



Course Book

HUMAN RESOURCE MANAGEMENT I

MWPM01-01_E

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INTERNATIONAL
UNIVERSITY OF
APPLIED SCIENCES

LEARNING OBJECTIVES

This course book draws on several management models to introduce students to **Human Resource Management I**. It outlines the historical developments of human resource management (HRM) and its influencing factors while examining various perspectives to offer insights into the strategic role that HRM plays within a company. The course explains general concepts of HRM, addresses issues related to the field, and demonstrates how effective HRM functions can serve as tools that help achieve organizational and individual goals.

This course book will also enhance students' perception of some of the core activities in HRM: effective staff planning, job analysis, recruitment, selection, and the release of staff. By elucidating these concepts, students will be able to identify several interrelated concepts belonging to HRM and organizational structure.

Students will also gain a managerial perspective as the course book navigates the post-hiring functions of employee training and development, performance evaluation, and compensation. Ultimately, students will understand and evaluate how the maximum benefit from efforts and interventions related to organizational HRM can be achieved.

UNIT 1

PERSONNEL MANAGEMENT AND HUMAN RESOURCE MANAGEMENT

STUDY GOALS

On completion of this unit, you will be able to ...

- explain the significance of human resource management and its key concepts.
- analyze the relationship between human resource management and management.
- investigate the factors that influence human resource management.

1. PERSONNEL MANAGEMENT AND HUMAN RESOURCE MANAGEMENT

Case Study

Alex opened a food truck called “Oven Grill.” Its target customers were poor residents of a neighborhood near a large city. With its food that tasted homemade, it quickly garnered a loyal customer group and became well-known in the community. The popularity of the food truck inspired Alex to open a restaurant in the area and employ the neighborhood residents to serve high-quality, “homemade” food. Alex’s objective was not to hire a high-profile team, but to find employees who were committed to the work and focused on developing the restaurant’s reputation by ensuring quality and service. Over two decades, Alex was able to build a huge customer base, not just around the local area, but across the city.

Bearing this initial success and further growth prospects in mind, Alex decided to expand the business by upgrading the existing restaurant and opening a second location in the city center. However, Alex is aware of the difficulties that such an expansion could entail, chief among them being hiring new employees. Because all previous hiring was done in the neighborhood, little training on customer expectations and workplace interactions was needed to ensure employee quality and competence. The employees in the original restaurant were aware of their customers’ needs and expectations, and were on familiar terms with them. Furthermore, the employees were loyal to the business, which enabled them to earn a good income close to their homes.

Alex understands that retaining new hires and maintaining employee motivation and interest requires new techniques. They know their success is due not only to the quality of their food, but also to their highly committed, motivated staff. The available neighborhood workforce is mainly white and male, whereas penetrating the mainstream market, as well as building a client base in the city center, will require a more diverse workforce. Alex is set on expanding but is apprehensive of hiring, training, and retaining new employees. They are unsure of how to expand the team and what measures should be taken to maintain quality at both branches.

This case offers a real-life example of the issues faced in workforce management within a particular organization. The situation calls not only for an in-depth understanding of the problem, but also for a set of feasible solutions to effectively and efficiently expand the business. At the very least, it requires prudent planning with a keen focus on the human aspect of business, alongside other core activities. This human-led approach enables organizations to be successful and maintain competitiveness in the industry for years to come.

1.1 Delimitation of the Terms Used

Maintaining competitiveness in an industry requires managers and owners to first address a few critical concerns: hiring the right candidate, organizing the hiring process, ensuring the employees adhere to scheduling, and motivating and retaining employees during unexpected business phases. To address these issues, an enhanced understanding of human resources (HR) and human resource management (HRM) aspects is required, and knowledge of the many perspectives that guide key business stakeholders is essential.

HRM is one of the most important organizational functions for effectively managing people at work and can be defined as a set of interrelated activities concerned with managing both work and people within an organization (Boxall & Purcell, 2011). HRM is sometimes referred to as employee relations, labor management, and (more commonly) people management. By definition, HRM is not a static phenomenon; it encapsulates other dynamic perspectives concerned with managing employees, their commitment, and motivation.

Other activities that help organizations to productively utilize HR to achieve strategic goals, such as high customer satisfaction, better sales, increased productivity, and financial stability, also make use of HRM. Additionally, HRM produces positive attitudinal and behavioral outcomes, such as employee motivation, job satisfaction, commitment to work, organizational citizenship behavior, and employee retention. It is therefore imperative for managers to be aware of HRM functions and their usefulness in the workplace.

Human resources are the living assets of an organization, tasked with specific roles to ensure all organizational functions are performed effectively. Modern organizations rely not only on HR, but also on other tools and management techniques for better organizational performance. Today's dynamic organizational environment has multiple layers of both technical and personnel-related tasks and responsibilities that require proper management to bring in business and profits. Therefore, human resource management refers to the collective process of recruiting, staffing, training, appraising, and compensating individuals who are, or aspire to be, part of a company's HR (Dessler, 2020).

Due to the ever-increasing competition in both local and international markets, organizations have transformed their operations and methods of carrying out business activities. This has helped them respond more quickly to diverse customer needs. However, organizations' abilities to respond to large networks of customers depend on an effective workforce. It has now become the primary responsibility of managers—individuals who perform tasks through others—to continually search for the right people to be placed in departments like marketing, sales and execution, research and development (R&D), finance, auditing and accounts, and human development.

An HR manager is held accountable for diverse HR-related functions and activities. However, they are more often called “business partners” and perform many of these activities and tasks in consultation with line managers (LMs), with the latter feeling empowered and prepared to comply with the organization's needs through the execution of major HR-oriented work practices. The alignment between the HR department, HR managers, and LMs in most contemporary organizations has evolved businesses' competitive advantages and

enhanced organizational performance. Let's take a detailed look at each of these activities, which include recruitment, selection, training and development, performance appraisal, compensation, and performance management.

Recruitment

Every organization needs to hire employees, and recruitment is an integral part of this process. Recruitment refers to "finding and/or attracting applicants for the employer's open positions" (Dessler, 2020, p. 139). Simply put, recruitment is a way that managers appeal to applicants to apply for a position that may or may not have been advertised openly (Wilkinson et al., 2017).

Employers always aim to get the maximum number of qualified job applicants to be able to choose from the "best of the best." Applicants are, therefore, typically grouped to form a pool of employable candidates, providing the organization with a viable opportunity to find the best applicant. If an organization must respond to frequent organizational changes or restructuring, they may elect to recruit applicants internally, as it can be a more convenient and efficient approach compared to creating an extensive pool of external applicants. Internal recruitment can be very effective, but newer organizational ventures often require "new blood."

Overall, recruitment and decisions made during the hiring process are affected by several internal and external factors, with managers having to account for each when making such decisions. For example, recruitment processes can be improved by including insights from the organization's existing employees to enhance a hiring strategy (Abbassi et al., 2020). The following table compares the advantages and disadvantages of internal and external recruitment strategies.

Table 1: Internal versus External Recruitment: Advantages and Disadvantages

Type of recruitment	Advantages	Disadvantages
Internal recruitment	<ul style="list-style-type: none"> • Shortens hiring time • Reduces cost • Increases employee morale 	<ul style="list-style-type: none"> • Small talent pool • Lack of new skills and expertise • May lead to workplace hostility
External recruitment	<ul style="list-style-type: none"> • Better-quality candidates • New skills and expertise • New ideas 	<ul style="list-style-type: none"> • Expensive • Time-consuming • Possibility of maladjustment

Source: Mumtaz Ali Memon (2022).

Selection

Selection ensures that the right candidate is selected for the position they are best suited for. This can be achieved in several ways. The selection style depends on the employer, but the choice is generally made by assessing employees' cognitive and non-cognitive abilities, as well as certain performance-based scenarios. These characteristics are gener-

ally assessed by the employers, but tools and software also exist to simplify the process for organizations (Wilkinson et al., 2017). Generally, employers are best suited to select the right candidates for vacant positions, but these decisions are affected by aspects such as legal obligations, costs, and execution (Brown et al., 2019). These factors can be seen as constraints for managers or HR business partners during the selection process.

Selection

The selection process involves individuals being provided with the right opportunities to be hired into an organization.

Employers can select highly capable individuals in multiple ways and, when they have taken the time to thoroughly develop their selection procedures, they will have a higher chance of quickly filling the empty slots in their time of need. Many organizations try their best to keep the right selection structures in place. Some organizations assess prospective candidates based on their cognitive and non-cognitive abilities, while others implement complex selection criteria using several contemporary selection techniques, including performance-based scenarios and assessments. Apart from how the candidates are selected, selection is a critical strategic function of HRM in organizations.

Training and Development

Training and development have become an integral part of the overall organizational system. According to Dessler (2020), training refers to “giving new or current employees the skills that they need to perform their jobs, such as showing new salespeople how to sell your product” (p. 240). Put simply, training equips employees with the necessary skills to be better at their existing jobs or be well suited for other related jobs within the organization. Training may or may not be developmental, depending on the quality of content and commitment of the management towards real change.

Development refers to intellectual growth reflected in attitudes, behaviors, and values of managers, which especially contributes to organizational advancements in both qualitative and quantitative terms. Development is also important for employee advancement, as it directly effects their career progression. However, organizations have shifted the focus of training and development programs to a more real-time need assessment. They have done this because training and development are some of the costliest HR functions. Often, employees are only offered training if they need to improve their performance. Otherwise, training can be given with the least effort in terms of training transfer, which ultimately helps alleviate deficiencies (Boadu et al., 2018).

Training and development enhances employee skill sets according to the arising needs of the business. For instance, if a bank teller finds it difficult to deal with cash over the counter, they might be provided with training on handling cash once their needs are assessed by the bank. Conversely, organizations might announce general training courses to be offered to all employees after a certain period. This not only augments the employees' future performance, but also the overall organizational accomplishments and effectiveness.

Performance Appraisal

Performance appraisal is the formal evaluation of employees' performance against the organization's set performance standards (Dessler, 2020). Appraisals help organizations understand if employees are working according to the set guidelines or if there are any

differences from the required standard. Similarly, it is beneficial for the employees if their performance exceeds the set standards by providing them with recognition that will earn them an increased salary, promotion, or other rewards. Many organizations carry out performance appraisals once a year to assess all aspects of employee performance, but some companies do them twice a year. Regular appraisals also help employees immediately align their efforts towards attaining organizational goals.

Line managers and HR managers are charged with ensuring that the appraisal process goes smoothly. They are responsible for conducting these performance appraisals while remaining fair in their assessments of each employee working for the organization. To achieve this, managers implement several methods to appraise employee performance. For example, managers might take performance-related data gathered by immediate supervisors or subordinates, or through self or peer feedback to rate an individual's performance (Morley et al., 2021).

Performance Management

Performance management

The continuous process of aligning employee performance with organizational goals is known as performance management.

Performance management is recognized as another critical tool to achieve organizational effectiveness and requires the identification, measurement, and involvement of individual performances (Dessler, 2020). As the immediate supervisor, line managers used to perform the majority of the performance assessment in strict collaboration with the human resource department.

However, problems would arise when the managers were unable to gauge each facet of an employee's performance for the overall assessment. To resolve such issues, feedback on an employee's performance can be taken from their customers, colleagues, peers, and subordinates. This prevents any potential discrepancies between managers' and others' ratings. Managers may also speak with the employee if they feel it is needed. Hence, good performance management ultimately adds to the organization in terms of high organizational performance, efficiency, and effectiveness.

Compensation and Benefits

Compensation is the collective monetary gain employees receive in return for their work (Patnaik & Padhi, 2012). Compensation can be dispensed to employees in various ways. It may be offered as a fixed monthly salary with a variable commission attached to a certain performance level, or it may be channeled as an extrinsic reward to high performers. In any way, compensation is something that employees work for in firms or organizations. Conversely, benefits do not have to be financial compensation; they can be indirect, taking the form of social security, medical or life insurance, disability protection, retirement plans, and more (Mondy & Martocchio, 2016).

In the modern business world, every organization aims to keep employee compensation and benefits competitive, which has become one of the most important tools to retain quality employees. It increases employee empowerment, with workers performing their best when receiving good compensation in relation to their performance level. However, in difficult times, such as during an economic downturn, reducing employee compensation and benefits is often used as a tool of cost retrenchment (Tao et al., 2020).

Employee Relations

Employee relations is the management of employee job satisfaction, communication, and stress through coaching, counseling, and disciplinary processes (Lussier & Hendon, 2017). In the field of HRM, employee relations have garnered much attention, with employers constantly searching for ways to strengthen the relationship between the organization and its employees. It is common for HR departments to delegate authority to managers to build good relationships with their immediate subordinates. This has transformed the role of the HR department.

Organizational Culture

Organizational culture is the commonly shared values, beliefs, expectations, and practices exhibited by an organization's employees. It varies across organizations depending on the operational context, but maintains the common goal of developing a positive organizational culture that produces good performance, productivity, and engagement (Vizzoto et al., 2014).

A good organizational culture improves the organization's way of doing business and retains talent within different work units. Organizational culture is something invisible but can be felt by all. It also provides opportunities to internal stakeholders (i.e., employees) to perform their tasks in a more streamlined manner, and in a healthy work culture, encourages employees to offer new ideas and innovations.

Diversity and Equal Employment

Diversity is an integral part of today's corporate world. It involves the inclusion of individuals of all ages, ethnicities, genders, and backgrounds within an organization (Wilkinson et al., 2017). Diversity has emerged as a "hot topic," attracting attention at the highest levels of the organization.

Equal employment is the opportunity given to every individual to work at their full potential in an organization regardless of factors such as age, religion, gender, race, and disability (Dessler, 2020). Both potential and existing employees can see this as an opportunity to become candidates for higher-level positions for which they may not have previously considered. The best practices of equal employment opportunities encourage every prospective employee to freely pursue employment, regardless of their background.

Talent Management

Along with retaining and rewarding employees, HRM focuses on talent management because every employee-related activity falls within its domain (Gallardo-Gallardo et al., 2020). Talent management is a continuous, long-term strategy for finding and retaining specialists and future leaders. Specifically, it is the process of recruiting and onboarding the right employees and ensuring they perform to the best of their abilities. High-performing, well-qualified individuals are company assets, but retaining them within an organization for a long period of time requires an extraordinary effort on the part of the employer. Therefore, line managers acknowledge these accomplished individuals' worth within the

organization, with such skilled employees being promoted more frequently than the average employee in the workforce. However, the number of skilled or highly-qualified employees is generally low compared to the rest of the workforce, meaning that organizations continue to invest much energy into attracting employee assets from both internal and external sources.

Human Resource Information Systems

Human resource information systems (HRISs) are software packages specializing in assimilating all HR-related tasks and processes within organizations. This assimilated system enables organizations and managers to perform tasks faster and more efficiently. Some of the leading HRIS software for organizational use include SAP Success Factor, Sage Business Cloud People, and BambooHR (Dessler, 2020). In the wake of new workplace developments, the use of such software packages has become invaluable for management. For example, they enable managers to quantify employee performance over a specific period and identify potential areas that need improvement.

Organizations must pay to purchase these systems from reputable vendors and, once installed, they provide extra benefits in a standardized manner. However, the system's success or failure is more often related to the level of receptiveness towards its implementation rather than tangible employee output (Dilu et al., 2017).

1.2 Influencing Factors and Perspectives of HRM

HRM is an internal process of an organization and, as such, should be managed without external interference. However, there are certain external forces and factors that, despite not necessarily being directly related to the organization, can still greatly impact its internal processes. Therefore, organizations must consider these forces and recognize their impact on organizational functioning and survival. These factors include best practices, globalization, economic downturns, diversity, aging workforces, ethnicity/race, gender, and market demands, among others.

Best Practices

National employment policies play an important role in the types of policies organizations create for employees. Usually, organizations make policies that fulfill government requirements for employment. Each governmental body has its own agenda, and, although the corporate sector does not necessarily alter their work ethics, most organizations focus on staying relevant to the public and fulfilling their social responsibilities by revising certain aspects to be in line with newly introduced laws and programs.

Likewise, the concept of equal employment opportunities guarantees that every individual will have equal consideration when applying for a position, regardless of age, gender, religion, ethnicity/race, or any other affiliation—provided that they are the right fit for the

position. Often in countries where various groups coexist, there is a (perceived or real) bias towards a certain group or groups. Equal employment opportunities are an attempt by organizations and governments to promote inclusivity for all.

Globalization

The exponential growth in international business has provided excellent opportunities for many organizations. Every organization wants to have the best people available to make the most of opportunities across borders, but this is often easier said than done. The workforce available in international markets tends to be better equipped and more capable, but also brings with it more—or new—challenges than the local workforce, especially in developing economies (Dessler, 2020). Therefore, the advantages and disadvantages that come with globalization require HR managers to make difficult decisions. For instance, should they hire local employees or recruit from international markets to best cater to customer needs? What trade-off will they be making to get the best and most suitable human resources? Will the extra expense of attracting these candidates outweigh the benefits of such talent?

Economic Downturn

Recession is never good news for businesses, as it brings increased inflation and tax rates. More often than not, HRM is left to implement policies that are meant to mitigate the situation. During recessions, organizations generally cut back on major costs, but if that is still insufficient, they may begin letting employees go. Cutting costs can also be achieved through seemingly mundane activities. For example, Google reduced costs during the 2007–2008 recession by decreasing its cafeteria hours (Dessler, 2020).

Company management focuses on implementing strategies to keep the company open and avoid bankruptcy. In liberal, free market economies, governments often create national policies to put limitations on companies so they do not take extreme measures and lay off employees who will eventually become a greater economic burden. For example, during the global recession, the German government introduced a policy called *Kurzarbeit* (short work) that allowed companies to reduce work hours and pay their employees less, but then the government provided a percentage of the remaining wages to the workers (International Monetary Fund News, 2020). Therefore, organizations' reactions to such situations vary according to both internal management and external forces.

Diversity

Modern organizations recognize the importance of hiring people from diverse backgrounds, paying attention to factors such as gender, ethnicity/race, sexual orientation, socioeconomic standing, and age. Maintaining diversity is often a key selling point for both organizational culture and attracting global perspectives to promote inclusion. A diverse workforce may, however, also prove to be a challenge for the organization and HRM in particular.

HR managers may find it difficult to maintain employee satisfaction levels with a diverse workforce. For instance, some employees may be encouraged by financial benefits, while others may prefer recognition and a stronger focus on employee well-being. Such issues may prove to be critical influencers when these employees make business decisions.

Ethnicity and race

Racial discrimination has long existed against certain groups due to strongly established stereotypes. For example, in the US, South and Central Americans, Asian Americans, and African Americans are often incorrectly associated with certain occupations, leading to exclusion from others (Gurchiek, 2020). Lately, there has been a shift towards valuing education and skills over race and ethnicity, but this also varies across professions.

Gender

Promoting gender-based diversity is not only limited to hiring people who identify and present diversely, but it also includes reducing the obvious gender pay gap. Although efforts are being made to achieve equal pay, the argument remains that males are generally provided more career opportunities and earn higher pay in most households (Stamarski & Hing, 2015). Gender discrimination is also still a major concern, with studies showing that employers and supervisors in male-dominated fields are more biased when they rate women compared with men (Snyder, 2014). Organizations have only recently begun making a concerted effort to show their acceptance of all genders in all positions.

Managing diversity in the workplace is an integral part of today's HRM, but it comes with its own unique set of problems. Social and cultural stereotypes against individuals from other backgrounds persist, while inclusivity can be markedly "ceremonial," with only a select few from historically discriminated-against groups in high-level positions. While, on paper, this is a good practice, it is not fully representative at all levels.

The gender gap in the workplace is a major driver of developing strategies in HR departments and companies as a whole. As these issues have gained attention, HR managers have become more conscious about gender-inclusive hiring practices, especially as organizations become more global.

Aging workforce

The phenomenon of an aging workforce in organizations is not a new one. Due to age stereotypes, discrimination, and strict career timelines, there has always been a bias towards employing people from certain age groups. Although organizations nowadays try to be more inclusive in their policies, there is often an unspoken age-based discrimination when hiring employees. In today's working environment, age discrimination is a concern for both older and younger employees: Older employees worry about being replaced by younger workers, while younger employees may feel pressured to compete with their older, more experienced colleagues. Additionally, employees who have been in the workforce longer are generally more expensive than their younger, greener counterparts (Pinto et al., 2014).

Organizations can make workplaces more age-inclusive by providing workers with space and flexible hours to support them in working to their highest potential. HR managers must strike a balance between taking on young employees and keeping an experienced workforce in the organization.

Job Market Demands

Demand for education

The demand for an educated workforce has increased greatly over the last several decades (Wilkinson et al., 2017). Positions now require people to not only be good at what they do, but also have additional skills and technical knowledge—along with a certificate to prove it—gained over years of education. However, this has resulted in a surplus of skill supply, which affects market trends globally. Even though employers have greater pools of candidates to choose from, they still have difficulty finding the right person for the position because candidates are often either overqualified for the position or recent graduates who are unprepared to take on a demanding position (McGunagle & Zizka, 2020).

Demand for skills

Skills have always been in high demand on the job market and recent trends show a shift from production skills to the service industry. It is expected that wage and salary jobs in the service sector will account for 81 percent of the US-American job market, indicating a growing demand for both soft and hard skills (Dessler, 2020). Another interesting development in the service sector has been the increase of freelance workers in the transport and academic industries. Such workers are hired as independent contractors with either a basic or niche skill set, given a short training, and then receive single work assignments (Segal, 2021).

Technology

Technological change is a strong external influence that affects internal organizational factors, such as work dynamics, processes, and management. This change is supported by theories that argue that technology has improved the quality of work and permanently altered every aspect of modern business. Modern businesses constantly seek to implement technological advancements to gain a competitive advantage over their competitors. These technological shifts include remote work, using social media for promotion, and Agile management. More recently, the efficient use of technology has supported the successful application of virtual teams (Tan et al., 2019).

Remote work

Technology has enabled greater flexibility in workspaces, allowing employees to remain connected across countries or regions. The concept of remote positions has gained traction in recent years, with remote work being especially beneficial for businesses working across national and international boundaries. During the COVID-19 pandemic, uncertainty surrounding the success of remote work was brushed aside, as most organizations had some, if not all, employees working from home (Wong et al., 2021). However, the experi-

ence of remote work throughout the pandemic has raised further issues. Managers cannot oversee their employees' efforts due to the lack of in-person interaction, which can lead to issues with overall performance ratings and missed opportunities for providing customized training when it is needed. In addition, it is difficult to assess employee contributions because of remote work, meaning that employees who offer positive contributions may not be rewarded appropriately.

Social media

Social media has become an integral tool in organizational management, and is especially important for HR managers during the recruitment process. Websites such as LinkedIn and Facebook have gained immense popularity among recruiters and applicants, mainly due to their ability to gather candidates from a wide international pool (Jeske & Shultz, 2015). Some organizations have also implemented social media for internal communications, whereas others actively discourage using social media platforms for organizational purposes, feeling that their internal systems for communication with their stakeholders provide more security and convenience. Due to these varying viewpoints and policies, social media and its use can be a major concern for HR managers.

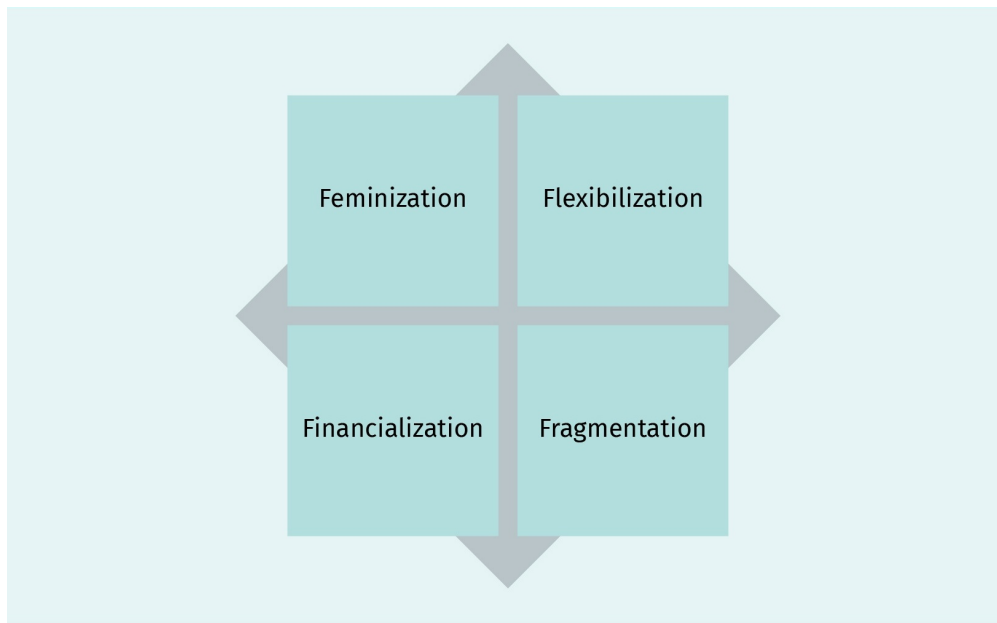
Agile management tools

Managers must move towards agility and the acceptance of digital culture. Organizational management wishing to adopt a culture of technology must ensure that employees have both the necessary knowledge and training to use the technological tools. Cloud computing, data analytics, and artificial intelligence platforms are useful for efficiently integrating HRM with technology that gathers, analyzes, and manages large amounts of data. Therefore, all HR processes, including recruitment, selection, performance management, and training and development, can be computerized to use the available information most effectively for HR planning. With the growing prevalence of such tools, there is an additional requirement for HR managers to integrate data software and technology with their other skills. However, problems can emerge when long-time employees are compelled to adopt technology into their core routines at work. Many find it extremely difficult to integrate these technological tools after years of performing their tasks without them. With this in mind, organizations often provide extra training to these employees and gather feedback continuously across various channels.

Current HRM Expectations

Rubery (2015) determined four Fs that describe the changing nature of employment and work that drive the prevailing HRM trends. The Fs stand for feminization, flexibilization, financialization, and fragmentation. According to Rubery (2015), the four Fs focus on creating opportunities for staff and managers to practice more discretion. However, they also pose some challenges.

Figure 1: Current HRM Expectations



Source: Mumtaz Ali Memon (2022).

