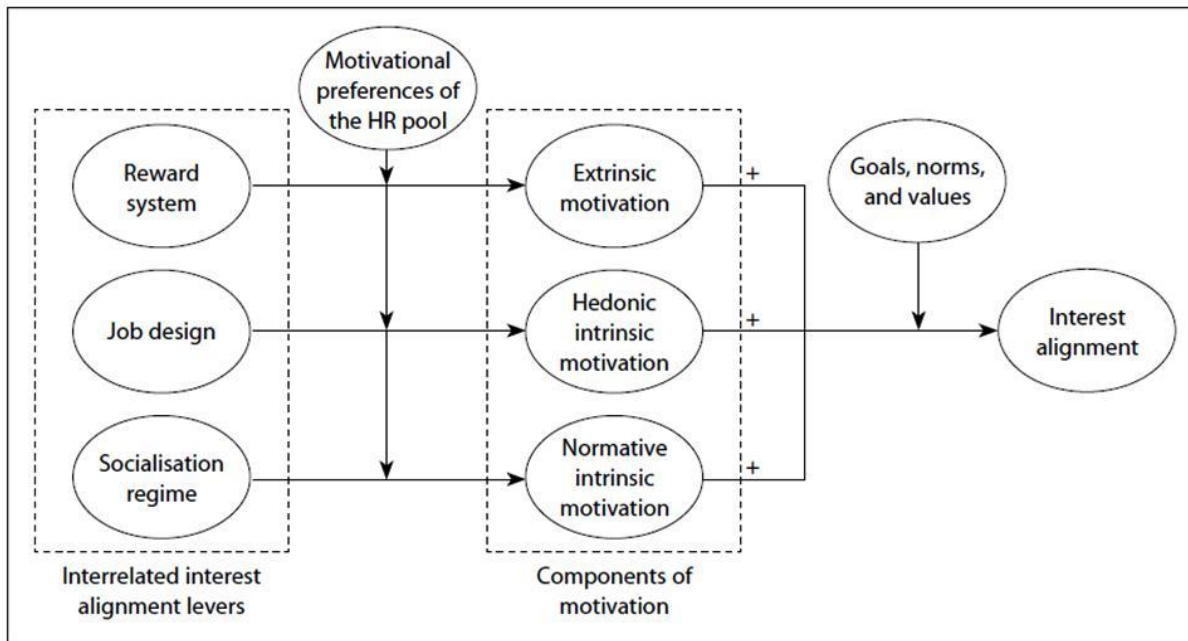
Evaluate HR against measures of sources of competitive advantage

- The value of HR - for human resources to exist as a sustained competitive advantage they must provide value to the company
- The rarity of HR - if it is to be a sustained competitive advantage a resource must be rare
- The inimitability of HR - human resources must be inimitable to be considered a sustained competitive advantage
- The substitutability of HR - for a resource to be considered a sustained competitive advantage it must not have substitutes

Resource-based view (RBV)

- HR systems can contribute to a sustained competitive advantage by facilitating the development of competencies that are company specific
- One of the biggest problems facing the RBV approach is the possibility of employee turnover;
- To limit the damage that can occur as a result of losses, companies can design and implement turnover management strategies;
- Allocation of a bigger portion of the profits to employees by means of gain sharing or share-options;
- A culture of belonging can also be created;
- Level of interest alignment = motivation of employees;
- The degree to which behaviour helps individuals to meet their goals;
- The relevance of each organizational goal to the individual (individual motivational preferences) - individual goals are not always in line with organizational goals;
- Use the concept of interest alignment as a measure of the correspondence between individual and organizational goals;
- Organizational interest alignment can be defined as "the degree to which the members of the organization are motivated to behave in line with organizational goals."

A high level of interest alignment can be realized at 3 levels of motivation by 3 interest alignment levers



Motivation levels

- Extrinsic motivation level - directly influenced by the reward system that specifies rewards for a given behaviour, it also includes issues such as power and recognition
- Hedonic intrinsic motivation level - this is the enjoyment the individuals experience in completing the task in the work environment. It can be influenced by changes in the design of individual tasks and the task context
- Normative intrinsic motivation level - driven by the goal of engaging in behaviour that is compliant with the norms and values of the organisation

Interest alignment

- This can be influenced by the socialisation processes within the organisation
- Organisations can influence interest alignment positively through adjustments of the three interest alignment levers:
 1. the reward system
 2. the socialisation regime
 3. changes to job design

Resource-based view (RBV) – alliances

- RBV have in the past only envisioned companies as independent entities
- Result - only a partial account of company performance was given
- Why? Companies do not only exist in isolation but also form alliances with other companies
- Alliance partners can play a significant role in shaping the resource-based CA of the company through network resources
- Network Resources are external resources that are embedded in the company's alliance network that provide strategic opportunities and affect company behaviour and value.

Resource-based view (RBV) – resources

- Fundamental assumption of RBV (companies must own or at least fully control the resources that confer competitive advantage) is incorrect
- Ownership or control of resources is not a necessary condition for CA
- It is the services that resources provide, not the resources themselves that generate value for the company
- Proprietary assumption of RBV prevents an accurate evaluation of a company's CA
- When an alliance is formed, each participating company endows a subset of its resources to the alliance with the expectation of generating common benefits from shared resources of both companies
- Therefore, each company possesses a subset of shared resources and a subset of non-shared resources that together form its complete set of resources.

Best Practices Paradigm

- Direct relationship between particular HR approaches and company performance
- Evidence is found that certain HR practices can be related to company performance - such as compensation, selection and training activities
- Bundles or systems of HR practices have more influence on company performance than individual practices working in isolation
- There are notable differences across studies as to what constitutes bundles of 'HR best practices'
- Most studies focus on enhancing the skill base of employees through HR activities - selective staffing, comprehensive training and broad developmental efforts like job rotation and cross-utilization
- Promotion of empowerment, participative problem solving and teamwork
- Creating role behaviours (company strategies dictate certain unique attitude and role behaviours from employees, and HR practices are the primary means to make this happen, because role behaviours of employees are observable and also transferable from one organizational setting to another, they may be easily duplicated and may not be an enduring CA)
- The impact of HR practices on company performance may be further enhanced when practices are matched with the competitive requirements inherent in a company's strategic posture;
- Delery & Doty identified 7 practices consistently considered to be strategic in nature:
 1. internal career opportunities
 2. formal training systems
 3. appraisal measures
 4. profit sharing
 5. employment security
 6. voice mechanisms
 7. job definition
- This new trend came about with the introduction of the strategic HR approach 3 primary perspectives:
 1. universal approach
 2. contingency approach
 3. configurational approach

Universalistic approach

- Huselid - assumes that there are certain best HRM practices that will contribute to, for example, increased financial performance of a company regardless of the strategic goals of the company
- Little work has been done that provides a definitive prescription as to which HRM practices should be included in a best-practices system
- Work undertaken has either focused on single organizations like banks or only on single jobs within organizations, without really considering some other internal or external influences
- Theoreticians and researchers have argued that a contingency perspective is more appropriate to strategic HRM

Contingency approach:

- More appropriate to strategic HRM;
- Differs from universalistic approach – research undertaken attempts to links HRM systems and practices to specific organizational strategies
- 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 contributes to the attainment of organizational goals
- Configurational approach argues that the fit of HRM practices/systems with the company strategy is a vital factor but that there are specific 'ideal types' of HRM systems/practices that provide both horizontal and vertical fit of HRM systems/practices to the organizational structure and strategic goals
- The configuration of practices/systems that provides the tightest horizontal and vertical fit with any given strategy would then be the ideal type for an organization pursuing that particular strategy
- Horizontal fit refers to the internal consistency of the organization's HR policies/practices
- Vertical fit refers to the congruence of the HR system with other organizational characteristics such as the company strategy

Configurational approach

- the pattern of HRM practices and systems contribute to the attainment of organizational goals
- fit of HRM practices and systems is vital

Process Paradigm

- Anchored in RBV and Best practices theory
- Amit & Belcourt created the theory
- Refer to HRM processes as deeply embedded company specific dynamic routines by which the company attracts, socialises, trains and motivates, evaluates and compensates its HR
- Company specific HRM processes are established by developing and exchanging information through- out entire organization
- Organizational learning, creates transfers and institutionalizes knowledge through the organization, which increases adaptability
- HRM processes in a company are revolutionary
- Continuously evolving and adapting by drawing on past experiences to refine the effectiveness of processes and to meet the changing needs of the organization
- HRM processes can become one of the company's strategic assets if they are able to help realize superior profitability
- HRM processes is an engine of renewal that can be used continually to adjust the way in which a company selects, trains, socializes and evaluates its human capital and enables a company to execute its strategy effectively
- Universal adoption of best practices → company homogeneity as people come and go, but processes remain and improve the company

Thus HRM processes are about how things are done, NOT what is produced.

STUDY UNIT 3: HUMAN RESOURCES AND LEADERSHIP

Learning Outcomes for Study Unit 3

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 organizational models of leadership
- List the various leadership training and development techniques
- Describe the leadership role of human resources

LEADERSHIP

Leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent.

Leadership involves:

- establishing a clear vision,
- sharing that vision with others so that they will follow willingly,
- providing the information, knowledge and methods to realize that vision, and
- coordinating and balancing the conflicting interests of all members and stakeholders

The ten leadership management roles

1. *Select the right people*

It all starts with getting the right team in place – together, the whole can be greater than the sum of its parts. You need to select the right people for the right jobs, build a complementary team, and align your people with your organizational goals and culture.

2. *Show empathy*

Empathy is the ability to listen to people, relate to their emotional experience and let them know that you are doing so. According to Iain Crossing, it is the most important core competency for managers and leaders.

'Developing the ability to understand people and connect with them in a genuine, meaningful way is a key determining factor in how effective you can be at influencing them, setting them objectives that motivate them, and rewarding them in a way they each actually find rewarding,' says Crossing.

3. *Communicate*

Communication is the key to fostering empathy and building relationships of openness, trust and honesty with your team. The first step in effective communication, according to Crossing, is to create the time and space for people to talk, and to ask questions.

Communication needs to flow in all directions, from managers to their staff, from staff to managers, and between team members. An effective leader is a good listener and fosters an environment where people get to know each other and understand each other's strengths, weaknesses and styles. Good managers are open to the input of their staff and learn from their feedback.

4. *Lead by example*

It's also important to practice what you preach. You can't expect your staff to work harder than you're willing to. As Lee says, 'Respect doesn't come from your position – you have to earn it.'

5. *Delegate*

It's important to let your staff take ownership of their work and find their own ways of doing things. As Crossing advises, 'Delegate responsibility rather than tasks.'

'Don't interfere – know when your staff can run with things.'

6. Be positive and constructive

It's better to tell people what you want them to do rather than telling them what you don't want them to do, according to Crossing. If you have to comment on poor performance, use actual observations to demonstrate the issue and talk about behaviours (which people can change) rather than criticise personalities or make value judgments.

7. Thank and reward your staff

This area is often neglected but can't be overstated – it takes little effort to thank someone but it can make all the difference to how people feel on the job.

When it comes to rewards, Iain Crossing says that it's important to provide rewards that people will actually find rewarding. For example, some people love to be taken out for lunch, while others might prefer time in lieu or more autonomy or responsibility. Many managers reward people in the way they themselves like to be rewarded, which is not always effective.

8. Develop your staff

Lee emphasizes the importance of focusing on your staff's development and says, 'Help your employees to succeed – their success is your success. Be patient. Coach them and coach them and coach them ... they'll remember one day.'

The best way to coach your people is to help them focus on process rather than content, according to Crossing. As a manager you will have people coming to you with issues and problems, but instead of getting bogged down in the detail, coach people by asking them to outline the problem, describe the impact the problem is having, describe what they've tried already, define an ideal outcome, explore the resources they might use to get there, consider possible next steps, have them try it and come back with the results. This turns the problem into a great learning opportunity and empowers the person to solve the problem themselves.

9. Encourage innovation

It's important for leaders to think outside the square and know when to take risks. As Wallace Lee advises, 'Take risks with your employees – often they bring pleasant surprises.'

10. Be flexible

Good managers have a flexible approach and adapt their style to individual employees, allowing them to work to their own style.

Flexible workplace practices have also emerged as an increasingly important priority for many employees.

Leadership Theories

Trait Theories – What Type of Person Makes a Good Leader?

- Trait theories argue that effective leaders share a number of common personality characteristics, or "traits."
- Early trait theories said that leadership is an innate, instinctive quality that you do or don't have. Thankfully, we've moved on from this idea, and we're learning more about what we can do to develop leadership qualities within ourselves and others.
- Trait theories help us identify traits and qualities (for example, integrity, empathy, assertiveness, good decision-making skills, and likability) that are helpful when leading others.
- However, none of these traits, nor any specific combination of them, will guarantee success as a leader.
- Traits are external behaviours that emerge from the things going on within our minds – and it's these internal beliefs and processes that are important for effective leadership.

Behavioural Theories – What Does a Good Leader Do?

Behavioural theories focus on how leaders behave. For instance, do leaders dictate what needs to be done and expect cooperation? Or do they involve their teams in decision-making to encourage acceptance and support?

In the 1930s, Kurt Lewin developed a framework based on a leader's behaviour. He argued that there are three types of leaders:

- Autocratic leaders make decisions without consulting their teams. This style of leadership is considered appropriate when decisions need to be made quickly, when there's no need for input, and when team agreement isn't necessary for a successful outcome.
- Democratic leaders allow the team to provide input before making a decision, although the degree of input can vary from leader to leader. This style is important when team agreement matters, but it can be difficult to manage when there are lots of different perspectives and ideas.
- Laissez-faire leaders don't interfere; they allow people within the team to make many of the decisions. This works well when the team is highly capable, is motivated, and doesn't need close supervision. However, this behaviour can arise because the leader is lazy or distracted; and this is where this style of leadership can fail.

Clearly, how leaders behave affects their performance. Researchers have realized, though, that many of these leadership behaviours are appropriate at different times. The best leaders are those who can use many different behavioural styles, and choose the right style for each situation.

- Contingency Theories - The realization that there is no one correct type of leader led to theories that the best leadership style depends on the situation. These theories try to predict which style is best in which circumstance.
- Power and Influence Theories - Power and influence theories of leadership take an entirely different approach – these are based on the different ways that leaders use power and influence to get things done, and they look at the leadership styles that emerge as a result.

Leadership training and development techniques

- Create Entrepreneurial Culture - Compensate your employees with aggressive large cash bonuses to keep them engaged. Your team craves an achievable carrot that provide frequent gratification. This will encourage out-sized dedication and engagement from your employees
- Best Tools for Team - Provide superb support (equipment, software, etc) for your team and they will provide extraordinary results. It costs more than their competitors however it enables our engineers to get more creative so we can solve our clients challenges.
- Listen-Put a cork in it and listen to your clients or vendors or employees. Really listen. Turn off your cell phone. Listen intensely. You will get more out of meetings and will draw conclusions that will pay dividends. People will notice you are attentive and take meetings more seriously. The duration of the meetings will decline since meetings will go faster since everyone is engaged
- Continuous Improvement - Improve yourself and your company 1% each day. By the end of the year you will more than double your productivity or sales. Never be complacent. Even if your team is better than your competitors, they are gunning for you. Up your game so your clients are enchanted with your performance.
- Cure Mistakes Fast or "Hire Fast, Fire Fast" - As the economy picks up, hire people to keep up with demand. Be picky. Purge the mistaken hires quickly so that your "A" players do not become disappointed.
- Grant Freedom--Hire Great People. Hire great people and get out of their way. If you have a wonderful person, why would you want to slow them down with pestering questions? It slows them down from their mission and makes them second-guess themselves. They will make mistakes but you will be way ahead on the deal if you give them opportunities for an unfettered launch.
- Mentor, Not Bully-When discussing topics with your team mates, be a counsellor. Mentoring talent is the best way to get a dedicated engaged employee. Many leaders get a thrill bossing around people. This bullying tendency drives down employee motivation.
- Failure is the Leader's Fault-Mistakes will happen. Failure is common. Don't throw your team under the bus. Improve systems so failure does not occur again but stand in front of the troops or clients and take the blame. This conduct will ingratiate you with your associates and your team will embrace you for taking the heat.

