

SELECTED TOPICS IN HUMAN RESOURCE MANAGEMENT

Sabina P.M. Gellejah

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GELLEJAH, S.P.M.
Selected Topics in Human Resource Management

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ORGANISATION AND PLAN OF THE BOOK

This book is organised into Eleven chapters, with each chapter comprising:-

- Learning objectives
- Summary
- Chapter sub-topics
- Conclusion
- Key terms
- Review Questions

The book is written in a user friendly language. It can be used as a quick reference guide to the subject for both undergraduate and post-graduate students, as well as practising managers and other professionals involved and interested in the management of human resources.

The choice of topics covered was guided by the author's experience of two decades in teaching the subject to management practitioners, undergraduate students, as well as post-graduate students in Tanzania, Botswana, Lesotho, Swaziland and elsewhere.

- Learning objectives
- Summary
- Chapter sub-topics
- Conclusion
- Key terms
- Review Questions

DEDICATION

To the man who brought me up with unmeasurable love: *The Late Brigadier General Moses Nnauye.*

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ACRONYMS

AIDS	-	Acquired Immune Deficiency Syndrome
CE	-	Chief Executive
CEO	-	Chief Executive Officer
HR	-	Human Resources
HRD	-	Human Resource Development
HRIS	-	Human Resource Information System
HRM	-	Human Resource Management
HRP	-	Human Resource Planning
MBO	-	Management By Objectives
MDP	-	Management Development Programme
PRP	-	Performance Related Pay
SBU	-	Strategic Business Unit
TV	-	Television
US	-	United States

CHAPTER ONE

AN OVERVIEW OF HUMAN RESOURCES MANAGEMENT AS A FIELD AND AS A SUBJECT OF STUDY

Learning Objectives

This chapter is intended to:

- Highlight on the nature of HRM as a field and as a subject of study.
- Describe activities and functions of HRM through the Human Resource Wheel.
- Examine the fundamental principles and values of HRM
- Recognize the existence of Human Resource Programmes.

SUMMARY

There are various ways of viewing Human Resource Management: as a field of study/discipline, a profession, a process and an approach. In whichever way you look at it, Human Resource Management is based on certain fundamental principles, programmes, philosophy, values and functions, as discussed hereunder.

Human Resource Management Defined

Human Resources Management is a strategic approach to the acquisition, motivation, development and Management of the organisation's Human Resources. The approach is devoted to shaping an appropriate corporate culture and introducing programmes which reflect and support the core values of the organisation and ensure its success.

Therefore,

Human Resource Management is an approach to the management of people, based on four fundamental principles:

1. Human Resources are the most crucial assets an organisation has, and that their effective management is the key to its success.
2. This success is likely to be achieved if the personnel policies and procedures of the organisation are closely linked with, and make a major contribution to the achievement of corporate objectives and strategic plans.

3. The corporate culture, values, organisation climate and managerial behaviour that emanates from that culture will exert a major influence on the achievement of excellence.

This culture must therefore be managed; in which case organisation values may need to be changed or reinforced. Continuous effort throughout all organisation levels are required to that effect.

4. HRM is concerned with integration: Getting all the members of the organisation involved and working together with a sense of common purpose.

Human Resource Management Programmes

1. **HR' Organisation:** Concerned with achieving success by:- Organisation design and development, motivation application of effective leadership, communicating what the organisation is set to do and how it proposes to do it, and deliberate culture management programme, which changes, shapes and reinforces the corporate culture and its values.
2. **Human Resource Planning:** The type and number of people the organisation requires now and in future, in terms of their expertise and how they fit the corporate culture.
3. **Human Resource Systems:** The essential programmes needed to recruit, deploy, appraise, pay and look after the well being of the organisations members. These are divided into two key areas:
 - (i) Performance Management
 - (ii) Reward Management
4. **Human Resource Development:**
Involves meeting the organisation requirement for effective and well-motivated people to achieve the results required in the short-term and to be ready for greater challenges in the future arising from innovation and growth.
Human Resource Development programmes incorporate career management programmes which ought to be fully integrated with performance and reward management programmes.

Human Resource Management Philosophy

Human Resources policies and programmes must be built into the strategic objectives and plans of the organisation and must also aim at getting everyone involved in the achievement of those objectives and plans.

FUNDAMENTAL HUMAN RESOURCE MANAGEMENT VALUES

1. Achieving productivity through people by treating them as adults with respect and dignity
2. Making people develop a sense of ownership and belonging to the organisation; hence:
3. Enabling them to develop and demonstrate an obsession for productivity and quality

HUMAN RESOURCE MANAGEMENT FUNCTIONS:

The salient functions of Human Resource Management can be summed up in the Human Resource "Wheel" presented in Fig. 1.1.

Fig. 1.1 The Human Resource Wheel.

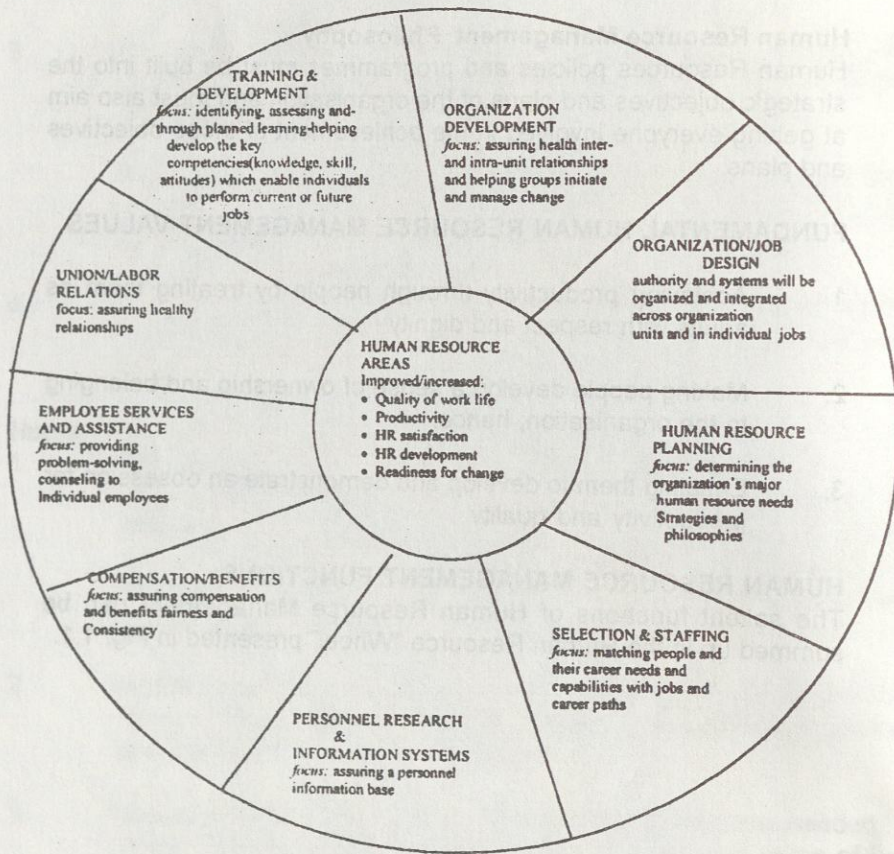


Fig: 1.1 The Human Resource Wheel.

Conclusion

As an HRD (Human Resource Development) professional you can play a lead role in building an integrated HRM system to improve your organisation's competitiveness, but you must take certain actions:

Learn about innovative HRM processes and successful applications, introduce HRM concepts and practices into all management training and development activities; ensure that every business meeting and organisation plan covers the "people" issues and present yourself as a resource for helping managers improve the way they manage their human resources.

Key Terms

- Strategic Approach
- Corporate Culture
- Values
- Organisational Climate
- Managerial behaviour
- Integration
- HRM Programmes
- HRM Philosophy

Review Questions

1. Discuss the significance of HRM programmes in realising organisational objectives
2. "Effecting HRM values is among the most uphill tasks which managers of present time organisations confront". Comment
3. HRM is an approach to the management of people, based on four fundamental principles. Discuss
4. Critically analyse the factors that complicate the process of effecting HRM values in organisations. How can those obstacles be overcome?
5. "The nature and degree of differences between personnel management and HRM remain largely matters of opinion rather than fact, and the similarities are much greater than the differences"" Build an argument for and against this statement. What is your conclusion?

CHAPTER TWO

THE JOB OF THE MANAGER

Learning Objectives

This chapter aims to:

- Outline the managerial roles
Recognise the qualities of effective managers
- Determine factors for managerial excellence, and success.
- Detail the major functions of the manager's job; namely, decision-making, problem solving, planning and organising,
- Appreciate the applicability of Management By Objectives (MBO) as an approach to planning.

Summary

A popular definition of management would often involve the allocation and control of resources, such that things are done through the efforts of other people.

In the wider organisational context, a person is not a manager unless she/he is involved in the process of getting things done through others.

In a work environment therefore, a number of factors act upon managers and are capable of exerting substantive influence on their job, as shown in Figure 2.1.

The influence of these factors could be strong/weak; positive/negative. Such factors influence upon the job of a manager in due course of performing some specific managerial roles as discussed hereunder.

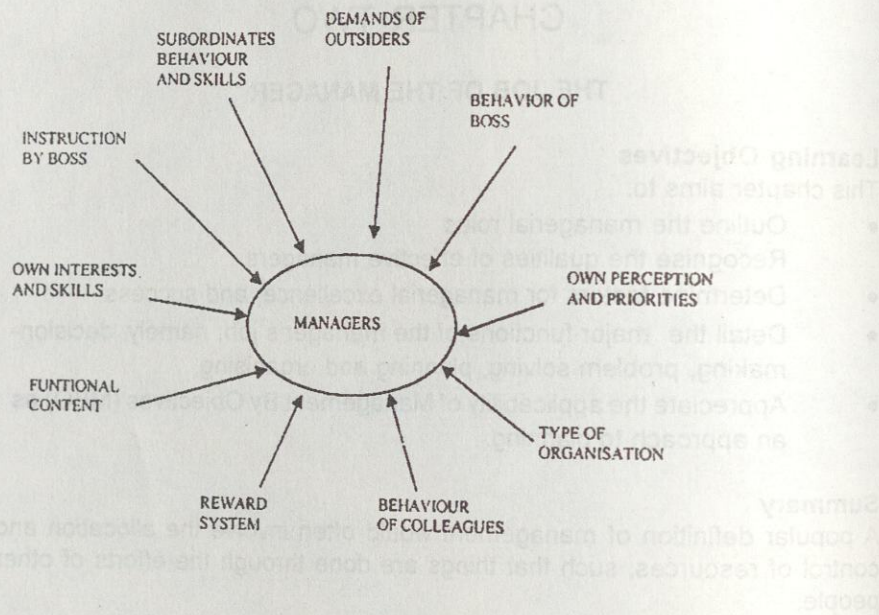


Fig. 2.1 Factors that impact on managers.

Roles of a Modern Manager

Henry Mintzberg declined to continue to be a conformist to the school of the universality of management functions. He disputed the theory that managers' work at all levels is characterized by performing a universal set of management functions as discussed above. Instead, he advanced the management role theory; that managers' work is made up of three distinct types of managerial roles identified as:

1. Interpersonal Roles
2. Informational Roles
3. Decisional Roles

INTERPERSONAL ROLES:

Managers come into face-to-face relationships with subordinates, fellow supervisors, superiors as well as outsiders. In relating with such people they perform the following roles:-

- **Figurehead role**
Representing a unit or organisation at social, symbolic and ceremonial functions, such as burials, anniversaries, etc.
- **Leader role**
Performing the functions of a leader such as directing, motivating, rewarding, etc.
- **Liaison role:**
Relating with other people outside the unit's chain of command such as fellow supervisors (peers), clients, etc.

INFORMATIONAL ROLES

The manager plays this role in three ways:-

- **Monitor role**
Soliciting and receiving information about the unit and the organisation as a whole from various sources; internal and external, formal and informal sources.
- **Disseminator role**
Sharing with and distributing information through the efforts of other people. They all perform this same function but differing only in the scope and content of the function.
- **Spokesperson role**
Sending information to others outside the unit or organisation on behalf of the unit or organisation.

DECISIONAL ROLES:

Managers play four sub-roles under this role category:-

- **Entrepreneurial role**
Innovator role – making improvements or change to better products, services, processes etc.

- **Disturbance handler role**
Manager takes initiative to deal with pressures and problems that were not anticipated as they came.
- **Resource allocator**
Allocating resources such as money, personnel, equipment, material, transport etc. to different individuals, organs or units.
- **Negotiator role**
Settling disputes, misunderstandings, conflicting interests and opinion between people or units through persuasion, dissuasion, and discussion.

QUALITIES OF EFFECTIVE MANAGERS

1. **Command of Basic Facts**
Successful managers know what is what in their organisation. They have a command of basic facts such as goals and plans, product knowledge, who to see about various matters, the roles and relationships between departments, their own job and what is expected of them.
2. **Relevant Professional Knowledge**
This category includes 'technical' knowledge e.g. production, marketing, engineering, finance, legislation – whatever is relevant to their function and also knowledge of basic management principles and theories e.g. planning, organising, motivating, etc.
3. **Continuing Sensitivity to Events**
The successful manager is perceptive and open to information: 'hard' information such as facts and figures, and 'soft' information, such as the feelings of other people. The manager with this sensitivity is able to respond in an appropriate way to situations as they arise.
4. **Analytical, Problem-Solving and Decision/Judgement making skills**
The job of the manager is very much concerned with making decisions. Some decisions can be made using logical, optimizing techniques. Others call for the ability to weigh pros and cons in an uncertain or ambiguous situation.

The manager must therefore develop the skill of making judgements and be able to cope with uncertainty and ambiguity.