Feminization

Organizations have been making a concerted effort to attract **female** candidates as a representation of inclusivity and merit. As a result, the number of females employed in skilled and professional fields has grown in recent years. The growing female workforce has led to organizations revising policies to make their professional lives easier and safer. For example, when workplaces received reports of sexual harassment against women, companies began introducing sexual harassment policies to help women feel protected in the workplace. **Paid maternity leave and benefits are also becoming increasingly normal**, which aids in improving working conditions for female employees. Despite the increased “feminization” and employment opportunities, women are still not employed in equal proportion to men.

Flexibilization

Work practices are becoming increasingly flexible with regard to spatial arrangements, working hours, working mode, and job diversity. Employees can often work from home or spend a few days of their choosing each week in the office. However, this expectation of flexibility goes both ways: Employees are also expected to exhibit a diverse skill set and the ability to take on tasks above and beyond their original job description. Hence, flexibilization is a phenomenon with implications for both employers and employees in our dynamic corporate world.

Financialization

Companies and organizations are increasingly focused on the potential benefits from financial investments, banks, and mortgages (Rubery, 2015). This financial emphasis has diverted attention from producing goods to investing in larger contracts that would bring high revenues, even if the organization's current capacity does not allow for the promised targets to be met. Producer-driven value chains are no longer a priority and, instead of treating customers as citizens whose needs should be met, all focus lies on profit-making. This has negatively impacted job security, as well as the durability of products and services.

Fragmentation

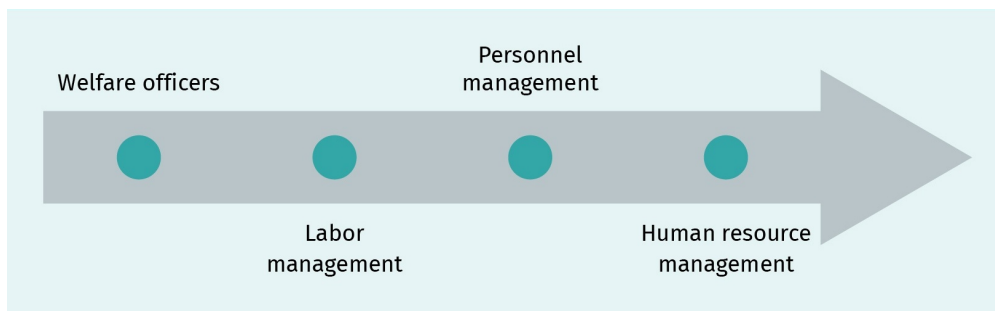
The boundaries between organizational accountability mechanisms and finances have been blurred. Many organizations create their policies at their own discretion, and fluctuations in political, economic, and market trends have changed employee behavior towards employment standards and commitment. Some organizations take responsibility for the working environment and put decent working conditions and standards in place; others might not take such care, instead following the basic regulations put forward by their suppliers and contractors. There is no uniform accountability-based mechanism, which leaves employees unsure of where their loyalties should lie. Currently, HRM does not fully integrate fragmentation in organizations, which results in a serious need for a discussion about the psychological contracts between managers and organizations.

1.3 Lines of Development of HRM

The evolution of HRM began with the introduction of welfare officers and transformed into labor management. As the global work environment shifted, the concept of personnel development emerged and eventually became what we call HRM. HRM's humanitarian and welfare foundation began in the 1890s, when welfare officers first became popularized. These officers focused mainly on workers' health and hygiene with the aim of improving living conditions. By 1913, direct systems to cater to employees' medical needs were established, and the onset of World War I altered worker dynamics (Wilkinson et al., 2017).



Figure 2: Evolution of HRM



Source: Mumtaz Ali Memon (2022).

Eventually, the concept of scientific management emerged, in which systems of personnel supervision shifted to a more bureaucratic and technical form of management. The basic idea was that workers perform better when treated well as a social group. Labor management eventually became popularized, in which human relations in informal working groups were considered factors of production up until World War II.

Immediately after WWII, there were high expectations for workers to find good jobs and keep production flowing. During this time, trade unions' influence increased and they actively negotiated employment terms for workers. This was the personnel management phase, in which attention was paid to employees' needs and great consideration of their skills and interests were taken to help fit workers with a suitable line of work (Wilkinson et al., 2017).

Although management was a formalized, professional field by this time, it still focused on administration rather than contributing to the strategic objectives of the organization. Over time, personnel management became redundant due to a forward-thinking shift and technological improvements. Academia began to embrace HRM as a field of study and organizations became more focused on helping employees perform to the best of their abilities and adding long-term value to an organization. This view of HRM emphasizes investing in an organization's **human capital**, with employees valued as its greatest assets.

Historical Overview

Besides the aforementioned development of HRM as a discipline, it is also edifying to examine the historical roles of HR personnel, which have changed dramatically over the years. HRM is a relatively new field that has undergone multiple developments in both labor management and workforce administration and has experienced changes in organizational structures, production patterns, firm size, power centers, and political and legal environments worldwide.

Human capital
This refers to the skills, knowledge, and experience possessed by employees. It is viewed in terms of their value or cost to an organization.

The beginning

HRM can be traced back to the 1890s when employers would generally overlook administrative issues involving workers. The focus was more on individuals doing things “by the book” as opposed to focusing on achieving strategic goals. Over time, HRM became more focused on employee health and general rights, as well as safety, with working conditions and industrial relations of employees eventually becoming a priority (Dessler, 2020). In the late nineteenth century, managing employees only applied to those working in offices, but this phase of evolution ended in the early years of the twentieth century (Dessler, 2020). Although the organizational scope was quite limited, this provided the basis for HR personnel to expand.

Mid-twentieth century

During the mid-twentieth century, the major employers were producers of textiles factories, railway companies, and manufacturing firms. Over that period, there was significant improvement in how people dealt with HR as individuals’ scope of responsibilities increased far past the previous era (Obedgiu, 2017). This transition was completed in the latter half of the twentieth century, by which time employees who addressed HR-related issues were recognized as personnel managers (Dessler, 2020).

Twenty-first century

The end of the twentieth century and the early twenty-first century witnessed prolific advancements of information and communications technology (ICT), financial services, and retailers pulling ahead as market leaders (Obedgiu, 2017). With these changes, organizational power dynamics and hierarchies were also altered. Whereas previously, welfare and personnel managers were responsible for HR matters, the turn of the century marks the arrival of the human resource manager. Furthermore, instead of concentrating power at the top, organizations decentralized divisions and teams, thus simplifying management. The whole development of HR personnel roles indicates equal development in their positions within organizations. HR managers still have some way to go because they are still more frequently known as business partners and team leaders. However, this is inaccurate because business partners are more acutely aware of business changes than they were in the past, and they are better equipped to respond to these changes according to the business and work context.

Moreover, the evolution of HRM shows that organizations have historically prioritized capital, market environments, and profits over the skills, capabilities, and behavior of employees. Labor was always viewed as a secondary investment, as employers have historically attempted to find alternatives, such as machines and technology, to human labor since the arrival of industrialization (Obedgiu, 2017). As production patterns changed from specialized, skilled work to mass levels, operational activities, such as assembly line production, have developed into a technologically diverse environment, leading to a technology-embedded HRM today.



SUMMARY

HRM plays an integral part in an organization's success. As a field, HRM evolved from labor administration, focusing on catering to basic employee needs, to developing and investing in employees to ensure they are assets for an organization. It has changed from fulfilling basic functions to a more complex, technical, and diverse labor force. HRM uses management techniques to fulfill its processes, including recruiting, staffing, training, and compensating employees. Human resource managers are responsible for staff and assist line managers in considering all factors to come to a decision.

Several external influencing factors have shaped HRM into what it is today. Political factors, such as national economic systems and policies, play a major role in hiring processes, workplace treatment of employees, payroll systems, and giving equal and fair opportunities to all. The economic impact of recessions, global expansion, and financialization steer companies towards designing policies to overcome the circumstances, sometimes leading to growth and sometimes to reductions.

HRM also has a social obligation and impact, the result of which can be seen in diversity policies and programs within organizations. Similarly, market trends have changed, providing a more educated workforce that has a greater range of hard and soft skills. Technology is another driver and one of the greatest tools for success in today's competitive environment. Cloud computing and online databases have made work more efficient and easier to aggregate and analyze. The internet has simplified working across borders by providing employees with the option to work from home and gives access to social media tools both for employers and employees.

Today, HRM looks at how policies and organizational goals are strategically aligned, and it focuses on performance, social awareness and, most importantly, investing in employees to encourage commitment and performance levels to gain a competitive advantage.

UNIT 2

STRATEGIC HUMAN RESOURCE MANAGEMENT

STUDY GOALS

On completion of this unit, you will be able to ...

- explain the strategic significance of human resource management (HRM).
- analyze strategic human resource management (SHRM) theories and models.
- apply different tools to ensure effective SHRM.

2. STRATEGIC HUMAN RESOURCE MANAGEMENT

Case Study

Hannah and her husband Paul founded a stationery company called HappyWriting & Co. in 2002. Initially, the company focused on basic stationery products with the goal of introducing creative, packaged items to the local market before gradually building worldwide recognition. From the beginning, the company stayed focused and committed to its objective, with a small team responsible for the human resources (HR), research and development (R&D), manufacturing, marketing, and sales and operations. Hannah manages the manufacturing department, while Paul manages sales and operations.

Hannah has been successful in building an image as an entrepreneur in the field of stationery and has built a large base of online customers. She is now ready to expand into the global market. Before taking the plunge, the R&D team recommended that they start to manufacture diaries and staplers to keep up with the trends in creatively designed and packaged products.

Paul is confident that this product diversification will support the company strategy and expand the company's position in the stationery market. However, Hannah has reservations that it might affect their existing business. She believes that diversifying has never been part of the company's overall strategy. Hannah is satisfied with the existing strategy and worries that diversifying will confuse their customers and employees. Paul considers diversification an opportunity that should be exploited by the HR department, who can design a shift in the company's strategy. They decide to hold an HR meeting to discuss the idea.

The above case provides a valuable opportunity to discuss strategy in a real scenario. It reflects what strategies should look like, how they are made, and who is responsible for creating them. A strategy can be defined as a plan, activity, or course of action taken in pursuit of business goals. A well-designed strategy is not guaranteed to remain suitable forever, as change compels businesses to divert their direction and sometimes shift focus entirely as they attempt to leverage their potential through strategic moves. New strategies may pay off in the long term, but shifting strategy should not cause major disruptions to current business operations. This situation can be well understood when observing HappyWriting & Co.'s current dilemma.

This case study discusses how an organization's strategy impacts its overall processes. It also highlights that an organizational strategy is dynamic and that HR strategy also needs to be reconsidered to make a change successful. Strategic decisions cannot be fully enforced across the organization unless they are equally backed up by the employees across all departments. Therefore, it is prudent to analyze all aspects and perspectives

relating to strategic human resource management (SHRM). This will provide new insights into how organizations strategically manage their most valuable assets (i.e., human resources).

2.1 Strategic Aspects of HRM

Strategic human resource management (SHRM) is managing human resources (HR) in alignment with current and future organizational decisions. Armstrong (2021) defined SHRM as “the process of ensuring that key issues of human resource management are dealt with strategically in order to support the achievement of organizational goals” (p. 34).

SHRM is vital for determining the direction an organization is headed and how the HR can be steered to create the best possible business outcomes. Therefore, it is critical that all personnel are familiar with the strategy and the underlying process carrying it forward. Most often, the process is determined by the layout of the plan, and employees are responsible for ensuring that it is executed smoothly and without interruption. These core elements are briefly introduced below, followed by a more detailed discussion of SHRM’s various perspectives.

Understanding Strategy and Strategic Planning

Strategy refers to the actions taken to put plans into practice. Organizations develop strategies to be successful and competitive in their field. Every industry has its own conditions and requirements, meaning that strategies vary according to the intricacies of its environment. For example, large manufacturing firms invest in high capital because their industry remains mostly stable; production patterns are generally unaffected by minor external influences. These industries have a high predictability quotient, whereas rapidly changing industries, such as the technology sector, cannot be predicted as easily. In this way, a strong understanding of the environment and industry paradigms equips HR with enough information to predict development patterns. Having this information enables HR teams to gauge evolving situations in products or services markets, as well as to understand possible approaches to ensure that their human resources maximize their potential when penetrating these markets. With this in mind, it is easy to see why understanding the various knowledge-based perspectives is useful when determining a strategy (Wilkinson et al., 2017).

The **classic perspective** is the belief that a pre-defined action plan can achieve success in a predictable environment due to the certainty that environmental diagnosis and forecasting will follow a pattern. However, today’s world is dynamic and flexible, meaning that previously made plans may be redundant by the time they should be implemented. This brings its usefulness into question as, traditionally, it was used to determine an organization’s main business. Despite this, the classic perspective requires the development of specific core competencies to convert ideas into a range of actions.

Classic perspective
The classic perspective refers to the notion that an organization has created a plan based on the given strategic objectives.

Process perspective

This holds that strategies should be updated incrementally, depending on external and internal influencing factors.

The **process perspective** is more flexible, focusing on observation and alertness for implementation rather than simply putting a plan into action. For example, the mobile phone industry is constantly evolving. Competitor innovations provide an impetus for firms to introduce more features or services as products for customers. While they cannot base their strategic plans on an unknown development, a strong R&D team will be able to alert the organization to upcoming changes. The core competency of this perspective is the ability to observe and act according to environmental requirements. As a general rule, opting for the process perspective may provide numerous opportunities for the organization as effective and efficient planning, as well as the better handling of human resources in this regard.

Evolutionary perspective

This perspective advocates for constantly trying new things and using the trial-and-error method.

The **evolutionary perspective** suggests that the prototype that best fits customer demands can be rolled out for market testing and, upon receiving a favorable response, should go forward in the development process. It also purports that an organization's core competency should be focused once an efficient response is received and that maintaining a wider scope may be a viable solution. This perspective does not apply to every industry, as there are few that actively encourage employees to generate fresh ideas. Every effort made to exploit the potential of human resources makes a difference to the overall organizational strategy.

Strategic planning and HR

The strategic planning process is undertaken by an organization's executive management. A strategic plan is made with thorough consideration given to the organization's strengths, weaknesses, opportunities, and threats, a process known as SWOT. The management maps out its current market position and decides where it wants the company to be in the next ten years or more. This process involves gathering options, analyzing them, and selecting a course of action to make the "strategic choice." Executives are often wary of relying on HR to carry out effective strategic planning due to distrust of their analytical and decision-making skills.

HR curricula now specifically focuses on creating strategic HR managers, i.e., managers capable of making HR policies while keeping the larger organizational strategy in perspective (Wilkinson et al., 2017). These strategic HR managers are equipped with the competencies needed to align HR strategy with organizational strategies. This alignment strengthens the organization's capabilities when exposed to challenges, converging the organization and its stakeholders to make tradeoffs between the choices. Therefore, strategic HR managers have an essential role to play in taking measurable steps in the organization's interests.

Types of Strategy

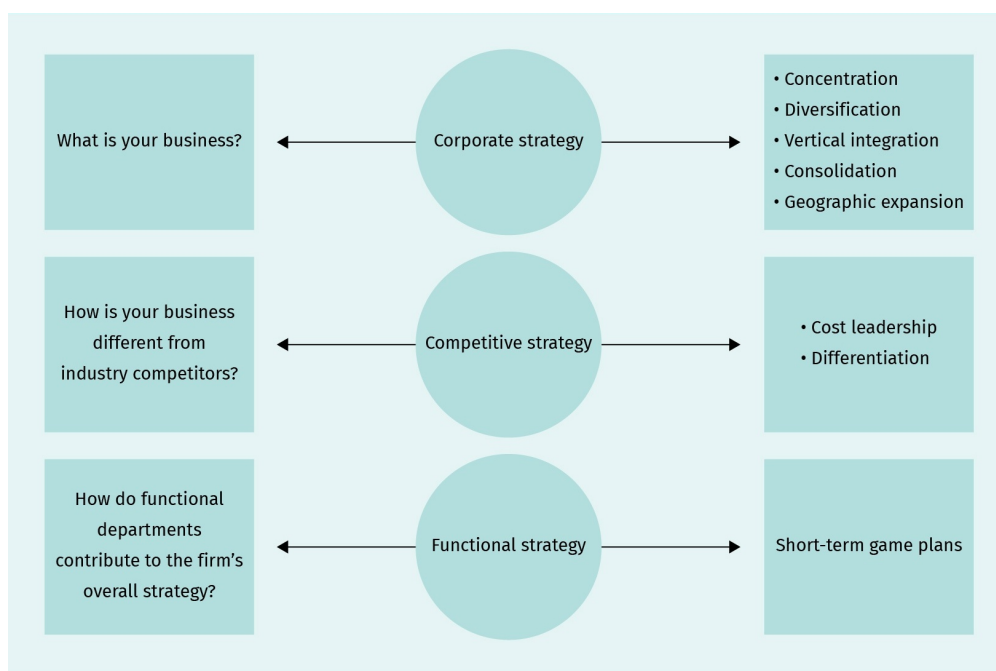
Strategies vary in both macro and micro aspects, but the strategy of choice is decided upon by the manager. The three broadest types of strategy are corporate, competitive, and functional. Further concepts make up parts of these strategies and are discussed below. Every strategy will have implications for HRM.

Corporate strategy

This strategy is centered on exactly what the business is and its market placement. A corporate strategy can exist in the following forms:

- concentration. This refers to corporate strategy for a single business unit with a narrow scope, such as companies that offer a single product or service to their customer network.
- diversification. This corporate strategy is used by businesses looking to expand their product lines, like when a company decides to add a completely new product to their mainstream product lines in different categories. These strategies give an unparalleled advantage by diversifying the risk involved in the business.
- vertical integration. A firm expands functionally by integrating supply chain functions into its business model instead of outsourcing inbound or outbound logistics. An example of this is technology companies that have their own physical stores, such as Apple.
- consolidation. This strategy aims to reduce organization size, such as when companies in different lines of business merge.
- geographic expansion. This strategy focuses on entering new geographic markets. Modern companies are generally more confident about expanding into new markets in other regions or countries than in the past.

Figure 3: Types of Strategy



Source: Mumtaz Ali Memon (2022).

Competitive strategy

As the name suggests, this strategy aims to give businesses a competitive edge in the market. Companies working in industries that deliver similar products have to constantly update their competitive strategy to remain relevant. Consider an example of two soda companies that strategize based on competitive or comparative advantage. The advantage does not necessarily have to be a product, but can be management techniques, customized employee training programs, or unique marketing strategies. Competitive strategies are practiced as cost leadership and differentiation. The former strategy aims to have the lowest prices on the market. A fast food restaurant could be taken as a good example for understanding cost leadership as a business strategy. The latter strategy works by differentiating businesses on the basis of product value addition. For instance, Phillip Morris International has added a range of smoke-free products and brands to its main line of tobacco cigarettes (Phillip Morris International, 2021).

Functional strategy

The functional departments of a business form their strategies in line with the firm's wider competitive strategy. The resources of each department are then utilized in the best way possible to achieve the firm's maximum potential.

Strategic Management as a Process

Organizational strategy and planning should consider the following four factors to identify where the organization is and where it wants to go.

Purpose statement

The purpose statement reflects the meaning and purpose for which the organization exists. It communicates the impact the organization wants to have for its stakeholders (e.g., customers or employees) and overall society. The statement of purpose is considered a powerful tool for increasing employee engagement and motivation.

Vision

This defines, in broad terms, the firm's expectations of what it wishes to stand for. A vision is not specific and does not provide the fine details of how goals will be achieved, but rather attempts to state what the organization represents, what it believes in, and what it aspires to be. The role of HRM is to ensure everyone is aligned towards achieving the vision.

Mission

Commonly referred to as the mission statement, the mission is a broader plan of how to go about achieving the company's vision. It specifies the organization's target group and how the organization plans to meet their expectations. Organizations often revisit their

mission statement to align it with upcoming changes and market trends. Despite being so broad in scope, the mission statement helps everyone fully understand the organization's trajectory and ensure it is making progress.

Objectives

These are formed after managers form a collective focus towards the mission and vision. Here, management defines goals with both the mission and vision in mind. The objectives need to be specific, measurable, attainable, realistic, and achievable within a certain time frame (i.e., SMART). They specify the areas of responsibility for every stakeholder in the organization and ensure commitment to accomplishing these milestones.

Strategic management is performed as a thorough, inter-related, and ongoing process, which can be summarized in the following seven steps:

1. Define the business.
2. Perform a SWOT analysis.
3. Orient towards new business opportunities.
4. Turn a mission into strategic goals.
5. Formulate strategies.
6. Implement strategies.
7. Evaluate strategic goals.

Sometimes organizations lag because they do not realize their full potential. They may have fallen prey to a myopic approach, finding it hard to excel when the business requires it. Therefore, it is crucial to maintain a holistic preview of each aspect of the business. The steps mentioned above are outlined in more detail below.

Defining the business

This first step requires management to state the industry the business serves; its customer base; the products and services it intends to provide; and, most importantly, how the business differs from its competitors. Determining these factors ensures that everyone has the same information and reduces the chance of any discrepancies, errors, and confusion.

SWOT analysis

Used to determine external and internal influencing factors, SWOT analyses identify an organization's strengths, weaknesses, possible opportunities, and potential threats. These factors are relevant for giving insight into the industry to which the business belongs. The SWOT analysis can be combined with political, economic, social, and technological (PEST) factors for a thorough analysis of the whole environment in which an organization operates. Managers provide valuable input by combining and quantifying various factors; the results form the basis for many business decisions concerned with strategic options, such as diversification and market development. The assessment of these factors also has a marked effect on the following processes.

Orienting towards new business opportunities

After the organization has determined its existing position, managers should establish the vision and mission statements. This sets a clear direction towards which the organization can work.

Turning a mission into strategic goals

When a direction is established, new goals can be formed. For example, Apple has the strategic goal of achieving constant innovation through its incomparable products worldwide (Podolny & Hansen, 2020).

Formulating strategies to achieve goals

This is where the concrete course of action to translate goals into material results is devised. Referring to Apple's example, management must decide how to pursue innovation. Can it continue with the existing R&D team or should the organization focus on hiring new talent?

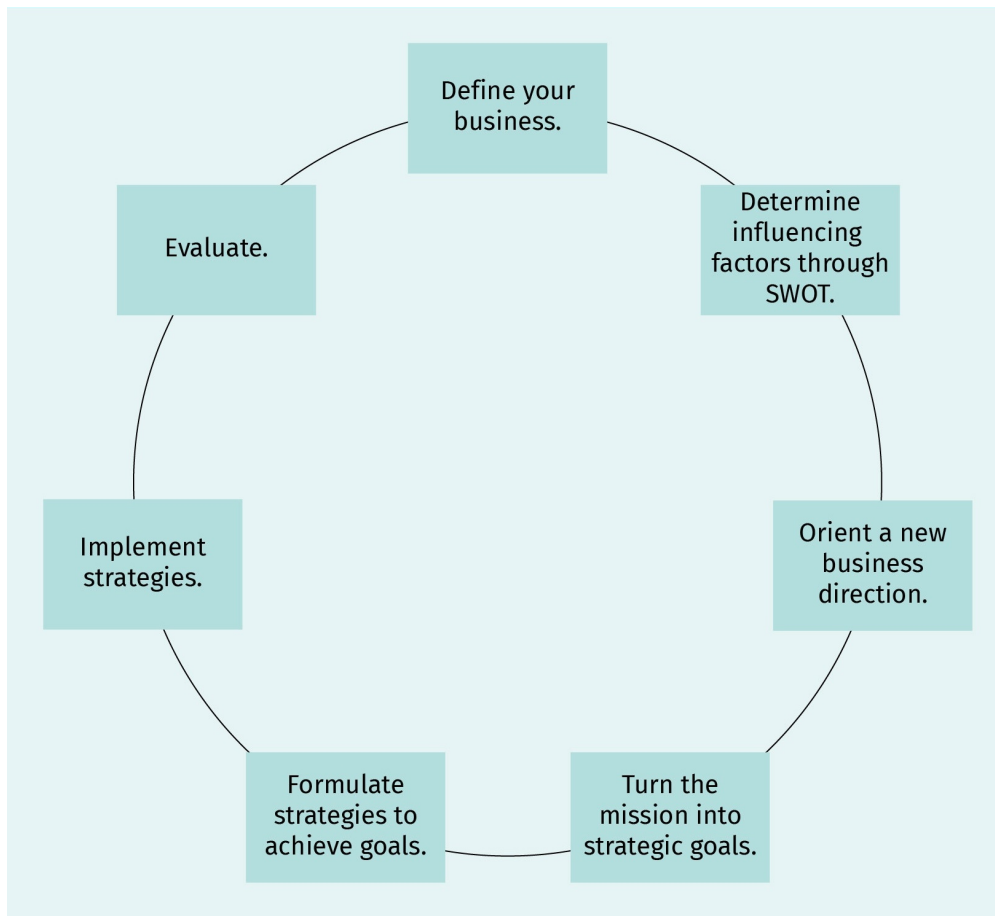
Implementing strategies

This marks the end of the planning process; implementation starts from this point. Management begins taking steps to put its plan into action and starts using all available resources. This is where innovation in capital, HR, production, and service delivery are most practical.

Evaluating strategic goals

This is a follow-up for every implemented action plan. While strategic goals can be set and actions taken, implementation can be flawed, resulting in the expected success not going according to plan.

Figure 4: Strategic Management Process



Source: Mumtaz Ali Memon (2022).

Organizational Structure and Strategy

Organizations require tacit knowledge and skills to develop their competitive advantage, but certain interorganizational resources are also crucial. Due to changes in the business landscape, the rise of network organizations has blurred functional boundaries. Organizations now look to align their HR practices in an internal and external context, often building strategies through collaboration. The structure of an organization is based on the following elements.

Centralization

A centralized organization allows for a concentrated center with decision-making power, while decentralized organizations have the decision-making authority delegated to lower levels. It is important to note that every organization operates in a different work context and environment, which affects how customers' needs are addressed in rapidly changing situations. The decision in favor of centralization or decentralization is not based on a single factor, but rather made through a more comprehensive outlook.

Formalization

Formalized organizations have clearly defined standard operating procedures (SOPs) that are followed by all according to their roles. Once used only in bureaucratic organizations, strict SOPs are now also implemented by privately owned corporations on the instructions of management.

Complexity

This encompasses the degree to which organizational aspects are segregated from one another, in terms of departments, management, or even physical units. The complexity of the organization allows management to consider each entity or function of the business while keeping its demands and requirements in mind.