- Success is due to the team-Wins happen. Lavish praise on your team and thank them for the success. Do not take credit. The team won the game--you should not call out your contributions. People follow humble leaders.
- Transparent-Be unique and call it like it is. Do not beat around the bush. When you first observe a problem, share the concern with the person that tripped up. Clearly articulate the failure and suggest ways to improve. Strike when the facts are in and be concise in your description of the problem and the remedy. Do not tolerate lies of omission.
- Integrity -be the most honest person on the team. Do not cut corners. Do not enter the "grey areas." People like working for honest people.
- Cool-Leaders should be even keeled. Quiet understated approach is more likely to generate loyalty and trust. Raising your voice and getting in people's faces do not encourage long-term devotion.

Leadership role of human resources

- A key role of HR is ensuring that the organization has the right people performing well in leadership roles at all levels. This means HR must focus attention in five key areas: job architecture, incumbent assessment, performance definition, recognition for success and building leadership capacity
- HR's most important role may well be ensuring that the organization has an ample supply of leadership and management capability at every level of the enterprise. It is leaders, who envision the future and help people generate the motivation to go there, and managers, who see to it that systems, assets and processes serve their purposes efficiently, who enable the enterprise to make the most of each employee's contribution.

In a world where technology evolution, demographic shifts and social change are rewriting the rules of the workplace, the role of the HR function will also continue to change. What should not change, however, is the contribution that HR makes toward building and preserving the organization's leadership and management capacity. HR should remain focused on this fundamental goal, acting as ally, trusted advisor and coach.

STUDY UNIT 4: THE STRATEGIC ROLE OF HUMAN RESOURCE MANAGEMENT

Learning Outcomes for Study Unit 4

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

Strategic Human Resource Management (SHRM)

Strategic human resource management (strategic HRM, or SHRM) is an approach to managing human resources that supports long-term business goals and outcomes with a strategic framework. The approach focuses on longer-term people issues, matching resources to future needs, and macro-concerns about structure, quality, culture, values and commitment.

What Does Strategic Human Resource Management Include?

Strategies for Organizational Leadership

Leaders and corporate executives of any organization are pivotal for achieving the goals of that company. The recruitment and selection of these company heads and executives is done by the HR department, as it has earned the respect of the decision makers for their excellent staffing decisions made in the past. The HR professionals who are business partners as well have to take leadership seriously especially when making decision and offering ideas to the leaders of the organization.

Strategies for Talent Growth

Among the assets of the company, human capital talent is by far the most important. It is the job of the human resource management for evaluating the human resource needs of the company in the future and making plans for retaining and recruiting the best talent. Another element of strategic human resource management is continuous development and training of the employees. HRM also shoulder to identify the competencies that are required for a job including skills, knowledge and abilities, as well as develop job descriptions that explain the responsibilities of each job.

Strategies for the Promotion of High Performance

Defining the performance measures is considered an important measuring scale for an organization, according to the American Management Association. The workplace behaviours have a major impact on the failure or success of a company and the top leaders play a role in getting the employees to realize this. HRM strategies are meant to give the leaders a chance to come up with an organizational culture that is inductive to working for employees.

Employees in a high-potential organization are known for their creativity and high performance levels.

Planning Strategies

Strategic planning is considered as the prime success reason by successful companies for what they have gained with their employees and customers. Strategic human resource management is extremely necessary for laying the foundations of strategic planning. HRM performs an important role in retaining top talent and determining the satisfaction of customers through employee satisfaction surveys and customer interviews respectively.

Strategic Management

Strategic management involves the formulation and implementation of the major goals and initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes. Strategy is defined as "the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Strategies are established to set direction, focus effort, define or clarify the organization, and provide consistency or guidance in response to the environment.

How to design and implement an HR strategy

Define the company vision

To begin with, develop a concrete vision for the company. Perhaps you have already established a company mission statement, or you have a general idea of the direction the company is going. It is crucial to the development of a human resource strategy to have a clear vision for the company. Knowing where the company is headed will give guidance to how human resources can assist the company in reaching its goals. Communicating those goals to the human resource department will help provide concrete methods that the HR strategy can use. By solidifying the company's short and long term goals, the HR strategy can be tailored to best help meet those goals.

Establish the human resource department's role

After the company's vision has been clearly identified and communicated, the next step in developing an effective HR strategy is to establish the role of the human resources department. When designing a strategy for the HR department, understanding the specific tasks that HR will handle is essential.

Develop a company overview

Once the role of the HR department is clearly outlined, a company evaluation must be completed. In effect, a total workplace plan will be established, giving a picture of where the company currently is and providing a means of reaching their business goals while maximizing human resources. Establishing a strategy that will work must include feedback from people at all levels of the organization. Discussions with the financial department and company executives can determine the staffing needs of the company and ensure that an adequate number of people are hired as needed. The HR manager should meet with key employees in all departments to compile the characteristics of the best employees in each position.

Investigate company needs

Subsequently, the next step in developing an effective HR strategy is to begin seeking out the required human resources. This portion of the strategy includes not only hiring a talented workforce, but determining the methods of attracting that workforce.

- Would attending a job fair be a useful means of attracting potential employees?
- Does placing a classified ad generate the type of skilled labor force you require?

This may require an evaluation of the demographics of the existing labor force. Further, the HR strategy needs to include the areas that provide the competitive advantage within the job market, and find ways to maximize that advantage. Identifying weaknesses among the company staff members as well as providing a framework and timeline for correcting that area is also an important feature of the HR strategy.

Evaluate HR Processes

Implementing measurement tools to evaluate employee job performance is imperative to help shape the company's human resource department. These evaluations may be done in the form of 360 evaluations, career development reviews, performance reviews or other formats. The results of employee evaluations can help the strategy realign with company goals, install new training mandates to communicate job responsibilities and goal, as well as give indication of the overall climate of the workplace.

Implement the plan

Once the HR strategy has been developed, the plan must be implemented. Oftentimes, companies spend time and money developing plans that are filed in a drawer and never utilized. By creating a viable HR strategy, businesses can avoid this pitfall and develop a plan that will help their business improve.

The HR strategy, while a driving force of the company, needs to be flexible to meet the ever changing needs of the company. Implementing a new strategy can be confusing and tiring. Company executives may be reluctant to 'rock the boat' with new methods of human resource planning. It should be noted, however, that the leadership of the company sets the tone for how the employees react to new systems. If the company executives embrace the new plan and demonstrate a willingness to utilize the new HR strategy, it is more than likely that the rest of the company will follow suit.

Measure success

For a HR strategy to be effective, it must be measurable. Determining specific and measurable objectives are necessary to ensure that the strategy is working, and that it is beneficial. These objectives must give clear indication of how the success of a strategy will be measured.

Models of Strategic Human Resource Management

- Corporate strategy: This strategy is formulated at the top mangier level. This strategy may be influenced by both internal and external environmental forces.
- Internal environment: Internal environmental forces play a pivotal role in formulating corporate strategy as well as business strategy.
- External environment: Some external forces also affect corporate and business strategies. Among these forces competition and government regulations play most significant roles.
- Business strategy: The next stage of, strategic human resource management after formulating corporate strategy is business strategy. This strategy is formulated for each business unit as per its overall objectives.
- Human resource strategy: The main function of strategic human resource management is to formulate a well-conceived HR strategy incorporating HR planning and job design approaches.
- Employee separation: This process is a key strategic issue for the separation, employees leave the organization smoothly but at this, operations do not suffer or important professional relationships do not hamper
- Laws regulating employees: Sometimes regulating authority imposes embargo on recruitment promotion, pay scale of the organizations and so on. Thus SHRM activities are affected,
- HR information systems (HRIS): For making an effective HR strategy some relevant information are essential. Through a strong HRIS, the decision makers may make a human resource strategy and perform other HR functions.
- Staffing: Staffing means acquisition of human resources for the vacant and potential vacancies of the organization. Efficient employer must be recruited through the effective staffing program.

- Training: After effective staffing, training is the next stage of SHRM. Training is a process of increasing knowledge, skills efficiencies and changing the attitude of employees for attaining goals properly
- Performance management: Effective performance management systems need employment results, assess both organizational and individual needs and plan for the future progress.
- Compensation: Another most important and difficult task of SHRM is to make a well-accepted compensation plan. If the plan is made acceptable to the union leaders and general employees, it may be an excellent job for the SHR manager.
- Labour relations: A good industrial climate is very important for smooth running of the organization. Harmonious labour-management relations may help the purpose.

Therefore, SHRM (Strategic Human Resource Management) always try to maintain good labour-management relations.

STUDY UNIT 5: MANAGING FLEXIBLE PATTERNS OF WORK FOR COMPETITIVE ADVANTAGE

Learning Outcomes for Study Unit 5

After studying this study unit you should be able to

- define the concept of flexibility
- list ten organizational/management practices organizations 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

Define the concept of flexibility

- "Flexibility is about an employee and an employer making changes to when, where and how a person will work to better meet individual and business needs. Flexibility enables both individual and business needs to be met through making changes to the time (when), location (where) and manner (how) in which an employee works. Flexibility should be mutually beneficial to both the employer and employee and result in superior outcomes."
- Formal flexibility policies are "officially approved human resources policies, as well as any official policies that give supervisors discretion to provide flexibility."
- Informal flexibility refers to "policies that are not official and not written down but are still available to some employees, even on a discretionary basis."
- While most formal work arrangements can usually be identified, organizations acknowledge that utilization statistics probably underestimate the true reach and impact of flexibility, as they cannot accurately determine the extent of informal flexibility—for example, employees who occasionally alter their work hours or work from home.

Definition and description of flexibility in the workplace

- The various ways in which work is programmed in an organisation is also highly affected by flexibility. Changes are constantly taking place in organisations; therefore it is also essential for change to take place in the way work is completed. Workplace flexibility is defined as "the ability of workers to make choices influencing when, where, and for how long they engage in work related tasks" (Hill et al. 2008:152).
- Flexibility is an approach used to define how and when work is carried out and how careers are organised and structured. It is a critical factor to overall workplace effectiveness (Hill et al. 2008). Firms make use of it as a means for improving recruitment and retention, for managing workload, and for responding to employee diversity (Hill et al. 2008).
- Not only does workplace flexibility attract suitable candidates but employers also have the responsibility of doing everything in their power to make the workplace as pleasant as possible for the employees.
- Employers must therefore look after their employee's interests and create opportunities for them to grow and develop (Nieman & Bennett 2006:251). Working in a company where the activities and working hours are flexible and where employees manage to find ways in balancing work and personal life is beneficial to all (Nieman & Bennett 2006). Therefore, employees in such companies are most likely to be settled in their positions and duties; have a higher chance of increased work performance and improving retention in the company (Nieman & Bennett 2006)).
- In a flexible business environment, employees become more innovative and responsive to the client's needs, and their constant changing demands (Hill et al. 2008). Studies have shown that having workplace flexibility makes any business become less vulnerable from internal and external threats.

Another major key factor in a business' success is the investment in technology and software that makes it even easier for any business to adapt to being flexible (Nieman & Bennett 2006). Technological advancement has been very influential in the running of businesses, it has made the carrying out of tasks/activities/administration and financial work more efficient and effective and less time consuming with easier access to the internet.

- According to Dickens (2005), there are many varieties of flexible working options. They consist of different working patterns such as:
- Flexible working time: In this pattern the employees total working hours are at different times during a day, e.g. the employee decides when he/she should pitch for work in the mornings, or leave in the afternoon. As long as the employee works for the amount of time stated in the contract.
 - Flexible working hours: In this pattern an employees' total number of hours is diverse.
 - Flexible career: This pattern involves an employee taking leave in their career, or taking an absence from the company, but still remains an employee at the particular company, e.g. worker who take a break from work without pay for personal reasons, but carry on the same employment when they return.
 - Flexible Place: In this pattern employees are permitted to work in other places other than their offices, depending on the job task.

Organization readiness for flex work

Before implementing flexible work patterns it is necessary to determine the organization'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 organization. The use of flexible work arrangements can imply operational, managerial, organizational and cultural changes in organizations. In the section "Organization readiness for flex work" ten organizational and management practices are identified to determine if an organization is ready to implement flexible work techniques. These practices range from approved policies on the one hand to effective communication on the other.

Changing dynamics of flexibility

"The changing dynamics of flexibility" describes four role players involved in the new flexible environment, namely the flexible core worker, the flexible organization, 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 organizational 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 organization develops sustained competitive advantage through their human resources, it will have to continue investing resources in these employees.

Types of Flexible Work Arrangements

- Telecommuting or working remotely. With this type of flexible working arrangement, the employer does not dictate where the employee is located to do the work. Obviously this requires the type of job that can be done from anywhere (usually with the assistance of technology like VPNs to access the employer's systems, video conferencing to join meetings, and mobile devices for portability). A remote working option could be implemented full-time, or it could be implemented for a specified number of days per week. Either way, the employees get the benefit of reduced commuting costs and have the flexibility of working from wherever they may be that day.
- Shortened workweek through a compressed work schedule. This type of flexible arrangement allows employees to have longer consecutive periods off of work, and that flexibility can be beneficial for many. It works by compressing the work hours into fewer days, such as allowing individuals to work four 10-hour work days in a row and then take 3 days off. This might allow employees to have more time for personal pursuits or to save money on commuting costs and/or child care.

Adjusted work hours. This type of flexibility involves allowing employees to alter their work hours (usually within specified options) to better suit their needs. For example, an employer may allow employees to start their 8-hour workday any time between 6 a.m. and 9 a.m. to accommodate those who have other activities that need to be accomplished in the morning. Or they may allow employees to take time out during the workday to attend to personal needs without penalty, as long as they complete the requisite number of agreed-upon hours for the day or week. Or the employer may have multiple set schedule options (typically done to ensure coverage during specific times), but still allow employees to choose which of the schedule options best fits their needs. Yet another option for employers is to allow the work to be done at any time that suits the employee, as long as all of the work gets done in a timely manner.

- Part-time work. Part-time work can be a benefit for individuals who would prefer to work fewer total hours in a workweek. This is especially true if an employer opts to offer part-time employees some or all of the benefits that are available to full-time employees (as loss of benefits is one big reason that a lot of people do not look for part-time work, even if they could otherwise benefit from fewer hours.)
- Job sharing. Though perhaps less common than some of the other options on this list, job sharing is another avenue to allow some flexibility for employee schedules. As the name implies, this is where a single full-time job is shared between two or more employees. The details can be worked out on an individual basis, but each person only works a portion of the workweek. In practice, this results in a similar situation to having a part-time job, but there are additional benefits for the employer in some cases, such as the ability to have built-in coverage for when one of the individuals is away from work. Administration and fairness to each employee can be more difficult to manage, however, since both employees must be responsible for the same workload.
- Vacation time flexibility - Headlines keep popping up reminding us that more organizations are trying the idea of unlimited vacation time. This type of arrangement usually is set up with specific requirements that must be met before vacation can be taken - such as being caught up on work or having a continuation plan in place for ongoing work. Usually the organization will need to have a culture that rewards employees for doing their job well, regardless of how many hours the individual is at the workplace.

There are benefits for both employers and employees when using flexible working arrangements. For example, with staggered work start times, the employer may benefit from having employees working for a longer part of the day, thus being available for customers for longer. Employers may also benefit from improved job satisfaction of employees, less burnout, and reduced turnover that may result.

How to Make Flexible Work Arrangements a Success for Your Business: Problems and Solutions

Employers can help ensure that both they and their workers reap the benefits of flexible work arrangements by being aware of some of the most common problems associated with these plans and how to avoid them:

Problem #1. Failure to Include Employees in Planning Stage

One of the most common mistakes that companies make when establishing flex plans is insufficient communication with workers.

Solution: Seek input from employees on their interest and needs as you develop a flexible work program. Assess whether or not the new work arrangement is appropriate for their type of work. Will workers be able to continue to function effectively? The best arrangement is one that addresses employees' personal needs or wants and at the same time addresses the company's needs to provide high quality products and services.