5. **Social Skills and Abilities**
Management is achieving results through people and a manager requires a high level of interpersonal skills. The successful manager develops a range of these such as: communicating, delegating, persuading, selling, negotiating, resolving conflict etc.
6. **Emotional Resilience**
The manager's job involves a degree of emotional stress and strain which arises through working in situations involving authority, leadership, power, interpersonal conflict, meeting targets and deadlines. The successful manager needs to be able to cope with this. 'Resilient' means that she/he feels the stress but is able to cope with it by maintaining self control.
7. **Proactivity-Inclination to Respond Purposefully to events**
This category is about making things happen, not just sitting back and reacting to things, and it includes such qualities as seeing a job through, being dedicated and committed, and taking responsibility for things that happen rather than trying to blame someone else.
8. **Creativity**
This is the ability to come up with unique responses to situations, and to have the insight to recognise and take up new ideas and approaches. It involves creating change as well as responding positively to it.
9. **Mental Agility**
Although related to general intelligence level, this concept includes the ability to grasp problems quickly, think of several things at once, switch rapidly from one problem or situation to another-to 'think on one's feet'. Given the hectic nature of managerial work these qualities are essential for success.
10. **Balanced Learning Habits**
Successful managers are able to learn from a wide variety of sources and use their everyday experiences to improve themselves.

They reflect on their work and the experiences they get involved in, are not frightened of entering into situations that are painful or stressful, as they realise these can lead to a great deal of learning.

11. Self-Knowledge

Whatever the manager does is affected by her/his own view of her/his job, role, goals, values, strengths and weaknesses, and feelings. She/he therefore must be aware of these factors and of the part they play in determining her/his behaviour. The successful manager must develop skills of introspection and self analysis.

CRITERIA FOR MEASURING MANAGERIAL EFFECTIVENESS

1. **Self-Management:** gets the work done, thinks before speaking or acting, does not allow others to waste her/his time
2. **Decision Making:** prioritises work, takes action as and when appropriate, gives best effort wherever policy comes from.
3. **Inter-Personal Relationships:** keeps colleagues informed, easy to track down when not in office.
4. **Management of Subordinates:** lets them know what is expected, delegates as appropriate, gives credit where and when due.
5. **Attitude to change:** comes up with ideas for change, monitors effects of change, willing to modify plans for change.
6. **Social Skills:** at ease with colleagues and strangers, inspires people
7. **Communication:** passes on information when necessary, uses various means of communication, clarity of expression.
8. **Specialist skills:** technical knowledge of a particular subject/area, absorbs and retains information, adequate knowledge of other people's speculums.

What really makes for excellence and success in the management of an organisation?. Many lists or formulas such as the following are often cited as what it takes to succeed in management:

- (a)
 1. Know the company's goals
 2. Select effective subordinates
 3. Delegate by letting subordinates decide issues within their respective spheres of operation.
 4. Check to ensure that the results being obtained are satisfactory.
- (b)
 1. Select your group members carefully
 2. Motivate them
 3. Develop good communication
 4. Strive to attain effective interpersonal relationships
 5. Minimize conflicts among the group members
- (c)
 1. Strengthen human relations skills
 2. Learn to speak and to listen effectively
 3. Set high standards or proposed levels of achievement
 4. See situations from the other person's view point
 5. Become effective in decision making
 6. Adopt a questioning attitude to discover and use new ideas
 7. Be a leader by getting involved in the action
 8. View management as the opportunity to influence other people favourably
 9. Evaluate what is achieved and, if necessary, take remedial action.
- (d)
 1. Spend time on matters that are really important
 2. Plan and follow through on programmes
 3. Express personal feelings and understand the feelings of others
 4. Look for the best in others – not the worst
 5. Make sure each group member is assigned the work best suited for the person.
 6. Encourage members to assume responsibility.
 7. Appraise self and other performance honestly.
 8. Evaluate the group members consistently.

9. Keep expenditures at a minimum compatible with the service required.
10. Increase personal overall knowledge.

DECISION-MAKING AND PROBLEM SOLVING

Problems can be defined in many ways. One general way of looking at the definition is to see problems as situations requiring action. In order to act, at least one decision must be made. All decisions involve judgements as to the best or most effective course of action against alternative courses of action. Thus, essential to the decision-making process are judgements and alternatives. Individual and organisational decision-making processes involve judgement and alternatives. Individual and organisational decision-making can be improved by looking at these two variables alone.

Bad Decisions and Wrong Decisions

Decision-making is often a difficult task for managers. In many cases, it is not the decision-making itself which presents problems but, rather, it is the fear of making the wrong decision. This fear of making the wrong decision usually just compounds the problem because we are rarely at our most lucid or creative state when under this kind of pressure.

It is useful to separate decision-making into two aspects: the skills associated with the making of a decision and the judgement that is exercised in choosing one solution over another. We can avoid making bad decisions by looking at the skill of decision-making and we can avoid making wrong decisions by looking at the area of judgement. We can equate the decision-making skill with efficiency (are we doing the job of decision-making right?) and we can equate judgement with effectiveness (are we addressing the right issue/problem?).

Rational Decision-making

There has been a great deal of emphasis in the past twenty years or so on making organisational decision-making more rational. Much of the effort which has gone into improving rationality came from the belief that rationality could provide a substitute for judgement. This belief is right, but only up to a point. Rationality in decision-making can help managers to avoid gross errors but cannot take away the need for judgement.

The Rational Model of Decision-making is based on a linear sequence usually of about seven stages.

1. **Define the Objective:** What is the problem that requires action? How will you know when the problem is fixed – what measures can you use? What assumptions are you making about the nature/cause of the problem? Are there any constraints on the way the problem may be solved?
2. **Gather Information:** What do you need to know about the nature, cause and effect of the problem? How will you find out? Who can help? Who has an opinion? Who has the facts? Are there any research findings which could help?
3. **Develop Options:** How might the problem be solved? On the basis of your research (above); how many options can you (and others) think of which would solve the problem?
4. **Analyse Options:** Which option is best? Evaluate all the options against the constraints you identified earlier and against the measure(s) you identified earlier. Which option will yield most benefit at least cost? Following this rational evaluation of each option, select the best available.
5. **Plan the Implementation of the Chosen Option:** is there going to be a "big bang"-type of change? Can you pilot the solution? Can you run the new method parallel with the old way of doing things for a while? How are you going to handle teething troubles? What resources will you need to implement your solution? What sequence of events needs to be established?
6. **Do it:** This should be relatively easy now because you have rationally chosen a solution, planned for its implementation and anticipated at least some of the likely teething troubles.
7. **Review it:** Has your solution produced the desired outcome? Have there been any unanticipated side-effects? Is any fine-tuning needed? Would you do it again? Would others? What have you learnt from the process?

This Rational model gained popularity for the simple reason that, in many cases, it did significantly improve organisational decision-making. Later research has shown that the real value added by this model is that it forces managers to consider the real desired outcome (and its side-effects) in advance of taking action. It helps avoid the "solutionitis" which often afflicts organisations whereby snap decisions solve an immediate problem but create two or three other

problems, as was the case with the Attack on Iraq by US forces and her allies, in 2003. A further strength of the model is that it introduces more objectivity into the decision-making process so that there is a lesser reliance on one person's subjective judgement.

Therefore, greater rationality can help reduce both the number of bad decisions and the number of wrong decisions.

Incremental (Political) Decision-Making

Incremental decision-making is a development from rational decision-making. The rational model was felt to be "unreal" and unrepresentative of what happens in organisation life. The capacity of real-life managers is "bounded" by lack of knowledge and/or data, by time pressures, by competing demands for their attention, and by the complex and ill-defined nature of many of the problems they face.

Real-life managers tend to skip certain stages in the rational process described above. For example, they tend to consider very few options rather than trying to generate many and they tend to "satisfice" rather than optimise.

One way around these "real-world" deficits is to follow the rational model but to do it "incrementally", i.e. the decision-maker only commits herself/him to very small steps or adjustments at a time, building on what has gone before. She/he avoids moving on to later steps in the rational model until she/he has engaged in a lot of 'political' activity around each step – in other words, these kinds of managers make sure they have consulted widely, mobilised support, and given people time to digest the implications before committing themselves to the next phase of the process. Figure 2.2 shows the sorts of activities which managers engage in when making rational decisions incrementally.

The real strength of this incremental approach is that it improves the manager's judgement throughout the decision-making process because of the wide consultation and mobilisation of support during the process.

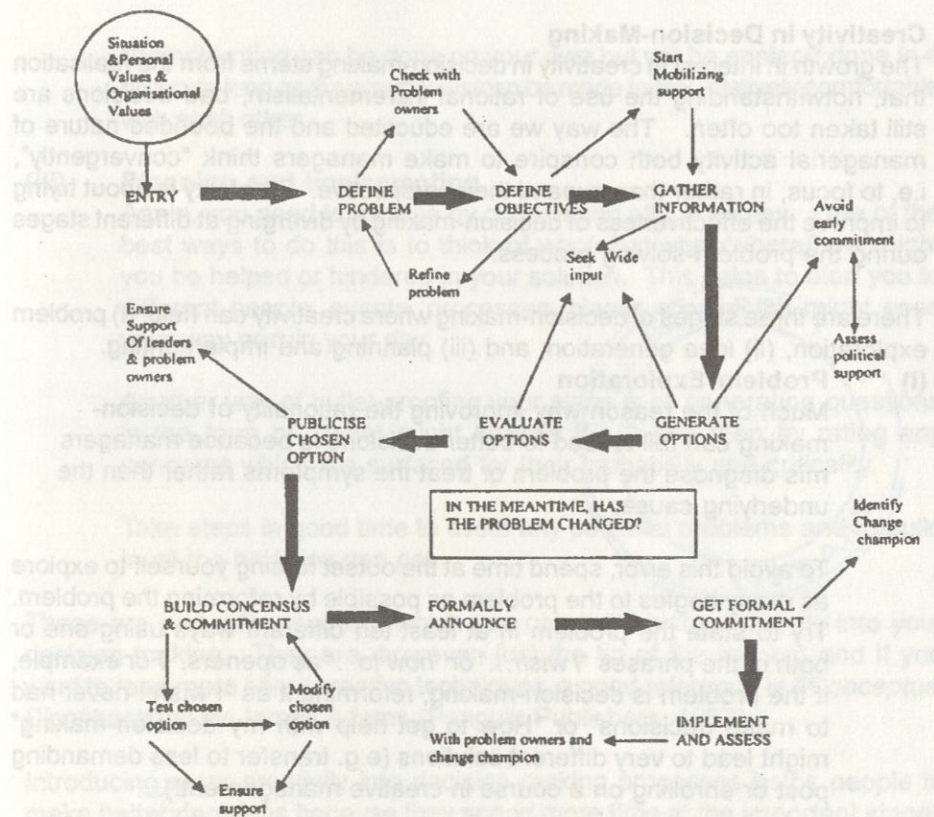


Figure 2.2: Rational decision-making (in capital letters with heavy arrows) and incrementalism (in small letters with light arrows)

Creativity in Decision-Making

The growth in interest in creativity in decision-making stems from the realisation that, notwithstanding the use of rational incrementalism, bad decisions are still taken too often. The way we are educated and the bounded nature of managerial activity both conspire to make managers think "convergently", i.e. to focus, in rather than expand their perspective. Creativity is about trying to improve the effectiveness of decision-making by diverging at different stages during the problem-solving process.

There are three stages of decision-making where creativity can help, (i) problem exploration, (ii) idea generation, and (iii) planning and implementing.

(i) Problem Exploration

Much of the reason why improving the rationality of decision-making can fail to lead to better decisions is because managers mis-diagnose the problem or treat the symptoms rather than the underlying cause.

To avoid this error, spend time at the outset forcing yourself to explore as many angles to the problem as possible by reforming the problem. Try to state the problem in at least ten different ways using one or both of the phrases "I wish..." or "how to..." as openers. For example, if the problem is decision-making, reforming it as "I wish I never had to make decisions" or "How to get help with my decision-making" might lead to very different solutions (e.g. transfer to less demanding post or enrolling on a course in creative management!).

(ii) Idea Generation

Having decided on the problem (defined your objective), the next step is to force yourself to consider as many ways as possible of solving the problem or achieving your objective. You need to think of lots of options. One of the simplest and most powerful techniques for generating lots of ideas is by classical brainstorming.

In order to brainstorm effectively you need to (i) forbid all criticism, censorship, put downs etc., (ii) go for quantity rather than quality, (iii) encourage whacky ideas, and (iv) build ideas up and build on other ideas, i.e. piggyback. If you run out of ideas very quickly, look for some random stimulation-look out of the window, around the room or at page 2 of the newspaper and then deliberately try to relate what you see to solving the problem.

Brainstorming can be done on your own but will be easier if done in a group as long as the group feels/can be made to feel relatively comfortable with each other.

(iii) Planning and Implementing

Again, you need to diverge by considering all the angles. One of the best ways to do this is to think of who/what/when/where/how might you be helped or hindered in your solution. This helps to alert you to different people, events, processes, places etc. which might ease your way or ruin your day.

Another way of bullet-proofing your plans is by generating questions in the form of "what might happen if...? And then by rating any concerns which are surfaced for their probability and criticality.

Take steps in good time to avoid any potential problems and to build in all the help you can get.

These are just a few ways in which you can build extra creativity into your decision-making. They are, however, just the tip of the iceberg and if you want to read more about creative techniques, a good reference is "Conceptual Blockbusting" by James Adams (Penguin Publishers, 1987).

Introducing more creativity into decision-making processes helps people to make better decisions because they spend more time at the important stages of problem definition and idea (option) generation. Judgement is also helped because techniques such as those described above help focus attention on the right problem, provide a wider range of options to choose from and bullet-proof the planning and implementations stage so that there are fewer unforced errors.