Approaches of SHRM

Past research in the field of HRM has identified the need for an integrated business management theory that will steer organizations towards achieving long-term goals. Organizational success comes from managing resources and capabilities to generate appropriate products and services, according to the prevailing market trends. An organization's HRM plays a pivotal role in transforming ideas into concrete results and giving the business a competitive advantage. However, this is seldom discussed in the context of strategy.

Collaborative approach

Snell and Morris (2021) suggest that a business's product or delivery is the result of a collaboration between individuals. This, along with development and expansion in the field of HRM across business innovation, operations, and customer satisfaction, has paved the way for an amalgamated stream of strategy and HRM, called SHRM. Becker et al. (2009) support this alignment of business and HRM strategies. When focusing on SHRM, organizations operate in a dynamic environment and must, therefore, continually update their business strategies by reforming their management style and making team adjustments as required.

Configurational approach

The configurational approach of SHRM suggests that an organization's business strategy should take vertically- and horizontally-fitting HRM practices into its fold (Stavrou & Brewster, 2005). Any practices with considerable overlaps should be configured in the best way for implementation. This creates subjectivity in determining the best fit, leading theorists to search for the ideal configuration and creating a threshold for management to measure the practices.

Future-oriented approach

Theoretical approaches are essential to understanding organizational tendencies, particularly in terms of the motives behind the selection of certain HRM practices. (Cooke et al., 2021). Similar to other approaches, the futuristic view of SHRM suggested by Brewster et

al. (2005) proposes that firms promote innovative customer-centric business strategies and HR departments should implement diverse coordination strategies across functional departments and geographical units. Furthermore, managers must have detailed knowledge of HR analytics tools and should be skilled in managing culture and change while maintaining personal credibility. According to this approach, HRM should also be a priority for executives in line management. However, the focus on promoting SHRM runs the risk of core HRM functions, such as recruitment, selection, training, and appraisals, being neglected. When attempting to grasp this concept, it is therefore vital to understand exactly how strategy works and how it contributes to the organization.

2.2 Theory and Models of HRM

Theoretical models serve to extend the SHRM discussion, the most relevant of which will be explained in greater detail in the following paragraphs.

Resource-Based View

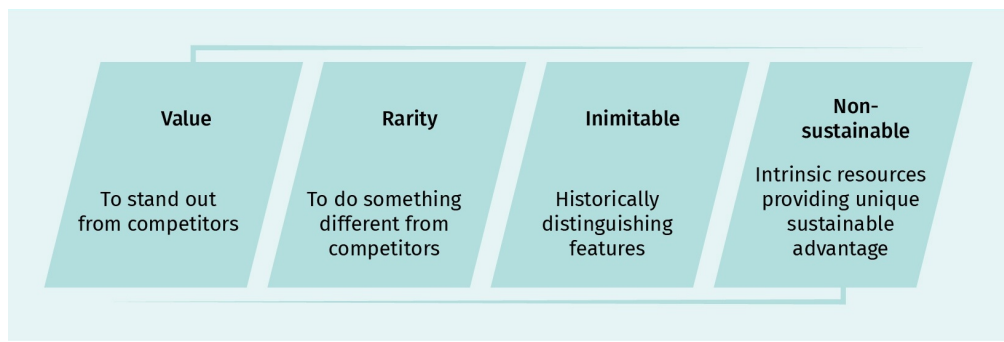
The resource-based view (RBV) of HRM suggests that employees and human resources are the agents of bringing competitive advantage to an organization. Penrose (1959) first developed this view by expanding the idea of administrative lines to provide services and productive resources. Others have used Penrose's work as the basis for literature that discusses the RBV from a theoretical and empirical standpoint (Arbelo et al., 2021).

The basic assumption of the RBV theory is that human resources should be considered organizational assets. Strategically, human resources bring long-term organizational benefits by spurring commitment and loyalty (Wright et al., 1994). This view goes on to explain that human resources are intangible assets, inimitable by competitors and other market forces. They are also "intellectual banks" into which organizations should invest for optimal performance.

Golding (2004) proposed four factors that determine an organization's internal strengths through which regular assessments will serve as an indicator of the organization's internal potential and ability to utilize it towards cultivating services or products. The first factor is value, which refers to the ways in which management aims for the organization to stand out from competitors. Next is rarity, which is what the firm does that makes it completely different from its competitors. The third factor is inimitability, or the distinguishing features of a firm's success based on its history, which cannot be replicated. Finally, non-sustainability is the application of internal resources to provide a sustainable advantage that cannot be repeated or copied by anyone else over a long period of time

The manager's role is also crucial, for they must make strategically timed decisions based on available information. Theorists, such as Boxall (1996) and Hamel and Prahalad (1994), have indicated that HR departments must possess a basic combination of skills before distinguishing itself in its work. Having this distinction sets firms apart in their performance, but the basic characteristics must exist to support the business's survival.

Figure 5: Key Assumptions of RBV Theory



Source: Mumtaz Ali Memon (2022).

The Behavioral Perspective

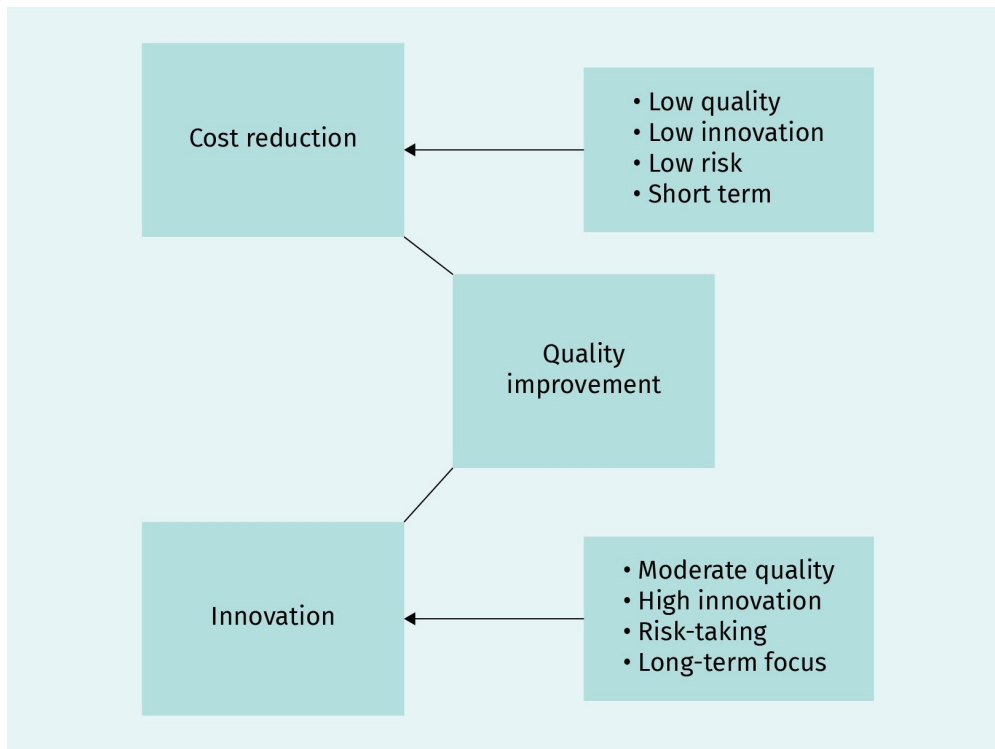
Four competitive strategies

Porter's strategies consist of cost leadership, differentiation, cost focus, and differentiation focus.

The behavioral perspective, pioneered by Schuler and Jackson (1987), identifies the mediating role of employees between strategy and performance. They adapted the behavioral approach from Porter's (1985) **four competitive strategies** and extended it by suggesting a rationale for competitive strategies using HRM practices. The theory is based on the assumption that employees behave differently across roles and employment practices should be carried out to support employees in finding the role that best fits their behavioral tendencies (Schuler & Jackson, 1987). HR departments must strategically assign roles that encourage certain employee behaviors to maximize performance. The desired behaviors adopted by employees are largely contextual. For example, employees may be expected to help colleagues who need support, a behavior that is referred to as organizational citizenship. Aiding colleagues creates an environment of synergy and, ultimately, better performance-based results. HRM should aim to encourage positive behaviors, such as organizational citizenship, in their policies, as it inspires company loyalty, prompting employees to view the organization as their own, and, as a result, perform in ways that strategically benefit the company.

The model further argues that role behaviors can vary between repetition and innovation, low and high risk, and flexibility or inflexibility towards change. Schuler and Jackson (1987) argued that innovation requires long-term focus, high-level cooperation, moderate-quality concerns, and a greater degree of risk-taking. Conversely, cost reduction requires repetitive behavior with short-term focus, autonomy, high quantity, and moderate quality concern, along with a low degree of risk-taking. They stated that behaviors consistent with organizational strategy should be promoted and all HRM practices should be consistent. Similarly, Walker and Bechet (1991) noted additional SHRM outcomes, such as employee attitudes, accident rates, productivity, and labor costs, result from employee behaviors.

Figure 6: The Behavioral Perspective



Source: Mumtaz Ali Memon (2022).

Transaction Cost Theory

Transaction cost theory (TCT), proposed by Coase (1937) and developed by Williamson (1979), assumes that transactions between two parties put an unequal burden on one of the two parties. From a transactional perspective, SHRM should focus on reducing costs from the external environment. These are generally transaction costs related to negotiations, monitoring, and evaluation of contracts, all of which are relevant to HRM for diversification, internalization, and restructuring.

The theory suggests that when two parties work together, one benefits more than the other, creating problems. Further, both parties are working in their own self-interest and bounded rationality, rather than working for the larger, organizational interest. TCT suggests reducing risks by using outcome-based contracts and monitoring behavioral verification (Cuypers et al., 2021). HRM's role is to assess employee performance and reward employee contributions which, in turn, benefit the entire organization.

Williamson (1979) used TCT to reproduce a model of the behavioral assumptions of bounded rationality and opportunistic behavior. Bounded rationality are the limits of rational decision-making due to the influence of biases and individual preferences. Opportunistic behavior is the assumption that individuals will make decisions based on what they find to be the best opportunity for themselves. Bounded rationality is problematic in SHRM because it is impossible to know all external factors; decisions can only be made

based on what can be controlled. Opportunistic behavior can be seen as “good” as long as there is a competitive exchange between parties. However, it should be monitored and controlled, for example, when contracts are short-term and risky.

Jones and Wright (1992) also presented a model claiming that human inputs, employee actions, and performance outcomes are bureaucratic costs. Human inputs depend on employees working opportunistically to build their skills and abilities, placing the cost burden on employers. Organizations must accept the risk of incurring these costs, as employees use those skills—and the resulting economic return—to benefit the organization. SHRM should consider these potential costs in conjunction with TCT.

Institutional Theory

This theory demonstrates how individuals accept the definition of social reality. Instead of focusing on individual wants, teams take a holistic approach when working for an organization. Wright et al. (1994) drew four mechanisms impacting HRM within an institutional setup: laws and regulations enforced by governments, gaining accreditation or legitimization from legitimate organizations, earning external market awards, and imitating trends of the market. Within an institutional setting, HRM finds legitimate goals and identities that can be used to make decisions (Lewis et al., 2019).

AMO Model

The ability, motivation, and opportunity (AMO) theory, proposed by Boxall and Purcell (2003), recommends a three-factor framework to achieve organizational success. The framework, built upon ability, motivation, and opportunity, is related to both the behavioral and performance perspective theories. In this instance, ability refers to the performance of an employee according to their knowledge and skills; motivation is an employee’s performance according to their wants, desires, or sense of duty; and opportunity refers to the choices made for performance to happen in real terms. It posits that the role of HRM is to provide opportunities for employees to perform to the best of their innate abilities, help them remain motivated, and continually seek opportunities in which employees can showcase their expertise within the organization. Overall, the AMO model offers a systematic way to shape employees into high performers.

Cybernetic Models

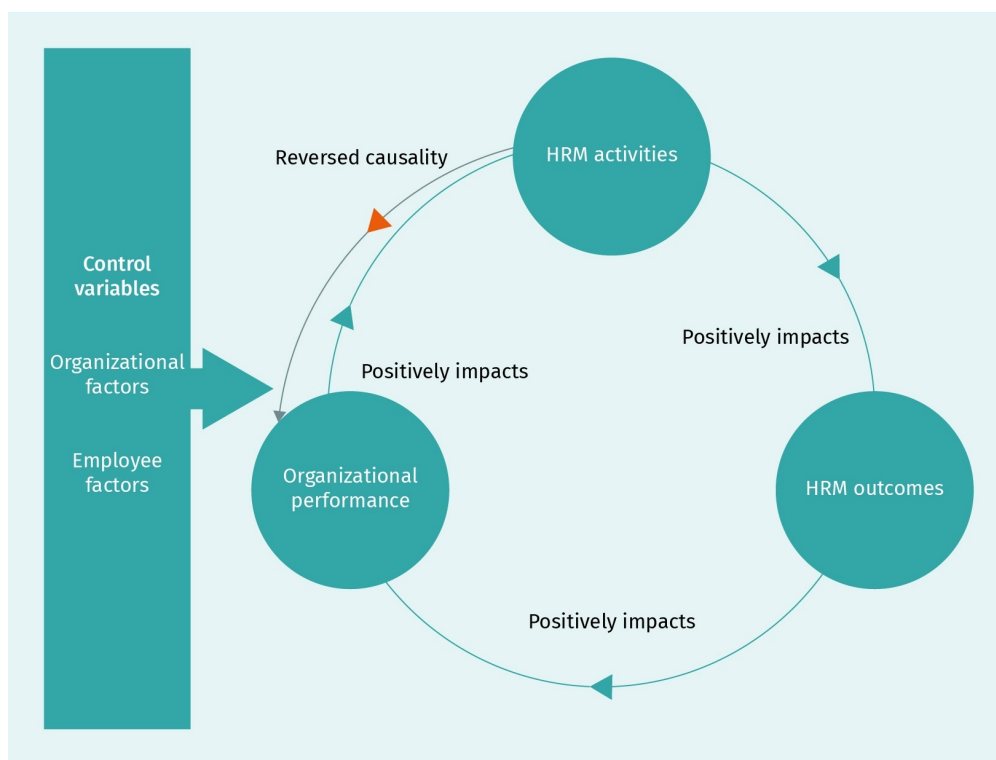
Cybernetic models, introduced by Boulding (1956), exist in the form of closed and open systems. The model proposes individual competencies, including skills and abilities, as inputs, and individual behaviors, performance, productivity, and effective outcomes in an organization as outputs. Open cybernetic models have a negative feedback mechanism, through which successful implementation can be gauged. Wright and Snell (1991) argue that SHRM depends on both competence and behavior management. Competence management suggests that identifying individuals’ skills will maximize their performance and help HRM attract, select, and retain employees, ultimately executing the strategic business plan. Similarly, behavioral management focuses on employees adopting behavioral patterns that contribute to organizational success (Wright et al., 1994).

HRM Activities—Outcomes—Performance Model

Pauwe and Richardson (1997) introduced the HRM activities—outcomes—performance model. Instead of measuring individual outcomes, this model studies how HRM activities produce HRM output and create a positive culture of growth for employees. The results are reflected in the organizational performance, which acts as negative feedback to show employees how their activities impact it.

More recently, scholars have begun making an all-out effort to join HR practices with performance, which can be better understood using multilevel frameworks. For instance, HR practices at the organizational level affect attitudinal and behavioral outcomes at the employee level. Scholars also highlight the usability of human behaviors, linking HRM with performance (Larsson & Edwards, 2021). The activities—outcomes—performance model depicts the novelty of the human aspect of business, altering how people think about broad concepts, such as performance and effectiveness. Nowadays, HRM practitioners are in a better position to understand the influence of employee behavior in measurable terms.

Figure 7: Activities—Outcomes—Performance Model



Source: Mumtaz Ali Memon (2022).

Harvard Model of HR

The Harvard model, coined by Beer et al. (1985), describes a relationship between HRM and corporate strategy that is dependent on certain situational factors and stakeholder demands. The model suggests that stakeholder interests are influenced by the external environment and organizational HR policies are made while considering these factors. The HRM policies bring positive HRM outcomes, leading to long-term individual, societal, and organizational growth. This model provides a holistic approach to HRM for long-term results (Wilkinson et al., 2017) and is ideal for improving the HR value chain and how it impacts performance levels (Boselie et al., 2021).

HR Causal Chain Model

This model, proposed by Purcell and Hutchinson (2007), provides a step-by-step link between intended HRM practices and performance outcomes. Put simply, it delves into the difference between actual and perceived HRM practices and brings attention to the importance of organizational culture (Wilkinson et al., 2017).

It starts with intended HRM practices, which are designed by senior management to ensure employees have the ability, motivation, and opportunity to be part of organizational activities. The organization's expectations of their employees leads to the actual HRM practices, which are applied by line managers who determine how well they match with reality. This is followed by the experienced HR practices, which assess how positively HRM practices are perceived by employees. This can vary from person to person, as employees perceive justice and fairness according to their own experience and understanding. The next step is the attitudinal outcomes, which are a measure of employee attitudes towards their work. Finally, behavioral outcomes, arising from attitudinal outcomes, are assessed, which usually resonate with **organizational citizenship behavior** (OCB). Eventually, all these elements combine to show what performance outcomes result from HRM efforts.

Organizational citizenship behavior

This refers to the positive and constructive contributions employees make for the organization. It is also called extra role behavior or contextual performance.

2.3 SHRM in Corporate Practice

Organizations apply various SHRM practices to take advantage of their human capital. HR managers have more responsibility than in the past, as they are held responsible for recruitment and selection, training and development, and designing competitive compensation schemes for employees. Various strategies and tools enable SHRM to increase the efficiency of organizations. As a result, plenty of organizations are eager to adopt high-performance work practices (HPWPs) despite their cost. HPWPs are “the degree of organizational investment in key HR practices that include selective recruitment, systematic training and development, results-oriented performance appraisal, valued rewards, open communication, and employee participation and autonomy” (Miao et al., 2021, p. 451). HPWPs ensure that the best talent is attracted and provided with opportunities for retainment in the organization. There are also other systems comprising internal HRM practices,

such as maximizing employee engagement, introducing talent acquisition programs, empowering employees, and making sure that the leadership is completely aligned with the strategy.

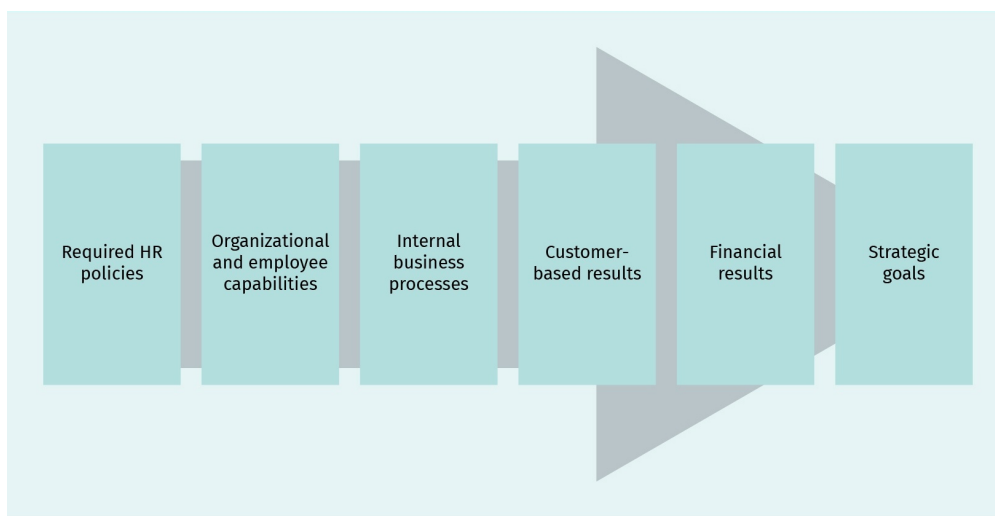
Tools for SHRM

SHRM has a far-reaching impact on managers and employees by systematically utilizing the technological interventions provided. Some of these tools are useful for both strategic planning and critical decision-making. Strategy maps, HR scoreboards, and digital dashboards are a few notable examples of such tools. They integrate HRM functions with various forms of data from other departments and assimilate them into presentable information.

Strategy maps

A strategy map is a detailed visual plan showcasing an organization's strategic goals at different levels. Each level of strategy offers a view of important links between pre-defined goals and efforts from employees. Broad categories of strategy levels can be mapped out as HRM policies and practices, such as organizational and employee capabilities, internal business processes, customer-based results, financial outlooks, and strategic goals. These are very effective, as they represent a chain of activities, clearly demarcating actions that will lead to specific results.

Figure 8: Strategy Map



Source: Mumtaz Ali Memon (2022).

HR scorecard

Taking inspiration from the **balanced scorecard**, the HR scorecard was introduced as a planning tool for organizations. Qualitative results from the scorecard can generally be transformed into quantifiable charts, despite the fact that HRM activities generally cannot be quantified. For example, the number of trainings provided by the HR department, the

Balanced scorecard

This includes four perspectives: financial, customers, internal business processes, and learning and growth. These provide a balanced solution to achieving strategic organizational objectives.

change in the amount of employee contribution after training, and evaluating reviews for the number of satisfied clients and customers can be directly related, quantified, and presented on the scoreboard. This enables managers to easily understand past situations and plan for the future.

Digital dashboard

A digital dashboard consists of an amalgamation of information in the form of charts and graphs to yield better understanding and visual imprinting. HRM digital dashboards are accessible and remain available on all managers' computers, and they show how each step can produce a specific result. Having visual aids like the digital dashboard can speed up managerial decision-making and increase its effectiveness, as managers can review the larger cost-benefit situation for decisions.

Evaluating HRM and Strategic Performance

In this unit, we have established that SHRM is dedicated to developing HRM policies to support organizations in fulfilling their strategic goals. Organizational policies are rolled out and implemented under the assumption that they will be inherently successful. However, this is often not the case, as many policies do not produce the positive results that were projected in the planning stage. Therefore, managers continuously compare existing strategies against the original plans. If discrepancies are found, there are various methods managers can implement to make changes in policies or the overall strategies. We will discuss the most important methods in the following.

Benchmarking

Benchmarking is the process used to establish a relational comparison of a company's targets with the practices of market leaders. To achieve high performance and remain competitive, it is pertinent to establish baseline targets that determine how well an organization is performing compared to other high-performing firms in the industry. Benchmarking helps organizations recognize any gaps in their practices, and, by comparing those of other companies, shows if they can afford to have them and still function profitably. The goal is to remain an active market player by staying on par with competitors; the inability to do so is considered a sign of HRM inefficacy. In SHRM, benchmarking can be used to compare and assess the overall organizational success (via factors such as employee count, turnover rate, and pay scales) against the industry best practices (Guimaraes & Langley, 1994). For instance, Xerox utilized the benchmarking approach in the late 1970s to remain competitive against competitors such as Fuji, Canon, and other Japanese firms. Benchmarking techniques are often referred to as mixing and matching (Posen et al., 2020) due to the way companies can select which ones work best for them.

Strategy-based metrics

Small scale HRM activities contribute to larger organizational goals. Strategy-based metrics measure the extent to which a firm supports its strategic goals. Checklists on strategy maps are created to prioritize and track each of these small scale activities that contribute to company aims. For example, an item on the checklist can be to increase HRM trainings

to bolster employees' performance and skills. Similarly, an organization can introduce new training programs and measure their success based on employee skill set diversity, test scores, and awarding compensation to employees who apply the new concepts. The results reflect the success of HRM policies and, eventually, the strategic organizational success. Using strategy-based metrics is becoming more commonplace in HRM because of the benefits they offer almost every stakeholder in the company. These metrics engage employees, and, due to their transparency, allow employees to see their contributions at work in the company, which is not often the case when strategy-based metrics are not applied.

HR audits

An HR audit is an assessment of employees' capabilities to ensure they are learning and growing towards their full potential (Zakirova et al., 2019). Audits also analyze how well the HR department carries out its core activities, i.e., recruitment, staffing, training, conducting appraisals, and devising compensation, while keeping industry best practices at the forefront of its strategy. HR's compliance to external laws, regulations, and company policies is also strictly assessed.

HR audits can be performed by external auditors or within the department. Overall, these audits examine compliance, best practices, performance, and competitiveness in attracting the best applicants and employees. Audits can identify if and how well organizations track employee leave, like if they enter the leave in the official system as it occurs or on a monthly basis. These audits benefit HR managers by compiling all practices and identifying areas that hinder the organization from achieving strategic success. Unlike other audits, HR audits are intended to fine-tune gray areas in HR systems and they tend to efficiently achieve the desired results. The strategic value of HR audits cannot be denied, with HR practitioners frequently implementing them to improve HR practices.



SUMMARY

Organizations constantly look to improve their performance to remain competitive. SHRM is the design of HRM strategies, developed in alignment with organizational strategies, to optimize performance. Strategies are made according to three main perspectives: classic, process, and evolutionary.

Businesses generally begin by forming a corporate strategy but, if needed, they also create competitive and functional strategies in line with current or future market conditions. The size and nature of organizations often determine how strategies are made, with each organization adopting the SHRM method that best suits them. Some use the configurational approach, which considers the best vertical and horizontal responses to developing strategies, whereas others employ a futuristic

approach, which has a forward-thinking solution orientation. The method that is adopted depends on the opportunities the business wants to take advantage of.

After selecting a strategy, organizations formulate their vision, mission, and objectives. The seven-step strategic management process involves defining the business, determining threats, creating a direction and strategic goals, and putting them into practice. HRM strategies are also dependent on organizational structures, which are based on elements of centralization, formalization, and complexity. Evaluating strategies is also an integral part of the process.

HRM utilizes several theories and models for planning and implementing strategic decisions. Essential theories and models are the resource-based view (RBV); behavioral perspective; transaction cost theory; dependence theory; institutional theory; the abilities-motivation-opportunity model; cybernetic model; activities performance model; Harvard model; and, most recently, the causal chain model. Each theory or model has distinctive assumptions supporting how strategic decisions will impact the core business.

Lastly, the corporate world has adopted several tools and techniques to integrate SHRM into its planning, execution, and evaluation processes through the use of strategy maps, HR scoreboards, and digital dashboards. Other techniques to evaluate HRM and strategic performance are benchmarking, formulating strategy-based metrics, and HR audits.

UNIT 3

PERSONNEL PLANNING

STUDY GOALS

By the end of this unit, you will be able to ...