Problem #2. Failure to identify that Certain Positions/Individuals are not Conducive to Flexible Work arrangements

Solution: Do your homework. Will the arrangement cause difficulties in ensuring office coverage? Will it cause customer complaints about availability? Do the benefits outweigh the costs? Is there any employee interest in the plan? Will it cause a problem in scheduling meetings?

An individual's work style and history should also support the demands of the arrangement; i.e., Employees who have shown an inability to work well independently would not be ideal candidates for telecommuting arrangements, and employees without the needed physical and emotional stamina would not be able to sustain the long hours needed for compressed work schedules.

Problem #3. Informal Policies that Lead to Inconsistencies and Inequities

Inconsistent application of informal policies can cause resentment, poor morale, loss of employees and even legal action.

Solution: Develop and prepare a formal written policy on company flexible work plans that is detailed, clearly-stated and non-discriminatory.

Problem #4. Decrease in Communication

Work arrangements such as telecommuting can result in a lack of business and social contact with co-workers and supervisors.

Solution: Conduct staff meetings that include flex staff so that they are not excluded from information sharing or alienated from co-workers and managers. Telecommuters' contact with other employees should not be limited to email; efforts should be made to include telephone contact, especially with supervisors.

Problem #5. Resistance of Management

Managers are not always eager to relinquish direct supervision of staff "on-site" where they can visually evaluate the work process of employees.

Solution: Managers may need to be educated in order to change their mind-set. They will need to learn to manage in a system based on trust and respect, where it primarily the results, rather than the work process, that is evaluated. Most output can be measured wherever a person may be located.

Problem #6. Failure to Monitor, Assess and Update Flexible Work Arrangements

Flexible work arrangements may require a continual process of improvements or developments.

Solution: After a flex program has been initiated, take the time to assess its success in meeting goals, and make any necessary adjustments. Keep the lines of communication open with employees in terms of encouraging and listening to feedback. When initiating a new plan, pilot programs with a limited time frame can be useful. At the onset, advise employees that - if the plan proves unsuccessful - a return to prior traditional work arrangements may result.

Problem #7. Legal Pitfalls

Lawsuits have been charged against businesses in recent years with a number of flex time abuses. Most flex time litigation has to do with the misclassification of workers as being exempt from overtime. There is also the danger of a worker being injured at home while performing company business, which may also result in litigation.

Solution: Employers must precisely determine which employees are exempt or non-exempt. Non-exempt employees are entitled to overtime pay for hours worked in addition to 40-hours in any given work-week. These employees must be required to document and submit hours worked.

Employers need to communicate with home workers that they are required to work in a healthy and safe home office environment. Advise home workers that they need to report any work-related injuries to you within 24 hours of occurrence. If an employee reports getting injured at home, be sure to get a detailed account of the particular work activities performed at the time of injury.

Although implementing a flexible work program may take time and planning, the benefits can be well worth the effort for small business. Among the benefits: increased job satisfaction, lower absenteeism and increased loyalty to the employer.

The Atkinson flexible firm model

Researchers have also given huge emphasis on models of flexibility. The most common one is the Atkinson's flexible firm model. Many of the forms of flexibility illustrated above in Table 1 can be identified with the flexible firm model developed by John Atkinson in 1984. Atkinson's model is important in combining the different forms and dimensions of flexibility, as well as contributing to developing a structure for understanding workplace flexibility (Atkinson 1984).

The flexible firm model is a mixture of functional, numerical and financial flexibility by working with a workforce that consists of core and peripheral workers, as well as a number of other 'outside' workers who are not a part of the organisation but provide their basic or essential services (Reilly 2001).

Atkinson identifies functional, numerical and financial flexibility as the major types of flexibilities that succeeding companies should seek for (Atkinson, 1984). Functional flexibility has to do with the ability of employees to cope with different tasks and moves between jobs, e.g. multi-skilling (Dilworth 1996). This approach enables employers to match changing workloads, production methods and technology. Numerical flexibility involves having the power to change the number of employees or the number of hours that each employee has worked, in reaction to the changes in demand (Dilworth 1996). Financial flexibility involves a company's ability to adjust employment costs in response to supply and demand in the external labour market. The objectives of functional and numerical flexibility are made easier thanks to financial flexibility (Dilworth 1996). Also, it involves a move away from standardised pay structures. It is directed towards more individualised systems dependent upon performance.

Furthermore, Atkinson had proposed an ideal model of the fully flexible organization (Atkinson 1984). An organization of such kind would hire numerically permanent core group of workers. The core group would include full-time workers who would execute out the key activities and duties in the company (Atkinson 1984). Neighboring the core employees are the peripheral groups. There are two types of peripheral groups. The first type of peripheral groups consists of workers that have permanent contracts, but have fewer career opportunities and less employment security. The second type of peripheral groups consists of part-time employees, job sharers, or workers that are on short-term contracts (Atkinson 1984).

Arguments against the Atkinson Model

Although both core and peripheral workers form part of an organization, they are somehow both distinguished and treated differently. Bryson (1999) has argued that the core employees are more exposed to training and development, and benefit more through their involvement and participation in the various group tasks and activities done in the workplace. The peripheral employees however, seem to have fewer benefits offered in the job, making this an unfair treatment (Bryson 1999). During a country's recession period, the peripheral workers are the ones at higher risk of being retrenched or dismissed from the workplace, because the majority of them have short-term contracts and less opportunities whereas the core employees have a more secure position based on their full-time contracts in the company, states Bryson (1999). So how can organizations use the flexible firm model for better organizational structure? Interesting enough, what is also highly emphasized about the Atkinson's model is that the flexible firm model itself is not exactly the way for structuring all organizations; it is just a model that can help somehow. Organizations can therefore use other means of organizational structure that have been more highly effective in the past.

The link between the core and periphery sectors is more complicated than it is generally assumed by the core-periphery model (Kallenberg 2001). It is often assumed that employees in the periphery are utilized to protect the core group, but this is not the case. Furthermore, both the core and periphery groups may be linked in most ways than others, especially when it comes to recruitment and selection of temporary agency staff for fixed or full-time positions (Kallenberg 2001).

In addition, whether or not the flexible firm model identifies both the core and periphery labour force as a separate employment category is questionable. Some writers have found that the hiring of temporary workers is more likely to happen where demand is predictable.

Also, overtime is the ideal method or way to acquire temporary flexibility where demand is unpredictable. Thus, standard workers are not being substituted by temporary workers (Pollert 1988; Legge, 1995; Buultjens and Luckie, 1997). It is highly ironic how recent evidence has suggested that some managers and trade unionists view part-time employees as marginal, because surprisingly, temporary employees and part-time employees are also each treated as separate labour force segments (Pollert, 1988; Legge, 1995; Buultjens and Luckie, 1997).

Studies have illustrated that temporary work is often shown to be a screening procedure used to hire permanent staff instead of a strategy to increase a periphery. On top of that, there is also evidence that the main reason for utilizing self-employed workers is for specialist skills which are unavailable in the core work force. It is not to provide numerical flexibility (Pollert, 1988; Legge, 1995; Buultjens and Luckie, 1997).

In summary, experiential research continuously comes to the conclusion that the flexible firm model itself is not enough to explain the changes that have constantly taken place and been observed in organisations (Proctor et al. 1994). Researches who have argued against the Atkinson's model, argued seem to agree that in a majority of cases, the theoretical contrast made between core and peripheral workers basically seems to be unproven (Proctor et al. 1994).

Benefits of Workplace Flexibility

The pathway to future success for most organisations is having a flexible workplace. However, is having a flexible working environment more of an advantage than a disadvantage, especially in today's business world and due to the constant development of advanced technology? Exactly how can both employers and employees benefit from having a flexible workplace? According to Dickens (2005), the benefits/advantages for the employees include:

- An improvement in productivity: Working in a flexible environment helps the majority of employers as well as employees to work smarter and increase their work practices to be more effective and productive.
- An improvement in work-life balance: In today's large companies, many employees are striving to meet both work and personal commitments. Workplace flexibility somehow improves quality and effectiveness both in their work and personal lives.

- Increases employee job satisfaction: Employees become more confident and motivated to perform in their highest capacity, as they are more flexible to meet their duties and are driven to work harder and more creatively.
- A flexible workplace environment shows that the needs of the workers are taken into consideration, and this in turn increases their loyalty, trust and respect towards their employers.
- Dickens (2005) states that for the employer, the benefits include the following:
 - Having a flexible workplace increases the retention of the permanent employees; organisations get to retain experienced and valuable employees. They become less likely to leave or search for work elsewhere.
 - Minimizes absence and turnover: A flexible workplace decreases the stress level of employees, stress that is often caused by trying to meet their job and family commitments at the same time. Flexibility enables them to develop a greater sense of well-being, and look forward to going to work each day.
 - With workplace flexibility, organisational resources are matched more closely with customer/product demand.
 - A flexible workplace attracts highly qualified expertise that become keen to share their experience and knowledge in the company.
 - A flexible workplace results to greater profits and a higher market share, due to the hard work and dedication of its employees.
 - Employers get to save in recruitment costs, and minimize the fixed labour costs, such as
 - office space, fuel, etc.

Of course, to every advantage, there is always a disadvantage. The major disadvantages of flexible patterns are the following (Stredwick & Ellis 2005):

- Often, there is a need of a specialized management team for the flexible workforce in organizations.
- Training costs often increase when implementing workplace flexibility.
- There is an increase in complexity in administration.
- Communication also gets affected; it tends to become difficult because of the segmentation of the workforce.
- Workplace flexibility often creates tension amongst the diverse categories of workers due to uneven treatment in terms of pay.
- Workplace flexibility increases job insecurity, especially for the part-time workers.

STUDY UNIT 6: TALENT MANAGEMENT - AN HR CHALLENGE

Learning Outcomes for Study Unit 6

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.

Why Talent Management Is an Important Business Strategy

Talent management is just another one of those pesky Human Resources terms. Right? Wrong. Talent management is an organization's commitment to recruit, retain, and develop the most talented and superior employees available in the job market.

So, talent management is a useful term when it describes an organization's commitment to hire, manage, develop, and retain talented employees. It comprises all of the work processes and systems that are related to retaining and developing a superior workforce.

Talent management is a business strategy that organizations hope will enable them to retain their top talented employees. Just like employee involvement or employee recognition, it is the stated business strategy that will ensure the attraction of top talent in competition with other employers.

When you tell a prospective employee that you are dedicated to a talent management strategy that will ensure that he or she will have the opportunity to develop professionally, you attract the best talent.

Theories of Talent Management

Human Capital Theory

Basic Premise of Theory

Human Capital Theory refers to the aggregate stock of competencies, knowledge, social, and personal attributes embodied in the ability to create intrinsic and measurable economic value. Human Capital Theory views humans and individuals as economic units acting as their own economy. The role of human capital is widely discussed in economic development, productivity analysis, innovation, public policy, and education.

Basic Concepts, Relationships between Concepts and Assumptions

- The basic concept of Human Capital Theory is that investments in individuals can be mathematically measured based on the economic value they are able to contribute to society.
- Human capital is often subdivided into categories such as cultural capital, social capital, economic capital, and symbolic capital. Human capital is developed in many ways.
- Economic capital is typically measured by the ability to perform labor which results in economic value. Education, job training, and marketable talents are all ways in which humans increase their ability to acquire knowledge and generate higher wages.
- Social capital and cultural capital refer to the relationships and influence individuals contribute to society. Although social, cultural, and symbolic capital are very difficult to measure, understanding their existence and value is still vital. Each type of human capital is important and the combination of all types generate total human capital.
- The assumptions of human capital theory revolve around the immeasurable nature of its many forms. Economic capital can be measured by its ability to produce wages, however, an intrinsic value of human capital exists although it is not always measurable. Secondly, human capital may be stored but not fully utilized at all times therefore making it difficult to observe and study consistently.

Evaluation of the Theory

Human capital theory is relatively consistent across different disciplines; the different types of human capital are more relevant depending on the primary subject matter. Measuring economic human capital and its return on investment is a vital aspect of the proposed theory. The measurement of human capital is done in many ways and new metrics are being developed to measure traditionally difficult fields such as social capital (Klout score).

Human capital theory has practical implication for determining the value of training and education. It allows individuals to calculate the expected future returns of an investment in education. In addition, human capital theory's utility allows individuals to quantify the value of their intangible assets such as education and social status.

Applications

The theory of human capital has both planning utility and measurement utility. Consumer economics and financial planning often measures the value of current choices versus their long run returns and implications. Human Capital Theory allows individuals to make decisions about the inherent cost of future opportunities weighted with the opportunity cost of present situations. Human capital theory also introduces the investment risks of human capital theory including its illiquidity and assumptions about payback periods and opportunity cost. Again, human capital theory can be applied to the lives of graduate students when looking at time allocation and the investments in health and social capital. Investments in both physical health and mental health are both necessary to maximizing overall human capital. Finally, measuring the intrinsic value of a PhD allows graduate students to continue their course of action even if the economic returns and opportunity cost produce a negative monetary return.

Resource-Based Theory

Influenced by Porter's [1980, 1985] studies in the 1980s, strategic management explains a firm's success regarding industrial sector features. From this point of view, firms in the same industrial sector having the same opportunities with few, if any, differences between them, remain that way only for a short period of time [Cuervo, "Universidad Complutense de Madrid--Spain. 84 FOSSAS OLALLA: HUMAN RESOURCES 85 1993].

Nevertheless, it is observed that an enterprise from the same industrial sector can be profitably different for a long time. How is this explained? Not only do external factors determine the firm's success and profitability but internal factors also play an important role. This idea is the origin of the resource-based theory. This new perspective considers that each enterprise is heterogeneous, having different established resources which arise from its own past history. Heterogeneous character can be maintained for a long time, thereby, having long-term income [Fernandez and Sufirez, 1996].

To the extent that these firm-specific resources and capabilities yield economic benefits that cannot be perfectly duplicated through competitors' actions, they may be potent sources of sustained competitive advantage." Along general lines of this theory, two key concepts are resource and capability. Wernerfelt [1984] says:

"By a resource is meant anything which could be thought of as a strength or a weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi permanently to the firm. Examples of resources are: brand names, in-house knowledge of technology, employment of skilled personnel, trade contracts, machinery, efficient procedures, capital..... "

Slight Difference Depending on Stated Talent Strategy

What appears to differentiate talent management focused practitioners and organizations from organizations that use terminologies such as human capital management or performance management, is their focus on the manager's role, as opposed to reliance on Human Resources, for the life cycle of an employee within an organization.

Practitioners of the other two employee development and retention strategies would argue that, for example, performance management has the same set of best practices.

It is just called by a different name.

Talent management does give managers a significant role and responsibility in the recruitment process and in the ongoing development of and retention of superior employees. In some organizations, only top potential employees are included in the talent management system.

In other companies, every employee is included in the process..

What Processes Are Part of a Talent Management System?

You can include the following systems when you approach talent management as your overall business strategy to recruit and retain talented employees:

- Recruitment planning meeting;
- Job description development;
- Job post writing and recruiting location placement for the posting;
- Application materials review;
- Phone or online screening interview'
- In-house interviews that can involve multiple meetings with many of your current employees;
- Credential review and background checking;
- Making the job offer to the selected person;
- Agreeing on the amount of the offer;
- Employee starting day and onboarding process;
- New employee welcome information and introductions;
- On-the-job training;
- Goal setting and feedback;

- Coaching and relationship building by the manager;
- Formal feedback systems such as performance management or an appraisal process;;
- Ongoing employee development;
- Career planning and pathing;
- Promotions, lateral moves, transfers;
- Employment termination by choice of the employee or cause by the employer.

As stated, the majority of these work systems are squarely in the hands of the employee's manager. HR can provide support, training, and backup but the day-to-day interactions that ensure the new employee's success come from the manager.

Developing and coaching the employee come from his or her active, daily interaction with the manager.