Ethics and Decision-Making

Finally, in line with the increasing attention being paid these days to business ethics, let us look briefly at the ethical aspects of decision-making. Apart from the moral dimension, it makes good "business" sense to look at these issues as you are going through your decision-making process.

Below is a list of questions, which should help to alert you to any major ethical issues which you might have to face during or as a consequence of your decision-making:

- Who have a stake in this decision (who are likely to be affected directly or indirectly by it)? What are their objectives or aims in this regard? What pressures are there on me or on my organisation to act in a particular way in relation to this issue?
- Are there any standards, policies or "accepted practices" which might apply to this issue? How effective are they in resolving the problem? How are they perceived? Is there any other relevant information that I do not know? How will I find out?
- What option (solution) would I choose if I were (a) the CEO (or most senior manager), (b) the only person involved and (c) if my job was going to be most affected? What are the costs and benefits involved for each party? Are all three parties going to perceive each option as fair? Are anybody's rights infringed?
- Is there any other option, which would achieve the same benefits at less cost to those affected? Would I feel comfortable explaining my decision to my boss, to senior managers, to my family, or to a journalist? Who really knows why I chose this option over the others? Do they all have the same understanding of the rationale behind the choice?

These questions may not be easy to answer and the answers may not be easy to reconcile. However, they can enhance judgement so that wrong decisions are avoided.

Barriers to Decision-Making

By and large, there are four categories of barriers to effective decision-making. Many of these barriers are unconscious and very few of us are "barrier-free". However, awareness of them can help us to un-learn them. Check your own decisions for errors that might have resulted from these barriers.

Table 2.1. Barriers to Decision-making

Intellectual Barriers <ul style="list-style-type: none"> • Insufficient data • Not using available data • Not knowing right language or techniques • Not having a plan • Not looking for feedback 	Imaginative Barriers <ul style="list-style-type: none"> • Seeing everything in "black and white" • Lack of playfulness • Premature criticism or censorship • Blindspots • "Yes. But ..." Default response to proposals
Perceptual Barriers <ul style="list-style-type: none"> • Stereotyping • Seeing what we want to see • Self-fulfilling prophecies • Attitudes/Expectations • Culture 	Emotional Barriers <ul style="list-style-type: none"> • Fear of losing face/failing • Feeling inferior • Insecurity • Over-involvement • Fear that others will get emotional

The striking thing about most of these barriers is that they do not concern organisational obstacles or deficits in knowledge: for the most part, it is the 'softer' psychological aspects of how we view the world that present most problems to us in making decisions.

The culture of some organisations can also be extremely prohibitive and you may have to proceed with caution, especially if you are planning to introduce some of the more creative techniques. To ease your way in, start by brainstorming in private on a piece of paper on your wall (if you haven't got a whiteboard) making sure that you are not sitting behind your desk in your usual manner. Get comfortable at it yourself before introducing it to others. When you do introduce it to, for example, your team, start by brainstorming around a humorous, irrelevant subject like "how many uses can we find for a belt on a desert island?". Creativity is a skill but it is also a state of mind: get the state of mind right and the skills will come right too.

Decision-making always involves trying to reduce uncertainty. However, there is no such a thing as absolute certainty, so there will always be some risk associated with any particular decision.

Very often, the decision to act itself represents the first step towards reducing uncertainty, as the actual acting will at least provide some information.

Let us consider Case Study No.1 and Case Study No. 2 on Decision-Making.

DECISION-MAKING: CASE STUDY NO. 1

The University of Alfa is particularly well regarded in the fields of science, engineering and technology. The Business School of the University had accepted Tusakao Nakasiki for admission. Mr. Nakasiki worked for the Japanese film and photographic products firm – Fuji.

The University has always enjoyed a close and co-operative relationship with Kodak, which is based at Alfa locality. Kodak provides significant funding to the University and provides it with access to some of its databases. Kodak strategy and technology are frequently the object of classroom discussions. For sometime, Kodak and Fuji had been locked in strong competition. Fuji beat out Kodak to become the official film of the "All Universities Games". Kodak responded by introducing its new disposable camera the day before Fuji's was introduced.

When Kodak heard about the admission of Mr. Nakasiki to Alfa University, it requested that the offer be rescinded. It was concerned that he might learn Kodak's proprietary information during classroom discussions.

- As Dean of Alfa University Business School, what would you do?
- What are the merits of trying to program a decision of this nature?
- What are some ethical considerations raised by this case?
- What could be possible implications to all the parties involved in the case?
- If you were Mr. Nakasiki, what would you have done?

DECISION MAKING: CASE STUDY NO. 2

THE NIGHTMARISH THURSDAY

You are a team of six experts nominated by the government of Sayari to go to the United Republic of Meruland on an Observation Study Mission.

During your Study Mission, you are to get information regarding the achievements of the United Republic of Meruland in the area of Corporate Change in Financial and Banking Institutions.

You are assembled in a room located in the 6th Floor of a building, which is just a small fraction of a large complex, occupying an area of approximately four square kilometres. The complex, serves the United Republic of Meruland as a busy International Conference Centre.

It is 8:15 p.m. and a high ranking government official from the United Republic of Meruland is briefing you on the strategies that the Republic used to bring about sustainable corporate change in its Financial and Banking Institutions.

This information is vital, as it will assist the government of Sayari to introduce large-scale corporate changes in a very renowned Local Bank.

The report you take back to the government of Sayari will be used for drafting a Bill to be tabled before the Parliamentary Session, which happens to be in progress now. The corporate changes for the Local Bank cannot take effect unless this particular parliamentary Session allows it by passing an Act of Parliament.

If the government of Sayari fails to facilitate the take-off of the corporate changes during the ongoing Parliamentary Session, the sole foreign donor who is supporting the Local Bank's initiatives will withdraw.

This foreign donor is crucial in boosting the economy of Sayari, not only through the Local Bank, but also through other projects scattered all over the country.

At the conclusion of the talk by the Meruland government official, suddenly there is a power-cut followed by total blackout.

Additional facts about the situation:

1. The black-out applies to the entire capital city of the United Republic of Meruland.
2. Few minutes before the black-out, one member of your team had gone out of the building to buy cigarettes. He is the only one out there who is aware that you are trapped in the dark complex.
3. Five minutes after the black-out there is an anonymous announcement going across the complex that anti-government forces (rebels) in the United Republic of Meruland will blow up the International Conference

Centre in the next one hour unless the government comes to terms with the rebels.

4. All exit doors from the building are locked from the outside. Even so, with the total darkness, it is impossible to locate the exits.
5. You recall having seen a roll of strong rope in one of the corners of the room where you are trapped. The rope is long enough to reach the ground outside through the window. Your rescue is possible ONLY through the use of this rope, ONE PERSON AT A TIME.
6. In two hours time you are scheduled to fly to Sayari from the Meruland International Airport, which is approximately one hour drive from the Capital City.
7. Before driving to the airport, you have to pass by your hotel to collect your passports, air tickets and also complete the check-out formalities.

The Task

1. Your task is to make sure that ALL the five of you are evacuated from the building and from the complex within 30 minutes.
2. You have to decide on the order of evacuation. Below is a brief profile of each member of the team; to assist you on deciding the criteria as to what order should the evacuation follow.

NB: This decision has to take place at two levels:

- (a) Individually
- (b) As a Team

PROFILE OF TEAM MEMBERS

- (i) Name: Tafuta Uone (Male)
Nationality: Tanzanian
Age: 37
Marital Status: Single
No. of children: NIL

He is the Team Leader and he has been taking notes of your Study Mission.

- (ii) Name: Yagoshi Nakasaki (Female)
Nationality: Japanese
Age: 26
Marital Status: Single
No. of children: NIL

She came to Sayari country as an expatriate under a Technical Co-operation arrangement between Japan and Sayari. Her colourful wedding ceremony is scheduled to take place in a week's time in one of the famous temples in the heart of Tokyo.

- (iii) Name: Traeger Steiner (Male)
Nationality: Danish
Age: 60
Marital Status: Married
No. of children: Three

He is the Deputy Resident Representative at the Danish Consulate in Sayari. He is also the master mind behind the corporate changes of the renowned Local Bank of Sayari.

- (iv) Name: Sarafina Mtshweni (Female)
Nationality: South African
Age: 41
Marital Status: Widowed
No. of children: Five

She is a single parent. Her husband died some years ago during the mass shootings in Soweto. Her children are aged 14, 12, 10, 8, and 6.

- (v) Name: Okongo Obimbo (Male)
Nationality: Kenyan
Age: 48
Marital Status: Married
No. of children: NIL

He had terminated his honeymoon prematurely due to the urgency and importance of your team's Study Mission. Before joining your

team, he has just concluded his research findings on "The Preventive and curative Drugs for AIDS"; findings which have caught the attention of the press all over the world. It is believed that Okongo's findings are an absolute breakthrough in combating the man-eater disease. Okongo is yet to table his findings to scientists and medical Experts in a forum organized by WHO (World Health Organization) in Geneva next month.

THE NIGHTMARISH THURSDAY:

EVACUATION RANKING SHEET

In the columns below, the names of your team members are provided. Against each name put a ranking of 1-5 indicating the order of evacuation; first on individual decision, followed by team decision. Do not change your individual rankings as a result of team pressure.

Table 2.2. Evacuation Ranking Sheet

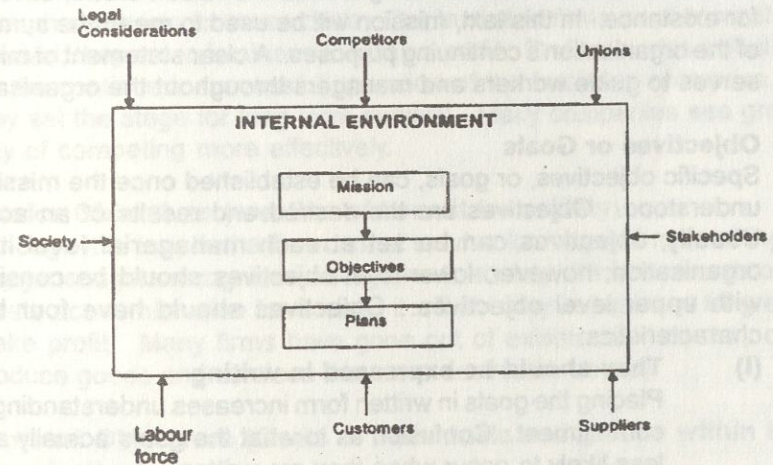
INDIVIDUAL DECISION		TEAM DECISION	
NAME	RANKING	NAME	RANKING
Tafuta Uone		Tafuta Uone	
Yogoshi Nakasaki		Yogoshi Nakasaki	
Traeger Steinar		Traeger Steinar	
Sarafina Mtshweni		Sarafina Mtshweni	
Okongo Obimbo		Okongo Obimbo	

Questions for thought and discussion

1. What did you note as being advantages and disadvantages when making decisions as an individual and as a team?
2. How would you rate relations among your team members as you were trying to reach consensus?
3. How did you feel when your rankings never tallied with those of the team?

PLANNING

Planning is central to the success of any company. It involves far more than just deciding what to do on a given day. Planning is about having a clear picture of the business you are in and what you intend to accomplish. This is communicated throughout the organisation. In effect, planning is a path to productivity; defined as the process of determining in advance what should be accomplished and how it should be done. There is a saying that "failing to plan is planning to fail". The need for planning therefore, cannot be overemphasized.



Source: Mondy, Sharplin & Flippo, *Management Concepts and Practices* 4th Edition Allyn & Bacon, Inc 1988

As Figure 2.3 indicates, planning begins with an understanding of organisational mission. From the mission statement specific objectives (or goals) can be established, then plans can be developed to accomplish those objectives.

The planning process is a dynamic one and should be continuously evaluated and adapted to conform to the unfolding situation the organisation confronts.

The Need for Planning

Effective planning can have a major impact on productivity. For example, in the 1980s, as the United States reeled under record trade deficits, major U.S. companies sought ways to become more competitive internationally. Foreign competitors, especially Japan, were chipping away at domestic markets in automobiles, in electronics, in steel and even in computer chips, where the United States had long retained its dominance. Plans had to be made to improve productivity so that American firms could keep their markets. Even purely domestic firms need to plan because competitors constantly change in competence and character.

Three Main Elements of the Planning Model

1. **Mission:** Mission is often thought of as the *raison d'être*, or reason for existence. In this text, mission will be used to mean the sum total of the organisation's continuing purposes. A clear statement of mission serves to guide workers and managers throughout the organisation.
2. **Objectives or Goals**

Specific objectives, or goals, can be established once the mission is understood. Objectives are the desired end results of an activity. Usually, objectives can be set at each managerial level in the organisation; however, lower-level objectives should be consistent with upper level objectives. Objectives should have four basic characteristics:

 - (i) **They should be expressed in writing**

Placing the goals in written form increases understanding and commitment. Confusion as to what the goals actually are is less likely to occur when they are written.
 - (ii) **They should be measurable**

Measurability suggests that the goals should be quantified whenever possible. It would be much better to have a goal of increasing profits by 10 per cent during a certain period instead of merely saying, "we want to increase profits".
 - (iii) **They should be specific as to time**

There is need to know when an objective should be accomplished. A goal that is set without a time limit cannot be challenging. In the above example, are the profits to be increased by 10 percent this year or by the end of the century?

(iv) They should be challenging but attainable

An objective that is too easily accomplished provides little satisfaction when completed. On the other hand, an unattainable goal is likely to frustrate people rather than to encourage them.

TYPES OF OBJECTIVES

Economic Objectives (Survival, profit, growth).

Survival is a basic objective of all organisations. Whether an organisation is producing a desired economic value or not seems to take second place to just staying alive, it is difficult for a firm to take into account higher social objectives when it is not known whether the next payroll can be met.