- explain the importance and benefits of personnel planning.
- apply the key components of personnel requirement planning.
- compare various approaches of staff scheduling.
- analyze personnel cost planning and its processes.

3. PERSONNEL PLANNING

Case Study



In 2005, Mr. Griffiths and Ms. Rose established the dairy farm R & D Dairy in their small hometown. The initial investment was £50,000. Another local, Ms. David, holds a Master of Management degree and agreed to take over the responsibilities of the human resources (HR) manager. Their production, marketing, and sales teams were largely made up of local employees. For the first five years, the business steadily progressed, which inspired Mr. Griffiths and Ms. Rose to expand their sales activities to other parts of the region. Ms. Rose was initially reluctant, but, upon her agreement, they recruited new employees in production and sales and began advertising their business in other cities.

Unfortunately, the company started incurring losses, with sales volumes decreasing even in their hometown. The partners agreed to appoint a specialized HR manager to formulate an HR policy that could dictate the firm's future actions, as well as explain the reasons for the firm's current difficulties. They chose Mr. Roman, an HR manager with a master's in HR and fifteen years of experience working for other firms in the area. Mr. Roman spent time with production, marketing, supply chain, and sales personnel to figure out the root of the problem. He submitted a report stating that there was no fault in product range or quality. The downturn was caused by a lack of skilled personnel, under-staffing, lack of ownership, and disorganization within work units, problems which did not initially affect the company while operating in a single small town. However, synchronizing the workforce due to the expansion led to a huge decline in sales. Mr. Roman suggested the company take the four following immediate actions:

1. An immediate injection of £200,000 to cover the costs of expansion
2. On the job-training, rota, and shift management systems
3. Recruitment of fresh and skilled personnel in all departments to fill the gaps
4. Revised compensation packages and the implementation of a personnel cost management system

This case study shows that no organization can survive without an appropriate and qualified HR manager, who not only hires, trains, and allocates job responsibilities to the workforce, but also takes corrective measures by conducting on-the-job training and job analysis. Though Ms. David had a master's degree in management, she was not the best fit for the job. Recruiting Mr. Roman led to the cause of the problem being traced and appropriate measures suggested.

3.1 Basic Questions of Personnel Planning

Personnel planning plays a key role in formulating business strategies. Identifying an organization's need for human resources (HR) is an organized process. This ensures a smooth execution of policies created by an HR department, from formulation to implementation, to achieve various benefits (Yong et al., 2020). Therefore, organizations must spend a significant amount of time deciding the exact composition of their workforce. Large tasks such as these include defining the percentage of personnel required for routine-based tasks per standard operating procedures (SOPs), increasing personnel demands outside operations, and finding the precise combination of skills and competencies required for peak performance. The staff planning process contains the following key questions:

- How many employees and what type of human effort is needed?
- What approach will be used to analyze jobs?
- Which sources and channels will be used to recruit and select the required talent?
- What will be the estimated cost for HR-related activities in the coming year?
- What tools can be used to motivate employees to overcome HR problems (e.g., high turnover, absenteeism, and employee engagement)?

These questions need to be answered by an HR manager while they make an overall HR plan for an organization.

Top management depends on an HR department to formulate an action plan that supports achieving HR objectives. For HR, planning is largely based on the following aspects:

- a qualitative assessment and analysis of HR personnel
- how well the job specifications and desired personal traits of the potential candidate are defined
- the selection and placement of an appropriate applicant in a position

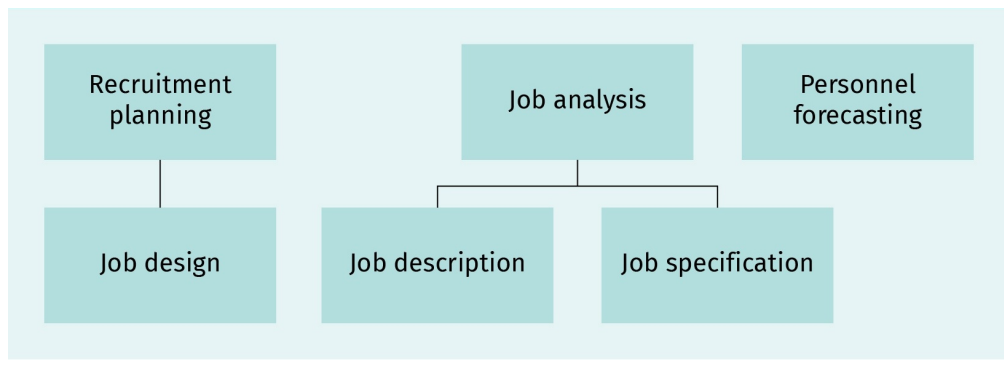
Research indicates that organizations can be highly successful, even in challenging conditions, if they have the right personnel in the right place and right time (Adjei-Bamfo et al., 2019).

3.2 Personnel Requirements Planning

Personnel requirements planning refers to determining the right number of employees to place in various work units, keeping the business conditions in view (Akyurt et al., 2022). Regardless of the nature of the organization, HR has always been the key element within the organizational structure. Without an HR department, organizations may be at risk of decline. With efficient and effective HR management, personnel planning becomes the backbone of the company. It supports organizing a skilled workforce, which gives a competitive advantage over even the strongest of competitors. However, personnel planning is

a large task and includes a range of requirements that need to be fulfilled (Troost, 2018). The following figure demonstrates the three stages of personnel recruitment planning: job design, job analysis, and personnel forecasting.

Figure 9: Personnel Recruitment Planning



Source: Mumtaz Ali Memon (2022).

The efficiency and efficacy of planning depends on the allocation of different, yet related, tasks to a job. Creating multiple jobs in this manner establishes a job family. Recruiting an appropriate individual for a relevant job within the job family is a painstaking task. HR managers must select methods to communicate important information about the job: its description and level of performance expected from employees.

Effective personnel planning creates a manageable workforce that enhances organizational capabilities to improve its effectiveness. Streamlining the collaboration of various clusters of jobs in this way enables the company objectives to be accomplished and operational costs to be responsibly managed (Ingels & Maenhout, 2018).

Organizations begin personnel planning by focusing on the supply and demand of the current workflow within different departments. Such planning takes the whole organization into consideration (Komarudin et al., 2020). Therefore, line managers assist HR personnel by allocating multiple functions to be fulfilled by single employees in a specific role. Performing a job analysis helps classify similar groups (Hailemariam et al., 2019). Take, for instance, a customer care officer job at a banking institution. The position involves various related functions, including providing detailed information about customer products and services, filling out application forms for opening accounts, and welcoming customers upon their arrival at the bank. These functions are similar in nature and are grouped together under the title of customer care officer.

Related jobs form a job family within a work unit, work units perform interrelated activities to form a department, and grouped departments form divisions. However, depending on the nature and size of a business, as well as its ability to respond to external and internal industry pressures, the analysis of jobs, job families, departments, and divisions varies between organizations.

All these activities are parts of organizational personnel planning. Flawed plans cannot be successfully implemented, so it is necessary to design personnel planning with a focus on current and future organizational objectives. To comply with organization requirements, HR managers must minutely analyze job designs. Job designs break down interrelated activities and enhance the productivity, efficiency, and effectiveness of a given job. Effective job designs can also help increase employee motivation (Al-Musadieq et al., 2018).

Job Design

Job design is a critical part of the internal context of a workplace (Khattak, 2021). It is described as an ongoing process where related tasks and the authority to perform them are determined (Rosmala et al., 2019). Job design classifies every task within a specific functional area, assembles the interrelated activities within a job, and determines how its various functions are performed.

A mutual effort from both HR personnel and line managers is necessary to properly analyze the relevant attributes required for an accurately structured job design. This mutual effort should strive to improve employee motivation to perform the job and encourage engagement. Job designers should consider individual jobs within job clusters. Well-crafted job designs are useful for driving benefits for the organization (Yoo et al., 2019). The following considerations are part of the job design process.

Quality of work life

Job designers are largely concerned that the various functions of a job are well connected to each other. The activities should also be designed in a socially responsible manner so that an employee feels respected by colleagues while performing the assigned tasks (Daniels et al., 2017). By doing so, job designers not only improve employee job satisfaction, but also provide workers with a sense of achievement and feeling that they are important to the organization, customers, and society. Ultimately, a good job design should make employees' corporate lives much healthier, more productive, and increase the company's social responsibility.

Self-management and problem solving

Many modern organizations, particularly those dealing with information technology, software engineering, and related fields, design jobs in a manner that invoke a sense of employee responsibility. This means that employees hold themselves accountable for performing their duties while meeting all other departmental requirements. However, this is unrealistic if employees are not given autonomy and self-discretion in their jobs, both of which are key considerations in job design (Mustafa et al., 2020). Tasks should not be directly assigned to employees, but rather employees should have the freedom to shape their activities to fit the circumstances. This approach supports positive employee attitudes towards their job, enabling them to cope under pressure.

Adapting to changing dynamics

Managers devise plans and strategies with the changing dynamics of the business in mind. For example, in organizations with high turnover rates, personnel-oriented plans should offer flexibility and provide a reasonable response time under the circumstances. This enables HR personnel to fill vacant positions with appropriate candidates.

Successful adaptation depends on how effective managers are in organizing the process of designing various jobs (Zhang & Zhao, 2021). Therefore, personnel planning in a broader sense performs a variety of functions to achieve the desired goals. The HR department is responsible for analyzing the overall workflow performed under various job heads, which keeps the units and departments running.

Personnel Forecasting

Personnel forecasting is an ongoing process to ensure that a sufficient number of employees will be available to address the emerging requirements of a business (Hadiza & Rabi, 2020). Proactive HR managers always keep a close eye on the internal and external organizational environment, remaining alert and maintaining a balance between HR supply and demand to address all current and future personnel requirements. HR managers often perform quantitative analyses of the organizational environment to estimate the expected personnel demand within the hierarchical structure of an organization using various forecasting approaches, such as ratio analysis, benchmarking, trend analysis, simulations, and work studies (Dessler, 2020).

Traditionally, HR managers have used qualitative assessments to predict future HR demands, relying on their observations and judgements while offering opinions in Delphi meetings. According to Safarishahrbijari (2018), Delphi is a prediction technique to seek expert opinions through predesigned HR-related questions. Regardless of the methods or techniques used, the HR manager's policy and planning provide assurance of their ability to cope with the organization's HR demands at all times. After the assessment, the next step is to individually examine each job within the organization and try different combinations of tasks. It helps figure out what the parts of a job are, who is fit to perform that job, and the prerequisite competencies and skills for such job.

Job Analysis

Job analysis is a process to define a set of duties attached to a job and the skills required to perform them (Dessler, 2020). Job analysis is an essential, critical function that affords multiple benefits for HR managers. It is performed by HR personnel in close coordination with operational and line managers. Job analyses enable HR managers to plan and schedule HR. They also enhance performance appraisals and compensation plans for various job categories, identify opportunities for further employee training, increase employee efficiency, and improve the overall organizational performance. Job analyses are recognized as improving work processes, especially for firms engaged in logistics (Korkmaz et al., 2020).

Job analyses are carried out differently for teams and individuals (Joshi et al., 2021). Team-oriented jobs are a combination of various activities performed by different employees that require coordination for successful completion. HR managers consider the interdependency of tasks within a particular job when laying out their plans and pay attention to the attributes that define a job's scope within a job family.

The methodology adopted for job analyses does not vary significantly across industries. HR managers typically use questionnaires and interview techniques to collect information about a particular job; observations and diaries also serve as informational tools. These tools help extract information from direct supervisors, depending on which jobs are analyzed (Band-Winterstein et al., 2019). Information obtained through the application of these methods can be utilized at an advanced level. However, if inaccurate or false information is gathered, it must be discarded and the entire process repeated to ensure data accuracy and integrity. Due to this, managers need to dedicate sufficient time to collecting valid and accurate data to formulate plans with precision.

Accurate information is vital when designing job descriptions and specifications, as they are the first step for reviewing the nature of the job and the desired applicant profile (Undurraga, 2019). Designing job descriptions and specifications is considered a core function of HR personnel. The different components of job analyses and their various aspects are explained in detail below.

Job description

A **job description** refers to the identification of the main duties and roles attributed to a particular job (Dessler, 2020). It serves as a brief organizational introduction and outlines a range of duties. Prospective candidates can base their understanding of organizational culture on the information included in the job description. The job description defines the scope of the job (Rhodes & Bell, 2021) and serves as a guiding framework for HR managers during the recruitment and selection phases. Therefore, job descriptions are generally routinely updated; precise and well-defined job descriptions assist HR managers in aligning jobs with organizational goals. Managers must always consider the pros and cons of job descriptions (Erbaş, 2021).

Job description

This is a technique used to identify the main duties and roles for a job.

Job specification

Job specifications are a key component of overall job analysis (Shah, 2019), focusing on the minimum attributes required from a prospective candidate (Agunwa et al., 2019). They contain a complete account of skills, competencies, and knowledge that a prospective candidate should possess. Unlike job descriptions, job specifications focus on the desired attributes of the prospective candidate, rather than the job itself, and are regularly updated by HR managers.

Job specification

This is a technique that identifies knowledge, skills, and competencies required for a job.

Job specifications vary according to the position and location of a job within the hierarchical structure of the organization. For example, a job specification for a newly identified job will differ from one that has been established for several years. Newer jobs may not require as much experience from the candidate than a job that has had a specification in place for a longer period.

Job specifications are independently designed for each position within the organizational hierarchy, meaning that the job specification of a junior clerk will be completely different from that of a senior manager within the same department. This is due to the difference in the expected level of competency and responsibility attached to the position and the desired level of candidate experience. Put simply, the scope of responsibilities, skills, competencies, prior work experience, and other distinguishable abilities tend to increase in proportion to the job, starting with day-to-day work and going all the way up to the strategic level.

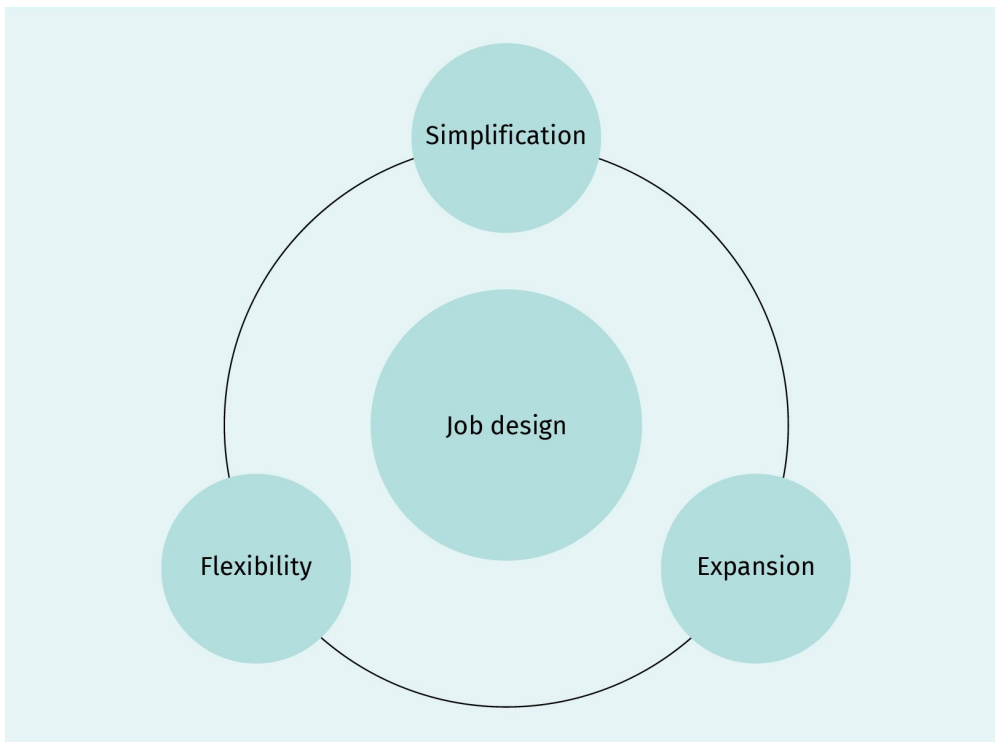
Job specifications are an outcome of job analysis and are created through various techniques (Shah, 2019). The subjective assessment of line managers, along with the information gathered through statistical models designed to gain knowledge of competencies and skills required for a particular job, can be used to create job specifications. Effectively, job specifications act as filters to exclude ineligible candidates and ensure the selection of an appropriate candidate.

Although job specifications serve as basic guidelines, organizations tend to look beyond them. They consider the level of adaptability, flexibility in varying environments, ability to tackle problems, and rational thinking. In other words, organizations utilize job specifications when approaching candidates while ensuring that the prospective candidate is the best fit for the organization (Prathan & Ow, 2020).

Approaches in job designing

Both job design and analysis are fundamental tools of personnel planning for streamlining jobs. Various approaches can be used for these tools, including simplification, expansion, and flexible job designs. All these techniques aim to align the overall business processes. They are outlined in more detail below.

Figure 10: Job Design Approaches



Source: Mumtaz Ali Memon (2022).

Simplification, an integral part of job design (Parker et al., 2019), is the ordering of tasks and removal of overlapping functions in an organization, effectively saving the organization time and money. HR personnel plays an important role in simplification by identifying which tasks overlap.

Unlike simplification, expansion aims to broaden the scope of the job. It encompasses three major areas: enrichment, enlargement, and job rotation. The expansion approach is often applied to new employees, helping to enhance their learning process and exposing them to the concept of performing additional tasks outside their routine work. For the employer, expansion offers benefits at no extra cost. Expansion can be used, for instance, during job rotations, where the organization does not need an additional employee to perform the job.

The third approach, flexibility, offers many benefits for employees, including autonomy (Liu et al., 2018). Changing global circumstances have led to HR managers shifting focus towards the formation of flexible job designs that emphasize job completion, rather than setting a strict guideline of how exactly the job needs to be done. For instance, many organizations opted for an approach known as telecommuting during the COVID-19 pandemic (Caringal-Go et al., 2022), which enabled businesses to survive during the lockdown. In general, flexibility improves employees' motivation, increasing empowerment and self-control.

In summary, personnel planning is a core function requiring the energy, time, and skills of HR managers. This stage consists of various activities, such as job design, job analysis, and personnel forecasting. Personnel planning requires a high level of collaboration between HR managers and line managers, with both being direct sources for defining and specifying any job, particularly when deciding the duties and responsibilities attached to it.

3.3 Staff Scheduling

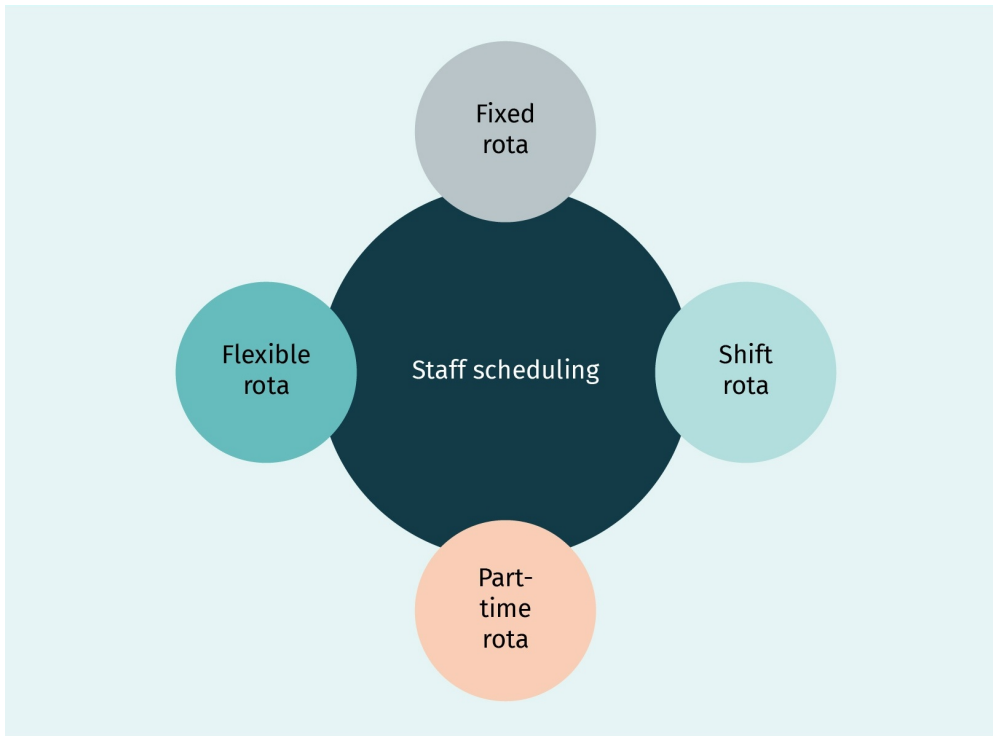
Effective utilization of an organizational workforce is essential for any business (Shiau et al., 2020). Staff scheduling refers to the allocation of staff to perform various assigned tasks and duties in the most efficient way (Hochdörffer et al., 2018). When an entrepreneur decides to set up a business, they must select their industry, for example, whether they want to enter the service or manufacturing industry. Workforce patterns are dependent upon the nature of the business, with the scope of manufacturing firms being completely different from the scope of businesses in the service industry.

Toyota Motors may be a Japanese company, but its manufacturing plants are spread over several countries, including the USA and Canada (Toyota, 2021). Managing such a huge number of employees is not an easy task, which is where staff scheduling becomes essential. Staff scheduling within an organization refers to a process of designing employee work timetables so that the organization can match the demand for its service and products (Ernst et al., 2004). Put simply, staff scheduling assigns the appropriate number of employees at the right time to keep the organizational workflow steady and ensure that the job is completed within the allotted time. Staff scheduling should be simple, well-balanced, and workable plans that match with the qualifications, aspirations, and desires of each employee. Such a technique offers an opportunity to instantly enhance employee performance (Özder et al., 2020).

Approaches to Staff Scheduling

Organizations are afforded several staff scheduling approaches to streamline workflow, cut costs, and save time (Maenhout & Vanhoucke, 2017). Common approaches include fixed, flexible, shift, and part-time scheduling. They are explained in more detail below. These techniques are frequently used by line managers and HR personnel in both the service and manufacturing sectors.

Figure 11: Staff Scheduling Approaches



Source: Mumtaz Ali Memon (2022).

Fixed rota scheduling

The fixed rota approach allocates employees for a fixed period: a week, month, quarter, or year (Wynendaele et al., 2021). There is no confusion in this scheduling approach; schedules are set and followed, and everyone is told in advance of their shift start and end times. This is a common type of staff scheduling, but it does have drawbacks. For example, during peak seasons, organizations may need employees to work more hours than usual but cannot force them to stay longer. Managers can deal with this issue by offering bonuses and increased hourly wages to employees who work beyond their fixed scheduled rota.

Flexible rota scheduling

This is where the workflow pattern is agreed upon between employees and managers, which suits the employer and benefits employees by allowing them to choose time slots at their convenience to maintain a work-life balance. Certain industries (e.g., information technology) employ flexible rota scheduling to get things done more effectively, with employees making their own deadlines for tasks. This approach is typically utilized in activity-based projects, where cost might become a viable concern (Eid et al., 2021).

Shift rota scheduling

This technique splits the workflow into multiple shifts, i.e., day, night, short interval, and weekend shifts. Organizations using this approach generally prioritize the employee's convenience. Although this approach is often adopted in service industries that operate 24/7 (Karhula et al., 2021), the manufacturing industry also uses it to ease the mental strain on employees. Like flexible rota scheduling, the shift rota scheduling approach is also widely accepted as providing a balance between employees' personal and professional lives.

Part-time rota scheduling

Part-time rota scheduling is unique, allowing HR managers to design a rota for part-time or seasonal workers who are not on the company payroll. Similar to shift and flexible rota approaches, this approach allows employees to maintain a work-life balance (Henderson, 2020). Overall, it is considered a cost-effective organizational approach because employing part-time workers that are not on the monthly payroll saves a lot of money compared to full-time staff. However, this approach has the drawback of there being few qualified workers during peak seasons, which contributes to losses and damages caused by inexperienced part-time workers. The part-time rota scheduling approach is most effective in job structures that are low in organizational responsibility and do not demand skills besides those that the job itself requires.

Benefits of Staff Scheduling

Staff scheduling approaches can be best realized when one or a customized combination of these techniques are implemented. Doing so assists HR personnel to improve performance and achieve organizational goals efficiently. HR managers constantly monitor and support the overall process of staff scheduling, which helps increase employee productivity and efficiency. Staff scheduling has also proved to be an effective and invaluable tool during the COVID-19 pandemic (Mascha et al., 2020).

The purpose and application of staff scheduling approaches vary between organizations and industries, but they are generally applied to cut down wasted hours (Özder et al., 2020). This supports the argument that staff scheduling is cost-effective, as it ensures the maximum availability of staff, enhances performance, reduces turnover rate, and maintains a functioning workforce. These aspects are discussed in further detail below.

Cost-effectiveness

A prime objective of every firm is to keep costs low and controlled (Özder et al., 2019). Having a well-distributed work rota supports this aim by preventing expensive overtime payments, as managers can delegate unfinished tasks to employees scheduled on the next shift. It makes it feasible to have additional work performed by other employees to strike a balance between productivity rates and employees' daily work hours. This can also be applied to service sectors, for example, in hospitals, where scheduling for nurses aims to minimize costs while increasing productivity levels (Yagmur & Sarucan, 2019).

Technology, software, and various tools can be implemented to aid HR and line managers in creating effective staff schedules while being mindful of financial and operational constraints.

Maximum staff availability

Staff scheduling allows employees to show their commitment to their work during their working hours, as they may feel more inclined to try harder to complete their tasks in the allocated time. Employees with clearly-defined schedules often feel more relaxed and have a better work-life balance compared to employees with unscheduled work patterns; having defined schedules leads to less absenteeism. Rota scheduling may be a challenging, yet worthwhile, task for many organizations (Marichelvam & Geetha, 2021).

Performance enhancer

Many organizations offer flexi-hour policies for employees, such as job sharing, telecommuting, and flexible work hours (Singh & Pandey, 2019), which benefit the organization in a multitude of ways. Primarily, employee-led policies such as these generally appeal to employees, increasing their happiness and satisfaction in their roles, which, naturally, increases their performance. Satisfied employees tend to feel more engaged and try their best to perform their assigned tasks more efficiently and effectively.