HR can take the lead in some of the activities you see on this list, especially in recruiting and selecting new employees, and in the case of an employment termination. HR is also deeply involved in the performance management system, career planning, and so forth leading the development of the systems.

But, managers are the means to carry them out for the overall recognition of the employee's work and ongoing retention of the employee. Take the responsibility seriously

Integrate Talent Management Fully in the Organization

- Talent management is a business strategy and you must fully integrate it within all of the employee related processes of the organization. Attracting and retaining talented employees, in a talent management system, is the job of every member of the organization, but especially managers who have reporting staff (talent).
- An effective strategy also involves the sharing of information about talented employees and their potential career paths across the organization. This enables various departments to identify available talent when opportunities are made or arise.
- An organization that does this kind of effective succession planning makes sure that the best talent you have is trained and ready to assume the next position in their career path. Succession planning benefits the employees and it benefits the organization. Managers across the organization are in touch with the employees you are grooming for their next big role.
- In larger organizations, talent management requires Human Resources Information Systems (HRIS) that track the career paths of employees and manage available opportunities for talented employees.

How Talent Management Differs From HR

Talent management differs from previous HR processes for hiring, training, and retaining employees—and indeed from HR itself—in several key ways:

Where hiring, training, and retention before were centralized in the HR department, with talent management many of these duties are federated to the front-line managers actually leading the employees in question. In this way the whole organization is responsible for, and has a stake in these activities.

- HR is more administrative-focused, dealing with pay, vacation days, benefits, and complaints, while talent management is almost singularly-focused on helping and improving the top talent in the organization. Think professional development vs. tracking attendance.
- Talent management is strategic, often manifesting as a company-wide long-term plan closely associated with overall business goals, while HR is more tactical, dealing with the day-to-day management of people.

The four pillars of talent management systems: A solid HR foundation

Recruitment

- Recruitment software: Snag the best talent before your competitors do
- Before HR managers can cultivate talent, they have to get high-quality candidates in the door. Recruitment software can aid the talent acquisition process by helping HR managers to research, source, communicate with and continuously engage potential job candidates.
- The recruitment software market is extremely dynamic, and consumer technology innovations such as social media and video platforms have revolutionized talent acquisition tools. In this section, learn about the newest trends in recruitment software, and get tips on how to effectively source candidates in today's socially connected world.

Learning

- Corporate learning: Develop employees to their fullest potential
- Learning management systems have long been used to administer courses and other formal training programs. However, experts say that corporate learning is now branching out beyond rigid course delivery to a more informal and integrated experience

Performance

- Performance management: Bring out the best in people
- Most organizations have historically adhered to an annual formal review process, where an employee sits down with his manager to discuss strengths, goals and areas for improvement. But today, HR managers are realizing that the performance management process itself needs improvement.
- In recent years, many companies have ditched the annual assessment-based review in favor of a more frequent, coaching-oriented model. Another significant trend in the performance management space is to involve more people in the review process, to supposedly get a more accurate picture of an employee.

Compensation

- Compensation management: Reward appropriately and quickly
- At many organizations, compensation management is handled in Microsoft Excel rather than dedicated software. But when spreadsheets become unwieldy, talent management providers offer compensation management modules to automate the task. In addition to reducing manual labor and potential for errors, experts say compensation management software adds visibility into bonuses and other employee rewards, which in turn magnifies motivation.

Five key areas to make talent a source of competitive advantage

1. Recognise the role of your internal talent

Definitions of 'talent' vary across the globe. Are you talking about all employees or a selected subset such as executives and senior leaders, high performers, maybe graduate in-take and fast-track members? Or in some cases, a new concept, critical talent roles? Start by clarifying who you mean by talent and how you will identify them.

2. Link your internal and external talent sourcing initiatives

Historically, talent related functions such as recruitment, learning & development and performance and succession have been siloed in the way they work. That has made linking internal and external talent sourcing initiatives harder than it should be.

There is a strong business case for sourcing candidates internally, according to the Saratoga Institute, which estimates hiring externally costs on average 1.7 times as much more than filling positions internally.

3. Create an 'engine room to develop internal talent

Learning and development is one of the central elements of the employee value proposition (for attracting and retaining key talent) as well as being the central pillar of talent development. So, make L&D the engine room of talent management. Whether you want to on-board new team members faster, raise current business productivity and performance, fill current skills gaps or develop strategic capabilities for the future – learning is key.

4. Create a clearly defined talent retention strategy

There is not much point in being great at talent acquisition or talent development, if you are not great at talent retention. Retaining key talent is one of the clearest returns on investment you can show related to your people, but money is only one of the factors at play here. For example, staff leaving can negatively impact your current performance, as well as reduce your current skilled capacity for work.

To retain your best people, you have to know who they are and to know why they might leave.

5. Collect the right data to support your talent development

Implicit to raising standards in talent sourcing, management and retention is having good data on the people concerned and their performance in the business, and being able to use it within the context of the business.

But reporting from talent and HR systems is notoriously poor – especially for the business itself. Improving this requires both an improvement in the accuracy of the data itself as well as better ways of presenting it. That doesn't just mean in the HR and talent systems, it also means being able to contextually embed talent related data within work systems and vice versa. For example, being able to embed performance support and learning around sales and customer service processes.

STUDY UNIT 7: MEASURING HUMAN RESOURCE MANAGEMENT WITHIN ORGANIZATIONS

Learning Outcomes for Study Unit 7

After studying this study unit you should be able to

- identify the key forces driving the use of scorecards in organizations
- 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 organizations

What is a 'Balanced Scorecard?'

A balanced scorecard is a performance metric used in strategic management to identify and improve various internal functions of a business and their resulting external outcomes. It is used to measure and provide feedback to organizations. Data collection is crucial to providing quantitative results, as the information gathered is interpreted by managers and executives, and used to make better decisions for the organization.

Breaking Down 'Balanced Scorecard'

The balanced scorecard was first introduced by accounting academic Dr. Robert Kaplan and business executive and theorist Dr. David Norton. It was first published in 1992 in a Harvard Business Review article. Dr. Kaplan and Dr. Norton took previous metric performance measures and adapted them to include nonfinancial information.

Kaplan and Norton describe the innovation of the balanced scorecard as follows:

"The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

Purpose behind the Balanced Scorecard

- The balanced scorecard is used to reinforce good behaviours in an organization by isolating four separate areas that need to be analyzed. These four areas, also called legs, involve learning and growth, business processes, customers, and finance.
- The balanced scorecard is used to attain objectives, measurements, initiatives and goals that result from these four primary functions of a business. Companies can easily identify factors hindering company performance and outline strategic changes tracked by future scorecards.
- With the balanced scorecard, they look at the company as a whole when viewing company objectives. An organization may use the balanced scorecard to implement strategy mapping to see where value is added within an organization. A company also utilizes the balanced scorecard to develop strategic initiatives and strategy objectives.

The Four Legs of the Balanced Scorecard

Information is collected and analysed from four aspects of a business.

- First, learning and growth are analysed through the investigation of training and knowledge resources. This first leg handles how well information is captured and how effectively employees utilize the information to convert it to a competitive advantage over the industry.
- Second, business processes are evaluated by investigating how well products are manufactured. Operational management is analysed to track any gaps, delays, bottlenecks, shortages or waste.
- Third, customer perspectives are collected to gauge customer satisfaction with quality, price and availability of products or services. Customers provide feedback regarding if their needs are being met with current products.
- Finally, financial data such as sales, expenditures and income are used to understand financial performance. These financial metrics may include dollar amounts, financial ratios, budget variances or income targets. These four legs encompass the vision and strategy of an organization and require active management to analyze the data collected. Therefore, the balanced scorecard is often referred to as a management tool, not a measurement tool.

The HR scorecard

The HR scorecard is a method for Human Resources to position itself as a strategic planning partner with line managers and executives within an organization. A detailed and excellent book on this topic is *The HR Scorecard*, by Becker, Huselid, and Ulrich. This book is available on either Amazon.com or the Society for Human Resource Management's web site.

The premise for an HR scorecard is that HR can and should develop metrics to demonstrate how HR activities impact profitability. The process we recommend is:

- Identify the critical deliverables for Human Resources
- Identify HR's customers (for the deliverables)
- Define HR activities that provide the critical deliverables (such as high-talent staffing or a retention initiative).
- Conduct a cost-benefit analyses of activities that provide deliverables.

Lastly, it's important to ask the right questions to determine if HR is providing the appropriate deliverables. Examples of these questions are:

- How many exceptional candidates do we recruit and retain for each strategic job opening?
- How many hours of results-oriented training do new employees receive annually?
- What is the differential in merit pay between high-performers and low-performers?

The Workforce Scorecard

The Workforce Scorecard argues that to maximize the strategic contribution of the workforce, organizations must meet three challenges: view their workforce in terms of its potential contribution rather than as a cost to be minimized (the perspective challenge); replace benchmarking metrics with measures that differentiate levels of strategic impact (the metrics challenge); and hold line managers and HR professionals jointly responsible for workforce quality and strategy execution (the execution challenge).

To make this happen, our main thesis in The Workforce Scorecard is that managers and leaders need a strategy for the business, a strategy for the workforce, and a strategy for the HR function. As a result, they also need a series of metrics and measures for each; a balanced scorecard, a workforce scorecard, and an HR scorecard, respectively.

Designing such a system begins with a clear understanding of the unique processes through which the workforce creates value in each business. The Workforce Scorecard offers a framework that identifies and measures the outcomes, behaviours, competencies, mind-set, and culture required for workforce success and reveals how each dimension impacts the bottom line. The lynchpin of this perspective is an emphasis on looking at the role of human capital from the “outside in” (or customer back), not from the “inside out” (starting with the HR function).

The Workforce Scorecard has four key elements:

- The first element is Workforce Success. Here the key question is: Has the workforce accomplished the key strategic objectives for the business?
- The second element is Leadership and Workforce Behaviours. Are the leadership team and workforce consistently behaving in a way that will lead to achieving our key strategic objectives? Have we identified and nurtured “A” Players in “A” Positions?
- The third element is Workforce Competencies. Does the workforce, especially in the key or “A” positions, have the skills it needs to execute strategy?
- Finally, the fourth element is Workforce Mind-set and Culture. Does the workforce understand the strategy, embrace it, and do we have the culture we need to support strategy execution?

STUDY UNIT 8: ETHICAL ISSUES AND CHALLENGES IN HUMAN RESOURCE MANAGEMENT

Learning Outcomes for Study Unit 8

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 programs and the benefits of such programs from an organizational perspective
- apply critical thinking skills and ethical imagination to resolve dilemmas and enhance decision-making in the practice of HRM

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 organizational 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 organization in a productive direction.

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

- As long as HR professionals are concerned with both the management of systems and the management of people, it is difficult to see how they could give up any one of these values.
- Operationalising the proper balance between conflicting values remains complex and goes to the heart of strategically managing human resources with integrity.
- To be regarded as a profession, HR practitioners must have a degree of independence commensurate with them exercising critical analyses of corporate policies and practices in the service of the public good
- There are professional codes of conduct that 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.
- Reassuring 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.

HR professional codes of conduct

HR codes were revised:

- SHRM & AHRI by-passed the issue of dual loyalties - now refer to standards and values (advancing the profession, honesty, integrity, confidentiality, justice, competence, lawfulness and organisational capability)
- SABPP addresses issues in their code:
 - Dual loyalty
 - 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
 - Hold in tension the plurality of values it has inherited from multiple traditions (not only including HRM paradigms, but also South Africa’s constitution)
 - Important vehicle for providing direction and counsel to the hr profession in South Africa.

HR function has left unresolved tensions between

An integrity-oriented approach to strategic business partnership

- Roles undertaken by HR professionals - corporate ethics
- Study by SHRM & the Commerce Clearing House (CCH)
- HR literature - emphasis on the administrative-service role frustrates a transformation of the HR function
- Business ethics - law specifies an ethical minimum and that ethics involves more than minimal legal compliance
- Emphasis on legal compliance – reasons
- Strategic HRM paradigm calls for HR professionals to move beyond the roles of “policy police and regulatory watchdog”, to business partner
- Problems with HR being a business partner
- Integrity and integrity based business partners
- Combined 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

Ethical Decision-Making Frameworks.

Utilitarianism (Consequentialism)

The greatest good for the greatest number (net utility)

(Teleological theory)

Utilitarianism: The Utilitarianism theory holds that an action is good if it results in maximum satisfaction for a large number of people who are likely to get affected by the action. Suppose a manager creates an annual employee vacation schedule after soliciting the vacation time preferences from all the employees and honor their preferences, then he would be acting in a way that shall maximize the pleasure of all the employees.

Teleological Ethical Theories are concerned with the consequences of actions which means the basic standards for our actions being morally right or wrong depends on the good or evil generated.

Consequences of actions: teleological theory

- Consequences which result from an action or practice – consequentialism
- Utilitarianism – the right thing to do is that which maximizes the greatest good for the greatest number of people
- act utilitarianism and rule utilitarianism - deciding right and wrong on the basis of the consequences of an action
 - The difference is between whether a utility analysis should be applied to every action whenever it occurs (act utilitarianism) or to classes of actions (rule utilitarianism), an example being by breaking a contract.
 - Egoism - the right action is that which maximizes self-interest
 - Ubuntu - principle of reciprocity and interdependence. Mbiti translates the term as “I am, because we are; and since we are, therefore I am”.

Kantian Duty (non-consequentialism)

Universal respect for autonomous beings

(Deontological theory)

The term “deontology” comes from the Greek word deon, meaning duty. The theory of deontology states we are morally obligated to act in accordance with a certain set of principles and rules regardless of outcome. In religious deontology, the principles derive from divine commandment so that under religious laws, we are morally obligated not to steal, lie, or cheat. Thus, deontological theories and duties have existed for many centuries. Immanuel Kant, the theory’s celebrated proponent, formulated the most influential form of a secular deontological moral theory in 1788. Unlike religious deontological theories, the rules (or maxims) in Kant’s deontological theory derive from human reason.

Deontological theories differ from utilitarian theories in several key ways. The most notable difference is utilitarianism aims at a goal of greatest happiness (or the best consequence) and justifies any act that achieves that goal. Deontological theories hold that some acts are always wrong, even if the act leads to an admirable outcome. Actions in deontology are always judged independently of their outcome. An act can be morally bad but may unintentionally lead to a favourable outcome.

Fairness: the idea of justice

- Justice - expressed in terms of fairness and equality
- Issues involving questions of justice are divided into four categories:
 - distributive
 - procedural
 - retributive

- compensatory

Individual entitlements: rights

To claim a right is to claim that one is ethically entitled to something and this places a duty on other people to act (or refrain from acting) in a way which brings about the fulfilment of one's right

Classified as either negative or positive:

- negative rights are liberty rights (e.g. the right to privacy)
- positive rights are claim or welfare rights (e.g. the right to employment at a living wage)
- most specific rights are derived from the 3 major Lockean rights of life, liberty and property
- criticism – opens the way for people to claim a right to 'anything and everything'
- employee rights and HR activities

Convergence across normative ethical theories

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?

Ethical issues and challenges in the workplace

- selection
- screening
- employment interview
- psychological testing
- compensation
- promotion and performance management.

STUDY UNIT 9: CORPORATE RESPONSIBILITY AND GOVERNANCE: IMPLICATIONS FOR HRM

Learning Outcomes for Study Unit 9

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.

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 organizations that are to be found. Because of this, organizations, 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.

Corporate social responsibility (CSR)

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large

Corporate Social Responsibility (also known as CSR, corporate conscience, and corporate citizenship) is the integration of socially beneficial programs and practices into a corporation's business model and culture. CSR aims to increase long-term profits for online and offline businesses by enabling them to become more efficient and attract positive attention for their efforts.

What Benefits Does CSR Offer to Businesses?