In order to survive, a firm must at least break even, that is; it must generate enough revenues to cover costs. But business firms want more than mere survival; they are in business to make a profit. Profit provides a vital incentive for the continued, successful operation of the business enterprise. Growth may set the stage for long term survival. Many companies see growth as a way of competing more effectively.

Service Objectives (creation of benefit for society)

Although it is true that a firm cannot survive for long without making a profit, many managers recognize an obligation to society. If a firm cannot consistently create economic value for society, it will not stay in business long enough to make profit. Many firms have gone out of existence when they ceased to produce goods and services that were desired by society.

Personal Objectives (Goals of individuals and groups within the organisation)

Organisations are made up of people who have different personalities, backgrounds, experiences and goals. Personal goals are seldom identical to the objectives of the organisation.

If personal and organisational goals are incompatible, the employee concerned may choose to withdraw from the firm, or put minimum work effort, resort to absenteeism or sabotage.

Elements of the Planning Model are shown in Figure 2.4.

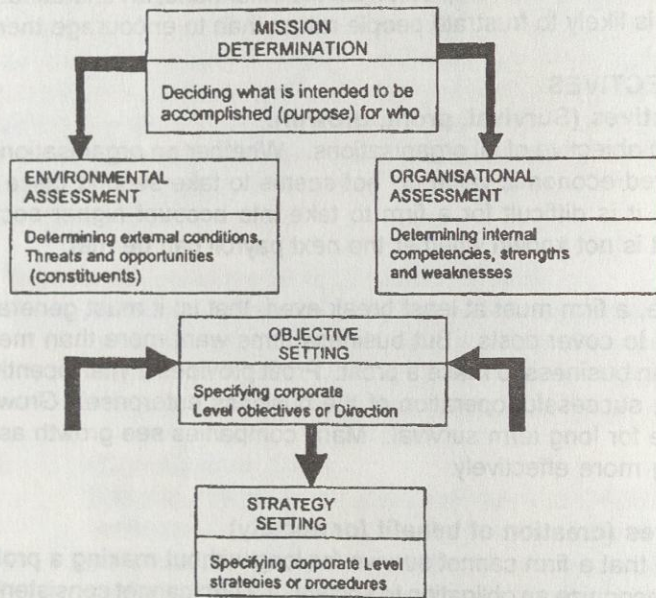


Fig. 2.4 Elements of the Planning Model.

PLANS: While objectives are concerned with the end results desired, plans are statements of how objectives are to be accomplished. Stating an objective does not guarantee its accomplishment. A plan has to be developed to tell people what to do in order to fulfill the goal. There are usually more than one ways to accomplish a goal. The plan states which approach is to be taken. Specifically, planning should answer the following questions:

- What activities are required to accomplish the objectives?
- When should these activities be carried out?
- Who is responsible for doing what?
- Where should the activities be carried out?
- When should the action be completed?

Levels of Planning

Planning occurs at every level in the organisation. At the top management level, the primary concern is with strategic planning, relating to overall organisational purposes. Strategic plans have to be broken down into less generalized operating or tactical plans. In essence, these are plans designed to implement or carry out the broader based plans of top management. They often relate to limited functional areas such as sales, finances production and personnel. Operating plans also encompass a shorter time frame than strategic plans. Managers responsible for implementing operating plans tend to be middle and lower managers, rather than top managers.

Management By Objectives as an Approach to Planning

MBO is a systematic approach to planning that focuses on achieving goals. In order for MBO to achieve maximum results, objectives for each individual should be carefully developed. They should be limited in number, highly specific, challenging and attainable. The accomplishment of most goals requires that individuals cooperate as a team. The operationalization of the MBO process is discussed below.

1. Top Management's Support and Commitment

An effective MBO program requires the enthusiastic support of top management. MBO is an approach to planning, which requires the active involvement of managers at all levels. The Chief Executive should trust subordinates and be personally committed to a participative style of management. Top Management cannot introduce MBO by simply giving an order or a directive.

2. Establish Long-Range Objectives and Plans

Long-term plans are developed through thoughtful consideration of the basic purpose or mission of the organisation.

3. Establish Specific Shorter Term Organisational Objectives

After long range objectives and plans are established, management must be concerned with determining specific objectives to be attained within a shorter time period. These objectives must be supportive of the overall purpose, as well as the long range goals and plans. Usually, shorter-term goals are expressed as specific and quantifiable targets covering areas as productivity, marketing, and profitability.

4. Establish Individual Performance Objectives and Standards (Action Plans)

The establishment of performance objectives and standards for individuals is known as action planning. Action plans require clear delineation of what specifically is to be accomplished and when it is to be completed.

5. Appraise Results

The next step is to measure and evaluate the actual performance based on progress toward goal attainment. When goals are agreed on by the manager and the subordinate, self-evaluation and control become possible.

6. Take corrective Action

Although an MBO system provides a good management framework, it is left up to the managers themselves to take corrective action when results are not as planned. Corrective action may include:

- Changing the goals
- Changes in personnel
- Providing training

Under MBO, objectives can be renegotiated downward without any penalty or fear of loss of job.

Benefits of MBO Programmes

Proponents of MBO have claimed the following benefits:

1. Results in better overall management and the achievement of higher performance levels. MBO systems encourage a results oriented philosophy of management that requires managers to do specific planning. Managers are required to develop action plans and consider the resources needed.
2. Provides an effective overall planning system that helps to avoid managing by crisis and firefighting.
3. Forces managers to establish priorities and measurable targets or standards of performance.
4. Clarifies the specific role, responsibilities, and authority of personnel. A production plant superintendent who has a goal of producing 10,000 units a day must be given the authority to organise and direct resources to achieve the desired level of production.

5. Encourages participation and commitment of individual employees and managers in establishing and pursuing objectives.

6. Facilitates the process of control. Periodic reviews of performance results are scheduled, and information collected is classified by specific objectives. Subordinates are forced to report what was accomplished rather than concentrate on descriptions of what they did or how hard they worked.

7. Provides a golden opportunity for career development for managers and employees. MBO results identify the areas where employees need additional training.

8. Lets individuals know what is expected of them.

9. Provides a more objective and tangible basis for performance appraisal and salary decisions.

10. Improves communication and motivation within the organisation.

Potential problems with MBO

Although there are numerous benefits attributed to MBO, certain problems may be encountered; such as the following:

1. MBO programmes often lack the support and commitment of top management.
2. Goals are often difficult to establish.
3. The implementation of an MBO system can create excessive paper work if it is not closely monitored.
4. There is a tendency to concentrate too much on the short run at the expense of long range planning.
5. Some managers believe that MBO programmes may be excessively time consuming.

Although there is strong evidence that MBO has not generally worked out well as a complete system, it still provides a good model for planning.

STRATEGIC PLANNING

Strategic planning is the determination of overall organisational purposes and objectives and how they are to be achieved.

Levels of Strategic Planning

(i) Corporate Level Strategic Planning

The process of defining the overall character and purpose of the organisation, the business it will enter and leave, and how resources will be distributed among those businesses. Corporate level planners seek to answer such questions as:

What are the purposes of the organisation?

- What image should the organisation project?
- What are the ideals and philosophies the organisation desires its members to possess?
- What is the organisation's business or businesses?
- How can the organisation's resources best be used to fulfill corporate purposes?

The main focus here is on formulating strategies to accomplish the organisation's mission.

SBU (Strategic Business Unit) Level Strategic Planning

SBU is any part of a business organisation that is treated separately for strategic planning purposes. An SBU usually engages in just one line of business. Many companies set up SBU's as separate profit centres, sometimes giving them virtual autonomy; while others have tight control over their SBU's.

SBU level strategic planning is the process of determining how an SBU will compete in a particular line of business. At the SBU level, strategic questions include:

- What specific products or services does the SBU produce?
- Who are the SBU's customers or clients?
- How can the SBU best compete in its particular product or service segments.
- How can the SBU best conform to the total organisation's ideals and philosophies and support organisational purposes?

Functional Level Strategic Planning

Each functional division of an organisation is typically vital to the success of the organisation.

Functional level strategic planning is the process of determining policies and procedures for relatively narrow areas of activity that are critical to the success of the organisation.

For example, for the finance function, strategic planning could involve establishing budgeting, accounting, and investment policies and the allocation of SBU cashflows. While in the personnel area, policies for compensation, hiring and firing, training, and human resource planning are of strategic concern. Strategic planning is not concerned with day-to-day supervision; it mainly involves providing general, longer-range direction and guidance.

THE STRATEGIC PLANNING PROCESS

The strategic planning process is essentially the same as the basic planning process discussed earlier. (fig 2.3). In strategic planning, of course, more emphasis is given to the mission of the organisation as a whole and to environmental considerations.

Conclusion

Any definition of planning would include a combination of the following factors: First, it is a philosophy; second, planning deals with the future impact of current decisions. Managers examine the current business climate and select a course of action depending upon their perception of the future environment. Third, planning is a process; that begins with the development of objectives, defines the strategies to achieve the objectives, and develops plans to make sure that the strategies are carried out to accomplish the objectives. Fourth, it is a structure of plans, that integrates strategic plans from areas of corporate responsibility with plans from business units, industry areas and with the corporation as a whole.

Most managers believe that the development of an effective planning process and quality planning is attributed by the following aspects of strategic planning, that are, in turn, fundamental to effective long term management.

1. Match planning with the organisational structure
2. Plan continuously
3. Identify key issues
4. Include competitive development

5. Keep it simple
6. Secure the full involvement of top decision makers
7. Review every plan
8. Compose the review group of top decision makers
9. Use contingency planning
10. Know the purpose of planning

Consequently, the strategic planning process can result into the following grand strategies:

- (i) **Integration:** The unified control of a number of successive or similar operations
- (ii) **Diversification:** Increasing the variety of products or services made or sold. It can be conglomerate or concentric. Conglomerate diversification means the development of business unrelated to the firm's current businesses. Concentric diversification means the development of businesses related to the firm's current businesses.
- (iii) **Retrenchment:** The reduction of the size or scope of a firm's activities.

ORGANISING

Organising is the process of prescribing formal relationships among people and resources to accomplish goals. The external environment affects the organising process. For instance, laws and public concern about clean water and air may create the need to add personnel to monitor any substances a company discharges.

The necessity to deal with a wide range of suppliers and to buy in large volumes requires a sophisticated purchasing department at company headquarters. Rapidly changing technology also influences the organising process. As changes in the manufacturing process occur, organisations must be able to respond with new and more flexible ways of assigning persons and machines to jobs.

The organising process is also influenced by the internal environment that the individual manager faces. The internal environment consists of such factors as the management style of the boss, written guidelines and the informal organisation. The approach to organising that an individual manager uses must be compatible with the internal environment.

Major Steps In the Organising Process

1. Everything the manager does should be directed toward goal accomplishment. Organising is no exception. It should have as its purpose, arranging people

and other resources in the best way possible to support the organisation's objectives.

2. Determine Types of Work Activities

Once objectives have been established, it is possible to determine the work activities involved in accomplishing them. Competent specialists have to be developed in each activity. An important concept in specifying different kinds of tasks is specialisation of labour i.e. the division of a complex job into simpler tasks so that one person or group may carry out only identical or related activities. Specialisation is essential for efficiency and increased productivity.

However, specialisation may not always be desirable. Some jobs may become oversimplified while too much specialisation can create boredom and fatigue; causing employee turnover, absenteeism and deterioration of quality of output.

1. **Departmentation;** i.e. grouping related work activities into manageable units. Departmentation can be done on the basis of:

- (i) **Function:** under this approach, departments are formed on the basis of specialised functions such as production, marketing, engineering, finance and personnel. This has the advantage of allowing specialists to be grouped together so that they can become more efficient. Functional specialists also feel more comfortable working with others of similar background and experiences.

However, employees in specialized departments may become more concerned with their own department than with the overall company. Because of the sometimes conflicting purposes of various departments, upper management must ensure that an effective means of coordination exists.

- (ii) **Product**
Product departmentation is concerned with organising according to the type of product being produced/sold by the firm. e.g. radio products division, television products division, stereo systems products division.
- (iii) **Customer**
Departmentation by customer is used by organisations that have a special need to provide better service to different types of customers. e.g. industrial sales, government sales.

(iv) Geographic Territory

Grouping activities according to geographic territory is used by organisations that have physically dispersed and/or non-interdependent operations or markets to serve. Geographic departmentation offers the advantages of better services with local or regional personnel, often at less cost. It is most effective when the corporation's activities are widespread and there are few product lines.

(v) Combination Approach

No one form of departmentation can meet the needs of most firms. For instance, a manufacturing company may be departmentalized by type of functions performed (engineering, production, marketing and so on), type of products (industrial and consumer), and geographic territory. The precise form of departmentation a firm chooses must be based on its own needs. (see Fig 2.5.)