Engaged workforce

All aspects of a well-designed staff schedule assist in nurturing employee engagement within different units of the organization. For instance, if an organization gives control of the staff scheduling over to the employees themselves, they can anticipate positive employee-related outcomes (Kaduk et al., 2019). These employees do not shy away from working, even in the most difficult of times. They are engaged and help their organization achieve predetermined goals and objectives in a timely fashion.

Legal aspects

HR managers are not entirely free to exercise their full discretion while designing staff rota scheduling and are bound by government restrictions (Özder et al., 2019). For example, a chief resident physician making rotational-based schedules for new medical residents must do so according to statutory regulations (Proano & Agarwal, 2018). Managers must be aware of the repercussions for breaching these regulations, as such breaches could expose the organization to serious consequences for which they will be held accountable. Besides the legal requirements, managers must also ensure that all scheduling complies with the terms and conditions of the employees' contracts, as doing otherwise could again expose the company to legal action against them.

In summary, HR planning requires HR managers to make staff schedules by estimating the prospective number of employees required to finish the job within an allocated time frame. Staff scheduling maintains a balance between the cost and productivity of an employee. HR managers design work patterns based on the nature of each job, with rota scheduling techniques allowing HR managers to allocate a particular job to an appropri-

ate individual, while incurring the fewest costs possible. Staff scheduling controls costs by designing a rota and keeping the personal time considerations of an employee in mind, which, in turn, helps enhance employee motivation, engagement, and well-being. This increases employee productivity, assisting HR managers in improving the overall organizational performance.

3.4 Personnel Cost Planning

Personnel cost planning centers around designing plans related to various costs that organizations incur, including wages, social security contribution, recruitment, and training costs, among others. For instance, succession planning aims to save costs that otherwise might be incurred through external recruitment (Adebola, 2019).

Direct costs

This refers to an organization's investment in the management, training, and skill-building of both existing employees and new hires.

Indirect costs

These costs emerge due to factors beyond the organization's control.

Personnel costs can be separated into two categories: direct and indirect. **Direct costs** are the direct consequence of the organization's decision-making and actions. In this way, organizations retain employees, saving unnecessary costs incurred by recruiting and hiring new candidates (Rubel et al., 2020).

Conversely, **indirect costs** are not the result of the organizational decision-making process or actions, but are costs the organization is forced to bear. They are unwillingly caused as a result of productivity losses, employee turnover, or during the recruitment and training of new employees. Research suggests that, if not dealt with accordingly, frequently incurred costs (e.g., high turnover) may cause the organization to lose its competitive advantage (Ali & Mehreen, 2019).

Personnel cost planning is a tool that enables HR personnel to strategically handle direct and indirect costs. HR personnel must liaise with line managers to complete a full analysis of the organizational workflow. Vigilant HR managers should plan to address all possible scenarios related to personnel cost planning, with the best plan regularly comparing forecasted plans to actual data. Clearly, personnel cost planning is not a one-time job, but rather a continuous process of monitoring wherein HR personnel execute the forecasted plan and keep a close eye on the incurred costs. An application of this can be seen, if, for example, HR personnel provide training sessions online (Sablok et al., 2017), but have corrective measures in place if the desired results are not achieved. Personnel cost planning is considered an organizational lifeline due to its importance to HR functions and the information it provides HR personnel for reviewing and revising organizational goals in the most cost-effective way.

Some organizations have a personnel cost manager employed to oversee the process. These managers are responsible for considering all organizational factors when making cost-related plans and employ various techniques that grant them strict control over costs (Obi et al., 2020). Often, these managers are compelled to make a tradeoff when deciding between hiring a skilled or unskilled workforce (Collings & Isichei, 2018). They must consider how to best use the organization's financial resources, which must be channeled to achieve several purposes.

Organizations conduct cost planning either on a yearly, half-yearly, or quarterly basis, depending on the context and nature of the business. These plans may mirror the company's intentions for further growth, which requires hiring new employees and reducing staff turnover through compensation, increments, remuneration, revisions, and bonuses to keep the existing workforce satisfied (De Sousa Sabbagha et al., 2018). Therefore, managers try to project accurate budgets by focusing on the growth prospects of the business. The budgeting of resources may take different forms, as outlined in more detail below.

Top-Down Approach

The top-down approach is employed when budgets are determined at the top level of the organization and cascaded down through the HR department. This is one of the most widely used approaches in many industries where services-based expenses are allocated from the overall budget, as in the healthcare industry (Anderson et al., 2020). However, this approach brings a several problems with it. Since targets are set at the top levels of management, lower-level managers have no say in their allocation. This increases the risk that employees may not be willing to accept the targets imposed on them. Considering the concerns of lower management can help reduce or even avoid such problems.

Bottom-Up Approach

Opposite from the top-down approach is the bottom-up, in which the core objective is cutting costs (van Beers et al., 2022). This usually involves coordination between line and HR managers to propose plans to top management for cutting personnel-related costs. However, this approach can also be problematic. The nature of the work takes many hours of collaboration, making it time-consuming and high effort. Managers must find a balance between staying within budget and ensuring that employees are satisfied (Kim et al., 2018). They often use computer simulations to achieve this goal. To mitigate the disadvantages of the two approaches and optimize results, many organizations opt for a hybrid approach.

Acquiring Employee-Centric Information

Information related to basic salary, the proportion of variable salaries, and employee social security information is collected as the next step in the personnel cost planning process. This information pool provides continuous assistance to managers in designing cost-oriented plans for different positions and levels within a work unit or functional area. The information can be updated by HR managers as needed. However, information quality can be a concern when developing these databases, which may, in turn, affect decision-making and ultimately impact the entire HR system. Beyond these aspects, organizations are mainly concerned with offering high-quality service at the lowest possible cost (Apornak et al., 2021).

Strategic HR Management and Personnel Cost Planning

Making final decisions requires complete synergy between personnel cost planning and organizational strategic HR management, which is usually achieved through HR differentiation (Schmidt et al., 2018). Failure to agree on decisions may prove financially detri-

mental for the entire organization and prevent it from achieving its overall objectives. Therefore, managers must make a concerted effort for cohesiveness between the proposed cost plans and organization-wide decisions. Ensuring this cohesiveness supports managers in creating the most accurate simulations for future forecasting.



SUMMARY

Personnel planning keeps the existing workforce intact, loyal, and committed while providing a contingency plan if the existing personnel system fails. HR managers are responsible for critically analyzing every job within the hierarchical structure of the organization. Effective personnel planning enhances organizational capabilities and gives a strategic advantage over market competitors.

HR managers structure the firm in a simplified manner. They design jobs by creating categories, which are collected to form a job family. These are then combined to form a work unit, then a department, and finally a division. Organizations must plan not only for their internal environment, but also for the unexpected constraints posed by the external environment.

Job analysis is a combination of job description and job specification, with the former concerning the duties and scope of a job, and the latter concerning the desired attributes an applicant has for them to successfully perform the work. Managers may choose from simplification, expansion, or flexible job designs. Staff scheduling equates to the balance between consumers' demands for goods and services and the organizational human capital required to effectively and efficiently meet the demand. Finally, personnel cost planning enables companies to maintain control over the current and future workflow of personnel in a cost-effective manner. Above all, it is vital to understand that decision-making, personnel planning, and staff scheduling are not left to the sole discretion of HR personnel, but rather are designed, defined, and executed within legal guidelines and regulations.

UNIT 4

PERSONNEL ADJUSTMENT

STUDY GOALS

By the end of this unit, you will be able to ...

- discuss the concept of personnel adjustment and its components.
- compare recruitment processes and their sources.
- differentiate between recruitment and selection functions.
- analyze various techniques adopted during the selection process.
- contrast types of staff release.

4. PERSONNEL ADJUSTMENT

Case Study

In operation since 1960, Surfland Airways was the flag carrier airline of Surfland. Originally, it was the only airline operating in Surfland and served five domestic destinations. It was privately owned by Jesse Brown. As owner, Brown served as Chief Executive Officer (CEO) where they established a board of members for the overall administration and defined the scope and responsibilities for each member.

Brown established the systems of Surfland Airways with the sole purpose of establishing the airline as a symbol of quality and preeminence by providing an uncompromising standard of service, comfort, convenience, and exceptional onboard facilities, all at economical rates. Brown appointed a human resources (HR) manager with the task of strategic human resource planning to fulfill all current and future HR demands of the business. The existing policies and excellent management delivered substantial growth that enabled the airline to launch international routes across Europe within five years of the company's inception. The effective human resource management (HRM) also supported Surfland Airways in becoming the top-ranked international airline by 1970. Upon the HR manager's advice, Brown invested \$1.9 billion in renewing the aging fleet; the HR manager supported this investment as a cost-effective manner to ensure maximum workforce productivity.

In the mid-1970s, Brown resigned as CEO and sold the airline to the government of Surfland. At the time of Brown's resignation, the airline was operating in more than 40 destinations across the world and providing catering facilities to 15 international carriers.

Since becoming a public organization, the airline's culture and environment completely changed, with political and bureaucratic interference gradually becoming evident within the organizational structure. The CEO was now nominated by the government, meaning that they were a political choice rather than a merited applicant. This influence and administrative control of the government eventually provoked the HR manager to resign. The board members clearly had no personal interest in the organization. They were only moderately qualified; lacked professional expertise; and were motivated by the perks, benefits, and privileges that the position entailed.

Regular changes at top-level management and nepotism produced a flawed system where nobody was willing to accept responsibility, while the HR department became impotent in terms of quality, effectiveness, and control. Appointments and promotions were based on political influence, and labor unions backed by government officials indirectly controlled the management. The guiding principle of hiring "the right person for the right job" fell by the wayside; a pilot was placed in the HR department, an engineer in the marketing department, and HR personnel in the procurement department. It was clear there was a major issue with the system. The structure of the organization **rusted**, the revenue base shrank, and the overhead costs went up drastically. The airline was no longer self-sufficient and was forced to outsource its needs to another airline, Antarctic Airways. The dec-

ade following Brown's and the HR manager's departures brought the loss of billions of dollars, meaning that the organization was unable to cover its running costs. It was forced to seek a bailout package from the government.

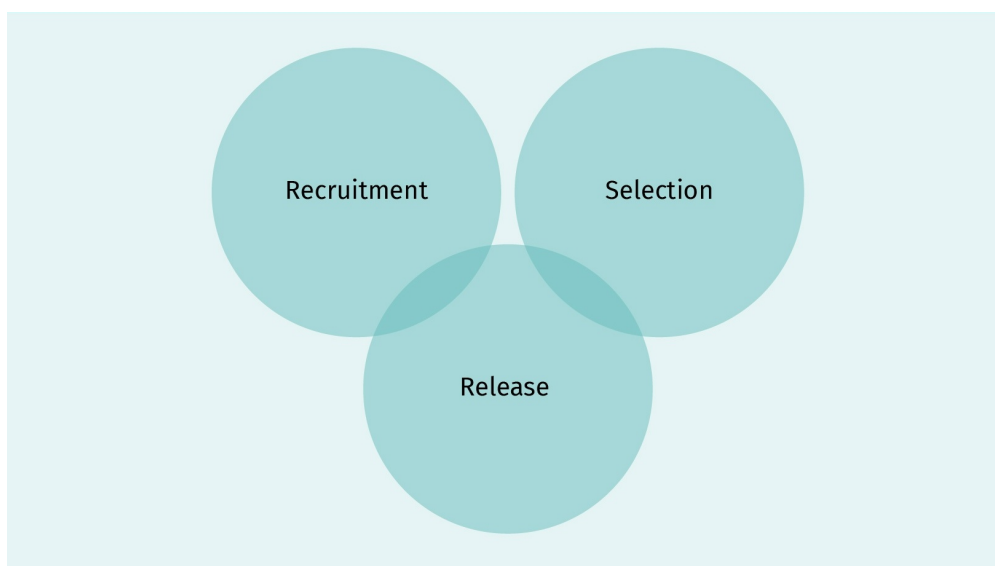
Before moving on, consider these points about the case study:

- the factors that led to Jesse Brown's success
- the factors that caused the airline's near-collapse
- how HRM can be used to reshape an organization and put it back in control of its resources

4.1 Recruitment

Personnel adjustments refer to a combination of various HR activities carried out by the HR manager that contribute to the successful and sustainable functioning of the organization (Armstrong, 2021). However, there is no single measure available through which the efficiency of human capital can be increased (Kucharčíková & Mičiak, 2018). The impetus of personnel adjustment is spread over three components—recruitment, selection, and release—around which the entire organizational performance revolves.

Figure 12: Key Components of Personnel Adjustment



Source: Mumtaz Ali Memon (2022).

Once the process of job analysis is complete and HR managers have descriptions and specifications for various jobs, they move on to the recruitment process. This refers to the process undertaken by an organization to attract prospective candidates for different positions (Shanker, 2019). Recruitment encompasses a detailed process of identifying job positions; analyzing which core attributes are necessary for the job to be performed; approaching prospective candidates; encouraging these individuals to apply; reviewing

applications; screening; and, finally, shortlisting potential candidates for selection. The search for employees is initiated through recruitment, making it a vital function of human resource management (HRM), which not only caters to the demand of human capital, but also impacts the organization's budget (Ghielen et al., 2021).

Formulating an appropriate recruitment policy is imperative to enhancing overall organizational performance. Recruitment is a costly activity that affects the overall health of the organization (Lawong et al., 2019). Having surplus staff adds to overhead costs and directly impacts business profits. In contrast, understaffing limits the organization's ability to meet customer demands, reduces productivity, and eventually affects business growth.

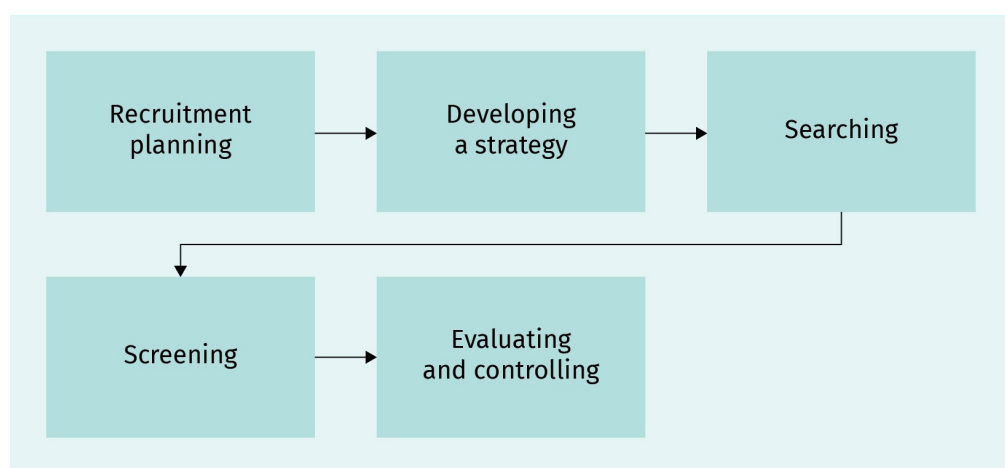
Benefits of Effective Recruitment

There are several benefits of effective recruitment (Okolie & Irabor, 2017). For instance, recruitment ensures that a person with the necessary skills is allocated to the appropriate job at the right time. The recruitment process increases the probability of finding the right combination of employees during the selection process by filtering under- and overqualified applicants while remaining within legal and social parameters. It also serves to identify and encourage top talent to become part of an organizational network (Marnisah et al., 2021).

Recruitment Process

Vacancies within an organization can arise due to several factors, such as expansion, diversification, and growth. These trigger the demand for a skilled workforce that will contribute to achieving organizational objectives and helping the business gain a competitive advantage (Gordon, 2021). Although there is no one-size-fits-all method, most organizations divide the recruitment process into five stages, as shown in the following diagram and explained in more detail below.

Figure 13: Recruitment Process



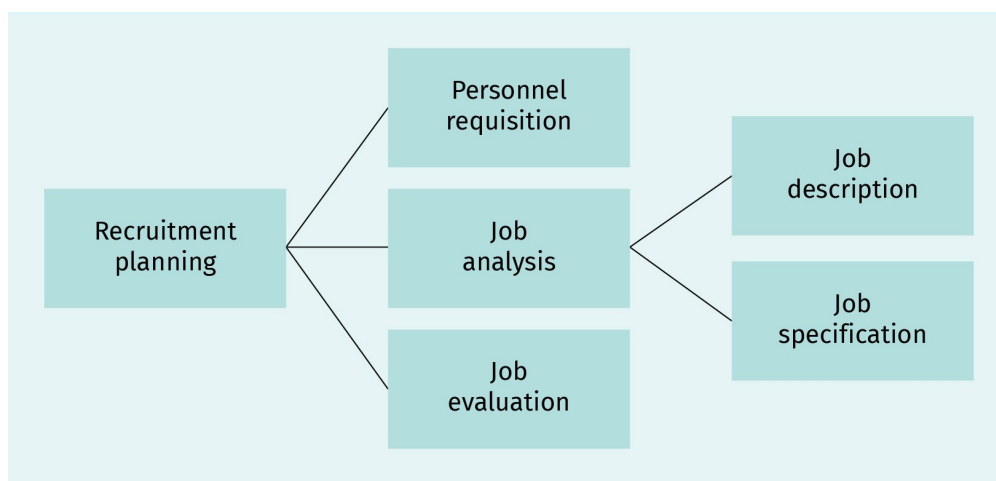
Source: Mumtaz Ali Memon (2022).

Recruitment planning

The first stage in the recruitment process is making the recruitment plan. Forecasting the demand for human capital during the planning process is essential (Squires et al., 2017) because it outlines the estimated number and quality of the employees that should be hired. Recruitment also needs to be cost-effective. Despite the initial financial burden recruitment places on an organization, it has a long-lasting impact on organizational health. Investing in good recruiting methods will increase productivity and reduce overhead costs, which will save money in the long run.

During recruitment planning, the HR manager has several responsibilities. They must not only analyze and describe existing vacant positions, but also plan for vacancies that might emerge while considering the organization's future projects and engagements. The recruitment planning phase is a combination of activities, as shown in the figure below, with recruitment planning conducted in three steps: job identification, analysis, and evaluation.

Figure 14: Recruitment Planning Activities



Source: Mumtaz Ali Memon (2022).

Personnel requisition

When a position becomes vacant, the affected department informs HR personnel. This is referred to as personnel requisition, one of the basic components of the overall recruitment process (Ahmed, 2020). The HR department carefully examines the request and determines whether or not the position is required. A personnel requisition contains the following information:

- positions to be filled
- number of employees required
- nature of work (part- or full-time)
- desired qualifications and experience

If the HR manager recognizes the need for the position, they move on to the job analysis.

Job analysis

Once the job has been identified, HR personnel conduct a detailed job analysis, a requirement for designing job descriptions and specifications (El Balshy & Ismael, 2021). Job analyses seek to understand the duties of the job, the skills and abilities required of the candidate, and the environment in which the job will be performed (Ray et al., 2021). A well-planned job analysis has far-reaching benefits for the individual employee (Weekley et al., 2019). Job analysis involves several activities, including the following:

- collecting job information
- recording job information
- designing job description (duties, responsibilities, and environment)
- designing job specifications (skills, abilities, and knowledge)

To collect the precise information and draft the set of skills and attributes required for any job category, HR managers design a job description and specification, with each containing a distinct set of information. The job description provides job-related information, whereas the job specification focuses on the required and desirable attributes of candidates (Ashraf, 2017).

Job evaluation

Job evaluation
This compares various jobs to determine their relative worth in order to develop an effective pay structure.

A **job evaluation** is the process of mapping and drawing a comparative analysis between job positions in an organization to define their worth, value, and hierarchical position (Zhang et al., 2021). The objective of a job evaluation is to establish wage and pay bands associated with various job categories, enabling managers to devise a competitive compensation structure that can help attract the most skilled candidates during the recruitment process.

Strategy development

A recruitment strategy, the second step of the recruitment process, is the biggest driver of finding and hiring the best available human capital to achieve organizational objectives. After completing a job analysis, HR managers prepare a comprehensive plan to recruit potential candidates for the organization. This strategy requires that HR managers consider a few aspects: If they want to make employees (i.e., hiring industry novices and developing their skills) or buy employees (i.e., headhunting highly-skilled employees from competitors), as well as the types of recruitment, geographical areas, and recruitment sources they would like to use (Dessler, 2020; Panagiotakopoulos, 2012).

Developing a recruitment strategy is a time-consuming activity. The recruitment process's success depends entirely upon the strategic decision-making of HR personnel. Of course, as with other HR functions, a recruitment strategy is affected by external and internal constraints (Vetráková et al., 2018). Therefore, when developing the recruitment strategy, HR managers need to find a balance between the costs incurred during recruitment and the results expected from them.

HR managers aim to utilize the available resources in the best manner possible and design a successful strategy to guarantee the achievement of overall organization goals (Gagné, 2018). An effective recruitment strategy helps reduce overhead costs that could otherwise affect the organization's financial health; its impact can be seen across the entire organizational hierarchy. The allocation of human capital to the right positions saves HR managers and line managers time, effort, and energy, which might otherwise be used to correct mistakes made by placing the wrong person in the wrong position.

An appropriate strategy is paramount to attracting a workforce with the right profile. To create an effective recruitment strategy, the HR department creates a boarding team. They are responsible for developing the strategy that will support them in finding the best candidate for the position (Ma et al., 2018). This team sets up the recruitment strategy by collecting and critically analyzing the available data while keeping the resource limitations in mind. The boarding team also determines which strategy should be adopted to attract the right pool of candidates to fill the vacant positions. At this point, a decision about the source of hiring, i.e., if they should hire internally or externally, must be made. Sometimes the existing pool of employees is sufficient to fill vacancies, a strategy that has proven to be generally more cost-effective than hiring candidates external to the organization (Hamza et al., 2021).

Searching

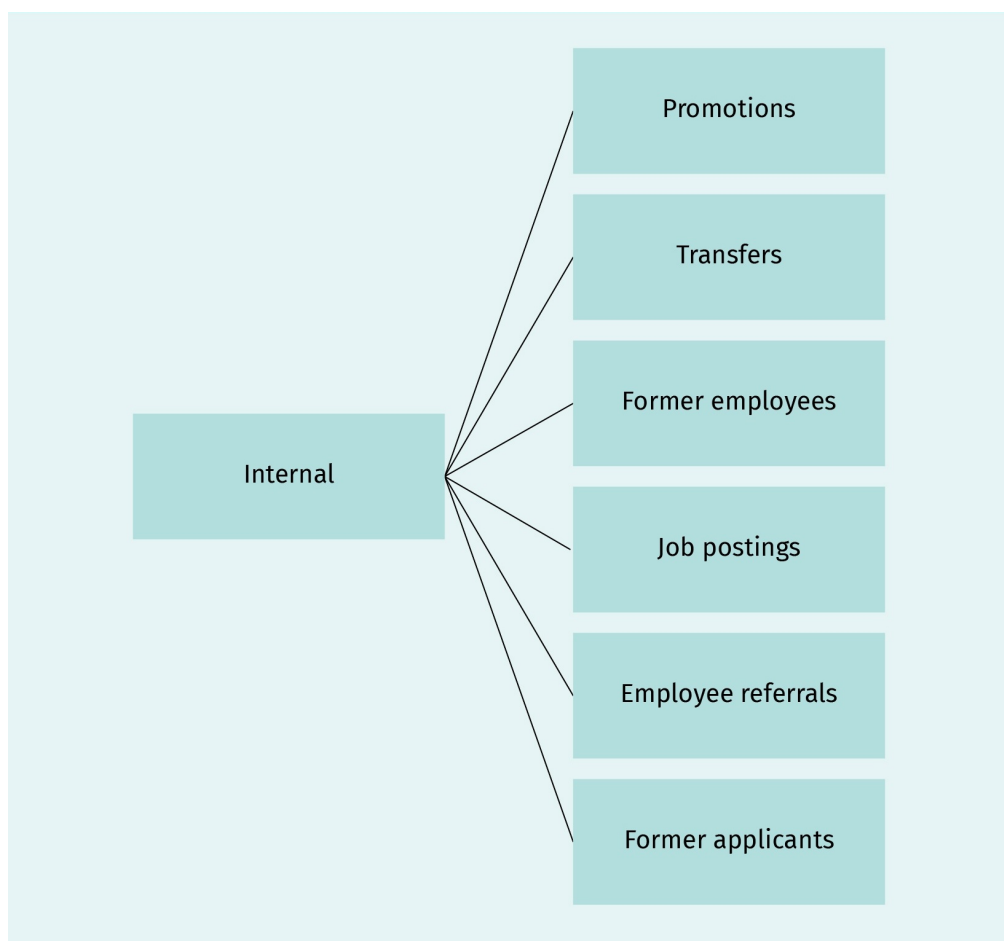
Searching is a complex, demanding, and costly function that requires HR managers to employ a conscious, analytical approach to finding an appropriate individual for the job. Once the recruitment strategy is finalized, the search for a suitable candidate from the labor market via an appropriate medium begins. The prime objective of the searching process is to find candidates with the predetermined qualifications and skills identified during the job analysis that are required to perform a particular job. Organizational characteristics also play a role in the process of searching for suitable candidates (Jøranli, 2018). The sources used by HR personnel to search for candidates can be divided into internal and external sources, with specific methods listed in more detail below.

Internal Sources

Internal sources refers to a recruitment strategy that focuses on filling vacancies from within the organization (Odor et al., 2019). Every organization has employees with exceptional profiles and who maintain top ratings in their annual performance reviews. These employees generally expect to be rewarded with a promotion to a higher position in the organization. Another internal category of employees are those who develop multidimensional expertise by working in different positions within the department. These individuals expect the HR manager to utilize their expertise by considering them for vacant positions.

Internal sources
This refers to filling vacant positions with employees already working in the organization.

Figure 15: Internal Sources of Recruitment



Source: Mumtaz Ali Memon (2022).

Internal hiring not only keeps the existing workforce motivated to perform at higher levels, but it also benefits the organization by increasing recruitment efficiency with minimal costs (Tumasjan et al., 2020). Thus, internal hiring benefits both the employees and the organization. When opting for internal recruitment, HR managers apply various methods to fill vacant positions, as detailed below.

Promotions

Promotion is a technique through which HR managers upgrade an employee's rank within the organizational hierarchy based on their performance evaluation (Yoon & Sengupta, 2019). This method increases an employee's rank and remuneration while pushing their abilities to new limits by increasing their responsibilities and duties. HR managers typically apply this method to fill vacant positions in the higher ranks of a hierarchical structure.