Both ecommerce and brick-and-mortar businesses stand to benefit from the implementation of CSR strategies. Some activities that fall under the umbrella of CSR, with their corresponding benefits, include:

- Prevent financial ramifications: Compliance with the spirit and letter of the law - both nationally and internationally - through self-regulatory processes will prevent fines, put your business "low on regulators' radar screens," and lower legal expenses.
- Increase employee loyalty: Treating your employees fairly and generously is a part of corporate social responsibility. By providing good jobs and encouraging high professional and moral standards, you increase employee loyalty, and by procuring only those overseas products produced at factories where workers were treated ethically, you gain support among "Fair Trade" advocates.
- Maintain a positive reputation: Demonstrated consciousness in a variety of areas can garner publicity and give a business tangible proof of their conduct, which can be proudly displayed on a company website. These include:
 - Environmental consciousness: Reducing waste, recycling, minimizing carbon footprint, and other best practices. Using or producing only sustainable products, lowering energy usage, and supporting environmental causes will boost a business's "green reputation" among environmentally concerned clients.
 - Social Concern: Donating to humanitarian causes that fight persistent poverty, help the victims of epidemics like AIDS or Ebola, or assist those displaced by hurricanes or earthquakes shows concern for issues that consumers are more and more aware of in our modern, interconnected world.
 - Local Community: Involvement in local community projects, either through financial donations, employee participation, connecting your customers with project leaders, or promotion of the project through advertising and fundraising enhances your CSR credentials with clients in the given location.
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How can online businesses use their website to engage customers in CSR?

Online businesses can utilize and incorporate the above methods, but there are additional digital opportunities to give back:

- Helping the environment through "website sustainability," meaning lowering the carbon footprint of webpages by removing screen clutter, replacing video clips with slide shows and improving ease of navigation.
- Allowing clients to choose a charity that receives a portion of profits. Many customers appreciate their input being taken into account and are more likely to return when they feel personally connected to the beneficiary of a charitable campaign.
- Promoting additional social/humanitarian causes with display ads on the website, blog content, and social media posts.

Recognizing how important social responsibility is to their customers, many companies now focus on and practice a few broad categories of corporate social responsibility (CSR).

1. Environmental efforts: One primary focus of corporate social responsibility is the environment. Businesses regardless of size have a large carbon footprint. Any steps they can take to reduce those footprints are considered both good for the company and society as a whole.

"European companies have really led the way on environment efforts, such as green energy usage, eco-friendly office and travel policies, and ensuring that businesses take a responsibility for controlling if their net impact is positive or negative," said Richard Stevenson, head of corporate communications at ecommerce platform ePages.com.

2. Philanthropy: Businesses also practice social responsibility by donating to national and local charities. Businesses have a lot of resources that can benefit charities and local community programs.

3. Ethical labor practices: By treating employees fairly and ethically, companies can also demonstrate their corporate social responsibility. This is especially true of businesses that operate in international locations with labor laws that differ from those in the United States.

4. Volunteering: Attending volunteer events says a lot about a company's sincerity. By doing good deeds without expecting anything in return, companies are able to express their concern for specific issues and support for certain organizations.

"Ethical labor and volunteering are no-brainers – consumers and partners want to hear that a business is building something more than just revenues. Even modest steps such as 'open door days' can be a great way to build links to your community and reflect that you aim to make valuable, long term impact," Stevenson added.

Why CSR matters

- All stakeholders in a business seek to understand and value the mission of the company, and why they should invest and support in it and that, according to Stevenson, is why CSR matters.
- "In recent history, the organizations that have achieved remarkable things tend to be the ones that share success with others, instinctively," he said.
- "Sustainability isn't just important for people and the planet, but also is vital for business success," said Maw, whose company connects students and professionals who want to use their business skills to do social good. "Communities are grappling with problems that are global in scope and structurally multifaceted – Ebola, persistent poverty, climate change. The business case for engaging in corporate social responsibility is clear and unmistakable."
- Consumers aren't the only ones who are drawn to businesses that give back. Susan Cooney, head of marketing & partnerships, diversity inclusion at Change Catalyst, said that a company's CSR strategy is a big factor in where today's top talent chooses to work.
- "The next generation of employees is seeking out employers that are focused on the triple bottom line: people, planet and revenue," Cooney told Business News Daily. "Coming out of the recession, corporate revenue has been getting stronger. Companies are encouraged to put that increased profit into programs that give back."

Examples of corporate social responsibility

While many companies now practice some form of social responsibility, some are making it a core of their operations. Ben and Jerry's, for instance, uses only fair trade ingredients and had developed a sustainability program for dairy farms in its home state of Vermont. Starbucks has created its C.A.F.E. Practice guidelines, which are designed to ensure the company sources sustainably grown and process coffee by evaluating the economic, social and environmental aspects of coffee production.

However, Stevens said that companies need to understand what their core social purpose is a how that aligns with their stated mission, to create a cohesive CSR strategy i.e. Practicing what you preach.

Undertaking socially responsible initiatives is truly a win-win situation. Not only will your company appeal to socially conscious consumers and employees, but you'll also make a real difference in the world. Keep in mind that in CSR, transparency and honesty about what you're doing are paramount to earning the public's trust, Cooney said.

"If decisions [about social responsibility] are made behind closed doors, people will wonder if there are strings attached, and if the donations are really going where they say," Cooney said. "Engage your employees [and consumers] in giving back. Let them feel like they have a voice."

Stevens reminded business owners that the corporate world has more power than many realize, and using that power to improve the world can bring people of all backgrounds, ages and interests together.

"Given their power and sheer size, corporations can solve big social problems and have a huge impact," she said.

CORPORATE GOVERNANCE

What is 'Corporate Governance?'

The framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company's relationship with its all stakeholders (financiers, customers, management, employees, government, and the community).

The corporate governance framework consists of (1) explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, and rewards, (2) procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges, and roles, and (3) procedures for proper supervision, control, and information-flows to serve as a system of checks-and-balances.

Governance refers specifically to the set of rules, controls, policies and resolutions put in place to dictate corporate behaviour. Proxy advisors and shareholders are important stakeholders who indirectly affect governance, but these are not examples of governance itself. The board of directors is pivotal in governance, and it can have major ramifications for equity valuation.

The Board of Directors

The board of directors is the primary direct stakeholder influencing corporate governance. Directors are elected by shareholders or appointed by other board members, and they represent shareholders of the company. The board is tasked with making important decisions, such as corporate officer appointments, executive compensation and dividend policy. In some instances, board obligations stretch beyond financial optimization, when shareholder resolutions call for certain social or environmental concerns to be prioritized.

Boards are often comprised of inside and independent members. Insiders are major shareholders, founders and executives. Independent directors do not share the ties of the insiders, but they are chosen because of their experience managing or directing other large companies. Independents are considered helpful for governance, because they dilute the concentration of power and help align shareholder interest with those of the insiders.

Good and Bad Governance

Bad corporate governance can cast doubt on a company's reliability, integrity or obligation to shareholders. Tolerance or support of illegal activities can create scandals. Companies that do not cooperate sufficiently with auditors or do not select auditors with the appropriate scale can publish spurious or noncompliant financial results. Bad executive compensation packages fail to create optimal incentive for corporate officers. Poorly structured boards make it too difficult for shareholders to oust ineffective incumbents. Corporate governance became a pressing issue following the 2002 introduction of the Sarbanes-Oxley Act in the United States, which was ushered in to restore public confidence in companies and markets after accounting fraud bankrupted high-profile companies such as Enron and WorldCom.

Good corporate governance creates a transparent set of rules and controls in which shareholders, directors and officers have aligned incentives. Most companies strive to have a high level of corporate governance. For many shareholders, it is not enough for a company to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behaviour and sound corporate governance 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

- Overview Organizations are increasingly concerned with sustainability and corporate social responsibility. The HR function is uniquely positioned to assist in both developing and implementing sustainability strategy.
- What is sustainability? Why do firms pursue it? Sustainability has been defined as the ability “to meet the needs of the present without compromising the ability of future generations to meet their needs.”
- As regulatory pressures and societal demands for greater environmental and social responsibility have increased, sustainability has become a key focus for many organizations.
- A sustainable organization can be defined as an enterprise that simultaneously contributes economic, social and environmental benefits—known as the “triple bottom line”— to society while also ensuring its own long-term sustainability as an organization. Sustainability is seen by many as increasingly essential to creating shareholder value, as investors and employees look to organizations to be good corporate citizens.
- There is an emerging business case that corporate performance, under the right conditions, can be enhanced in firms focused on sustainability. For example, a 2003 meta-analysis of research studies suggests that corporate virtue in the form of social and environmental responsibility is likely to pay off financially.

What is HR's role in developing strategy and advancing sustainability?

- In organizations adopting a sustainability strategy— whether for business, legal or values-based reasons— HR has an important role to play.
- The HR function should help formulate and achieve environmental and social goals while also balancing these objectives with traditional financial performance metrics.
- The HR function can serve as a partner in determining what is needed or what is possible in formulating corporate values and sustainability strategy. At the same time, HR should play a key role in ensuring that employees implement the strategy consistently across the organization.
- Sustainable human resource management (HRM) can be defined as using the tools of HR to create a workforce that has the trust, values, skills and motivation to achieve a profitable triple bottom line.

Examples of sustainable HRM practices include:

- Encouraging employees, through training and compensation, to find ways to reduce the use of environmentally damaging chemicals in their products.
- Assisting employees in identifying ways to recycle products that can be used for playgrounds for children who don't have access to healthy places to play.
- Designing and sustainability of both internal (employees) and external communities company's HRM system to reflect equity, development and well-being, thus contributing to the long-term health.
- Emphasizing long-term employment security to avoid disruption for employees, their families and communities.

The journey to sustainable HRM:

For organizations aspiring to advance along the corporate responsibility path, the HR function is arguably a critical partner. To get started on the sustainability journey, HR leaders should understand and adopt the practices outlined by leading global frameworks. A number of frameworks exist to support corporate sustainability strategy; however, only a few are truly global, comprehensive and applicable to the majority of organizations.

Whichever standard or framework is adopted, the HR manager should review all HR core functions relating to protection of employee rights, equal opportunity in employment, recruitment, training, development, workplace facilities, health, safety and well-being, compensation, organizational culture, and communications. The process will involve aligning all aspects of the organization's HR infrastructure to support new ways of working sustainably.

Throughout implementation, the HR manager would be advised to use a metrics-based tool to support measurement of HR sustainability performance parameters and report these internally and, if the organization has a practice of sustainability reporting, externally as well.

HR's approach must always reflect the business approach to sustainability. Managers should follow a broad roadmap that moves through understanding and engaging the stakeholders of the HR function, identifying the most important issues that the HR function faces and examining all the policies, processes, structures and cultural alignments required to deliver a sustainable HR strategy effectively. This will include identifying appropriate sustainable HRM metrics and correlating these with business outcomes.

STUDY UNIT 10: HUMAN RESOURCE MANAGEMENT IN THE ELECTRONIC ERA

Learning Outcomes for Study Unit 10

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 function
- 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

Definition: E-HRM is the integration of all HR systems and activities using the web based technologies. Simply, when HR uses the Internet or related technologies to support their activities, procedures, processes, then it becomes an e-HRM.

There are three kinds of e-HRM:

- Operational e-HRM: It is concerned with the operational functions of HR such as payroll, employee personal data, etc.
- Relational e-HRM: It is concerned with the supporting business processes Viz. Training, recruitment, selection, etc.
- Transformational e-HRM: It is concerned with the HR strategies and its activities such as knowledge management, strategic orientation.

Through e-HRM, the main activities that could be performed online are Recruitment, Selection, Training, Performance Management, and Compensation. The detailed description of these activities is given below.

- E-Recruitment: Also known as online Recruiting, is being widely used by companies these days. Through e-Recruitment, companies usually hire the candidates using the internet as a medium.
- The common practice of facilitating the online recruitment is by uploading the recruitment information on the company's official website or hiring the online recruitment websites to serve the purpose. Monster.com, Naukri.com, Timesjob.com are some of the well renowned online recruitment websites.
- E-Selection: The HR department using the online selection process must ensure that each step complies with the procedural requirements viz. Project steps, vendor selection, assessment steps, feedback to the candidates, etc. The purpose of E-selection is to utilize the maximum human capital at a reduced cost and in less time.
- E-Performance Management: Many companies make use of web-based technology to evaluate the performance of an individual. This can be done either using the computer monitoring tool, wherein the complete working of an individual can be recorded, or through writing the reviews and generating the feedback on the employee's performance using the web portal.

E-Learning: It means using the internet or organization's intranet to facilitate the training and development programs for the workforce. Getting the online modules of training, a large number of employees can be covered irrespective of their locations.

- E-Compensation: An organization using the compensation management online enables it to gather, store, analyze, and distribute the compensation data or information to anyone at any time. Also, the individual can access electronically distributed compensation software, analytic tools, from any place in the world.

Thus, with the help of e-HRM, the records of all the employees sitting in different geographical locations can be stored and also the new candidates could be hired from any part of the world.

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The impact of the electronic era on business

- Electronic or e-business will form the basis on which business will be conducted in the future
- Organizations that understand the impending demands of the internet economy stand the greatest chance for success with their e-transformation
- Do more than just be aware of these changes, they must develop new 'best practices' to address them

What does e-business mean?

Alan Brache and Jim Webb:

E-business is about doing business digitally - everything from buying and selling on the Web, to extranets that link a company to suppliers, from intranets that enable an organisation to better manage its knowledge to enterprise resource planning systems that streamline an enterprise's supply chain, from electronic customer support to automated order tracking

Marie Karakanian:

E-business is the overall business strategy that 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 capitalizes 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

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

- Construct a coherent map identifying the areas where Web-based technology could be introduced
- 3 core areas or domains (which can almost be seen as generic) that business should look at:
 - E-operations
 - E-marketing
 - E-services
- E-operations - covers Web-based initiatives that improve the creation of existing products
important aspects: the way a business manages itself and its supply chain
- E-marketing - covers Web-based initiatives that improve the marketing of existing products
important aspects: the way the product is delivered and the scope of support services
- E-services - covers Web-based initiatives that provide customer-affiliated services
important aspects: the new ways to address an identified set of customer needs

Formulating an e-business strategy

- A company's top executives should, after formulating a corporate strategy, develop an e-business strategy
- 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 in 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 Web-site 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 this all happen?

How will e-business help us attract new customers in the markets?

Strategy has targeted?

- Changes in the old business paradigm occurred incrementally
- Change within the 'new economy' will almost be immediate
- Changes will have to be made as to:
 - How the organization approaches its customers
 - How it markets, orders, tracks and delivers its products or services
 - Have to build at rapid speed the business and technical architectures required
 - Develop the new cultures and skills needed

Dale Neef - an organization-wide e-business initiative will require expertise in:

- E-business strategies;
- Leading operational-level business practices;
- Process & technical redesign;
- Data management;
- Security;
- Specialist services such as Web-marketing and design;
- System-to-system integration;
- Knowledge management;
- Techniques for choosing & implementing business;
- Information & decision-support tools;
- Specialist services such as Web-marketing and design;
- Supply-chain management, supplier management and strategic sourcing.

To implement an e-business strategy successfully the following need attention:

- gain top management support
- establish a cross-functional project team
- draw up a communication plan
- obtain own budget
- create a transition plan
- evaluate the process

The impact of the electronic era on HRM

- Web-technology is changing every aspect of the way a company conducts its business
- also transforming the way in which companies manage their employees
- changing the way HR professionals do their job, and as a result, human resources has become the latest partner in the Web development known as eHR

Describing e-HR

- e-HR:
 - demands HR to do its homework
 - requires executive participation
 - needs an excellent appreciation of technology and the use of technology
 - requires a well-developed and integrated human resource information system (HRIS)
 - needs to use wisely the network of technologies and various communication channels such as the Web, wireless and perhaps kiosks
- Human Resource Information System (HRIS) will form the backbone of the e-HR system.