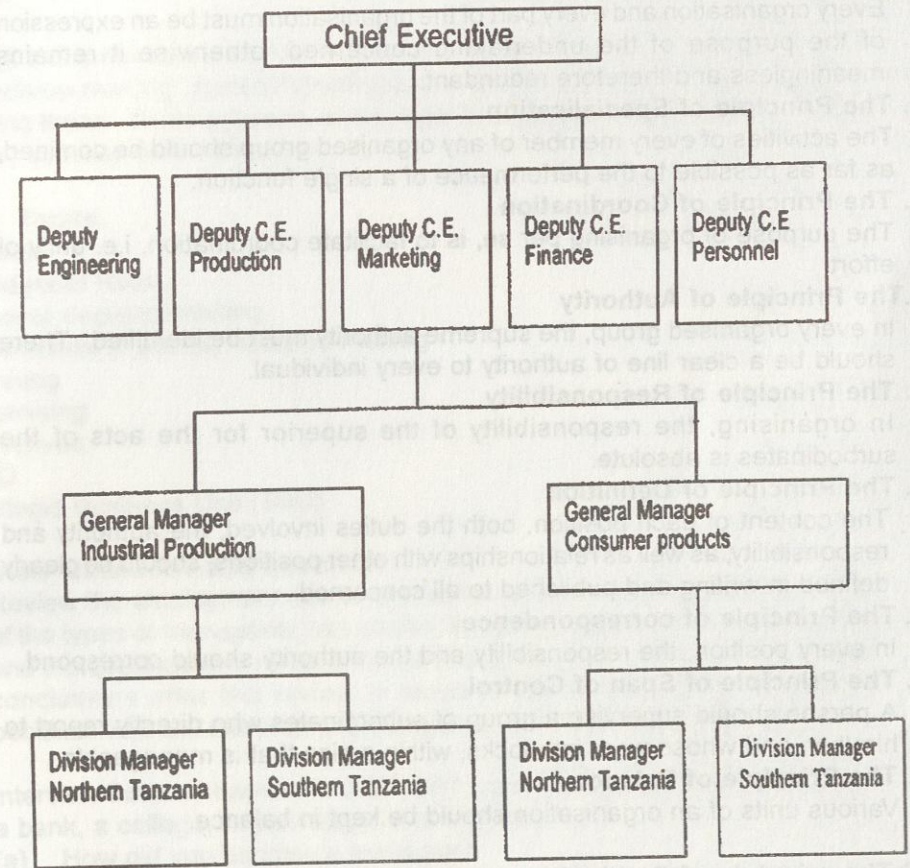


Fig 2.5. Combination approach to Departmentation Key

- 1 = Function Departmentation
- 2 = Product Departmentation
- 3 = Geographic Departmentation

Principles of Organising

1. The Principle of Objective

Every organisation and every part of the organisation must be an expression of the purpose of the undertaking concerned, otherwise it remains meaningless and therefore redundant.

2. The Principle of Specialisation

The activities of every member of any organised group should be confined, as far as possible to the performance of a single function.

3. The Principle of Coordination

The purpose of organising per se, is to facilitate coordination, i.e. unity of effort.

4. The Principle of Authority

In every organised group, the supreme authority must be identified. There should be a clear line of authority to every individual.

5. The Principle of Responsibility

In organising, the responsibility of the superior for the acts of the subordinates is absolute.

6. The Principle of Definition

The content of each position, both the duties involved, the authority and responsibility, as well as relationships with other positions, should be clearly defined in writing and published to all concerned.

7. The Principle of correspondence

In every position, the responsibility and the authority should correspond.

8. The Principle of Span of Control

A person should supervise a group of subordinates who directly report to him/her, and whose work interlocks, within a size that is manageable.

9. The Principle of Balance

Various units of an organisation should be kept in balance.

10. The principle of Continuity

Organising is a continuous process. In every undertaking, provision should be made for it.

Conclusion

The degree of success of all organisations; business and nonbusiness; is determined to a great extent by the quality of management they receive. Managers perform the functions of planning, organising and many more. Planning is determining in advance what should be accomplished and how it should be done. Organising is acquiring human, material, and financial

resources and specifying their relationships to each other in order to get things done.

A task that managers perform in carrying out each of the management functions is decision-making: identifying and evaluating alternatives and making choices among them. To be effective, a manager must possess and develop certain skills, qualities and abilities.

Key Terms.

Manager

Managerial roles

Rational decision-making

Incremental (Political) decision-making

Planning

Organising

Objectives

MBO

Strategic Business Unit (SBU)

Review Questions and Exercises

1. Review the employment ads in any edition of the newspapers. Make a list of the types of managerial jobs shown; the companies offering employment, and the qualifications needed to obtain the positions. What are your basic conclusions after this review in terms of the availability of managerial positions and the necessary qualifications for obtaining a position?
2. Interview three managers from different types of organisations, for example a bank, a college, a retail store. etc. Ask them:
 - (a) How did you become a manager?
 - (b) What does your job as a manager entail? Describe your on-the-job activities.
 - (c) Why are you a manager?
 - (d) What skills do you believe are necessary for success as a manager?
 - (e) What advice would you give to a person interested in a career in management?
 - (f) Is management a profession?
 - (g) Can one learn or be taught to be better manager/ If so, how?

3. Why would decision-making be described as "the essence of a manager's job"?
4. When would you recommend using groups to make decisions?
5. "What a manager does in terms of the organising function depends on what level she or he occupies in the organisational hierarchy." Discuss, with the aid of examples.

CHAPTER THREE

DYNAMICS OF WORK TEAMS

Learning Objectives

This chapter is intended to:

- Appreciate the importance of work teams and teamwork
- Acknowledge the different role behaviours in teams
- Discover how to become an effective team
- Identify indicators of unhealthy team performance
- Examine variables that affect leadership effectiveness in teams

Summary

Organisations are made of people working together to achieve some common end. Since people are frequently required to work in groups, considerable attention has to be given to team dynamics. Team building can be applied within groups or at the intergroup level where activities are interdependent. Team building is like football because it too, requires interdependence. The objective is to improve team members' coordinative efforts to increase the group's performance. The activities that form team building can typically include:

- Goal setting
- Development of interpersonal relations among team members
- Role analysis to clarify each member's role and responsibilities
- Team process analysis. Of course, team building may emphasize or exclude certain activities, depending on the purpose of the development effort and the specific problems with which the team is confronted. Basically however, team building attempts to use high interaction among group members to increase trust and openness.

Team building can also address itself to the clarification of each member's role in the group. Still another team building activity can be to analyse key processes that go on within the team to identify the way work is performed and how these processes might be improved to make the team more effective.

Team Building

How work teams can be fine-tuned to work together more effectively.

Possible Definitions of a Team

- Intact work groups
- New work units
- Special task forces
- People from various parts of the organisation who must work together to achieve a common goal.

Role Behaviour in Teams

I. Task Role Behaviours

Initiator: Member leads in making suggestions about new goals and procedures of operation.

- Defines the constraints of the problem.
- Is instrumental in seeing that the team makes progress in accomplishing its task.

Information Processor:

- Seeks and gives information and checks for the accuracy of the information
- Attempts to bring out the opinions and values of team members for incorporation into the task processes

Summarizer:

Assists in information processing by restating and summarizing information into forms that may be more meaningful to the team.

Evaluator:

Member subjects team output to tests such as logic, practicability, morality etc. to ensure that it meets the team objectives.

II. Maintenance Role Behaviours

Encourager:

Tries to promote team involvement through praise of work and acceptance of others' ideas.

Harmonizer:

When involved in a conflict, often yields in order to maintain team harmony.

Gate Keeper:

Behaviour designed to elicit or deny participation to members, directs communication into safe channels.

III. Disorganizing Roles

Such roles threaten team survival by interfering with teamwork.

Aggressor

- Criticises the team
- Aggressively disagrees with others
- Deflates the status and esteem of others – they become quiet and passive.

Blocker

- Frequently cites unrelated items and returns to tasks which have already been resolved
- Interferes with progress through stubborn disagreement

Withdrawer

- Does not actively participate but converses privately with others in the team on related topics.

Dominator

- Strong personality who asserts authority and manipulates the team – attempts to "take over".

Recognition - Seeker

- Talks excessively
- Frequently boasts
- Attempts to claim credit for team achievements

Playboy

- Tendency to show off
- Generally wastes team's time by non accomplishment

Becoming an Effective Team

1. Knowing "Why am I here?"
2. Understanding
 - Who am I?
 - Who are they?
 - How can I be influenced by others?
 - What authority do others have over me? over them?
 - How will decisions be made?
3. Being clear about "what shall we do?"
4. Discovering "How"

Indicators of Unhealthy Team Performance

1. Frustration because members feel that there are less opportunities for personal expression and satisfaction. Members lose inspiration, commitment and motivation.
2. Grumbling and retaliation due to failure of expression through the system => trivial conversations.
3. Unhealthy competition reflected in backbiting, dirty tricks and politics
4. Facial expression
5. Lack of openness and honesty
6. Feelings of isolation, not helping each other, between and among teams
7. Unproductive discussions
8. Unhealthy boss – subordinate relationships

The Building Blocks for Effective Team

- (i) Clear objectives, (and agreed) structure
- (ii) Openness, confrontation and timely feedback
- (iii) Support and trust
- (iv) Cooperation and appropriate conflict handling strategies
- (v) Sound procedures in decision making and implementation
- (vi) Appropriate leadership
- (vii) Continuous review and monitoring
- (viii) Recognition of prevailing role behaviours
- (ix) Team pride from individual members

When can Team effectiveness be achieved?

Team Effectiveness is achieved when:

- The structure, leadership and methods of operation are relevant to the requirements of the task
- Team purpose is clear and members feel that the task is important both to them and to the organisation.
- Team members understand and share the leader's vision
- Members respect and ideally like one another
- Individuals derive satisfaction from being members of the team
- Communication is open and members are encouraged to participate in discussions, and where appropriate in decision – making
- Members have a sense of team pride
- There is minimal conflict, and when it occurs it is handled using constructive problem solving techniques
- Members are encouraged to co-operate with each other
- Members learn to work together in a relaxed fashion
- Team recognition and credit for a good job is 'freely' given

Variables Affecting Leadership Effectiveness in Teams

- Characteristics of the leader: Personality, attitudes, abilities, value system, personal credibility
- The basis of the leadership relation and type of power
- Characteristics of team members: their needs, attitudes, knowledge, confidence, motivation and commitment
- Relationship between the leader and the team, and among team members
- Type and nature of the organisation and stage of development

What does Leadership mean?

- A relationship through which one person influences the behaviour or actions of other people
- It is the moral and intellectual ability to visualize and work for what is best for the organization and its employees.
The most vital thing the leader does is to create team spirit

Conclusion

How successful is team building in improving group effectiveness?

The evidence is mixed. A large portion of the studies that have sought to measure team building effectiveness relies heavily on anecdotal data. In most cases, it is effective in increasing member involvement and participation in group activities, and in improving the effectiveness of meetings. Participants' attitudes are affected by team building, but it is unclear what effects group development has on actual task performance.

Key Terms

Team

Team building

Role behaviour

Task role behaviour

Maintenance role behaviour

Team effectiveness

Review Questions

1. Basing your answer on real life situations, explain the applicability of each variable related to leadership effectiveness in teams.
2. Discuss the implications to managers; of the task role behaviours, maintenance behaviour and disorganising roles.
3. Explain how you would rescue a team which is suffering from indicators of being unhealthy.

1. Monday, R.W. and R.M. (1987) *Personnel. The Management of Human Resources. Third Edition.* Allyn and Bacon
2. Belcourt, M. et al (1996) *Managing Human Resources. Nelson Canada ITP.P. 188*

CHAPTER FOUR

HUMAN RESOURCE RECRUITMENT

Learning Objectives

The learning objectives in this chapter include to:

- Describe the recruitment process and explain why it is so closely related to human resource planning.
- Explain the advantages and disadvantages of internal and external sources of recruitment
- Describe the external and internal factors that can influence the recruitment process
- Identify the various sources and methods available to an organisation for external recruitment

Summary

Once the human resource planning function is fulfilled, then the staffing of the organisation must be undertaken through the recruitment process. Human Resource recruitment has taken a new importance with the emergence of a new economy based upon service and technology. Changing employment conditions mandate a change in the variety of recruitment alternatives to attract the right employees to the organisation.

During the recruitment process, efforts are made to inform the applicants fully about the qualifications required to perform the job and the career opportunities the organisation can offer them. Whether or not a particular job vacancy will be filled by someone from within the organisation or from outside will, of course, depend upon the availability of personnel, the organisation's HR policies, and the requirements of the job to be staffed.

Recruitment Defined.

Mondy and Noe, define recruitment as "the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications, to apply for jobs with an organisation¹. Belcourt, et al say that recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings².

1. Mondy, R.W. and Noe, R.M. (1987) *Personnel. The Management of Human Resources. Third Edition.* Allyn and Bacon Inc. p. 160
2. Belcourt, M. et al (1996) *Managing Human Resources. Nelson Canada ITP. P. 188*

The Recruitment Process

The human resource recruitment process is shown in fig. 4.1

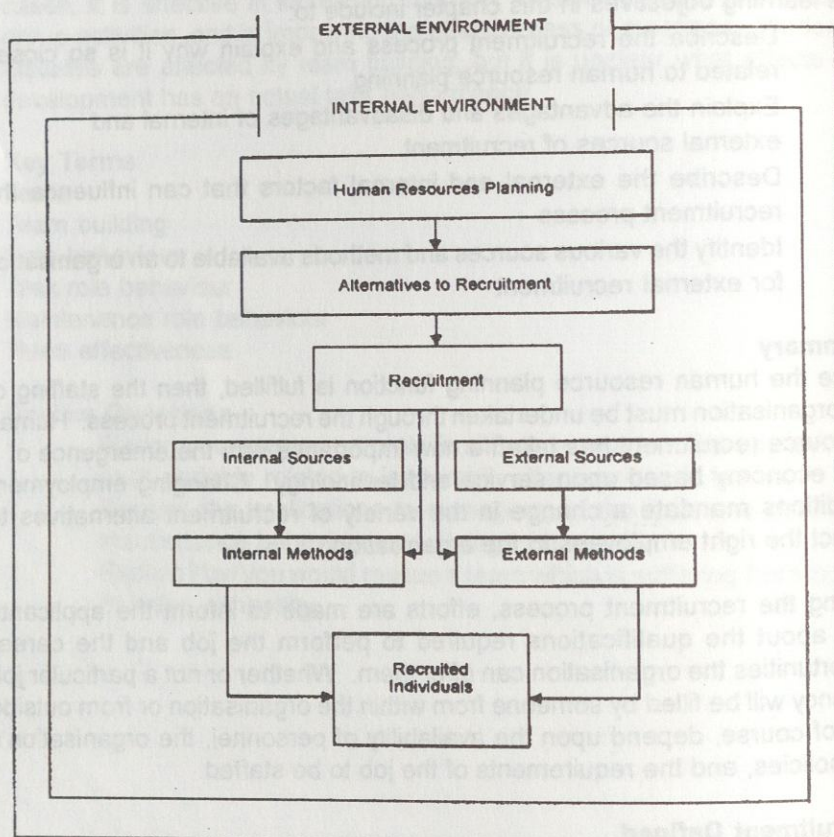


Fig. 4.1. The Recruitment process

Advantages of Recruiting from within

Organisations fill many of their openings through the transfer or promotion of present employees. Advantages of recruiting from within include the following:

- Savings are made in external recruitment costs
- Promotions are motivating to employees
- Organisations have a track record on present employees
- Employees fulfill their career development goals

Limitations of Recruiting from within

Organisations may choose not to recruit from within when:

- Employees lack the skills or abilities needed to perform higher level jobs
- Managers seek new ideas from those outside the organisation
- Employers wish to avoid employee "inbreeding".