Employees are promoted with the assumption that they are aware of and accustomed to the culture and environment of the organization. Having this knowledge helps them adapt to new responsibilities quickly, effectively, and efficiently while still performing at a high level that would not be expected of a new hire (Haryono et al., 2020).

Transfers

The second technique for filling vacancies internally is by way of transfer. In this method, HR managers “shuffle” the workforce without changing the employees’ rank, designation, or responsibilities. Transfers can be made between departments or locations, which can generally be seen as mutually beneficial for both the organization and employees. Sometimes organizations transfer personnel to increase their productivity if it is below optimum levels, due, perhaps, to personal circumstances. However, organizations generally transfer employees to capitalize on their potential by placing them in a location or department that would maximize their potential and where they can be utilized in a way that aids in achieving the overall organizational goals (Simarmata & Gowasa, 2021).

Former employees

Another form of hiring through internal sourcing is to approach former employees of the organization to fill the vacancy, if they fulfill the job requirements. This method is cost-effective and saves ample time. Experienced personnel are therefore more likely to be recruited based on their capabilities (Kolding et al., 2018). An additional benefit of hiring a former employee is that the personnel manager does not waste time on developing and grooming of new recruits because the former employees are already acquainted with the organizational culture and environment. Such hired employees are quickly absorbed into the organization’s system and can immediately start contributing towards organizational performance. Former employees who have performed well during their tenure are usually considered for re-employment, but a problem that can arise is that former employees typically have more demands for increased wages and incentives. Conversely, since organizations do not have the cost of training these employees, the funds can be distributed in other ways (Bertheau, 2021).

Job postings

Job postings are made based on future business growth prospects (Gutiérrez et al., 2020) while keeping costs at a minimum. Posting jobs is the technique of hiring a person by circulating a vacant job posting internally within different departments of an organization. Job postings tend to state the minimum requirements to perform the job (Yan et al., 2019), which encourages many employees to apply. Job postings promote equal opportunity, with all employees eligible to apply. The recruitment process is also shortened, as HR personnel hold performance reviews of every employee, so information on their abilities and capacity is already known.

Employee referrals

Organizations can source job candidates by using the network of their existing employees. In this type of job sourcing, employees are encouraged to refer their family, friends, or acquaintances who they believe would be a good fit for the position. By using networks, employee referrals are usually considered much better options when compared with other sources, like advertisements in newspapers and employment agencies (Wang & Seifert, 2017).

HR managers apply this recruitment technique to hire the best candidates at no extra cost (Pieper et al., 2018). Sometimes, organizations offer bonuses or rewards to an employee who refers a candidate who gets hired to the company.

Former applicants

In this recruitment method, HR managers use a database of applicants who had applied for other vacant positions. They scrutinize the profiles of previous applicants and filter them according to the requirements of the vacant position. This is another inexpensive method of sourcing applicants (Grimpe et al., 2019) and generally produces a positive candidate response.

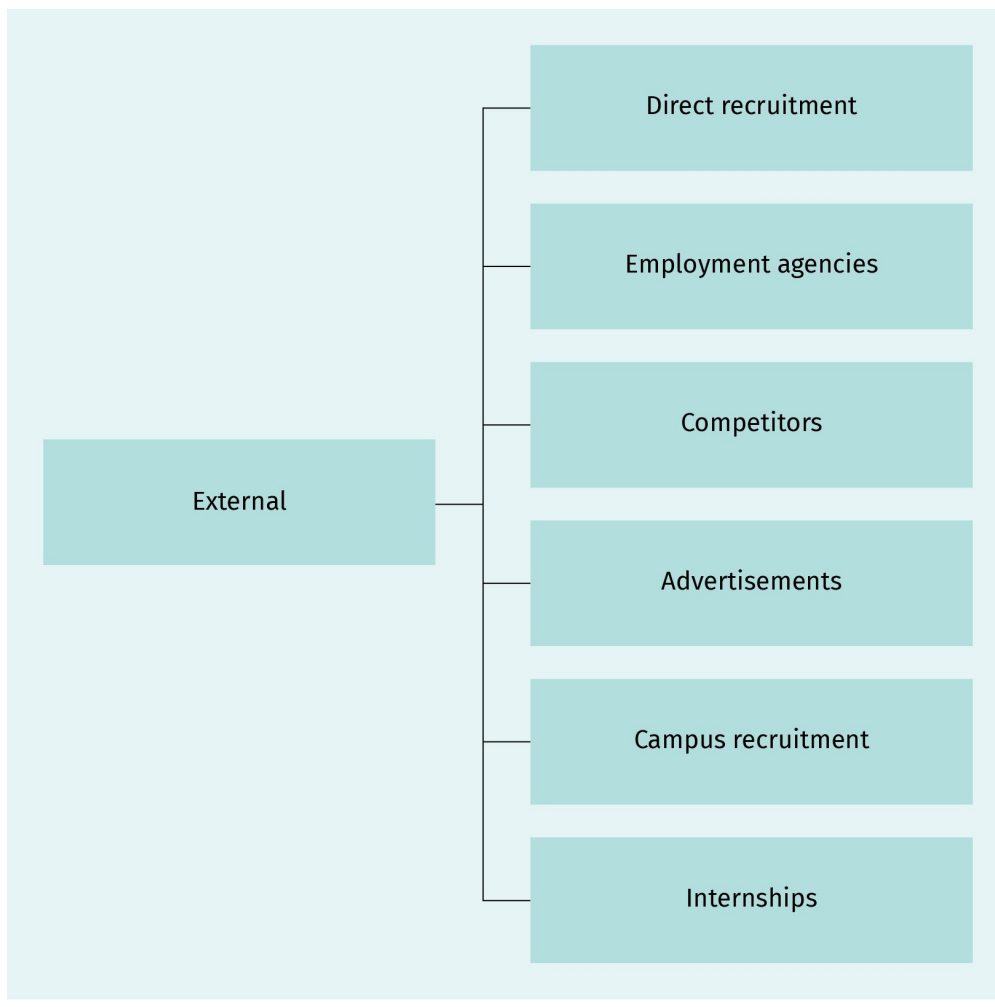
External sources

External sources
Applicants who are targeted from outside the organization are external sources.

Using **external sources** means to hire applicants from outside the organization. In this approach, HR personnel extend the job posting to the public (Kuchеров & Tsybova, 2021). This method of sourcing prospective candidates is expensive compared to internal hiring. However, it is advantageous because HR managers can pump “fresh blood” into the organization, which brings innovative ideas, vast experience, and modern perspectives. It paves new paths for organizational success. This method can capture the potential of a huge pool of prospective candidates.

The external sources through which HR managers approach prospective candidates vastly outnumber internal sources. The success of external recruitment depends on the overall image of an organization within the industry (Kaul, 2021). A more favorable image of an organization will make it easier to find skilled candidates with the appropriate profile. There are several methods for external recruitment, a few of which are detailed below.

Figure 16: External Sources of Recruitment



Source: Mumtaz Ali Memon (2022).

Direct recruitment

This technique is also known as “factory gate recruitment.” It involves posting the vacancy on notice boards within the organization. Managers typically adopt this technique when hiring blue-collar or technical workers, but it can also be used by public sector organizations (Ferdous, 2017).

Employment agencies

Many organizations outsource the recruitment process to employment agencies, which help HR personnel simplify the hiring process. These agencies act as a bridge between an organization and jobseekers by maintaining files of every applicant who registers with them. These files include a record of their skills, competencies, work history, and other relevant personal information. Maintaining these files helps employment agencies pick appropriate candidates when an organization uses their services to find employees.

Employment agencies work as a go-between between prospective candidates and organizations (Consiglio et al., 2021). Using employment agencies allows for a diverse pool of candidates to be reached. It offers flexibility for employees, jobseekers, and prospective employers (Donohue, 2021). The positions offered through employment agencies can be part-time, contractual, and temporary/need-based, and provide HR managers with the opportunity to approach potential candidates who meet the criteria that was outlined in the job analysis. HR managers generally use this method for hiring entry-or mid-level jobs.

Competitors

This approach is commonly called “poaching” or “raiding,” and refers to targeting skilled employees at rival organizations. Poaching can be witnessed in many organizations around the world (Shattuck, 2021) where the targeted employees are given incentives, such as better benefits and remuneration, to leave their current employer in favor of a competitor.

This technique brings both legal and ethical concerns with it. From a legal perspective, many organizations stipulate in their contracts with employees that employees cannot seek employment at a competing organization for a stipulated amount of time after leaving their current organization. If employees breach this agreement, they will most likely have to pay damages to the present employer. Ethical concerns may also prevent personnel managers from adopting this recruitment technique. Despite this, it can prove a good strategy at times (Fernández-Aráoz, 2020).

Advertisements

Advertising is one of the most popular methods of recruitment due to its high impact and wide range (Acikgoz, 2019). Here, the vacant job is advertised either in print or electronic media. In print media, newspapers are the most effective and efficient tool for sourcing prospective employees, but professional journals and magazines are also useful.

In electronic media, online job-seeking platforms play a key role in recruitment. According to Wong et al. (2021), **monster.com is one of most common databases for job searchers**, with social media sites like LinkedIn, Instagram, and Facebook also considered key platforms for quickly recruiting candidates due to their cost-effectiveness and ability to access otherwise hard-to-reach populations (Ismail & Koshy, 2017; Peralta & Caporusso, 2020).

Advertisements provide information about the nature of the job, work conditions, job location, salary packages, fringe benefits, and job specifications. Job advertisements can strengthen a company’s image in a very cost-effective manner, meaning that they will not outlive their utility for prospective employees and employers (Ganesan & George, 2019).

Campus recruitment

HR personnel of top tier corporations explore all areas where they believe they can tap into a potential skilled workforce (Sadik & Brown, 2020). A common modern method is campus recruitment, as colleges, universities, and other academic institutions serve as

fertile ground for HR managers searching for raw talent. Many leading fast-moving consumer goods (FMCG) companies opt for this kind of recruitment strategy (Mindia & Hoque, 2018), particularly to fill positions in lower-level management.

This method has become so popular that many reputable institutions have developed the position of recruitment officer to handle all the recruitment functions. This includes visiting campuses and conducting screenings of students who are close to graduation and seeking to secure employment. Students who hold potential and fulfill the organization's eligibility criteria are often hired well before the completion of their studies. Hiring through campus-based recruitment can be expensive; the majority of employees hired through this technique leave the organization within the first five years of their employment. Despite this, campus recruitment remains an important method for finding a potential workforce to suit the organizational needs (Muduli & Trivedi, 2020).

Internships

Internships are a special form of recruitment in which candidates are given a temporary placement within the organization and serves as a bridge that connects students leaving the world of education to corporate real life (Bayerlein & Jeske, 2018). Internships offer HR personnel an opportunity to examine the skills, abilities, personality traits, and behavior of an intern as they perform various tasks, while also giving the intern valuable work experience. Based on their analysis and the satisfactory performance of the intern, HR managers can decide their future at the organization (Felicio et al., 2019). Generally, this technique is referred to as a training activity as opposed to an actual recruitment method. However, employing interns can also be considered a tool to secure a valuable workforce for an organization.

Screening

Once sourcing is complete, HR managers begin the screening stage of the recruitment process. Screening is a process where organizations sort out candidates to select the most suitable one to move on to the next hiring stage (Espenakk et al., 2019). The basic motive behind screening is to funnel the most appropriate candidates for the vacant position (Yarger et al., 2019).

Screening is a vital function of the recruitment process, as it enables HR managers to remove under- and overqualified candidates from consideration for the vacant position (Vincent, 2019), typically through the use of technological tools (Akila et al., 2020). The screening process is a combination of three stages: reviewing, contacting, and identifying top candidates.

In the reviewing stage, the applicants' *résumé* or curriculum vitae, educational records, employment history, and other information is checked, verified, and matched with the job and its description (Henle et al., 2019). HR managers consider the following factors while reviewing:

- tenure at each previous job
- reasons for gaps in employment history

- lack of career progression

The second stage, contacting, occurs between the candidate and employer, usually as a telephone or video interview (Maheshwari & Haque, 2020). This preselection tool is an important “gateway” for advancing to further rounds of recruitment (David et al., 2017). First, it provides an opportunity to check whether the candidate is still interested. Second, the interviewer can observe the candidate’s skills, including how they communicate and their ability to answer interview questions.

Identifying top candidates is the last stage in the screening process. After making the first contact and interviewing applicants, HR managers shortlist the top candidates to continue in the process.

Evaluation and Control

This is the last stage in the recruitment process. Recruitment is a costly activity, making the evaluation and control of the entire recruitment process an essential step in ensuring that the resources are being used appropriately (Khandelwal & Kumar, 2019). Typically, the following factors are evaluated and analyzed:

- advertisement and overall costs related to recruitment
- administrative expenses and recruitment overheads
- overtime costs incurred through unfilled vacant positions
- the cost incurred through the selection of appropriate candidates
- time consumed preparing job descriptions, job specifications, and conducting interviews

The HR department’s key function is to hire the best possible workforce by executing various recruitment techniques. When such techniques are carried out effectively and efficiently, they deliver a competent and skilled workforce who will help attain organizational goals. Recruitment is a process of attracting and motivating the best candidates to apply for a job from a large candidate pool. HR managers apply internal and external sourcing methods to find and hire the most suitable person. There is no single technique that can be considered best for attracting potential applicants, but prudent HR managers shuffle sourcing techniques to fit the available resources and produce a desirable result.

4.2 Personnel Selection

Personnel selection is a method by which the HR department searches for employees to fill identified job openings within the organization (Kearns et al., 2019). It is the process of filtering the pool of recruited individuals to gain the most appropriate workforce that matches the job descriptions and specifications.

The process of selection is different than recruitment; the latter process is meant to attract and motivate candidates to apply for a vacant position in preparation for the former. The candidates are then filtered and shortlisted for the final stage: selection.

A minute error in the selection process can become a major hindrance to organizing an effective workforce. Therefore, in the process of selection, HR managers must ensure that selected candidates will contribute to the overall accomplishment of organizational goals and be confident that selected candidates will stay with the organization for a longer period. Thus, an efficient selection process reduces the rate of absenteeism and employee turnover, and increases long-term organizational performance (Olson et al., 2018).

Significance of the Selection Function

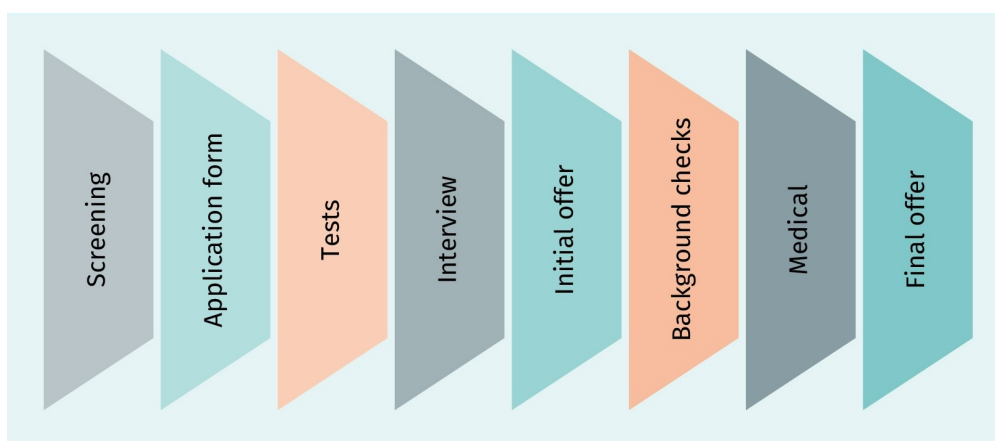
The success of recruitment and overall HR planning depends on accurately matching candidates with the positions they are qualified for, i.e., the process of selecting a candidate for a job (Dany & Torchy, 2017). Selection is the key to employing suitable personnel that has the capacity to enhance overall organizational performance.

The focus of selection is to eliminate candidates that don't match the specifications decided on during the job analysis. This can imply that selection is a negative process through which hiring managers weed out any ill-suited candidates who made it farther along into through the recruitment process (Noble et al., 2021). If the wrong candidate is selected, the cost of hiring and training an individual who is counterproductive for the organization increases, and they will be a drain on organizational resources.

Selection Process

The selection process is consequential for producing a workforce that will drive the organization towards effective and efficient performance. Thus, HR managers adopt precise, calculative measures to increase the probability of organizational success. Recruiters employ a range of methods to select the right candidate for a vacant position (Bradley et al., 2021). A well-defined selection process encompasses several stages, as summarized in the figure below.

Figure 17: Selection Process



Source: Mumtaz Ali Memon (2022).

Screening

The selection process starts with the initial screening. In this stage, applicants are scrutinized and matched with the job requirements according to their qualifications and experience; those who fall short are removed from the list of potential candidates. It is important during the initial screening to ensure that there is no discrimination against any prospective candidate (Smythe et al., 2021). HR managers may reject an applicant for the advertised job but consider them for another position.

Initial screening reduces the number of applicants for selection such that HR personnel can focus on finding the top talent. *Résumés* and application forms are considered primary sources of preliminary information for screening (Derous & Ryan, 2019). The following information is derived:

- employment and work history
- character evaluation
- job performance evaluation

Application form

The application form is typically considered a formal record of the candidates' application for the job and is the second stage in the selection process (Moore, 2019). Application forms collect general information about the candidate, such as their name, address, and telephone number, and provides a general overview of their life and achievements.

The structure of the application form varies between organizations. Application forms are typically designed based on the category and nature of the job, as it is the quickest and most reliable source of information for HR managers to judge an applicant's eligibility.

Tests

The third stage in the selection process is to measure the candidate's characteristics and abilities by way of a predesigned job test. Generally, these tests are conducted to check the candidate's behavioral attributes and attitudes. It is important to design appropriate tests, as, otherwise, problems in the screening procedure could arise (Biddle, 2006). These tests are usually designed to evaluate mental and physical abilities, interests, likes and dislikes, the applicants' ability to act under tense situations, their tolerance and absorption level, and other related attributes required to perform the job.

Tests are applied in both public and private sectors, and serve as a useful tool for selecting potential candidates. Leading organizations typically train HR managers to conduct successful tests to select the best candidate.

Interview

A job interview is typically a one-on-one session between an HR manager and the applicant. It is carried out to judge the qualities and communication skills of the candidate. They also help HR personnel judge intelligence and gauge candidates' automatic reactions to adverse situations (Fiechter et al., 2018). Only the most promising candidates reach this stage of the selection process.

The structure of an interview varies across organizations. The interviewer first studies applicants' files beforehand; most will inquire about an applicant's academic achievements, interpersonal skills, personal qualities, mannerisms, and organizational fitness levels. Interview anxiety can often hinder candidates' responses (McCarthy et al., 2021), but a good interviewer will be able to ensure that the candidate stays calm and relaxed.

Initial offer

A first offer is a tentative job offer made to the candidate, under stipulations. Candidates' readiness is an important factor in accepting this offer (Garrett, 2020). If the conditions (often related to a medical or physical test) are fulfilled, the conditional offer can be converted into a permanent job offer.

Background checks

Background checks are important to the overall selection process (DeFeo & Tran, 2019). They serve to verify the information provided by the applicant in the application form. Checks are run to confirm both the validity of the information provided by the candidate and their suitability for the advertised job and are usually conducted by third-party investigators. When performing a background check, the HR managers usually seek to confirm the following areas:

- The professional references applicants gave are contacted and their responses are recorded.
- Previous employers give confirmation about the length of the candidate's employment and reason for leaving.
- A candidate's security information (e.g., criminal records) is checked and verified by police or other government departments.

Medical examination

After a successful background check, the final stage before making a job offer in some companies and countries is to have the candidate undergo a thorough medical examination, which is conducted to check the candidate's fitness, health, and physical ability to perform the job. If a position requires such a medical check, a job offer is conditional upon the successful completion of the medical test. These examinations enable organizations to have medically suitable candidates who will be more likely to stay with the organization (Linos & Riesch, 2020).

Final offer

Individuals who are deemed medically fit are considered eligible to receive a final job offer. The actual decision for hiring an individual is made by the head of the department where the vacancy exists. Their candidate of choice is then offered a permanent or temporary contract (Plomp et al., 2019).

Notification to candidates

Once the decision has been made to select a candidate, it is made known to both the successful and unsuccessful candidates. If the HR department unnecessarily delays this notification, it can increase the chance of losing the desired candidate. The choice to inform both successful and unsuccessful candidates is generally made to preserve company image, be courteous to the other candidates, and maintain healthy public relations. This way, employers motivate unsuccessful candidates to apply again in the future (Campion et al., 2019).

The selection process is divided into several stages, which ensures that the most talented candidate is offered employment. The underlying objective of the selection procedure is to maximize the chances of hiring candidates who are likely to remain with the organization for a long period. The selection process enables HR personnel to access the most talented and skilled candidates to fill the vacant post, as well as build a database of candidates who, despite not being selected for the advertised position, remain attractive for future job openings.

4.3 Staff Release

Personnel release is the dismissal, resignation, or termination of an employee in an organization (Kubjana & Manamel, 2019). This important function generally falls under the domain of HR management, despite its necessitation being beyond factors of their control (Budiakova & Tsarenok, 2019). A basic goal of HRM is placing individuals in positions that are the right fit for their skills and abilities; this also means that, if individuals are incorrectly placed, HR managers must also be responsible for personnel adjustment, i.e., the removal, dismissal, or redistribution of employees who lack utility or productivity at a particular job and have become a financial burden to the organization. Typically, HR managers first consider “shuffling” a unproductive employee to another job unit or department, where their employment can be financially justified. If HR managers cannot place an individual in another position, they must resort to other adjustment methods, i.e., release or dismissal. Upon dismissal, the rights and obligations between the employee and the organization do not remain intact (Wediawati & Utari, 2021). However, before deciding upon release or dismissal, HR managers weigh the decision against the employee’s work history within the organization. Dismissal can take the following forms:

- voluntary release at will
- administrative release
- legal release

- trade union release

Voluntary Release at Will

This release happens at the discretion of an employee, who generally has personal grounds for leaving the job. Some common factors for employees seeking voluntary release could be that they are relocating to a different city or country, or they found a better job opportunity, i.e., better working conditions or higher remuneration.

Apart from these factors, sometimes employees will opt for a voluntary release to save face in the instance that their behavior, negligence, misuse of authority, or disregard for their duties would otherwise result in a forced dismissal. This type of release under these circumstances is more common at the top management levels.

Administrative Release

This type of dismissal generally occurs due to the fault of an employee (Oley et al., 2019) and is triggered for the benefit of the organization. The major factors that provoke this release are as follows:

- economic downturn
- employee performance-related issues
- aggressive behavioral tendencies

Legal Release

Legal release occurs when an employee is accused of committing an offense against the organization in the course of their employment. The employee may face termination (Shum et al., 2019) or criminal proceedings initiated against them by the organization as a consequence. These offenses may include theft, fraud, terrorism, or financial corruption. Under legal dismissals, employees are given exemplary fines and sometimes must serve a prison sentence if they are found guilty of a crime.

Trade Union Release

Trade unions have a major impact on overall organizational performance and productivity (Fang et al., 2019) with their power to adversely affect labor costs. However, the HR department usually strives to create a balance between trade union demands and the costs required to meet them. Either way, trade unions hold the power to influence HR personnel's decisions. Trade union dismissals are initiated at the discretion of the trade union leaders. If a worker is employed by the trade union within the organization, it is an easy task for the trade union to dismiss that employee. This is referred to as a trade union release. However, trade unions also occasionally release workers at the request of the employer.

Terminating an employment contract is a bitter, yet vital task performed by HR managers during personnel adjustment. Generally, cost factors force HR managers into employee dismissal or release, although factors such as employee negligence and disregard of duties can also necessitate this measure.



SUMMARY

Personnel adjustment offers HR managers control over recruitment, selection, and retention of the most eligible and talented workforce available within the industry. The core objective of the recruitment and selection process is to implement a fair, transparent hiring system that helps HR personnel find the right person, based on their merit, for the right job.

A consistent recruitment and selection process provides the means to evaluate the performance and effectiveness of an employee. Vigilant managers switch between recruitment sources to acquire the right person. The costs are balanced and compared to the productivity rate, in which increasing costs force HR managers to remove unproductive staff by applying dismissal techniques, while seeking to retain employees with higher productivity.

UNIT 5

PERSONNEL APPRAISAL

STUDY GOALS

By the end of this unit, you will be able to...

- understand personnel appraisal, its purposes, and its processes.
- apply different techniques to measure employee performance.
- design a personnel remuneration plan.
- analyze human resource development strategies.

5. PERSONNEL APPRAISAL

Case Study

SK Dairies and Fisheries has been operating in Harborland since 2000. Its headquarters are based in the capital city, Northolt, and it supplies pasteurized milk and raw fish in the retail sector in five densely populated cities within the country. The company has distribution centers in each of the five cities. The chief executive officer (CEO) is the sole owner of the company, and, upon the recommendation of the board of directors, appointed a human resources (HR) manager, a supply chain manager, and a general manager (GM) of operations, all of whom were experienced in their field. Each manager was appointed a fixed annual salary that was to be paid in monthly installments.

Due to the hard work of all employees, the organization experienced 27 percent annual growth, and, in ten years, spread its reach across the whole country of Harborland into 35 cities and employed a fleet of 5,000 employees across all hierarchical levels. Upon seeing the success of the business, the HR manager recommended that the company invest in transforming the manual systems in the production, sales, and supply chain departments to cut down overhead costs and increase customer service efficiency. They also suggested forming a department specifically for training, research, and development to support employee success and help the company keep up with the changing market demands. All recommendations were rejected by the board of directors due to their belief that these investments would substantially increase costs. However, the board agreed to expand the product range to match the organizational growth.

The supply chain manager and GM were tasked with making recommendations on how best to expand the product range. They developed the idea of the Out of Home (OOH) department, in which the company products would be sold in other locations besides retail, such as hotels, restaurants, parks, bus and train stations, and coffee shops. They believed that in launching this idea, the organization could tap into an untouched market that would increase their sales. The idea was approved by the CEO and board of directors, although they did not believe they needed to expand the workforce to meet the new job demands.

The board and CEO decided to increase work hours and salaries in increments. Despite the HR manager's suggestion to provide extra training to support the employees in their new roles and assignments, the board decided to "save costs" by not giving employees more training. Eventually, the stress from the increased workload began to take its toll on employees: they were unmotivated and unimpressed by the incremental salary increase, and, as a result, sales and revenue experienced a sharp decline.