It will interface with the organization's intranet & connect to HR service suppliers and business partners via an extranet as well as have links to the Internet via HR portals (single points of access)

- Process will allow cost-effective universal access to HR data by all authorized parties (employees, managers, executives, HR service providers, relevant communities, corporate customers and the public at large)
- Will reduce the distance between the HR department and its internal customers

Advantages of e-HR

- 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 HR
- 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
- 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 HR
- Online learning can slash travel costs and make training available anytime, anywhere;
- Competency management can help an organization identify strengths and weaknesses

Disadvantages of e-HR

- The security of the HR data (HR-related information is perhaps more critical than any other because it involves private and highly sensitive individual data)
- Disclosure and cross-border movement of HR data is a critical issue that must be managed very carefully, based on country and organization specific, as well as individual authorizations

HR intranet sites

- e-HR will play a crucial role in the e-operations' domain of the company
- For the HR Web-site to achieve its full potential it is important to understand the levels of Web-site development and how effectiveness increases as the site evolves to the next level of sophistication
- Chamine identified four types of HR intranet sites:
 - Brochureware;
 - Transactional;
 - Integrated;
 - Personalized.

E-HRM in practice

e-Recruitment and e-Selection

- Web-based job sites, portals and kiosks to attract applicants;
- Lukaszewski & Isenhour (most common practices used for online recruitment) involve:
 - 1) Adding recruitment pages to existing company websites
 - 2) using specialized recruitment websites e.g. job portals, online job boards
 - 3) developing interactive tools for processing applications such as online applications and automatic E-mail responses
 - 4) using online screening techniques such as keyword systems, online interviews and personality assessment
 - job posting on the intranet
 - advantages and disadvantages of e-recruiting
 - integration of technology in selection is complex
 - steps when implementing e-selection process (Dickter, Russel & Sacco):
 - a) Draw-up a flow chart of the current assessment process;
 - b) Draft the desired flow process that will result from the e-selection process;
 - c) Consider how the various new stakeholders and clients (recruiters, administrators, etc.) will use the system;

- d) Draw-up a flow chart of the current assessment process;
- e) Draft the desired flow process that will result from the e-selection process;
- f) Consider how the various new stakeholders and clients (recruiters, administrators, etc.) will use the system;
- g) Choose a new technology enabled scoring system;
- h) How to prepare the candidate for the test;
- i) Train the employees that will be responsible for the administration of the process.
- j) Draw-up a flow chart of the current assessment process;
- k) Draft the desired flow process that will result from the e-selection process;
- l) Consider how the various new stakeholders and clients (recruiters, administrators, etc.) will use the system;
- m) Choose a new technology enabled scoring system;
- n) How to prepare the candidate for the test;
- o) Train the employees that will be responsible for the administration of the process.

E-training

- o knowledge workers play an important part in the competitiveness of a company with the rapid explosion of knowledge today, obsolescence of the knowledge workers possess is a reality

How can this process be stopped? Answer lies in training. Training makes learning and relearning essential if employees are to keep abreast with the latest developments in their fields.

Growing demand from companies for just-in-time training & cost effective ways to deliver this training. There are four categories when it comes to e-learning, namely:

1. Independent e-learning
2. group-based e-learning
3. virtual classroom
4. blended learning

E-compensation

- To many employees a lifelong commitment to an employer is no longer an option
- Without talented staff, organizational competitiveness cannot be realized
- Compensation has become an important tool for attracting, retaining and motivating the talent needed for survival over the long term
- E-compensation tools can enhance the practice of designing and administering compensation programs in 3 ways, the tools:
 - Can increase access to critical compensation information without the need for specialised IT staff to get involved
 - Enable around-the-clock availability of meaningful compensation information to senior managers, HR managers and employees
 - Can streamline cumbersome bureaucratic tasks through the introduction of workflow functionality and real-time information processing
- Tools thus enable an organization to gather, store, manipulate, analyze, utilize and distribute compensation data and information
- E-compensation is web-based rather than client-server based or stand-alone PC based
- Software packages

STUDY UNIT 11: CHANGE MANAGEMENT AND BUILDING THE LEARNING ORGANIZATION

Learning Outcomes for Study Unit 11

After studying this study unit you should be able to

- identify the forces that trigger change in organization's
- describe the barriers to organizational change and how to overcome them
- specify three important steps to follow to implement change successfully in organizations
- discuss the role of the learning organization and its benefits to all stakeholders
- describe the five subsystems in a learning organization
- identify the role of the chief learning officer (CLO) in an organization

Change is inevitable

Organizations change all the time, every day. The change that occurs in organizations is, for the most part, unplanned and gradual. Planned organizational change, especially on a large scale affecting the entire system, is not exactly an everyday occurrence. Revolutionary change – a major overhaul of the organization resulting in a modified or entirely new mission, a change in strategy, leadership and culture – is rare indeed. Most organizational change is evolutionary. It is important to note that change-capable organizations inspire continuous learning. In short, change is inevitable if a company is to remain competitive in the business environment of today.

Change management

Change management is a systematic approach to dealing with change both from the perspective of an organization and the individual.

A somewhat ambiguous term, change management has at least three different aspects, including: adapting to change, controlling change, and effecting change. A proactive approach to dealing with change is at the core of all three aspects. For an organization, change management means defining and implementing procedures and/or technologies to deal with changes in the business environment and to profit from changing opportunities.

Navigating Change in Organizations

Navigating in today's chaotic business environments is much like trying to steer a tiny boat back to shore while caught in the center of a hurricane. There are many forces at work that a person will need to respond to in order to make it safely back to port. Just like this tiny ship, today's organizations and their managers are faced with a significant amount of factors that require an immediate response, often in the form of organizational change. The forces that drive this change in business are known as the internal and external environments. This lesson will discuss how both the internal and external environments of an organization induce change.

The Internal Environment

The internal environment of an organization refers to events, factors, people, systems, structures, and conditions inside the organization that are generally under the control of the company. The company's mission statement, organizational culture, and style of leadership are factors typically associated with the internal environment of an organization. As such, it is the internal environment that will influence organizational activities, decisions, and employee behaviour and attitudes. Changes in the leadership style, the organization's mission, or culture can have a considerable impact on the organization.

The External Environment

The external environment are those factors that occur outside of the company that cause change inside organizations and are, for the most part, beyond the control of the company. Customers, competition, the economy, technology, political and social conditions, and resources are common external factors that influence the organization. Even though the external environment occurs outside of an organization, it can have a significant influence on its current operations, growth, and long-term sustainability. Ignoring external forces can be a detrimental mistake for managers to make. As such, it is imperative that managers continually monitor and adapt to the external environment, working to make proactive changes earlier on rather than having to take a reactive approach, which can lead to a vastly different outcome.

Triggers for Change in Organizations

Environmental Scanning and Change: SWOT Analysis List

SWOT analysis is a type of environmental scanning

	Opportunities (external, positive)	Threats (external, negative)
Strengths (internal, positive)	<p>Strength-Opportunity strategies</p> <p>Which of the company's strengths can be used to maximize the opportunities you identified?</p>	<p>Strength-Threats strategies</p> <p>How can you use the company's strengths to minimize the threats you identified?</p>
Weaknesses (internal, negative)	<p>Weakness-Opportunity strategies</p> <p>What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?</p>	<p>Weakness-Threats strategies</p> <p>How can you minimize the company's weaknesses to avoid the threats you identified?</p>

In order for managers to react to the forces of internal and external environments, they rely on environmental scanning. Environmental scanning refers to the monitoring of the organization's internal and external environments for early signs that a change may be needed, to accommodate potential opportunities or threats, and to make adjustments to allow the company's strengths to combat its weaknesses. If you recall, one common type of environmental scan is the SWOT analysis, which looks specifically into the strengths, weaknesses, opportunities, and threats of the internal and external environments.

A manager will begin analyzing the internal environment by looking into inefficiencies inside the organization, and will then look outside to the external environment and things occurring independent of the organization. Environmental scans allow managers to use the knowledge gained during the scanning process to decide what strategic steps, or changes, the organization needs to take to create or maintain a competitive advantage.

What are the Barriers to Change Management?

Conducting a baseline assessment is an ideal process that will help any organization to identify potential and actual barriers to change. Barriers will always create a gap in recommended and current practices, eventually having a negative effect on the daily production process of the organization.

To prevent this from happening, it would be appropriate to pinpoint on the major barriers to change as well as knowing how to stay clear of them. Once you know how to solve these barriers, it should be easy to plan and implement change. The most common barriers to change implementation are often the following.

Lack of Employee Involvement

- This is perhaps the most common barrier to change management. Employees always have the fear of change, and unless they are involved in the change process, it is highly likely that even the most loyal member of your employees will resist the change.
- The biggest mistake some organizations make is failure to involve employees in the change process. This spikes fear of the unknown, lack of desire to embrace a new culture and eventually a complete barrier to the change.
- Your efforts to introduce change can only succeed when you get employees involved in the change process as much as possible. Getting the employees involved means listening to their opinion, accounting for their output and assuring them that the change is for the good of all in the organization including them.
- Providing relevant, sufficient resources to drive them towards change will be a necessary thing to do, so that they are comfortable and ready to adjust to the new development within the organization.

Lack of Effective Communication Strategy

Some organizations have no effective communication strategy. In fact, some top leaders always assume that once they announce the change, people will adjust and be ready to get started with the new development. This is the silliest way to introduce change, hence forceful resistance to the change.

CEOs should stop making announcement and introduce strategies. Employees do not need to know about the change only. They need to know how the change will affect them as well as how they will adapt to the change.

A Bad Culture Shift Planning

- Sometimes the planning team totally has no idea that the change will affect people. Of course, the team at this state will only concentrate on planning administrative structure, work area responsibilities, job responsibilities as well as work reporting structure.
- More often than not, the planning team always fails to make decisions based on feelings and intuitions. This really overlooks how people feel, reason and work hence barrier to change.
- The only way to break this barrier is for the planning team to understand that the organization must not overlook the feelings of the employees. The organization has to do whatever it takes to prevent deep resentments, which usually occur due to disrespect of taboos and traditions at the workplace.
- Therefore, when focusing on critical thinking and objective analysis, it is important to understand that taking the feelings of the employees into account is quite a great way to overcome the barrier that usually hinder organizational changes.

Unknown Current State

Change is always difficult for organizations that lack the idea of their current state. Trying to introduce and implement change without conducting an assessment and understanding the current blueprint of the organization is a common habit by many entities. Such entities actually do not realize that the failure to analyze the current organization's blueprint will cause a barrier to the change they hope to introduce and implement.

The only way to get around this is to analyze and fully understand the current blueprint of the organization before attempting to introduce or suggest any change. Once you go through the blueprint and understand it clearly, it becomes easier to plan and transition to a future state.

Organization Complexity

- There comes a time when organizations begin to develop complex processes, making the process of planning and implementing change a bit more complex.
- The complexities include complex processes, products and systems, all which contribute to change barriers because they are often quite difficult for the members of the organization to understand.
- It is necessary to break this barrier by introducing a keen and skillful approach to tackle organizational fast growth as well as complexity. An organization can break this barrier by employing diligent, quality and highly effective project and change management approach.
- It is wise, however, never to tackle a change that is going to be too complex for your organization. You also do not want to introduce and try to implement complex changes if your organization still lacks the maturity to handle any complex change.

Once you understand and manage these barriers to change management, it will be easy to implement the change. In the end, everyone in the organization will be comfortable to embrace the new change.

The Learning Organization

Organizations that inspire continuous learning are generally known as learning organizations. In these organizations, learning is accomplished by the organization as a whole and employees have uninterrupted access to information and data, to name just a few of their characteristics.

A Learning Organization and its Characteristics

- A learning organization is the term given to an organization which facilitates the learning of its employees so that the organization can continuously transform itself.
- Learning organization develops as a result of the pressures which are being faced by the organizations these days for enabling them to remain competitive in the present day business environment.

- The learning organization concept was coined through the work and research of Peter Senge and his colleagues.
- The learning organization encourages to a more interconnected way of thinking. Such organization becomes more like a community for which employees feel a commitment to. Employees work harder for the organization since they are committed to it.
- The concept of the learning organization is commonly hailed as panacea for organizational success in a dynamic global economy.
- The concept of learning organization is increasingly relevant given the increasing complexity and uncertainty of the organizational environment. In the words of Senge: "The rate at which organizations learn may become the only sustainable source of competitive advantage".
- People have found the idea of a learning organization to be inspiring, yet difficult to implement. It frequently involves deep change in the mind sets of employees as well as the culture of the organization and the society. Such change does not occur overnight.

Definitions of learning organization

The following are some of the available definitions of the learning organization.

- Peter Senge has defined the learning organization as the organization "in which you cannot not learn because learning is so insinuated into the fabric of life." According to him the learning organizations are " ...organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together".
- Learning organization can also be defined as an "Organization with an ingrained philosophy for anticipating, reacting and responding to change, complexity and uncertainty."
- McGill and his colleagues had defined the learning organization as "a company that can respond to new information by altering the very "programming" by which information is processed and evaluated."
- A learning organization is one that is able to change its behaviours and mind-sets as a result of experience. This may sound like an obvious statement, yet many organizations refuse to acknowledge certain truths or facts and repeat dysfunctional behaviours over and again.
- A learning organization is an organization that actively creates, captures, transfers, and mobilizes knowledge to enable it to adapt to a changing environment.

An organization needs to learn to survive and prosper in changing and uncertain environment. It needs its managers to make right decisions through skill and sound judgment. Successful decision-making requires the organization to improve its capability of learning new behaviours over a period of time.

This learning in the organization is a fighting process in the face of swift pace of change. In this battle managers are responsible for increasing the awareness and the ability of the organizational employees to comprehend and manage the organization and its environment. In this way they can make decisions that continuously secure the organization to reach its goals.

However, most managers know how to ensure the organizational learning, but fail to understand how to make their organization a learning organization.

Individuals and groups learn, and when conditions and systems are well designed. In a learning organization, their learning can be shared across the organization and incorporated into its practices, beliefs, policies, structure and culture.

The role of a leader in the learning organization is that of a designer, teacher, and steward who can build shared vision and challenge prevailing mental models. He is responsible for building in which the employees are continually expanding their capabilities to shape their future — that is, leaders are responsible for learning.

The basic rationale for a learning organization is that in situations of rapid change only those that are flexible, adaptive and productive will excel. For this to happen, it is argued, the organization needs to 'discover how to tap employee's commitment and capacity to learn at all levels'

The learning organization aims to bring new ideas, debate issues, introduce innovative methods and offer case studies to others.

Over time, the notion of "learning organization" as an idealized and apolitical 'end-state' rather than as a process, has increasingly gained uncritical acceptance.

The key ingredient of the learning organization is in how the organization processes its managerial experiences. A learning organization learns from the experiences rather than being bound by its past experiences. In the learning organization, the ability of the organization and its managers is not measured by what it knows (that is the product of learning), but rather by how it learns — the process of learning. Management practices encourage, recognize, and reward with openness, systemic thinking, creativity, a sense of efficacy, and empathy.

Character and benefits of a learning organisation

While all the employees have the capacity to learn, the structures in which they have to function are often not conducive to reflection and engagement. Furthermore, the employees may lack the tools and guiding ideas to make sense of the situations they face. Hence the learning organization which is always aspiring for success in its operation is to create a future that requires a fundamental shift of mind among its employees.

Systems Thinking

The idea of the learning organization developed from a body of work called systems thinking. This is a conceptual framework that allows people to study businesses as bounded objects. Learning organization uses this method of thinking when assessing the organization and has information systems that measure the performance of the organization as a whole and of its various components. Systems – thinking states that all the characteristics must be apparent at once in an organization for it to be a learning organization. If some of these characteristics are missing then the organization falls short of its goal. However some believes that the characteristics of a learning organization are factors that are gradually acquired, rather than developed simultaneously. Systems – thinking is the conceptual cornerstone of a learning organization. It is the discipline that integrates all the employees of the organization, fusing them into a coherent body of theory and practice. Systems thinking ability to comprehend and address the whole and to examine the interrelationship between the parts provides for both the incentive and the means to integrate various disciplines in the organization.

Personal Mastery

Organizations learn only through individuals who learn. Individual learning does not guarantee organizational learning. But without it no organizational learning occurs. Personal mastery is the discipline of continually clarifying and deepening employee's personal vision, of focusing their energies, of developing patience, and of seeing reality objectively. It goes beyond competence and skills, although it involves them.