Recruiting from Outside the Organisation

The outside sources from which employers recruit will vary with the type of job to be filled. The condition of the labour market may also help to determine which recruiting sources an organisation will use. The labour market is the area from which employees are to be recruited. The labour market will vary depending on the types of jobs to be filled and the salary to be paid for the jobs. The labour market can also be influenced by transportation systems, population migration and the availability of jobs of interest to employees.

Also, the ease with which employers can recruit externally will depend on whether the labour market is tight or loose. A *tight labour market* is one with low unemployment, while a *loose labour market* is one with high unemployment.

How successful an organisation has been in reaching its employment equity goals may still be another factor in determining the sources from which to recruit. Typically an employer at any given time will find it necessary to utilize several recruitment sources. Employers are cautioned, however, that relying on one or two recruitment sources to secure job applicants could have an adverse effect on the designated groups.

The most common sources of external recruitment include:

- Public Employment agencies
- Private Employment Agencies
- Education institutions
- Employee referrals
- Unsolicited applications and resumes
- Professional organisations
- Competitors
- The unemployed
- The Self employed

Methods of External recruitment

- Advertising
- Face-to-face-transations
- Door-to-door visits
- Intermediaries

Conclusion

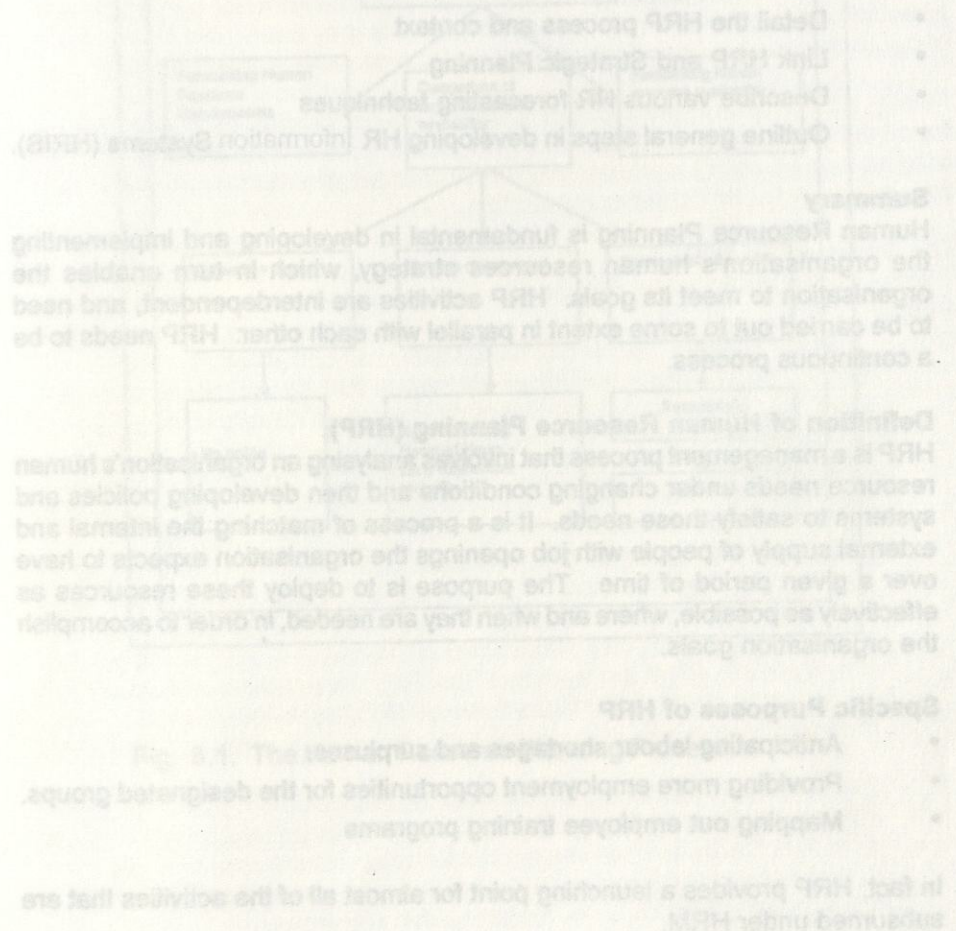
By recruiting from within, an organisation can capitalise on previous investments made in recruiting, selecting, training and developing its current employees. Further, internal promotions can reward employees for past performance and send a signal to other employees that their future efforts will pay off. However, potential candidates from the outside should occasionally be considered in order to prevent the inbreeding of ideas and attitudes. Efforts to recruit should not be limited to those who are qualified, but also to include those who can be made to qualify with reasonable training and assistance.

Key Terms

Internal source
External source
Inbreeding
Labour market
Tight labour market
Loose labour market

Review Questions

1. With the aid of examples, distinguish between tight labour market and loose labour market.
2. Discuss the comparative advantages and disadvantages of filling vacancies from internal sources.
3. Carefully analyse the relationship between human resource planning performance appraisal and human resource recruitment.



CHAPTER FIVE

HUMAN RESOURCE ANALYSIS AND PLANNING

Learning Objectives

The chapter is intended to:

- Define what is meant by Human Resource Planning (HRP)
- Explain the purpose of HRP
- Detail the HRP process and context
- Link HRP and Strategic Planning
- Describe various HR forecasting techniques
- Outline general steps in developing HR Information Systems (HRIS).

Summary

Human Resource Planning is fundamental in developing and implementing the organisation's human resources strategy, which in turn enables the organisation to meet its goals. HRP activities are interdependent, and need to be carried out to some extent in parallel with each other. HRP needs to be a continuous process.

Definition of Human Resource Planning (HRP).

HRP is a management process that involves analysing an organisation's human resource needs under changing conditions and then developing policies and systems to satisfy those needs. It is a process of matching the internal and external supply of people with job openings the organisation expects to have over a given period of time. The purpose is to deploy these resources as effectively as possible, where and when they are needed, in order to accomplish the organisation goals.

Specific Purposes of HRP

- Anticipating labour shortages and surpluses.
- Providing more employment opportunities for the designated groups.
- Mapping out employee training programs

In fact, HRP provides a launching point for almost all of the activities that are subsumed under HRM.

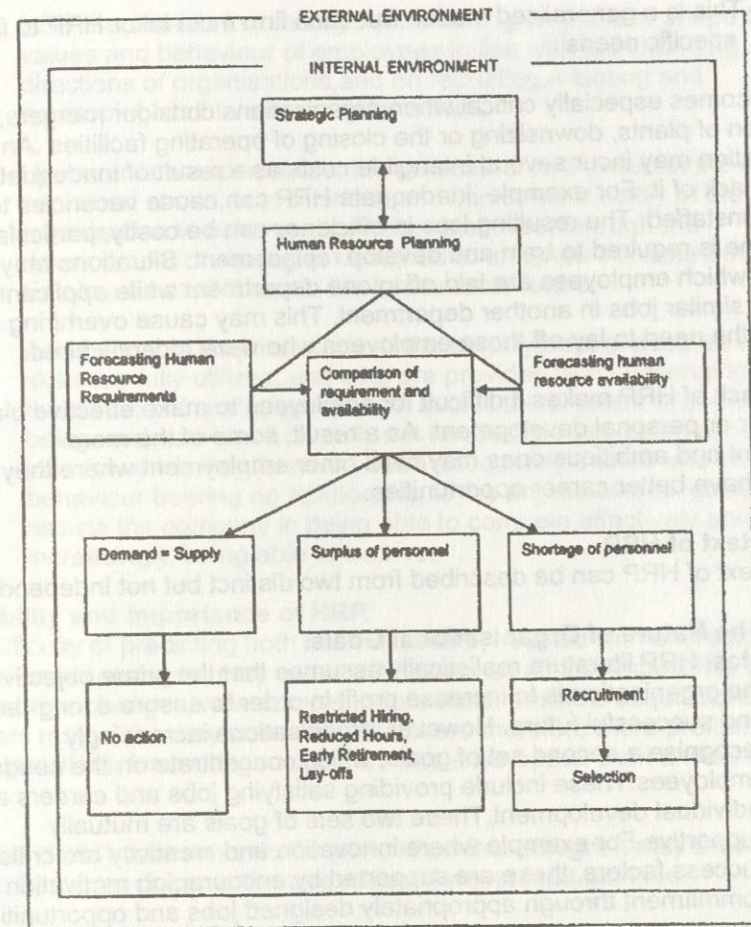


Fig. 5.1. The Human Resource Planning Process

NB. This is a generalized model. But each firm must tailor HRP to fit its specific needs

HRP becomes especially critical when organisations consider mergers, the relocation of plants, downsizing or the closing of operating facilities. An organisation may incur several intangible costs as a result of inadequate HRP or lack of it. For example, inadequate HRP can cause vacancies to remain unstaffed. The resulting loss in efficiency can be costly, particularly when time is required to train and develop replacement. Situations may occur in which employees are laid off in one department while applicants are hired for similar jobs in another department. This may cause overhiring and result in the need to lay-off those employees who were recently hired.

Finally, lack of HRP makes it difficult for employees to make effective plans for career or personal development. As a result, some of the more competent and ambitious ones may seek other employment where they feel they will have better career opportunities.

The Context of HRP.

The context of HRP can be described from two distinct but not independent angles:

1. The Nature of Organisational Goals.

Most HRP literature realistically assumes that the prime objective of the organisation is to increase profit in order to ensure a long-term and successful future. However, organisations increasingly recognise a second set of goals, which concentrate on the needs of employees. These include providing satisfying jobs and careers and individual development. These two sets of goals are mutually supportive. For example where innovation and creativity are critically success factors, these are supported by encouraging motivation and commitment through appropriately designed jobs and opportunities for personal growth and development. The nature of corporate goals would clearly effect the approach to HRP, The nature of corporate goals would clearly affect approach to HRP, the methods and decisions made.

2. Environment: Local, national and International

These can affect both organisational goals and planning activities. The time when the economic environment results in plant closure and downsizing, spotlight would be on redundancies, early retirements, transfers, skills matching and retraining.

HRP therefore is increasing concentrating on plans to shape the values and behaviour of employees in line with the changing directions of organisations, and on recruiting, retaining and developing staff to a much fuller extent.

Hence, in a broader sense, the purpose of HRP, seen in the context explained above, is to maintain and improve the ability of the organisation to achieve corporate objectives, through the development of strategies designed to enhance the contribution of Employees at all times in the foreseeable future.

Achieving this purpose leads to the employment of peoples whose skills are fully utilized, and who are provided with challenging work in the context of controlled costs. It avoids the problem of overtime being worked when it is really not needed, people being allocated to jobs for which they have not been adequately trained and employee behaviour bearing no relationship to the organisational goals. This assists the company in being able to compete effectively and increasingly, being able to survive.

Feasibility and Importance of HRP.

The difficulty of predicting both internal events, coupled with unpredictability of the human resource, may make HRP seem an almost impossible task. Interest rate changes, new competitor products, possible acquisitions and mergers may all be very uncertain. Plans are therefore more profitably seen as preparations for contingencies that may arise, rather than a fixed track to follow.

Manzini (1984) comments that 'a plan, imperfect though it may be, will generally get us closer to the target than if we had not planned.

Neither should planning be seen as an isolated event, but rather something that has to be continuously monitored, refined and updated. While there may be an annual cycle of planning, this should represent a review activity that goes on throughout the year, and that each cycle should feed into the next.

In spite of the limitations and problematic nature of HRP, it is central to both the effectiveness of personnel function and of the business as a whole.

HRP and Strategic Planning

As organisations plan for their future, HR managers must be concerned with merging HRP with strategic business planning. At the broadest level, strategic planning addresses the question "What business are we in?" HRP, on the other hand, addresses the question "What skills are needed for success in this business?". Through strategic planning, organisations set major objectives and develop comprehensive plans to achieve those objectives. This involves making primary resource allocation decisions, including those pertaining to structure, key processes, and the interrelationships among human resources. One element of strategic planning is determining if people are available, internally or externally, to carry out the organisation's goals.

HRP and strategic planning become effective when there is a reciprocal and interdependent relationship between them. In this relationship, the top management team recognises that strategic planning decisions affect and are affected by HR functions. HR department and its activities are viewed as credible and important along with other management functions such as production, marketing and finance. HR managers must be proactive in developing HR programs and policies that foster the organisation's strategic mission.