The CEO immediately noticed the decline and acted. They removed several members of the board and promoted the HR manager to HR director, and assigned them the task of getting the company back on track. The HR director had the responsibility to develop the workforce in a way that would support the success of future projects and make any decision they thought would benefit the company.

5.1 Personnel Appraisal

The competitive environment and the availability of alternative products in the market forces organizations to actively manage the performance of their staff to support the achievement of its objectives. The efficiency, effectiveness, and productivity of each member of an organization contributes towards accomplishing these goals. The necessity of such successful performance depends on evaluating employees' actual performance against the expected standards set. More importantly, evaluating performance helps line managers decide the adequate compensation package for each employee (Mulvaney, 2019).

The SK Dairies and Fisheries case study points out that remuneration, culture, and training play an important role in keeping employees motivated and prepared to ensure the consistent growth of the organization. However, given the fact that not every business has developed a sound performance management and appraisal plan, bad decisions can be made that drag the organization towards collapse and can cause severe financial loss. To make the right decisions, it is necessary to integrate the compensation strategy with a systematized approach to evaluating employee performance.

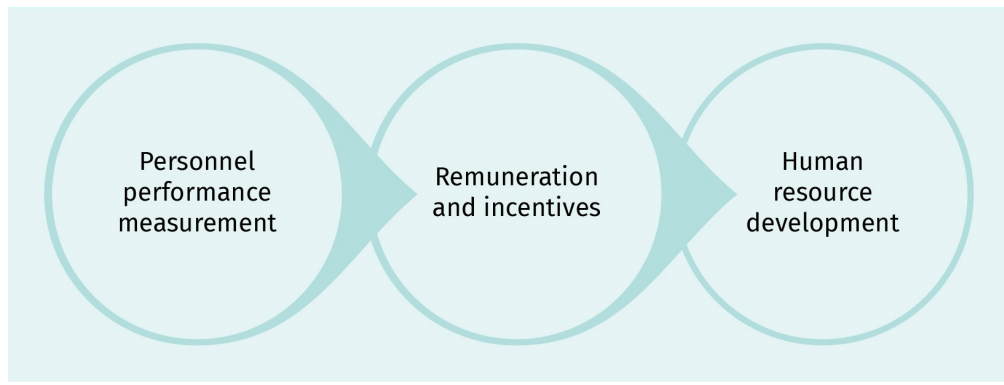
The process of evaluating personnel performance is termed **personnel appraisal**. An appraisal is a calculative analysis that critically scrutinizes the employees' past and current performance against the expected level of performance during a fixed period, which can vary from every six months to a year, to every two years, depending on the organization (DeNisi & Murphy, 2017). The personnel appraisal system serves two purposes. First, it operates as a controlling tool for the human resource managers in making decisions about remuneration and incentives. Second, it provides targeted feedback to an employee by way of career counselling and identifying areas for improvement (DeNisi et al., 2021; Tyskbo, 2020).

Personnel appraisal
It measures individuals' actual performance to fix their remuneration and incentive packages and suggests areas of development.

What is Performance Appraisal?

Personnel appraisal is the systematic approach of measuring individuals' actual performance to fix their remuneration and incentive packages while suggesting growth, learning, and development opportunities (Bayo-Moriones et al., 2020). By focusing on past performance, personnel appraisals work to improve an employee's future performance (Selvarajan et al., 2018). Personnel appraisal comprises three activities: performance measurement, drafting of remuneration and incentive packages, and recommendation for future development (Canet-Giner et al., 2020). The steps are shown in the following image.

Figure 18: Personnel Appraisal Components



Source: Mumtaz Ali Memon (2022).

The personnel appraisal system provides opportunities for both employer and employee to discuss and analyze the different aspects of their performance and brainstorm how best to improve it. It works as a mirror for an employee to evaluate their own performance and compare it to the organization's expectations. Among all activities, HR managers give utmost importance to the process of personnel performance evaluation (Clarke et al., 2019), as it is an activity with wide implications for remuneration, future career possibilities, development, and employee motivation.

Personnel Performance Evaluation (PPE)

The personnel performance evaluation (PPE) stage operates as a method for making precise and critical employee measurements across performance standards. Positive evaluations drive an employer's confidence that their employees deserve the remuneration for which they work. The PPE process measures performance with the intention of increasing it, foreseeing the employees' potential, assisting employees to maximize productivity, and aiding employees by offering continuous learning and counseling opportunities (Rivera et al., 2021). PPE also extends rich and fruitful feedback to the human resource managers, which assists them in identifying human potential that can be used for a long period to benefit the organization (Bastola & Hu, 2021).

PPE is a continuous process through which human resource personnel helps maintain the momentum of employees performing above par, while motivating and supporting those who do not meet the performance standards. Any problems or flaws that contribute to an employee's poor performance are traced and tracked. However, they cannot be remediated without regular feedback both for and from employees. If an employee is uninformed or unaware of the reasons for their poor performance, they will be unable to rectify their work. The personnel appraisal system supports keeping an organization's workforce performing at similar levels, guaranteeing that the organizational objectives will be met cost-effectively and efficiently (Bayo-Moriones et al., 2020).

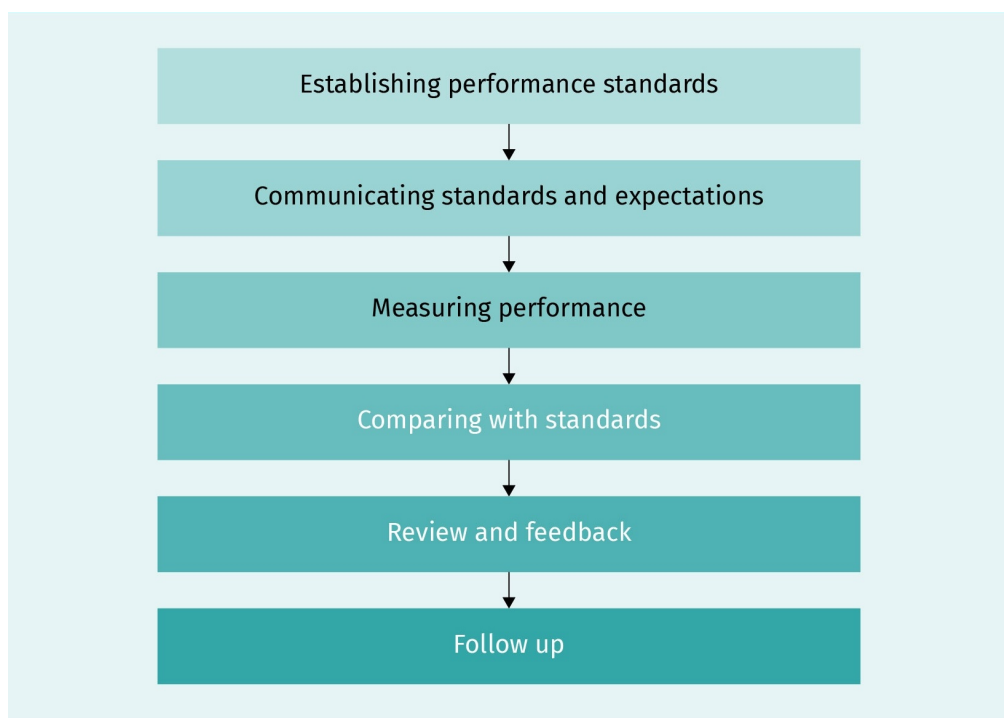
Having clearly defined goals activate increased performance levels by giving actions a direction (Danaeefard & Torshab, 2021). This is further achieved by assigning goals to the workforce in a practical way. Indeed, effective communication of goals ensures that everyone understands the task ahead so they can work cohesively. A goal's impact will reflect on the employee's performance and will be observed during their evaluation.

Personnel Performance Evaluation Process

When an employee is hired, they must go through a new employee orientation stage. At this time, each new hire becomes acquainted with the organizational culture and work environment, and is provided in-depth information about the personnel performance evaluation process. Each new hire is assigned targets and made to understand the standards of performance against which their own performance will be judged. Their performance is measured intermittently, depending on how the organization chooses to structure the measurement period. Usually, most successful, leading organizations conduct the PPE annually or biannually. Apart from these, quarterly and half-yearly PPE are also common.

The robust personnel management system depends on the precise and efficient PPE because an ineffective PPE process has the potential to prevent a business from achieving its goals; an effective and efficient PPE system can set the organization on track for prosperity. The efficacy of the entire human resource strategy depends on the net productivity of its workforce. The competitive and dynamic environment of the organization demands a high productivity and performance rate from each member of its workforce. This can only be achieved if a proper, effective, and unbiased PPE system is in place (Houldsworth et al., 2021). The figure below exhibits the steps involved in a PPE system.

Figure 19: Steps of Personnel Performance Evaluation



Source: Mumtaz Ali Memon (2022).

Establishing Performance Standards

The PPE kicks off by establishing and creating the standards of performance for a position and the expectations of the individual whose responsibility it is to perform the job. The main theme for doing so is to figure out the required output, essential skills, and targets against which the actual performance will be compared. At this stage, the personnel manager defines the parameters that an employee must perform within to meet the minimum standards. The performance standards for a particular position are established with the organizational and departmental objectives in the forefront. The achievement of departmental targets, objectives, and goals contributes towards the achievement of the organizational aims. Thus, HR personnel must assess the minute details and ensure that the work performed is done in alignment with organizational culture while remaining true to the core objectives (Soltani & Wilkinson, 2020).

Performance standards are usually established for a specific position within the organization instead of for an individual. They are identified and designed to be transparent, brief, and comprehensive. In addition, they must be realistic and quantifiable. Vague, unrealistic, and ambiguous standards do not deliver the desired output for personnel managers. Hence, “SMART” objectives are set, which demands that performance standards be specific, measurable, achievable, relevant, and time-bound. SMART objectives are also used when designing organizational goals. Leading organizations make the establishment of performance standards interactive between the standard setters and the employee, but with caution. The interaction between the two parties helps establish the expected per-

formance standard and gives the employee a sense of ownership—something that has been shown to motivate employees to stay with an organization longer (Sharma et al., 2021).

Communicating Standards and Expectations

Communicating performance standards and expectations to employees is as important as the creation of such standards and expectations. The human resource personnel are responsible for the effective communication of these to employees. HR personnel must clearly explain the assigned targets and standards to the relevant employee to help the employee visualize the importance of their role and contribution towards the whole organization (Schleicher et al., 2019). Importantly, immediate evaluators are also linked in this communication. Depending on the feedback from employees, their evaluator, and their line manager, performance standards can be modified. Ultimately, clearly communicating performance standards can yield the following advantages to employees and HR:

- It reduces ambiguity and brings clarity.
- It supports autonomous work by the staff.
- It reduces and prevents employee frustration.
- It brings a rapid, positive change in employee attitudes and encourages responsiveness and engagement.

Measuring Performance

The most critical phase of the PPE process is the measurement of an employee's actual performance during a specific period. The measurement is continuous, in which employees are monitored for the duration of the period determined by the organization. HR managers observe how well an employee hits the targets that were mutually agreed upon and if the employee's performance is comparable to their counterparts.

The managers responsible for the evaluation measure the actual performance of an employee across two dimensions. First, employee performance is measured by factors that can be quantified into numeric terms, such as quality, quantity, costs, and time. These factors are typically measured based on statistical data, written reports, and actual figures. Second, employees are evaluated by their soft skills, i.e., communication, team coordination, leadership, and behavior at work (Kwiotkowska et al., 2021). These factors are difficult to measure and purely depend on the subjective observation of the evaluator and oral reports. Evaluators must exercise caution. At this stage, biases are more likely to show. They must try to measure these qualitative factors impartially, without the influence of their personal views, likes, or dislikes. If evaluators are biased, employees might be less receptive to the feedback they receive (Varma et al., 2020).

Methods for Measuring Performance

This stage in PPE requires an appropriate method for measuring performance that reduces the effect of evaluator biases. Most of the following methods are applied in organizations around the world.

Graphic rating

With the graphic rating technique, evaluators apply sequential digits to rate employee performance across various areas. For instance, an evaluator may measure an employee's behavior towards their subordinates using a graphic rating, in which they are rated on a scale of one to ten. These types of scales are usually applied to objectively measure the behavioral elements of the evaluation stage. Different scales are adopted across various organizations to meet their needs. While it is a useful tool, it does not deliver detailed information about an employee (Maotshe, 2018).

Forced-choice scale

Forced-choice scales use ranked-choice lists to measure performance without the influence of social desirability bias (Ng et al., 2021). The choices given to the manager to evaluate employee performance are usually "poor," "needs improvement," "average," "above average," and "excellent." Without other available options, the evaluator is forced to choose the option that best matches their evaluation of the employee's actual performance. Forced ranking is a controversial tool because it forces the manager to identify the best and worst performing employees. They must compare employees and may eventually be forced to dismiss the weakest-performing employee, which should lead to an improvement in quality over time.

Critical incident technique

In this technique, individuals are interviewed to gather data and information about critical incidents that have happened. Interviewees are typically asked to describe specific incidents they witnessed or were part of, and evaluate how well or poorly the incidents were handled (Serrat, 2017). This method focuses on specific behaviors to measure an individual's actual performance to understand their behavior. As the individual is interviewed, their responses are recorded and deemed as a success or failure with the award of a grade, typically ranging from zero to five. It is a laborious, time-consuming activity that depends on the subjective observation of the supervisor. However, it does have the benefit that incidents are recorded immediately after they occur rather than trying to recall them during the PPE.

Peer review technique

The peer review technique centers around obtaining anonymous feedback from colleagues, team members, and peers about an individual's attitude and behavior. This technique enhances the overall measurement process. An individual's behavior, including interactions with colleagues, collaboration, competency at work, strengths, weaknesses, networking, and leadership capabilities are measured. By using this technique in combination with the evaluator's personal experiences with the employee, an idea of the individual's performance can be formed, making the technique a valuable method for the entire PPE process (Davis et al., 2009).

Human resource cost accounting technique

The human resource cost accounting technique is the measurement of an individual's performance, in which the cost incurred for employing the individual is compared to the financial gains they contribute to the organization (Rafi & Hossain, 2018). Thus, this method has a purely monetary focus. Specific factors measured with this technique include increases in sales volume, service value for each unit produced, quality, and overhead cost, among others.

Management by objectives (MBO)

Management by objectives is a process that transforms organizational objectives into individual objectives (Bruccoleri & Riccobono, 2018). Researchers have classified MBO as a modern, future-oriented technique for measuring actual performance (Islami et al., 2018). MBO has been deemed as the most accurate method for measuring employee performance (Maghsoodi et al., 2018). It allows both the managers and their subordinates to identify, plan, organize, monitor, and review their objectives, coming to a mutual understanding that they will be accomplished within a specified period. The objectives are debated, analyzed, and aligned with organizational goals by assessing whether they are realistic, measurable, and achievable within the defined time frame. MBO is a continuous process that engages managers and their subordinates to periodically assess employee performance and chalk out the achievements will be done. If it is required, they can be amended or extended. At the end of the specified period (e.g., quarterly, half-yearly, or yearly), the performance is assessed as a success or failure, and rewards are given as appropriate.

360-degree feedback

360-degree feedback is a modern performance measurement technique that allows employees to receive feedback from various stakeholders in the company, like their coworkers or peers, as well as people external to the company who have come into contact with the individuals, such as customers. Others who might give feedback include managers, direct reports, subordinates, and vendors. Approximately a dozen people are asked to fill out an anonymous questionnaire that focuses on measuring the broad range of an employee's capabilities. The questions usually seek to assign a rank, ranging from zero (poor) to five (average), to ten (excellent). The questionnaire also may ask for written comments that identify areas where the employee in question may need further training and development. 360-degree feedback is a strong measure of employee performance due to the wide range of people asked, and it plays an integral role in organizational decision-making (Church et al., 2018).

360-degree feedback
Here, employees receive feedback various from stakeholders working around them, like coworkers, as well as those who do not work for the organization, like customers.

Comparing with standards

This step is vital in the process of PPE. Here, the degree of difference between the actual and expected performance is calculated. Generally, the findings reflect three kinds of deviations: the actual performance being higher than the expected performance, the actual performance being lower than the expected performance, and the actual performance

matching the expected performance. This evaluation is also known as absolute standard evaluation, but it is entirely different than relative evaluation, where each employee is compared to another (Al-Jedaia & Mehrez, 2020).

The comparison between the actual and expected performance serves various purposes, but the central benefit is that it helps HR personnel understand how or why an employee fell short of expectations. Once the performance gaps are understood, HR can take the appropriate steps to rectify the situation. HR personnel will be able to take corrective measures and provide the necessary training that will help the employee contribute to the organizational objectives.

Review and Feedback

Providing feedback to the employee about their performance after the measurement phase is arguably the most critical stage of the process. It motivates the employee and raises the expectations for future performance. Providing objective feedback is paramount for an employee's learning and development. If the employee is not shown the mirror that reflects their past performance, the mistakes made during the measurement period cannot be rectified. The success of the entire PPE process depends on the successful review of the employees' performance and providing them with constructive feedback. A well-structured review and feedback benefits both the employee and the organization (Sleiman et al., 2020).

Performance review

A performance review codifies performance-related issues, provides constructive feedback, acknowledges accomplishments, rewards exceptional performances, and generates a discussion between the manager and employee. This discussion helps clarify expectations, reduces deficiencies, and stimulates improvement in employee performance. A well-designed review on past performance helps employees realize their importance for the organization, which, in turn, supports improved performance (Kakkar et al., 2020).

Performance reviews grant an opportunity to the manager to make development and improvement plans for an employee that can help boost performance. Analyzing past performance and visualizing the future perspective is important; however, an agreement between the manager and employee is mandatory for the overall organizational performance. When conducting the performance review, managers must perform the following steps:

1. Analyze the individual achievement against the predefined target agreements.
2. Obtain documented evidence of the employee's performance.
3. Consider all factors that might have affected employee performance.
4. Outline the main points on which to provide feedback.
5. Identify areas where the employee needs further development.
6. Identify the career prospects and objectives of the employee.
7. Identify objectives for the next review period.

Feedback

This stage of the PPE is significant from the employee's perspective. Here, the employee can engage in constructive interaction with their manager and raise concerns about anything from personal problems encountered during employment to the organizational culture. Managers need to be conscientious when providing feedback, as employees can be very sensitive to feedback. From the employee perspective, it can be a make-or-break moment for their career. Managers must make an effort to develop an environment that is conducive for feedback in which employees feel safe to constructively engage in an open conversation. The consequence of a well-conducted review and feedback should be to motivate the employee, making them feel valued and enriched.

Managers also need to be careful about their tone and language when providing feedback because their attitude can affect the employees' performance positively or negatively. In no way should managers adopt a threatening attitude, which can immediately make the employee defensive and effectively eliminate any use the appraisal process might have. If employees perceive a negative attitude from their manager, they may believe the feedback to be unreliable, unproductive, and subjective (van Woerkom & Kroon, 2020).

Follow-Up

The last stage in the PPE process is the follow-up. The review and feedback stage identified the core areas the employee could develop further. However, the review and feedback only occurs within the specific period, leaving a gap of time between then and the next review. To address this issue, managers follow-up with the employee by continuing to monitor their progress and providing them with regular coaching, counselling, and other support to help them achieve their aims.

Though managers keep a close eye on their subordinates to ensure they perform according to the agreed standards, they must be careful that they do not coddle or micromanage the employees; rather, they should enable employees to hold themselves accountable and have control over their performance (Carver et al., 2021). By doing so, managers mold the employees to be capable of achieving their personal development targets, which, in turn, contributes towards the achievement of departmental targets, ultimately delivering the organizational goals and objectives.

To summarize, the greatest asset an organization has is its human capital. The PPE process ensures the successful implementation of the overall human resource strategy. Factors like focus, clear objectives, goals, direction, self-control, monitoring, rectifying mistakes, and corrective measures are mandatory tools to keep the workforce effective and aligned with overall organization objectives. By doing so, the personnel performance evaluation process plays a vital role upon which the entire organization depends. It enables organizations to survive within a dynamic environment. Various personnel measurement techniques are available, but it must be kept in mind that no single evaluation technique delivers the expected results. It is up to the managers to make good use of the techniques to achieve the desired results.

5.2 Remuneration and Incentives

Various organizations name the practice of meeting financial needs through employment in the public or private sector as reward, compensation, or remuneration. All these terms are frequently used interchangeably and bear the same meaning (Riis, 2020). Though it may seem obvious, without remuneration or reward for work, it is unlikely that an individual will perform their work satisfactorily, if at all. Employees of any organization will weigh the work they perform for the organization against the remuneration they are offered to decide if it is worth the time and effort. Therefore, it is important for the organization to offer a competitive remuneration structure to capture the best available workforce within the market. A remuneration and incentive system is typically designed to be competitive to keep the workforce motivated to produce high-quality work, while preventing employees from leaving to work at other organizations. Clearly, the right compensation helps the organization retain its skilled employees (Sarkar, 2017).

Planning and implementing the remuneration strategy captures most of the workload of human resource personnel. The remuneration and incentive policy has emerged as a strategic tool that has a direct impact on the working environment, workforce productivity, efficiency, and overall business performance (Kim & Jang, 2020). For instance, Intel offers a substantial incentive package to its employees if the predetermined goals are accomplished (Nigam et al., 2018). As globalization has gotten its hold in the modern world, turning it into a global village in which everyone is connected, designing and implementing a comprehensive remuneration package has become an increasingly complex task for HR personnel. Remuneration and incentives are vital to human resource strategy, as they direct the energy, focus, and behavior of the entire organizational workforce. They contribute to the fate of the organization in terms of achieving success and converging in the right direction (Kang & Lee, 2021).

The Concept of Remuneration

Remuneration
The financial and non-financial benefits that an employer offers to its employees for their services to the organization is known as remuneration.

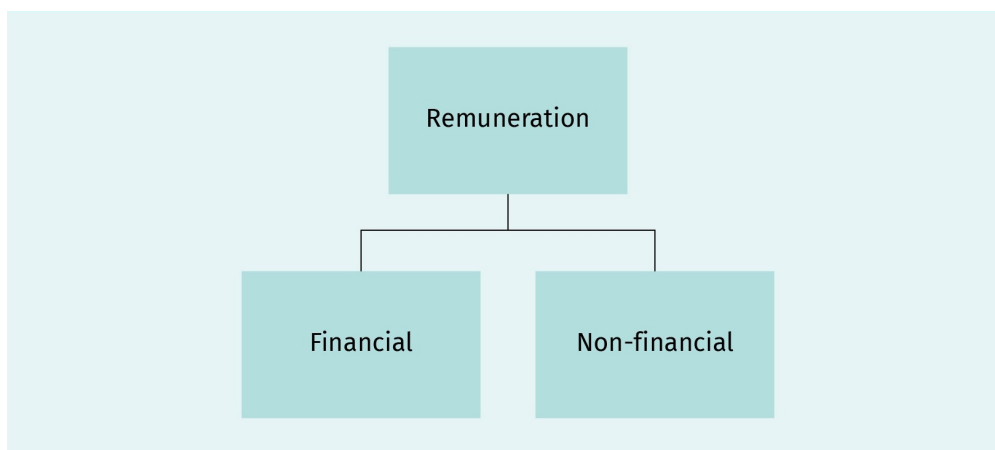
Remuneration is the compensation to employees, including wages, bonuses, and other benefits, for services offered to the organization, which include valuable time, skills, and effort (Anandarajan, 2017; Mabaso & Dlamini, 2018). Thus, remuneration is an element that holds equal importance for both the employee and employer. Employees value the reward earned in return for their valuable services contributed towards the organization; for employers, it is an essential tool for HR personnel to encourage the production of the desired performance outcomes.

The human resource personnel face the challenging task of designing a balanced remuneration strategy that benefits the employee and the employer simultaneously. A well-designed remuneration structure delivers several benefits: It attracts and retains a skilled workforce, directs employee behavior towards a high level of performance, and delivers financial success to the organization.

Forms of Remuneration

In the past, money was considered the sole compensation that an employee could expect from their employer. However, as the organizational culture and working dynamics have changed, so too has this concept. Generally, rewards and compensation are aimed to motivate the workforce, ultimately enhancing their productivity. However, it is not just money that influences motivation; other factors, whose importance is increasing, play a role within the remuneration structure (Mura et al., 2019). A modern remuneration system is now classified into two forms: financial and non-financial remuneration.

Figure 20: Types of Remuneration



Source: Mumtaz Ali Memon (2022).

Financial remuneration comprises all payments an employee receives in the form of wages, salaries, incentives, commissions, profit sharing, and bonuses as part of their compensation package (Sinambela et al., 2019). Conversely, non-financial remuneration comprises a satisfaction level that an employee derives from the job itself or from the surrounding environment in which they work. Non-financial compensation includes having well-organized tasks, skilled line managers, good policies, and a conducive work environment, among others (Darma & Supriyanto, 2017).

Remuneration holds a direct impact upon the performance and satisfaction level of an employee. Though the non-financial form of remuneration is increasingly significant to keep employees motivated and engaged, financial remuneration still dominates in driving high performance expectations for employees and employers and greatly contributes to job satisfaction (Darma & Supriyanto, 2017).