The commitment by an individual to the process of learning is known as personal mastery. There is a competitive advantage for the organization over other competing organizations if the employees of the organization can learn more quickly. Individual learning is acquired through employee's training, development and continuous self-improvement, however learning cannot be forced upon an individual who is not receptive to learning. Research shows that most learning in the workplace is incidental, rather than the product of formal training. Therefore it is important to develop a culture in the organization where personal mastery is practiced in daily life. A learning organization has been described as the sum of individual learning, but there must be mechanisms for individual learning to be transferred into organizational learning.

People with a high level of personal mastery live in a continual learning mode. They never 'arrive'. Sometimes, language, such as the term 'personal mastery' creates a misleading sense of definiteness, of black and white. But personal mastery is not something you possess. It is a process. It is a lifelong discipline. People with a high level of personal mastery are acutely aware of their ignorance, their incompetence, and their growth areas. They are always deeply self-confident.

Mental Models

Mental models are 'deeply ingrained assumptions, generalizations, or even pictures and images that influence how we understand the world and how we take action'.

The assumptions held by individuals and organizations are called mental models. To become a learning organization, these models must be challenged. Individuals tend to espouse theories, which are what they intend to follow, and theories-in-use, which are what they actually do. Similarly, organizations tend to have 'memories' which preserve certain behaviours, norms and values. In creating a learning environment it is important to replace confrontational attitudes with an open culture that promotes inquiry and trust. To achieve this, the learning organization needs mechanisms for locating and assessing organizational theories of action. Unwanted values need to be discarded by the process called 'unlearning'.

The discipline of mental models starts with turning the mirror inward; learning to unearth our internal pictures of the world, to bring them to the surface and hold them rigorously to scrutiny. It also includes the ability to carry on 'learningful' conversations that balance inquiry and advocacy, where people expose their own thinking effectively and make that thinking open to the influence of others.

If the organization is to develop a capacity to work with mental models then it is necessary for the employees to learn new skills and develop new orientations. For this there need to be institutional changes in order to foster such change. There need to have openness in the organization. It also involved seeking to distribute organizational responsibly far more widely while retaining coordination and control.

Building Shared Vision

If any one idea about leadership that has inspired organizations for thousands of years, is the capacity to hold a share picture of the future the organizations seek to create. Such a vision has the power to be uplifting – and to encourage experimentation and innovation. Crucially, it is argued, it can also foster a sense of the long-term vision, something that is fundamental

The development of a shared vision is important in motivating the employees to learn, as it creates a common identity that provides focus and energy for learning. The most successful visions normally build on the individual visions of the employees at all levels of the organization. The creation of a shared vision can be hindered by traditional structures where the organizational vision is imposed from above. Therefore, a learning organization tends to have flat, decentralized organizational structure. The shared vision is often to succeed against a competitor for which there can be transitory goals. However there should also be long term goals that are intrinsic within the organization.

When there is a genuine vision (as opposed to the familiar 'vision statement'), employees excel and learn, not because they are told to, but because they want to. But many leaders have personal visions that never get translated into shared visions that galvanize the organization. What has been lacking is a discipline for translating vision into shared vision – not a 'cookbook' but a set of principles and guiding practices.

The practice of shared vision involves the skills of unearthing shared 'pictures of the future' that foster genuine commitment and enrolment rather than compliance. In mastering this discipline, management is to learn the counter-productiveness of trying to dictate a vision, no matter how heartfelt it is.

Visions spread because of a reinforcing process. Increased clarity, enthusiasm and commitment rub off on others in the organization. 'As people talk, the vision grows clearer. As it gets clearer, enthusiasm for its benefits grow. There are 'limits to growth' in this respect, but developing the sorts of mental models can significantly improve matters. Where the organizations can transcend linear and grasp system thinking, there is the possibility of bringing vision to fruition.

Team Learning

The accumulation of individual learning constitutes team learning. The benefit of team or shared learning is that the employees grow more quickly and the problem solving capacity of the organization is improved through better access to knowledge and expertise. A learning organization has structures that facilitate team learning with features such as boundary crossing and openness. Team learning requires individuals to engage in dialogue and discussion. Therefore team members must develop open communication, shared meaning, and shared understanding. A learning organization typically has excellent knowledge management structures, allowing creation, acquisition, dissemination, and implementation of this knowledge in the organization.

Team learning is viewed as 'the process of aligning and developing the capacities of a team to create the results its members truly desire. It builds on personal mastery and shared vision – but these are not enough. Employees need to be able to act together. When teams learn together then not only there are good results for the organization but the team members also grow more rapidly which could not have happened otherwise.

The discipline of team learning starts with 'dialogue', the capacity of members of a team to suspend assumptions and enter into a genuine 'thinking together'.

The notion of dialogue amongst team members helps them to become open to the flow of a larger intelligence. When the dialogue is joined with systems thinking, there is the possibility of creating a language more suited for dealing with complexity, and of focusing on deep-seated structural issues and forces rather than being diverted by questions of personality and leadership style.

Benefits of a learning organization

A learning organization does not rely on passive or ad hoc process in the hope that organizational learning will take place through serendipity or as a by-product of normal work. A learning organization actively promotes, facilitates, and rewards collective learning. The main benefits of a learning organization are as follows.

- Maintaining levels of innovation and remaining competitive
- Being better placed to respond to external pressures
- Having the knowledge to better link resources to customer needs
- Improving quality of outputs at all the levels
- Improving the corporate image of the organization by becoming more people oriented
- Increasing the pace of change within the organization

The Chief Learning Officer (CLO)

More and more companies, both large enterprises and emerging players, are developing company-wide talent development and learning strategies. Alongside this the role of the Chief Learning Officer (CLO) has also rapidly evolved. Here are key points you need to know about the role of the CLO and how it might apply to your business:

What Is a CLO?

A Chief Learning Officer (CLO) is the person in charge of the corporate learning program for a company. According to elearningmind.com, an example of a successful Chief Learning Officer is Amy Hayes, who serves as Facebook's Global head of Learning and Development, which finds her leading the growth of more than 9,500 employees.

What Does a CLO Do?

CLO's help to create strategies for employees related to their training, credentialing, learning and development, all within the context of creating and sustaining the overall corporate culture and building the talent pipeline for future leadership. The CLO's responsibilities often include:

- Developing an organization's educational process
- Promoting knowledge management (KM)
- Instituting effective training strategies
- Directing large-scale change management (if applicable)
- Overseeing and instituting the latest technology
- Promoting the importance of learning

The daily job for a CLO typically consists of reviewing all training requirements, communicating with organizational associates to maintain alignment, reviewing macro-level human resource processes, assisting with learning and development for in-house processes and ensuring that learning sessions are interesting and meaningful.

There are various types of industries that prefer to have a CLO within the organization, including human resources, healthcare and pharmaceuticals, training, and information technology.

Why Do You Need a CLO?

Businesses benefit from the role of the CLO because there is always a need to educate and train employees in order to remain current, growth-oriented and 'set apart' from other companies. Having a person in charge of making sure that a business is always in touch with what is going on in the world, and how to upgrade the business culture and talent pool skills successfully, makes it an easier process within the organization. Having someone whose specific tasks is to make sure that employees are constantly learning new ideas in the process of working is a beneficial way to strive to build and maintain a successful business.

What Are Keys to CLO Success?

According to clomedia.com, the following are key suggestions of best practices to build a successful career as an effective Chief Learning Officer.

Create a vision and mission for learning and development

This will help explain why individual and organizational growth and development is necessary within the company and to help for see the enterprise training and professional pathways strategy into the future.

Do not expect the HR Director to plan your career

This basically means do not wait for your chance to be noticed. Keep producing your work sufficiently and try to make yourself stand out. If you wait for someone to notice you, you will be behind the learning curve for the business or organization. Being a CLO means you always have to be a couple steps ahead of the company to help it be more effective.

Learn more about the operations aspect of your organization

If you stay only in your area of expertise and never attempt to experience other areas of your work environment, your ideas dealing with improving the effectiveness will become worthless.

Use every communication tool available to reinforce training's value and contribution

Use every communication tool available to communicate your vision for the company. If the organization you work for has an employee intranet, a newsletter, bulletin boards, etc., these are perfect tools to broadcast your ideas and initiatives to other employees.

STUDY UNIT 12: HUMAN RESOURCE MANAGEMENT - AN INTERNATIONAL DIMENSION

Learning Outcomes for Study Unit 12

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 standardization and localization of HRM
- identify some of the new features of IHRM that are changing the way organizations operate
- understand the way in which organizations manage international transfers of employees

IHRM

Schuler, Dowling & De Cieri:

“Human resource management issues, functions, policies and practices that result from the strategic activities of multinational enterprises and that impact on the international concerns and goals of those enterprises”

Three key debates

How do organizations (that operate in many countries) cope with the cultural and institutional differences?

- Universal and Contextual paradigms in HRM
- Universalist
- Contextual
- Convergence and Divergence in HRM
- Cultural and Institutional explanations of differences in HRM

Convergence and divergence

Are the differences between societies (in the way that people are managed) being reduced as globalization increases?

- Early management theorists thought that a form of "social Darwinism" = that successful management practices would "crowd out" less successful ones and management practices would inevitably converge towards the most efficient (they argued for the U.S. model)
- widespread emphasis on the benchmarking practices of organizations (and attempts at the diffusion of "best-practices" have been noted)

Theoretical possibilities:

- No common model in foreseeable future (due to organizations being locked in their settings);
- Divergence: what is usually meant is "non-convergence";
- Neither institutions nor cultures change quickly and rarely in ways that are the same as other countries - managers within one country behave in a way that is noticeably different from managers in other countries;
- Superficially universal principles may be interpreted differently in different countries;
- Convergence in some aspects of HRM but not in other.

Cultural explanations of differences in HRM

Why are there differences between countries that seem to persist over time?

- Cultural and institutional explanators are the differences between countries "sustained because people find it repulsive, unethical or unappealing to do otherwise... [Or]... because a wider formal system of laws, agreements, standards and codes exist?"
- Culture is not easily defined by one definition
- Organizations represent "cultural communities",
- Representing different languages, religions, legislation etc.
- "culturists" school includes many different approaches they share the notion that it is not possible to depart radically from established rules and norms
- Culture is shared by individuals to confer meaning and to add sense to social interactions
- National culture has an influence and organizations should not work against this
- Differences in what is good/bad, honest/dishonest and fair/unfair
- Cultural differences will inevitably be reflected in the differences in the way people are managed

Institutional explanations of differences in HRM

- Institutions of a society are what keeps them distinctive
- Variations between countries typical in patterns of ownership
- Perhaps neither an exclusively "culturalist" nor an exclusively "institutional" approach can be satisfactory

Cultural and institutional writers

Cultural writers:

- see institutions as being key artefacts of culture, reflecting deep underlying variations in the values that they see between societies

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

Cultural and Institutional explanations of differences in HRM

- Human resource management is one of the areas where organizations are most likely to maintain a 'national flavour'
- Dilemma for internationally operating companies that want to get the advantages of integration – ensuring that HRM policies and practices are as far as possible similar in all countries
- They have to be sensitive to national differences

International HRM: What's special about "international"?

- Not limited to: MNEs, SMEs, IJVs and not-for-profit organisations
- Comprehensive understanding of global operations also incorporates learning from international family business units, overseas networks of entrepreneurs, and illegal gangs (that have learned how to operate globally)
- Need to assess what we mean by the term IHRM; how we are to conceptualize it; what areas and activities it includes; and model its drivers and enablers
- IHRM originally consisted of:
 - International transfer of staff;
 - Conduct of people management in internationally operating companies;
 - Comparing HRM policies and practices across different countries

Approaches to international HRM

Expatriation

- cross-border assignments of employees that last for a significant period of time
- for many organizations IHRM - Expatriate Management
 - expatriates are among the most expensive human resources in any internationally operating organization and they are almost invariably in crucial positions for the organization
 - expatriates experience a wider range of issues and problems than other staff, thus the management of them is more challenging
 - expatriates are often far from being the best managed employees

IHRM – broader than management of expatriates

- Involves the worldwide management of people
- Adler and Ghadar:

- organizations will need to follow very different IHRM policies and practices according to the relevant stage of international corporate evolution (domestic, international, multinational and global)
- how organizations could adapt their HRM approaches and practices to fit the external environment in which the firm operates, and its strategic intent

Factors in strategic IHRM

While these attitudes have been a useful way of demonstrating the various approaches to staffing foreign operations, it should be stressed that the above categories refer to managerial attitudes that reflect the socio-cultural environment in which the internationalising firm is embedded. A number of factors influence the IHRM approach taken by an MNC.

These include the level of international experience of the firm, the method by which worldwide subsidiaries are founded, the technology and the nature of the product or products of the MNC, etc.

International Human Resource Management

Factors

1. The nature of IHRM may be restricted by government policies and legal regulations in the host country.

This is especially felt in developing countries, where management and technical training within the host country's educational system is rudimentary and the local government views the presence of MNCs as a means of developing local expertise.

2. Culture, particularly national culture at the headquarters, plays a role in determining IHRM practices. Culture may affect HQ decisions in two ways:

(a) Some cultures are simply more comfortable than others in taking an ethnocentric approach to management.

(b) The mix of cultures in the subsidiaries of an MNC and the level of cultural difference among the subsidiaries of an MNC will restrict the IHRM approach taken.

3. MNCs with extensive international experience have had the opportunity to develop more diverse methods of maintaining coordination and control over their foreign operations.

4. The method used to establish operations in foreign locations may also affect HR policies. For example, HR practises in the acquired/ merged operation will reduce the wholesale exportation of home-country HR systems into the subsidiary.

5. An MNC opening subsidiaries in developed countries face a much different IHRM challenge than one opening subsidiaries in developing countries. Developed countries have well educated staff having technical and management experience.

International transfers

- Need to fill and manage important assignments that may not be in the home country
- People involved are invariably expensive to service
- Increasing pressure to cut costs
 - larger organisations (reducing the number of expatriates)
 - smaller organisations (how to decide which assignments can be localised and which should be filled by expatriates)
- One-off" approach
- Reasons for undertaking international assignments:
 - enhance the control of the centre
 - underline the importance of the country to the local government
 - provide skills not existing in that geographical location
 - provide opportunities for management development or aim to internationalize the managerial cadre
- There is evidence that there are variations between firms in the use of expatriates based on size, organizational age and nationality
- Knowledge transfer: the ability of the organization to move information and understanding from one country to another
 - key task and one that can be undertaken through a variety of mechanisms but is not without its problems

International transfers: cheaper and/or better

Doing it cheaper: Alternatives to expatriation

- negotiate more toughly
- employ expatriates on local terms and conditions
- use of third country nationals
- short term assignees
- international commuters
- development of technology
- cheapest option is to employ locals

Doing it better: The Expatriate cycle

- selection of expatriates
- training and development programs
- expatriate adjustment
- pay and rewards
- performance measurement
- repatriation of expatriates

Strategy and attention to detail

- complexities of IHRM are a reflection of the lack of simplistic answers involved in managing HRM generally, and the extra level of difficulty added by internationalism
- unlikely to be exact or final answers to the questions raised by international human resource management
- many international organizations struggle with the issues of which elements of their human resource policies and practices can be centralized and which can be decentralized
- pay and conditions of expatriates

STUDY UNIT 13: THE ROLE OF HUMAN RESOURCE MANAGEMENT IN THE 21ST CENTURY

Learning Outcomes for Study Unit 13

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

Challenges Facing Organizations

We live in rapidly changing times, especially for businesses. Consider that, in a single generation, businesses have had to adapt to entirely new marketing channels (web and social), decide how to invest in and utilize new technologies, and compete on a global stage — things that were barely imaginable to our parents' and grandparents' generations.

One side effect of these rapid changes and growth is that no single CEO — or any employee, for that matter — can be an expert in everything. This was, perhaps, always true, but it has never been more apparent.