Human resources cannot be regarded as a separate element to be integrated into the organisation strategy, because there is no organisation strategy without the inclusion of human resources. Moreover, organisational plans identified in the strategic planning process are reduced to specific quantitative and qualitative human resource plans. For example note in Figure 5.1. that HRP has two sides: requirements and availability. Forecasting human resource requirements involves determining the number and type of employees needed, by skill level and location. These projections will be affected by various factors, such as production plans and changes in efficiency levels. In order to forecast the availability of human resources, the organisation looks to both internal sources (current employees) and external sources (the labour market).

When the requirements and availability of employees have been analyzed, the firm is in a position to determine whether there will be a surplus or shortage of employees. The HRP process is continuous. Conditions in either the external or internal environment can change in a short period of time. These changes could require extensive modification of forecasts.

Human Resource Forecasting Techniques

Some of the techniques described hereunder are qualitative, while others are quantitative in nature.

1. Zero-Base Forecasting

This approach uses the organisation's current level of employment as the starting point for determining future staffing needs. The key to zero-base forecasting is a thorough analysis of human resource needs to justify employment decisions for instance, if an employee retires, is terminated, or leaves the firm for any other reason, this position is not automatically filled. Instead, an analysis is made to determine whether the firm can justify filling the vacated position. Equal concern is shown for creating new positions when they appear to be needed.

2. Bottom-Up Approach

It is based on the reasoning that the manager in each unit is the most knowledgeable about employment requirements. It is a forecasting method that forecasts progress upward in the organisation from lower organisational units to ultimately provide an aggregate forecast of employment needs. Each successive level in the organisation forecasts its employment requirements supplementing this with basic statistical analysis.

3. Use of Predictor Variables

This method uses past employment needs as a predictor of future requirements. Predictor variables that are known to have an impact on employment levels are identified. One of the most useful predictors of employment levels is sales volume. As sales demand increases, so does the number of employees. Using this method, managers are able to approximate the number of employees required at different demand levels. In this case, regression analysis is used to predict one item (known as the dependent variable) through knowledge of other items. (known as the independent variable). When there is one dependent variable and one independent variable, the process is known as simple linear regression. When there is more than one independent variable, the technique is called multiple regression. Multiple regression often produces superior results when compared to simple linear regression because it recognises that a variety of factors may influence forecasted employment levels.

4. Simulation

In simulation, the computer is used to assist in analysing a model of a real system. A model is an obstruction of the real world. Thus a simulation model is an attempt to represent a real-world situation through mathematical logic in order to predict what will actually occur. Simulation assists the manager by permitting her/him to ask many "What if....." questions without having to make the decision in the real world.

From a human resource management viewpoint a simulation model might be developed to show the many interrelations that exist between employment level and a variety of other variables. "What if" Questions could then be asked, such as:

- What would happen if we put 10 percent of the present workforce on overtime?
- What would happen if the plant went to two shifts? To three shifts?

Depending on the purpose of the model developed, the human resource manager can derive considerable insight into a particular problem before making an actual decision.

Human Resource Information Systems (HRIS)

This is an organised method obtaining information on which to base human resource decisions. The HRIS should be assigned to provide information that is:

- Timely - when needed and up to date
- Accurate - correct.
- Concise - important data only
- Relevant - what the manager needs to know
- Complete - all that is needed to make a decision

The absence of even one of these characteristics creates difficulty in decision making. A problem that firms have historically confronted is the ability to generate information that meets these five requirements.

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General steps in Developing a Useful HRIS

1. Study of the present system

The present system has to be identified and studied as it actually exists. Even an informal system may be used to obtain data, or each department/unit may have separate systems to meet their needs. Whatever the situation, the future direction cannot be determined until the present system is thoroughly understood. Questions that may need to be answered are:-

- What is the present flow of human resource data?
- How is the information used?
- How critical is the information that is available?
- What type of information is needed?
- Where is the information?
- How rapidly is the available information needed?

2. Development of Human Resource Priorities

The information collected above has to be ranked according to its importance. Some data is critical, while other data is merely nice to have. A properly designed HRIS will provide the high priority information required in decision making.

3. Development of the new system

The system should meet the overall human resource management needs of the firm. The HRIS permits all areas related to HRM to be tied together into a total information system. Data from several input sources are integrated to provide needed output data.

4. Maintenance of the System.

It does not matter whether the system is computerized or manual. All sections and departments of the firm must be trained and made aware of the importance of forwarding documents that are accurate and timely. The importance of each document to the overall system must be clearly understood and appreciated.

HRP and Environmental Scanning

Environmental scanning is the systematic, regular monitoring of the major external forces influencing the organisation. In theory, HRP requires an integration of the environment with all of the HRM functions. This procedure is necessary because

any strategies developed must be consistent with those environmental trends and contemporary issues that may have an impact on the organisation. HRP, in turn, must anticipate the possible impact of these strategies upon HRM.

Organisations can select any number of environmental factors to scan; however, the following five are monitored most frequently:

1. Economic factors (including general and regional condition and competition trends).
2. Technological changes (including robotics and office automation).
3. Political/legislative issues (including laws and administrative rulings).
4. Social concerns (including educational priorities).
5. Demographic trends (including age, composition, and literacy of the workforce).

Data on relevant trends can be collected from current literature, company annual reports, conferences and from contacts and networking. Having acquired and constantly updated data on the environment, one of the most common ways of analysing this is to produce a map of the environment, represented as a wheel. (Fig 5.2.)

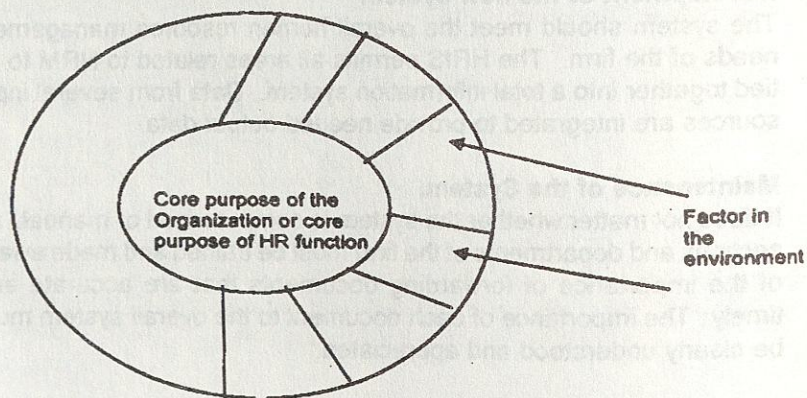


Fig 5.2. Mapping the Environment

Table 5.1. Analysis of Factors arising from Environmental Map

Individual Factor in the Environment	
Demands from the factor	Responses from the organisation

From the organisational responses, can be derived the implications for HR Activities. For example, the demand of present employees may be predicted as:

- we need a career not just a job.
- we need flexibility to help with childrearing.
- we want to be treated as people and not machines.
- we need a picture of what the organisation has in store for us.
- we want to be further trained and so on.

Managers then consider what the organisation would need to offer to meet these needs. This analysis can then be fed back into identifying the future vision in HR terms.

Analysing the Current Situation

It is in this area that more choice of techniques is available, and the possibilities include use of questionnaires to staff, interviews with staff, managerial judgement, turnover figures, performance data, recruitment and promotion trends, and characteristics of employees. These analyses can be conducted to provide information on, for example:

- Motivation of employees
- Job satisfaction
- Organisational culture
- The way that people are managed
- Attitude to disadvantaged groups and equality of opportunity
- Commitment to the organisation and reasons for this

- Clarity of business objectives
- Goal focused and other behaviour

Date relating to current formal and informal systems, together with data on the structure of the organisation, also need to be collected, and the effectiveness, efficiency and other implications of these need to be carefully considered.

Most data will be collected from within the organisation, but data may also be collected from significant others, such as customers, who may be part of the environment.

Conclusion

The essence of Human Resource Planning is the integration of all HR activities within a central philosophy of the way that people in the organisation should be managed. The result of this should be that HR activities are coherent, consistent and mutually supportive, and can drive the organisation's strategic objectives.

Key Terms

Labour market
 Human Resource Forecasting
 Zero-Base forecasting
 Bottom-Up Approach
 Predictor variables
 Simulation
 Human Resource Information Systems
 Environmental scanning

Review Questions

1. Explain the significance of Human Resource Planning. Why should HRP be a continuous process?
2. Basing your answer on a realistic organisation, show the relationship between HRP and Strategic Planning.
3. Examine the dangers of attempting to plan and forecast for human resources in isolation from Strategic Plans of the organisation.
4. Why is it important to develop a Human Resource Information System in an organisation?

CHAPTER SIX

APPRAISING AND IMPROVING PERFORMANCE OF HUMAN RESOURCES

Learning Objectives

This chapter aims to:

- Explain the purposes of performance appraisals and the reasons they fail
- Identify the characteristics of an effective appraisal programme
- Describe the different sources of appraisal information
- Explain the various methods used for performance evaluation
- Outline the characteristics of an effective performance appraisal interview
- Identify sources of ineffective performance

Summary

The performance appraisal programme should contribute to the improvement of employee performance if it is planned properly and utilized effectively. In this chapter there is an extensive discussion of the development of an appraisal program, including various sources of appraisal information. In addition, several performance appraisal methods are described within the categories of trait, behaviour, and results approaches. Performance appraisal is one of the functions that most concern managers and about which they have many questions. In this chapter we attempt to bring out the issues about which questions are frequently raised.

It is important for readers to realize that training of employees will not eliminate many of the differences found among employees at the time they are hired. For this reason, performance appraisal should be viewed as one of the important HR functions that can contribute to the continuing development of the individual employee. The need for having standards of satisfactory job performance should be emphasized particularly in this era of rightsizing and restructuring.

The success or failure of a performance appraisal programme depends on the philosophy underlying it and the attitudes and skills of those responsible for its administration. Many different methods can be used to gather information about

employee performance. However, gathering information is only the first step in the appraisal process. The information must then be evaluated in the context of organisational needs and communicated to employees so that it will result in high levels of performance.

What is Performance Appraisal?

Performance appraisal is a continuous post mortem of an employee's work and organisational life, including all job related behavioural aspects.

Purposes of Performance Appraisal

A performance appraisal programme can serve many purposes that benefit both the organisation and the employee whose performance is being appraised.

1. To give employees the opportunity to discuss performance and performance standards regularly with their supervisor.
2. To provide the supervisor with a means of identifying the strengths and weaknesses of an employee's performance.
3. To provide a format enabling the supervisor to recommend a specific programme designed to help an employee improve performance.
4. To provide a basis for salary recommendations

Uses of Performance Appraisal

In what ways then, can performance appraisal results be of use?

There are a number of ways such as listed below:

1. Salary administration
2. Performance feedback
3. Identification of individual strengths and weaknesses
4. Documentation of personnel decisions
5. Recognition of individual performance
6. Identification of poor or good job performance
7. Assistance in goal identification
8. Decision in retention or termination
9. Evaluation of goal achievement
10. Meeting legal requirements
11. Determination of promotions, demotions, transfers, reallocations and lay-offs
12. Identification of individual training needs

13. Planning for HR requirements
14. Reinforcement of authority structure
15. Identification of organizational development needs
16. Evaluation of personnel systems
17. Establishment of criteria for validation research

In general, the above uses can be classified as either administrative or developmental.

Administrative Uses of Performance Appraisal

From the stand point of administration, appraisal programmes provide inputs that can be used for the entire range of HRM activities; for example, experience reveals that performance appraisal results are used most widely as a basis for compensation decision. "Performance related pay" (PRP) is gaining momentum as practice of the day in most organisations. Recently, as a result of the Civil Service Reforms in Tanzania for instance, the PRP system of compensation in government departments was among the recommendations to be adopted. Previously, salaries and annual salary increments for civil servants were "automatic rights". Following the reforms, this is no longer the case; civil servants and other government employees are expected to be compensated (remunerated) on the basis of performance.

Performance appraisal is also directly related to a number of other major HR functions, such as promotion, transfer, and lay-off decisions. Performance appraisal data may also be used in HR planning to determine the relative worth of jobs under a job evaluation programmes, and as criteria for validating selection tests. Performance appraisals also provide a means for documenting HRM actions that may result in legal action. Employers must maintain accurate, objective records of employee performance in order to defend themselves against possible charges of discrimination in connection with such HRM actions as promotion, salary determination, and termination.

Finally, it is important to recognise that the success of the entire HR programme depends on knowing how the performance of employees compares with the goals established for them. This knowledge is derived from a carefully planned and administered HR appraisal programme. Appraisal systems have the capability to influence employee's behaviour, thereby leading directly to improved organisational performance. For example the appraisal system for the faculties of Mzumbe University, guided by the slogan "publish or perish",

greatly influences faculties to commit themselves to the writing and publishing of articles, books and training manuals.

Developmental Uses of Performance Appraisal

From the individual development point of view, appraisal provides the feedback essential for discussing strengths and weaknesses as well as improving performance. A developmental approach to appraisal recognises that the purpose of a manager is to improve job behaviour, not simply to evaluate past performance. Having a sound basis for improving performance is one of the major benefits of an appraisal programme.

Why do appraisal programmes sometimes fail?

In actual practice, and for a number of reasons, formal performance appraisal programmes sometimes yield disappointing results, due to the following reasons:

1. Manager lacks information concerning an employee's actual performance.
2. Standards by which to evaluate an employee's performance are unclear
3. Manager does not take the appraisal seriously
4. Manager is not prepared for the appraisal review with the employees
5. Manager is not honest/sincere during the evaluation
6. Manager lacks appraisal skills
7. Employee does not receive ongoing performance feedback
8. Insufficient resources are provided to reward performance
9. Ineffective discussion of employee development
10. Manager uses unclear/ambiguous language in the evaluation process
11. Use of inconsistent criteria for appraisal
12. Parties involved in the appraisal process disliking the face-to-face confrontation involved in appraisal interviews.