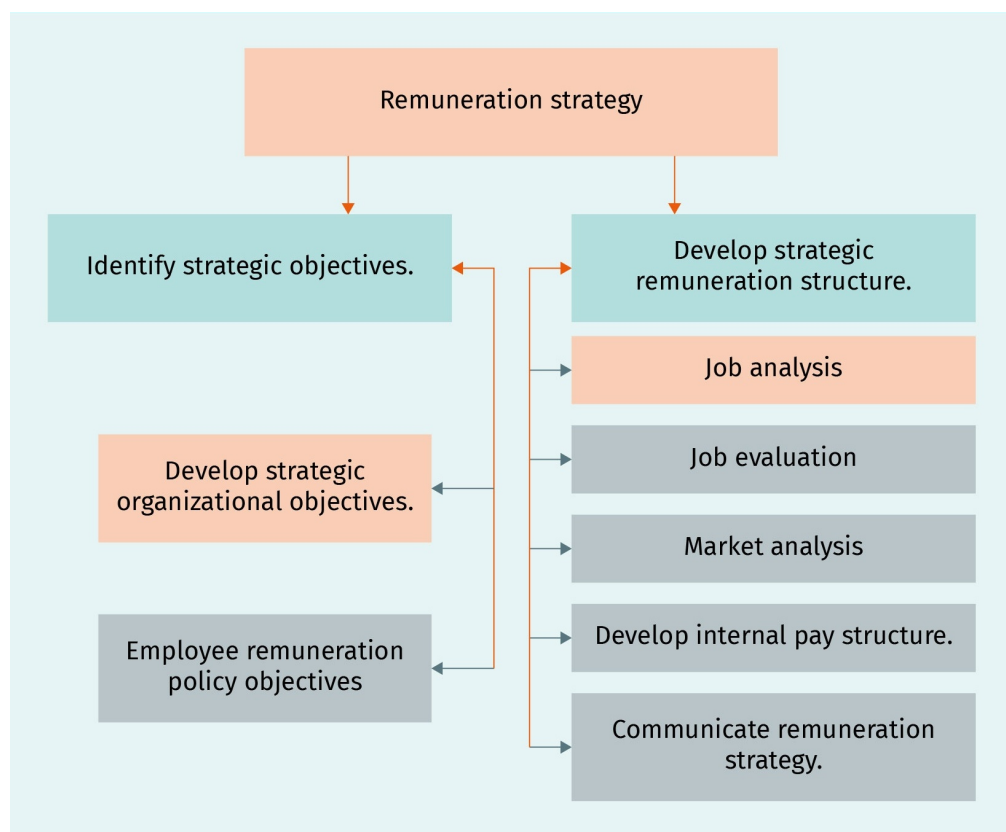
Designing the Remuneration Strategy

Remuneration also serves to shape the culture and behaviors of employees towards achieving organizational strategic objectives. A remuneration strategy is designed to align the net workforce productivity with organizational objectives. Whether or not the remuneration is appropriate or adequate might be perceived differently by the employee and employers. As discussed, employees derive motivation and job satisfaction through remuneration.

neration, while employers use it to attract and retain a productive workforce. This raises the question of how the human resource personnel should design a successful remuneration strategy.

The formulation of the remuneration strategy is distributed in two stages: strategic objectives identification (SOI) and development of strategic remuneration structure (DSRS). These stages are divided into further functions, which must be performed to develop a successful strategy.

Figure 21: Remuneration Strategy



Source: Mumtaz Ali Memon (2022).

Strategic Objectives Identification

At this stage, human resource personnel identify, develop, and align organizational objectives with the employee remuneration policy objectives. The human resource personnel chalk out the ancillary policies that they believe will raise performance standards for the workforce and improve workforce productivity.

Development of strategic organizational objectives

Strategic organizational objectives are the goals and targets that are intended to accomplish the organization's mission. These are typically referred to as performance goals. The HR personnel, in close coordination with the CEO, develop these objectives to serve as a framework for designing a remuneration structure that would motivate and mold the behaviors of the workforce.

Employee remuneration policy objectives

At this stage, the long- and short-term objectives that are to be achieved through the remuneration policies are developed. These objectives ensure that HR managers will devise a policy that will motivate the workforce to achieve such objectives effectively, efficiently, and in a cost-effective way. HR personnel attempt to create a fair, transparent, and equitable performance-based policy for employees, directors, and executives of the organization. Executives also have much control over the remuneration policy, and it has been observed that executive remuneration affects the performance of the organization (Akram et al., 2019). Executives tend to focus on short-term firm performance to justify their remuneration increases, while an absence of long-term incentives for their remuneration detracts from the organization's performance. Therefore, the human resource personnel should try to muffle the executive's control over their own remuneration policy to avoid excessive compensation (Akram et al., 2019). Remuneration policies should be carefully designed to be equitable for all employees to encourage high performance and production.

Development of Strategic Remuneration Structure

Employers aim to ensure that they hold the best workforce to drive their path towards success. A harmonious relationship between employer and employee guarantees high performance and the achievement of organizational goals by developing a mutually acceptable, effective remuneration structure (Kubeš & Raňčák, 2018). Human resource personnel must ensure that the remuneration structure they develop at this stage mirrors the remuneration policy and can achieve the defined objectives. The complete process of developing the remuneration structure is critical, adding value to the overall organizational performance.

Job analysis

Job analysis provides valuable information to human resource managers about jobs existing within the organizational hierarchical structure. Job analysis is the combination of two different sets of activities: job description and specification. To define the remuneration package, HR personnel identify and describe each position to ensure that the organizational structure is adequately developed in a way that will achieve the organization's aims. Human resource personnel focus on developing job descriptions, generating job titles, and forming the performance standards for every position identified.

Job evaluation

At this point, the HR personnel evaluates the value of every job. Human resource personnel do this to understand their importance and value within the hierarchy and define its pay structure. Job evaluations focus on the job itself, not the person who is responsible for performing the work (Koskinen Sandberg, 2017). While conducting the job evaluation, the HR personnel utilize viable techniques that enable them to analyze the importance of specific job roles. These techniques include job rankings, job classification, the factor comparison method, and paired comparison method.

Job ranking

Job ranking assists in designing an equitable and fair pay structure for employees. This is a simple ranking based on the overall perceived market value of the job. This helps calculate the pay structure (Newman et al., 2017). In performing a job ranking, jobs are defined, their titles created, and then ranked according to their importance within the organizational hierarchy. The factors that are considered in job rankings include the complexity and competencies required to perform the job. Vital jobs are ranked high, while jobs with less importance or fewer required skills are ranked low. This technique is useful for small organizations because there are fewer employees; larger organizations with many employees may find this cumbersome.

Job classification

Job classification is when certain jobs are grouped together to determine the pay (Newman et al., 2017). In this method, various job classes or groups are formed based on factors, such as related activities, skills, experience, and knowledge required for performing jobs within the group. Then, various jobs are assigned to each group. Every job falling within a particular group is described, defined, and explained based on the nature of the work involved. HR personnel specify the pay range for every group and then specify the pay for every job falling within that group. This technique helps design a pay structure that adopts a common standard for pay for each group.

Factor comparison method

Unlike job ranking, the factor comparison method awards rankings to jobs or positions based on certain attributes. These attributes can be factors such as mental pressure, physical exertion, skills or competencies, working conditions, responsibilities, and authority, among others. These attributes are weighted for each position and a pay range is allocated to determine the pay structure. This method produces a fair balance between the pay structures.

Paired comparison method

In this method, each job is paired with another and the two are compared (Newman et al., 2017) and allocated a score, which can be zero (i.e., the job is less important the one it is compared to), one (i.e., the jobs have equal value), or two (i.e., the job has more impor-

tance than the one to which it is compared). After the comparison, the scores are summed up. The total score obtained by a particular job reflects its importance within the organizational hierarchy. Pay structure is then designed with each job's relative worth in mind.

Market analysis

Once the job evaluation is done, HR personnel prepare to conduct a market analysis. Here, they analyze remuneration packages that are prevalent in the market. The aim of the market analysis is to ensure that employees are awarded competitive remuneration, which keep the workforce motivated and help the organization to retain the talented and productive workforce for the long-term (Kumar et al., 2019).

Developing internal pay structure

At this point, the human resource personnel match and balance the two sets of information gained during the job evaluation and market analysis stage. This step allows HR personnel to devise a remuneration structure that is not only purely competitive within the labor market, but also capable of motivating the workforce to increase their productivity at optimal levels for achieving the overall organizational objectives. For example, to wring the employer of maximum benefits, they may shift the variable remuneration towards a fixed pay structure (Bun & Huberts, 2018).

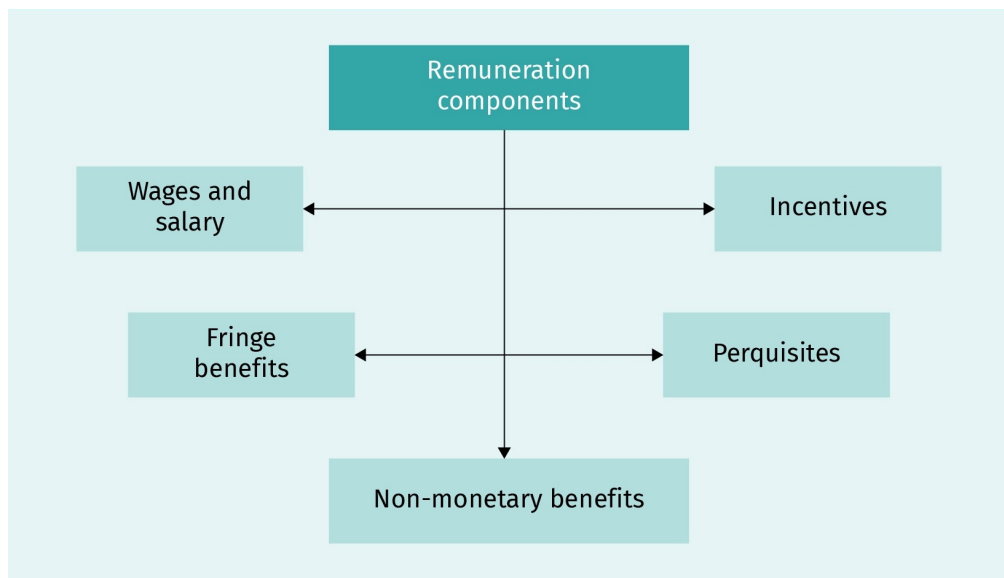
Communication of remuneration strategy

The last step of developing a strategic remuneration structure is communicating the remuneration strategy to employees. HR personnel carefully ensures that all members of the organization receive the information. This communication is essential because employees should know exactly how much they will be rewarded. It also provides an opportunity for the employees to express their reservations against the remuneration strategy, which HR can then consider if they should revise the strategy.

Components of Remuneration

HR personnel utilizes various elements to draft remuneration packages. These elements assist the human resource personnel in drafting the remuneration structure for the different jobs. Remuneration packages vary depending on the nature, responsibilities, competencies, skills, and authority attached to the jobs employees perform within the organization. The essence of an effective remuneration system is having the right instruments and the ability of the human resource personnel to utilize them (Barczak et al., 2021). Thus, it is compulsory to identify the components of the remuneration package that assist HR personnel in defining remuneration packages for their entire workforce serving at all levels. In return for their contributions to the company, individuals are eligible for a variety of benefits. These benefits are financial and non-financial, depending on the skills required to perform that job. Remuneration components are shown in the figure below.

Figure 22: Components of a Remuneration Strategy



Source: Mumtaz Ali Memon (2022).

Wages and Salary

Payment, as wages or salary, is the final stage of the complex relationship between the employer and the employee (Hafurova et al., 2019). A wage is a payment that is calculated and paid on an hourly basis, in which the employer and employee agree upon a fixed rate per hour. The daily wage is calculated by multiplying the total number of hours worked with the agreed rate per hour:

$$\text{Daily wage} = \text{No. of hours worked per day} \cdot \text{Agreed hourly rate}$$

Salary is payment for work done over a fixed period regardless of the hours. The fixed pay period can be weekly, monthly, or any other period agreed upon between the employer and the employee.

Wages and salaries are targeted for entirely different classes of employees. Wages are typically given to employees performing jobs that require lower skills, have no authority or control over other employees, and have little decision-making requirements when performing the job. Conversely, salaried employees are skilled, assigned major responsibilities, and perform jobs that require much authority and control over others. Both wages and salaries are subject to increments based on inflation and labor market conditions.

Incentives

Incentives are an additional compensation given to high-performing employees on top of their regular wages and salaries. They drive employee commitment, which increases their productivity and reduces the turnover rate for employers (Kryscynski et al., 2021). Incentives can be monetary or non-monetary; regardless of how they are awarded, they affect employee motivation, performance, and productivity (Mamdani & Minhaj, 2016).

Incentives are also called pay-for-performance, implying that they are given to employees who produce results. Incentives are always tied to results because if they are awarded without reason, they lose their value and employee motivation decreases. The target of an effective incentive plan for any organization is to increase employee productivity, enhance the level of commitment in work performance, produce job satisfaction, structure behavior, and generate enthusiasm (Nyberg et al., 2018). When developing incentive plans, employees usually take long- or short-term options.

Long-term incentive plans

In long-term incentive plans, the payment of the incentives stretches over a period of more than one year. Long-term incentive plans are typically designed by human resource managers to retain the higher senior-level management, including executives who play a critical role in the performance of the business (Flammer & Bansal, 2017) by building the returns on investment, increasing market shares, and enhancing overall organizational competitiveness. Although there are several long-term plans organizations offer their employees, such as stock options and stock appreciation rights, performance shares and performance cash units are the most common types of long-term incentives (Mondy, 2008).

Short-term incentive plans

In short-term incentive plans, the time frame for incentive payments is less than one year. This can be divided into monthly, quarterly, half-yearly, or annual payments, depending on the nature of the goals to be achieved. These plans are typically designed for lower positions and middle-level management to enhance their performance standards set for short-term goals. The nature of short-term goals depend on the business priorities, market conditions, and overall company long-term objectives. Short-term incentives include individual bonuses, referral awards, suggestion awards, and special achievement awards.

The incentive plan needs to be carefully designed and applied to the proper class of employees. The inappropriate allocation of incentive plans might put the organization in an awkward position. As mentioned earlier, short-term incentives are targeted at lower and mid-level employees. If they are given to senior-level management or CEOs, it can lower the long-term performance of an organization (Edmans et al., 2017).

Fringe benefits

The main objective for extending fringe benefits is to attract, retain, and motivate the qualified and competent employees (Bernardin, 2013). Fringe benefits are indirect forms of compensation awarded to an employee or a group of employees within the organization (Oguejiofor & Umeano, 2018). Fringe benefits are the portion of the total remuneration packages awarded to a particular employee on top of their base or performance pay. Employers find many ways to compensate the employees to keep them motivated, enhance their productivity, and cater to job satisfaction (Dilmaghani, 2020). Employers use fringe benefits to improve employees' quality of life. They bring financial security and protection to employees and their families.

The fringe benefits an organization offers to its workforce include retirement and pension plans, medical insurance, dental insurance, educational reimbursements, paid vacations, company-maintained vehicles, meal allowances, transport allowances, and house rent allowances, among others. Due to the attractive offerings of fringe benefits, they are also known as "golden handcuffs," because they often prevent employees from seeking employment elsewhere, meaning that turnover rates remain low (Zirra et al., 2019).

Organizations offer fringe benefits to accomplish the ulterior objectives that could not be accomplished based on standard pay. These benefits are more effective in achieving organizational objectives than regular salary or wages because they give HR personnel an advantage when trying to manage costs; make employees more socially responsible; and recruit, retain, and motivate them (Mugaa et al., 2018).

Perquisites

Perquisites, also called "perks," are a part of the remuneration system that is specifically designed for senior-level management to engage and bind them with the organizational goals and achievements. These are allocated with the idea to retain and motivate the segment of the workforce that holds the potential to pedal the organization towards success. Perks are a symbol of prestige; however, they ignite loyalty to the firm and prevent senior executives and management from switching to other organizations. The perks drive higher-level management to work towards maximum productivity. Perquisites are generally found within large organizations, considered symbolic, and reflect the culture of the organization. The most common perquisites include getting a company automobile, club membership, paid holidays, and company-provided housing (Mondy, 2008). Other perks may include allowances for dining out, handheld devices, drinks, and bar facilities (Cheng et al., 2018).

Non-monetary benefits

Non-monetary benefits, as the name indicates, are not attached to money. Instead, these include aspects associated with the job that are helpful to generate job satisfaction and workforce motivation. Job satisfaction has been studied as the vital element that leads the organization towards better performance, paving the way for accomplishing organizational goals (Jeffrey, 2004).

Non-monetary benefits come from the job itself and are found to be critical in making the workforce ready to encounter the challenges imposed by the dynamic market structure. Challenging goals, merit-based rewards, personal and organizational growth, qualified managers, safe and comfortable working conditions, job sharing, and flextime are the commonly used non-monetary benefits (Mondy, 2008). A growing body of evidence suggests that non-monetary factors are important for motivation and productivity (Cassar & Meier, 2018).

Overall, the remuneration system within the organization is important for attracting potential employees, as well as retaining them. It guarantees consistent growth in business through robust performance. Whether the remuneration is financial or non-financial, both forms are critical in today's dynamic, competitive market. Human resource personnel strives to design a mix of a financial and non-financial remuneration structures that can keep the workforce satisfied by enabling them to produce the desired level of performance and productivity. Whatever the remuneration strategy of the organization, the only thing that remains constant is that the remuneration structure shall be competent enough to deliver job satisfaction that keeps the workforce motivated to achieve the organizational goals and objectives.

5.3 Human Resource Development

Human resource development is the third step involved in the personnel appraisal process. During the appraisal process, the human resource personnel identify areas where they need to train and develop the workforce. Proper training and development enables the workforce to produce the desired level of productivity and higher performance standards that ensures the achievement of organizational goals and objectives (Otoo & Mishra, 2018).

The internal knowledge, skills, and competencies of the workforce are important elements that promote competitive advantage for any organization. Organizations seek to protect and develop such elements by investing greatly in training and developing their workforce. This competitive advantage is gained when the workforce has skills and competencies that are unique and difficult to replicate or imitate by competitors (Delery & Roumpi, 2017).

The market structure is dynamic and is rapidly becoming more complex. Consumer preferences are also changing. Thus, the success of any organization in a dynamic environment depends on the abilities and skills of its workforce. Through human resource development, HR personnel assure that their employees acquire and develop those skills and competencies that will help them fulfill their existing job roles, as well as expected future roles.

The Importance of Human Resource Development

The concept of human resource development has gained its importance gradually. Today, human resource development is a valuable investment into an organization's workforce that makes it effective, efficient, and productive, ensuring sustainable performance by making the employee a valuable asset. It is becoming more evident that organizations must adopt the course of action that delivers the most employee productivity and enables the organization to face the dynamic global market, competition, and other environmental forces (Ruíz et al., 2017).

Each organization's nature varies across their target market, i.e., the product or service industry. Depending on their resources and target market, an organization strives to reduce costs, improve quality, provide prompt customer service, and run the business efficiently and effectively so that it experiences steady growth. All this is achieved by developing competent, skilled employees. Hence, identifying potential human capital and developing internal processes that will nurture it is key to the success of any organization (Akoi & Yesiltas, 2020).

Defining Human Resource Development

Human resource development is a process primarily designed to encourage both a positive behavioral change and an increased knowledge in the workforce. This boosts productivity, eventually contributing to aligning performance with achieving the organization's goals and objectives (Saengchai et al., 2020). The workforce is usually tailored by HR personnel by providing proper development opportunities and devising development plans with future assignments in mind (Sthapit, 2019).

The survival of an organization in a contemporary, fast-growing environment depends on the human resource ability, competencies, skills, potential, and effectiveness. Human resource development focuses on building these attributes within the workforce. Moreover, Uraon (2018) implies that by enhancing individual performance through training and development, human resource development also targets the group, departmental, and overall organizational effectiveness.

Functions of Human Resource Development

There are three core components of human resource development: training and development (T&D), career development, and organizational development (Rocco et al., 2003). The importance and worth of each function varies from one organization to another based on the nature of the business and the organization's consideration for enhancing the overall human resource productivity and efficiency. However, all three components have one fundamental focus: improving the organizational performance.

Training and Development

Training and development is the systematic process of developing expertise in the workforce for improving performance and enabling employees to prepare for future positions (Noe, 2020). Training and development are two separate but interlinked functions. Train-

ing is directed towards providing the employees with knowledge and skills to perform their existing tasks. Development is focused on honing skills, abilities, and competencies in the workforce that are necessary for performing future tasks and assignments. Together, these elements significantly contribute to improving the competencies and potential of the entire workforce and consequently raise the overall productivity and efficiency of the organization (Otoo & Mishra, 2018).

The performance of any business is an important focus of stakeholders. Performance relies on the potential of the workforce. If the workforce or employees of an organization are satisfied with their jobs, performance will be maximized, and they will work towards their full potential. Job satisfaction is gained if employees possess the basic job knowledge and skills to perform without hesitation. Training helps employees develop the attributes that help them perform their jobs with complete confidence (Okechukwu, 2017).

Categories of Employee Training and Development

The training and development of an employee can be organized in different ways. Typical development includes orientation, in-house training, and mentoring.

Orientation

At this stage, new recruits are given a warm welcome to the organization. The induction stage is targeted at acquainting new hires with organizational policies and work culture. A well-executed orientation reassures the new employees by helping them feel included and reduces turnover for employers. It also increases productivity, efficiency, and employee engagement, and strengthens the corporate culture (Kokko, 2021).

In-house training

This stage focuses on providing practical training for an employee to perform their jobs. The in-house training varies according to the nature of the job and focuses on the particular skills one needs to successfully perform, like operating machinery or working with a specific software package. In-house training has been found to be very useful for technical jobs (Kumar et al., 2017).

Mentoring

A mentor is an experienced employee who is tasked with taking charge of the newly recruited person, the mentee. The mentor must have the personality and experience to lead their mentee through the various stages of the job. Mentors utilize their expertise to supervise and brief the new hire by extending their complete knowledge to deal with the challenges attached to the job that the mentee might encounter. Overall, they provide the support the mentee needs to fully grasp their work. This phase is typically adopted in large organizations that have a complex nature of business spread across several hierarchical structures. Mentoring operates as a tool that develops skills, impacts career, and

hones leadership skills by enhancing employee attitudes and behaviors. It tends to bridge the generation gap, promote diversity, and transform the organizational structure into a learning organization (Jeong & Park, 2020).

Types of Training and Development

Organizations tend to apply different types of training and development techniques throughout the training phases.

Technical training

This is training provided to the employees that imparts knowledge of the technological aspects of the job. For instance, in retail, new employees might be trained on using the computer and making sales or building relationships with customers.

Quality training

Quality training includes familiarizing the workforce with quality standards the organization or department holds for their products and services. For instance, this might include ensuring that defective devices are eliminated by identifying them out of an allotment of products.

Skills training

This training focuses on developing skills in the workforce that are required to perform daily tasks. For instance, a salesperson might be trained to identify customers' needs and sell their products without difficulty.

Team training

Team training enhances cohesiveness and builds relationships between employees. This training supports better decision-making and problem solving, team bonding, and development.

Management training

Management training is given to candidates who are considered most promising to move up the ladder in the organizational hierarchy.

Safety training

Safety training is provided to ensure that employees remain protected from accidents and injuries that might occur on the job. Employees will learn how to properly react to situations that might require quick thinking and protection.

Career Development

An employee's mindset and approach to their job is an important focus for HR personnel. For an employee-employer relationship to be viable, it should be deeper than the employee performing the assigned duties and being given their wages. Employees should perceive that the organization facilitates their professional growth and that they are contributing to a larger purpose. Therefore, career development is an important function for organizations worldwide that serve to achieve their desired results (Shuck et al., 2018).

Career development centers around "getting promoted or being assigned more responsibilities by an employer" (Maharjan, 2021, p. 12). It is "a process requiring individuals and organizations to create a partnership that enhances employee knowledge, skills, competencies, and attitudes required for their current and future job assignments" (Gilley et al., 2002, p. 94). It has been found that proper career development plans for the workforce operate to develop the company and employee optimally (Niati et al., 2021). Career development programs help employees plan their career within the organization. Having a solid career plan for employees also benefits the employers; it reduces turnover and encourages employee loyalty. Career development has two parts: career planning and management.

Career planning

Career planning is "setting career goals and thinking of strategies to achieve these goals" (Valls et al., 2020, p. 2) and functions as a "road map" for an individual's career path within the organization. In the career planning stage, several factors are considered. Together with their supervisor, an employee will analyze their skills and competencies. They will also identify their long-term potential for moving up the organizational hierarchy and establish milestones that should be reached to meet their potential. As these factors are chalked out, employees will gain a better understanding of their career aspirations, which can be translated into a plan for progression. Effective career planning allows the employees to envision the future of their career and help maintain a sense of control by directing their actions towards achieving their career goals (Salleh et al., 2020).

Career management

Organizational career management refers to "programs and activities provided by organizations to support the careers of their employees" (Soares & Mosquera, 2021, p. 1). Specifically, career management is the execution of the career plan. It is designed to achieve the key competencies identified in the career planning stage that is essential for an employee to excel.

Organizational Development

The third pillar of human resource development is organizational development. This encompasses "increasing the internal capabilities, ensuring that the organization structures, human resource systems, posts, communications, and leadership/management processes successfully capitalize the personnel motivation, helping them to act at their maximum potential" (Buşe et al., 2018, p. 721). To put it simply, organizational develop-

ment is a process that helps the organization change itself and impart the skills and competencies to the workforce that encourages positive behavioral change to guarantee long-term improved performance (Cummings & Worley, 2014).

Organizational development focuses on increasing the productivity of the organization. It is achieved through structural change that will transform the overall culture, norms, values, strategy, and processes of the organization. Implementing a structural change makes the organization more compatible and robust, and helps it cope with dynamic, unpredictable challenges within the industrial sectors.

There are three types of organizational development techniques that are utilized to bring change within the organization: structural, technical, and behavioral techniques.

Structural technique

The structural technique implements changes that relate elements of the organization with one other. It can typically include the reshaping of the layers within the organizational hierarchy or changing the decision-making process. This can include centralizing or decentralizing power.

Technical technique

The technical technique includes changes that transform the machinery, job design, automation, and other “technical” factors of the job. These changes are targeted at modernizing the production system to increase the productivity and efficiency of the overall organization.

Behavioral technique

The behavioral technique brings changes to alter, amend, and overhaul the behaviors of the entire workforce within the organization. These changes aim to increase morale, motivation, and employee commitment.



SUMMARY

The skills, competencies, and potential of the workforce is the key to success for any organization. However, accomplishing company aims is easier said than done. HR personnel must develop a performance appraisal system that comprises interlinked activities that help the organization transform its workforce into a productive and efficient team.

The first phase of the system is the personnel performance evaluation. It is a process of measuring employee performance against predefined targets, in which deviations from the targets are identified, calculated, and

the reasons are traced. Based on this evaluation, the second phase, developing remuneration and incentives plans, and the third phase, human resource development, are initiated.

The second phase is where employees are awarded remuneration and incentives based on their performance over a specified period. The organization typically designs the remuneration package for two purposes: to compensate the employee for their contributions to the organization and to retain the most valuable employees. This guarantees the most efficient, cost-effective results for the organization. Organizations offering competitive packages grant strength to their workforce for producing extraordinary performance.

The third phase of the performance appraisal system is human resource development. This critical, long-term tool improves the professional competence and confidence of the workforce; trains employees in the organizational systems, processes, and culture necessary for success; and, ultimately, ensures that an organization's goals and mission will be met.