This is why, in my opinion, some of the biggest challenges businesses face today are best met and addressed with qualified consultants. Bringing on a consultant helps CEOs add the expertise and skills they need to address particular problems at particular times, and can provide the best possible outcomes.

Just a few of the challenges I see businesses facing that are best addressed with the help of a consultant include:

Uncertainty about the future

Being able to predict customer trends, market trends, etc. is vital to a changing economic climate, but not every CEO has Warren Buffett-like predictive powers. Bringing in a consultant trained in reading and predicting those all-important trends could be the difference between a bright future and a murky one.

Financial management

Many CEOs I know are ideas people; that means they're great at the big picture and disruptive thinking, but less good with things like cash flow, profit margins, reducing costs, financing, etc. Small and medium businesses may not require a full-time CFO, but would do better to employ a financial consultant who can step into the role as needed.

Monitoring performance

Using a meaningful set of rounded performance indicators that provide the business with insights about how well it is performing is key. Most business people I know are not experts in how to develop KPIs, how to avoid the key pitfalls and how to best communicate metrics so that they inform decision-making. In most cases companies rely on overly simple finance indicators that just clog up the corporate reporting channels.

Regulation and compliance

As markets and technologies shift, so do rules and regulations. Depending on your industry, it can make much more sense to bring in a consultant to help with these areas rather than trying to understand the complexities yourself — and risk fines or worse for non-compliance.

Competencies and recruiting the right talent

Again, a small or medium-sized business might not need full-time human resources or recruiting staff, but during peak growth periods, finding the right people and developing the right skills and competencies is the key to a sustainable future. Bringing in a consultant with the expertise to find exactly the workers you need would be a wise investment.

Technology

As technologies change practically at the speed of light, it's vital for companies to innovate or be left behind — but many CEOs started their careers and businesses before many of these technologies even existed! Consultants can be vital for integrating new technologies, in particular mobile, app development, and cloud computing.

Exploding data

Grandpa's generation certainly didn't have to deal with terabytes of data or worry about what to do with it. 90% of the world's data was created in the past two years and managing, keeping safe and extracting insights from the ever-increasing amounts of data your company produces needs to be in the hands of a qualified professional who can help you get the most return from that data.

Customer service

In a world of instant gratification, customers expect instant customer service — and can take to the web to share their displeasure at less than satisfactory service just as quickly. Consultants can find ways to improve customer service and bring it into the 21st century.

Maintaining reputation

In a similar vein, because customers can voice any displeasure so much more publicly and loudly than ever before, businesses have to monitor and maintain their online reputations. And while it's an important task, it's one best suited to a third party who can monitor and mediate with a certain amount of distance.

Knowing when to embrace change

Early adopter or late to the game? Consultants can help CEOs determine when to embrace change and when to stay the course. Not everything new is better, yet eschewing every change runs the risk of becoming obsolete. A professional outside opinion can make all the difference in these decisions.

We are living in an era of constant change for the foreseeable future: change is the new normal. Preparing for and embracing that change by investing in the right kind of advice is the best way to meet these challenges head on.

The Workplace of the Twenty-First Century

Seven changes that will reshape the work environment

- Virtual organization
- Just-in-time workplace
- Ascendency of knowledge workers
- Computerized coaching and electronic monitoring
- Growth of worker diversity
- Aging workforce
- Birth of a dynamic workforce

The redesign of the HRM role

Re-engineering of traditional HRM processes three re-engineering tactics:

- contracting with line management for a new role for HR
- identifying and developing new HR competencies
- redesigning HR work, systems and the organization

The competencies the future HR professional will require demonstrated competency

Six-domain framework for conceptualizing HR competencies (see figures "Six domains to become a successful HR professional" and "Competencies for the HR professional of the future")

HR's rich history

It is often easier to look back to what has been than forward to what might be. HR has a rich history, but an even more exciting future. In the past half-century or so, the HR profession has been through three general waves and a fourth is emerging. Each wave follows a similar curve through time with start-up, learning, growth, and then stability. Wave one emphasised the administrative work of HR, where HR personnel focused on terms and conditions of work, delivery of HR services and regulatory compliance. HR was predominantly what we would describe as an "administrative and transactional utility". Wave one HR roles tended to be filled with people who did an excellent job of administration. The transaction and administrative work of HR continues today, but it is done differently through outsourcing and technology solutions.

Wave two emphasizes the design of innovative HR practices in sourcing, compensation or rewards, learning, communication and so forth. Innovations have occurred in rewards, communication, training, recruiting, succession planning and other HR practice areas. While each of these HR practice areas innovated in terms of what and how it was done, they also were integrated with each other to provide a consistent approach to HR.

Business success through strategic HR

Wave three has focused on the connection of individual and integrated HR practices to business success through strategic HR. For the last 15 to 20 years, HR has worked to link its work to the strategy or purposes of a business. This work has expanded HR practices from a primary focus on talent to include contribution to culture and leadership. Given a business's strategy, HR professionals would be charged with assessing and improving talent, culture, and leadership to accomplish the strategy. In this wave, HR professionals turned strategies into HR priorities to deliver on strategic promises.

The worldwide economic crisis, globalization, technological innovations, and other changes in recent years have challenged the future of HR. Some HR leaders want to look back and reinforce HR administrative work by doing basics well and others want to return to focusing on targeted HR practices. I would rather look forward to a new normal for HR.

HR from the outside in

Wave four uses HR practices to derive and respond to external business conditions, called "HR from the outside in". Outside-in HR goes beyond strategy to align its work with business contexts and stakeholders. The three earlier waves represent HR work that still has to be done well: HR administration must be flawless; HR practices must be innovative and integrated; and HR must turn strategic aspirations into HR actions. But rather than rely on these waves, future-facing HR professionals should look outside their organisations to customers, investors, and communities to define successful HR.

For HR to deliver the standards of the first three waves and the promises of the fourth (outside-in), our research shows that HR professionals must master six competencies. These competencies are based on research from more than 20,000 respondents around the world. These 20,000 respondents (HR professionals and their line and HR associates) completed assessments of HR competence on 140 behavioural and knowledge items.

Credible activist

HR professionals in high-performing firms function as credible activists. They do what they say that will do. Such results-based integrity serves as the foundation of personal trust that, in turn, translates into professional credibility. They have effective interpersonal skills. They are flexible in developing positive chemistry with key stakeholders. They translate this positive chemistry into influence that contributes to business results. They take strong positions about business issues that are grounded in sound data and thoughtful opinions.

Strategic Positioner

High-performing HR professionals understand the global business context – the social, political, economic, environmental, technological, and demographic trends that bear on their business – and translate these trends into business implications. They understand the structure and logic of their own industries and the underlying competitive dynamics of the markets they serve, including customer, competitor, and supplier trends. They then apply this knowledge in developing a personal vision for the future of their own company. They participate in developing customer-focused business strategies and in translating the business strategy into annual business plans and goals.

Capability builder

At the organizational level, an effective HR professional creates, audits, and orchestrates an effective and strong organization by helping define and build its organizational capabilities. Capability represents what the organization is good at and known for. These capabilities outlast the behaviour or performance of any individual manager or system. Such capabilities might include innovation, speed, customer focus, efficiency, and the creation of meaning and purpose at work. HR professionals can help line managers create meaning so that the capability of the organization reflects the deeper values of the employees.

Change champion

Effective HR professionals develop their organizations' capacity for change and then translate that capacity into effective change processes and structures. They ensure a seamless integration of change processes that builds sustainable competitive advantage. They build the case for change based on market and business reality, and they overcome resistance to change by engaging key stakeholders in key decisions and building their commitment to full implementation. They sustain change by ensuring the availability of necessary resources including time, people, capital, and information, and by capturing the lessons of both success and failure.

Human resource innovator and integrator

At an organizational level, a major competency of effective HR professionals is their ability to innovate and integrate HR practices around a few critical business issues. The challenge is to make the HR whole more effective than the sum of its parts. High-performing HR professionals ensure that desired business results are clearly and precisely prioritized, that the necessary organization capabilities are powerfully conceptualized and operationalized, and that the appropriate HR practices, processes, structures, and procedures are aligned to create and sustain the identified organizational capabilities. As they do so with discipline and consistency, they help collective HR practices to reach the tipping point of impact on business results. The innovation and integration of HR practices, processes, and structures, directs HR more fully toward impacting business results.

Technology proponent

For many years, HR professionals have applied technology to basic HR work. HR information systems (HRIS) have been applied to enhance the efficiency of HR processes including benefits, payroll processing, health care funding, record keeping, and other administrative services. In this HRIS round, we see a dramatic change in the implications of technology for HR professionals. At the organization level, high-performing HR professionals are now involved in two additional categories of technological application.

First, HR professionals are applying social networking technology to help people stay connected with each other. They help guide the connectedness of people within the firm and the connectedness between people outside firms (especially customers) with employees inside the firm.

Second, in the high-performing firms, HR professionals are increasing their role in the management of information. This includes identifying the information that should receive focus, bundling that information into useable knowledge, leveraging that knowledge into key decisions, and then ensuring that these decisions are clearly communicated and acted upon. This updates the operational efficiency competency and will add substantive value to their organizations.

It is a great time to be in HR because the future holds not only a promise, but a pathway to business impact. As HR professionals master these six competencies, they will not only be seen as more effective HR professionals, they will add explicit value to their business. Our research shows that being a credible activist helps HR professionals gain personal credibility, but being capability builders, HR innovators and integrators and technology proponents have more impact on business performance.

The structure of the HR department of the future

Many venture to predict how the 21st Century HR will look like. There are no easy answers to a myriad of questions asked in relation to human resource. Proposals are plenty. There are choices to make. And the search continues for the best strategies in managing human resource.

Rest assured that HR - Human Resource - will continue to play an important role in organizations, national governments, and so on.

Let's examine in which direction many people expect HR is headed.

You may notice that HR issues are making the headlines from time to time and almost as often as issues in finance, marketing, production, and so on.

HR Service Delivery and Use of Technology

- It is predicted the use of technology in twenty first century HR service delivery will become more widespread. There is currently a keen debate on this.
- While it is true that the use of technology - including in HR - will become more widespread in the future, it is very probable that this will involve mostly large organizations.
- Technology is not cheap. A lot of small corporate entities cannot afford it.
- More employees will learn to use technology. True. This is necessary.
- But questions arise: "How will organizations identify the technology best suited to their needs?"
- What strategies can organizations employ to ensure that their employees can, will and continue to use technology for the intended purpose?
- In-depth understanding of your operational activities and the strategies you want to adopt will help in this respect.

Current Technological Challenges

- New technology takes time to master. It takes additional effort to continue using systems driven by new technology.
- The apparent truth of the suggestion that more employees will learn to use technology goes without saying. Whether they will use it for the good of all parties is an open question.
- Apart from this, there is a tendency by a lot of employees to misuse technology during working hours.
- Surveys conducted at the present day show that a lot of employees spend their working hours surfing the internet and communicating through emails that has nothing to do with their work.
- In fact, the surveys show that many employees communicate to their friends about negative things about their organizations.
- As a decision maker, what can you do to arrest this type of behaviour?
- Plan well in order to ensure that technology plays the proper role in twenty first century HR and strategically fit into your overall organization's plan.

Technology and Human Resources Must Complement Each Other

Technology must complement Human Resource management. It is only reasonable to expect that in twenty first Century HR people and strategic utilization of technology will continue to contribute to the success of your organization.

- At these times when great technological advancements are being made, it is only logical that you use the relevant technology in planning to advance the cause of human resource development.
- For example, you can use the latest technology in implementing human resources information system or HRIS, and / or Executive Information System (EIS).
- An EIS is intended to provide management with strategic information that can facilitate better decision making.
- Another area where you may want to employ technology is the tracking of your human resources performance by using an HR Performance Dashboard. This is part of performance management.
- In every initiative that you take in improving human resource management by using technology, ensure that the best possible option and most cost-effective type is selected.
- An information system aims at improving circulation of information through your organization. How can technology help? [Click here for information on "HRIS"](#)
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21st Century HR Strategies

- John Sanders, a Hewitt consultant, had provided us with insights on some of the more important twenty first century HR strategies that organizations can adopt.
- Organization's preparation for twenty first century HR involves carrying out the following, based on what Sanders had stated.
- Understand your organization's direction. Get the support of your business leaders and key HR people in formulating and implementing HR strategies.
- Understanding your customer. Try to fully understand your customers' business issues and needs.
- Recognize that it is a mind-set. Change in HR professionals thinking takes time.
- Further to this, using the Dave Ulrich model in formulating HR strategy can help organizations move smoothly into the twenty first century. (We will have more on this at a later date.)

Total HR Outsourcing in 21st Century HR Management

- It is said that outsourcing will become more widespread in future. This is a real possibility because of organizations' emphasis on cost control.
- In fact many organizations now outsource a lot of their routine HR activities.
- We read about organizations that substantially reduced their overheads through HR outsourcing.
- If your organization intends to do this, first answer the question "How can my organization make substantial reduction in HR costs but retain overall control or ultimate control over people?"
- Under this arrangement, you may want to outsource the entire HR function or certain activities to an independent management company or organization.
- If you need to outsource some HR activities, do so after proper consultation and consideration.
- You can always cease outsourcing the HR activities without too much risk to your organization. Ensure that this is inserted as a term in the agreement with the selected management company.

If people are the most important asset, why do organizations give them away under a "total HR outsourcing" arrangement?

It is true that outsourcing is a strategy, but it is only one of the many HR strategies available to you.

There remains a lot of unanswered questions about total outsourcing including:

- How can employees remain loyal if they believe "somebody else" is paying their salaries? Is this being strategic?
- What are the repercussions when performance appraisal is carried out by the organization's assessors but the rewards are subject to the participation or determination by "outsiders"?
- What is the effect on motivation?
- How will line managers relate to the external HR service provider? How will this affect their effectiveness?
- How can employees trust their employer if they are "seemingly" working for another organization?

These are only some of the questions that need answering. There are others depending on the organization.

Even total outsourcing of the recruitment function may fall short of your expectation of the results.

Confusion on the Strategic Role of People

Experts had spent years in identifying HR strategies and how these can help to drive organizational success.

And in spite of the HR strategies that proponents have put forward, there are still conflicting facts about human resource management and the real strategic role of people. And now, we are talking about twenty first century HR. Will organizations continue to look for the proverbial needle in the haystack, namely HR strategies that answer to 21st century organizational challenges?

Many had accepted that an organization's most important resource are people. However, it was found that the number of organizations that had implemented strategic human resource management is small.

In addition, human resources are often the target during hard times or economic downturns.

Organizations carry out down-sizing or "veil" retrenchment as "right sizing."

Is this the way that twenty first century organizations want to see happening in twenty first century HR?

Strategic Business Partners in 21st Century HR

As one who is concerned about HR matters, whether as a Human Resource Manager, HR professional, line manager or supervisor, or as an employee working in HR or elsewhere in the organization, you can rest assured that you will continue to play your role as "strategic business partner".

How can you ensure that this remains so and how fast can organizations make the transformation in the way they manage people?

These are questions that are not easily answered.

Many organizations attempted to look for the answers in the past and continue to do so to the present day.

The number of organizations that will seek for the answers at this very dawn of the twenty first century will undoubtedly, increase. They will do so for as long as machines or robots cannot reason and act as human beings. That time will never come to pass. Machines have no heart.

The right HR strategies can help HR continue on the road to truly become a business strategic partner.

Many HR experts are anxious in helping organizations manage HR well. And this is a very good for the future of HR.

The question remains, "Will the majority of organizations take advantage of the benefits of twenty first century HR strategies that have the potential of propelling their success to new heights?"

Let's wait and see.

However, it is noted that there are so many people - commentators, professionals and experts, HR practitioners, writers - who are convinced that HR will play a more, if not the most, critical role in organizations of the future. No corporate leader, no organization can afford to remain at the sidelines of strategic HR management.

Compelling signs are there. What remains is for organizations to conduct the necessary investigations, make the required decision and take definite plans to implement strategies in managing their people. This is a proactive move in the right direction.

Whatever the future holds in store, nothing can take over the role of people.

Thank You

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