An important principle of performance appraisal is that continual feedback and employee coaching must be a positive daily activity. The periodical performance review should simply be a logical extension of the day-to-day supervision process.

How to Develop an Effective Appraisal Program

The need for effective appraisal programs is obvious. Here we present hints on how to derive appraisal programs that are effective.

1. Establish Performance Standards

The standards by which performance is to be evaluated should be clearly defined and communicated to the employee. In establishing performance standards, there are four basic considerations:

(a) Strategic Relevance

This refers to the extent to which standards relate to the strategic objectives of the organisation. Strategy and measurement are closely related.

(b) Criterion Deficiency

This is the extent to which the standards capture the entire range of an employee's responsibilities. Standards should not focus on a single criterion (e.g. sales revenues) to the exclusion of other important but less quantifiable performance dimension (e.g. customer service). When this happens, then the appraisal system is said to suffer from criterion deficiency.

(c) Criterion Contamination

Just as performance criteria can be deficient, they can also be contaminated. There are factors outside an employee's control that can influence her/his performance. A comparison of performance of production workers for example, should not be contaminated by the fact that some have newer machines than others. A comparison of the performance of travelling sales persons should not be contaminated by the fact that areas differ in terms of sales potential.

(d) Reliability

Reliability refers to the stability or consistency of a standard, or the extent to which individuals tend to maintain a certain level of performance over time. Reliability may be measured by correlating two sets of ratings made by a single person or by two different people (raters). For example, two managers may rate the same individual and estimate her/his suitability for promotion. Their ratings could be compared to determine inter-rater reliability.

2. Ensure Compliance with the Law

Performance appraisal systems must meet certain legal requirements. Why? Because they are used as one basis for HRM actions. The legality of any performance appraisal system is measured against criteria of reliability, fairness and validity.

Reliability: Whether performance is measured consistently among the appraisees.

Fairness: The extent to which the system avoids bias caused by any factors unrelated to performance.

Validity: The extent to which the system is job related and accurate. Worker performance must be evaluated on the basis of job requirements to ensure legal compliance.

Employers might face legal challenges to their appraisal systems when appraisals indicate acceptable or above average performance but employees are later passed over for promotion, discipline for poor performance, discharged or laid off. In such cases, the performance appraisals can undermine the legitimacy of the subsequent personnel decision. Therefore, performance appraisal should meet the following guidelines:

- Performance ratings must be job related, with performance standards developed through job analysis.
- Employees must be given a written copy of their job standards in advance of appraisals.
- Managers who conduct the appraisal must be able to observe the behaviour they are rating.
- Supervisors should be trained to use the appraisal forms correctly. They should be instructed in how to apply appraisal standards when making judgements.
- Appraisals should be discussed openly with employees and counselling or corrective guidance offered to help poor performers improve their performance.
- An appeals procedure should be established to enable employees to express disagreement with the appraisal.

3. **Decide Who Should Appraise Performance.**

Raters may include supervisors, peers, team members, self, subordinates and even customers, each of whom may be more or less useful for the administrative and developmental purposes discussed above.

4. **Train the Appraisers**

A weakness of many performance appraisal programmes is that managers and supervisors are not adequately trained for the appraisal task and thus they provide little meaningful feedback to subordinates.

Because they lack precise standards for appraising subordinate's performance and have not developed the necessary observational and feedback skills, their appraisals often become nondirective and meaningless.

Performance Appraisal Methods

1. **Trait Methods:** Designed to measure the extent to which an employee possesses certain characteristics such as dependability, creativity, initiative and leadership. If not carefully designed on the basis of job analysis, trait appraisals can be notoriously biased and subjective. The following types fall under trait methods.

- Graphic rating scale method
- Mixed standard scale method
- Forced choice method
- Essay method

2. **Behavioural Methods:** They have been developed to describe specifically which actions should (or should not) be exhibited on the job. They are frequently useful for providing employees with developmental feedback. In this category we have:

- Critical incident method
- Behavioural checklist method
- Behaviourally anchored rating scale
- Behaviour observation scale

3. **Management By Objectives (MBO) (Results Method)**

MBO seeks to judge the performance of employees on the basis of their success in achieving the objectives they established through consultation with their superiors. Performance improvement efforts under MBO focus on the goals to be achieved by employees rather than on the activities they perform or the traits they exhibit in connection with their assigned duties.

The success of an MBO programme depends heavily on a behavioural change on the part of both the supervisor and the subordinate, to be willing to mutually establish goals and measurable standards for employee performance. Goal setting has been shown to improve employee performance, thereby leading to increased productivity.

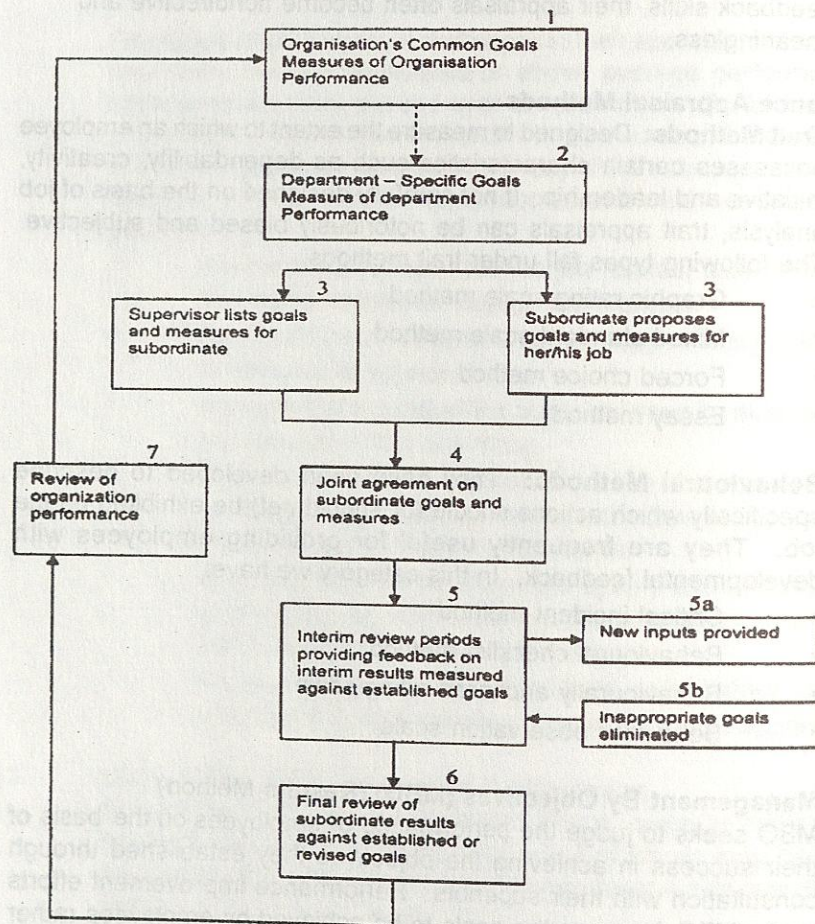


Fig 6.1 MBO as a Performance Appraisal Method

Source: Belcourt, M et. al (1996) *Managing Human Resources*
Nelson Canada ITP p. 358.

Table 6.1 Summary of Various Appraisal Methods

ADVANTAGES	DISADVANTAGES
Trait Method 1. Are inexpensive to develop 2. Use meaningful dimensions 3. Are easy to use	1. Have high potential for rating errors 2. Are not useful for employee counseling. 3. Are not useful for allocating rewards. 4. Are not useful for promotion decisions
Behavioural Methods 1. Use specific performance dimensions 2. Are acceptable to employees and superiors 3. Are useful for providing feedback 4. Are fair for reward and promotion decisions	1. Can be time consuming to develop/use 2. Can be costly to develop 3. Have some potential for rating error
Results Method (MBO) 1. Has less subjectivity bias 2. Is acceptable to employees and superiors 3. Links individual performance to organisational performance 4. Encourages mutual goal setting 5. Is good for reward and promotion Decisions	1. Is time consuming to develop/use 2. May encourage short term perspective 3. May use contaminated criteria 4. May use deficient criteria

Appraisal Interviews

The appraisal interview is perhaps the most important part of the entire performance appraisal process. The appraisal interview gives a manager the opportunity to discuss a subordinate's performance record and to explore areas of possible improvement and growth. It also provides an opportunity to identify the subordinate's attitudes and feelings more thoroughly, thus improving communication.

Appraisal Interviews

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Unfortunately, the interview can become overburdened by attempting to discuss too much, such as the employee's past performance and future development goals. Dividing the interview into two sessions, one for the performance review and the other for the employee's growth plans, can alleviate time pressures; and each session be given the proper attention it deserves.

The format for the appraisal interview will be determined in large part by the purpose of the interview, the type of appraisal system used, and the organisation of the interview form.

Types of Appraisal Interviews

Norman R. F. Maier, in his classic book, *The Appraisal Interview*, analyses the cause and effect relationships in three types of appraisal interviews: tell and sell, tell and listen, and problem solving².

1. **Tell-and-Sell Interview:** Here the skills needed include the ability to persuade an employee to change in a prescribed manner.
2. **Tell-and-Listen Interview:** The skills required during the first part include the ability to communicate the strong and weak points of an employee's job performance. During the second part of the interview, the employee's feelings about the appraisal are thoroughly explored.

² Maier, N.R.F (1976) *The Appraisal Interview - Three Basic Approaches*. San Diego University

The method requires listening to disagreement and coping with defensive behaviour without attempting to refute any statements. The tell-and-listen method assumes that the opportunity to release frustrated feelings will help to reduce or remove those feelings.

3. **Problem-Solving Interview:** This method goes beyond an interest in the employee's feelings.

It seeks to stimulate growth and development in the employee by discussing the problems, needs, innovations, satisfactions and dissatisfactions the employee has encountered on the job since the last appraisal interview.

Managers should not assume that only one type of appraisal interview is appropriate for every review session. Rather, they should be able to use one or more of the interview types, depending on the topic being discussed or on the behaviour of the employee being appraised. The appraisal interview needs to adopt an integrative and flexible approach.

Characteristics of an Effective Appraisal Interview.

While there are probably no hard and fast rules for how to conduct an appraisal interview, there are some guidelines that may increase the employee's acceptance of the feedback, satisfaction with the interview, and intention to improve the future.

- (i) Self assessment is encouraged
- (ii) Participation is invited
- (iii) Appreciation is expressed
- (iv) Criticism is kept to the minimum
- (v) Focuses on changing the behaviour rather than the person
- (vi) Focuses on solving problems; hence requires an analysis of the causes, not getting into the "blame game" in which both manager and employee enter into a potentially endless discussion of why a situation has arisen
- (vii) It is supportive and open, coupled with readiness to help
- (viii) Encourages goal setting; by observing the following:
 - emphasis on strengths on which the employee can build rather than weaknesses to overcome.

- concentration on opportunities for growth that exist within the framework of the employee's present position.
 - limiting plans for growth to a few important items that can be accomplished within a reasonable period of time.
 - establishing specific action plans that spell out how each goal will be achieved.
- (ix) Daily follow-ups; with manager playing more of coaching role than a judging role.

Improving Performance

In many instances, the appraisal interview will provide the basis for noting deficiencies in employee performance and for making plans for improvement. Unless these deficiencies are brought to the employee's attention, they are likely to continue until they become quite serious.

Each individual has a unique pattern of strengths and weaknesses that play a part in shaping job performance. Therefore, a diagnosis of poor employee performance should focus on three interactive elements: skill, effort and external conditions.

Sources of Ineffective Performance

Ineffective performance can be traced to four major sources:

1. Organisation Policies and Practices

- Ineffective placement
- Insufficient job training
- Ineffectual employment practices
- Permissiveness with enforcing policies or job standards
- Heavy handed management
- Lack of attention to employee needs or concerns
- Inadequate communication within the organisation
- Unclear reporting relationships

Personal Problems

- Marital and other family problems.
- Financial worries
- Emotional disorders (including depression, guilt, anxiety, despair, fear)

- Conflict between work demands and family demands
- Physical limitations, including disabilities
- Low work ethics
- Lack of effort
- Immaturity
- General health standard

Job concerns

- Unclear or constantly changing work requirements
- Boredom with job
- Lack of job growth or advancement opportunities
- Management - employee conflict
- Problems with fellow employees
- Unsafe working conditions
- Unavailable or inadequate equipment or materials
- Inability to perform the job
- Excessive workload
- Lack of job skills

External Factors

- Industry decline or extreme competition
- Legal constraints
- Conflict between ethical standards and job demands
- Union-management conflict

Whatever action is taken to cope with ineffective performance, it should be done with objectivity, fairness and a recognition of the feelings of the individual involved.

Conclusion

The success of an organisation depends largely on the performance of its human resources. To determine the contributions of each individual, it is necessary to have a formal appraisal programme with clearly stated objectives, carefully defined performance standards that are reliable, strategically relevant, and free from either criterion deficiency or contamination.

The degree to which the performance appraisal programme benefits the organisation and its members is directly related to the quality of the appraisal interviews that are conducted. In the interview, deficiencies in performance can be discussed and plans for improvement can be made.

Key Terms

Performance Appraisal
Appraisal Interview
Performance Appraisal Programme
Strategic relevance
Criterion deficiency
Criterion contamination
Reliability
Fairness
Validity
Trait methods
Behavioural methods
MBO (Results method)
Tell-and-sell
Tell-and-listen
Problem solving

Review Questions

1. What are the major purposes of performance appraisal? In what ways might these purposes be contradictory?
2. Describe the characteristics of an ideal appraisal system.
3. What performance standards could be used to evaluate the performance of people working in the following jobs?
 - (a) University lecturer
 - (b) Magistrate
 - (c) Police
 - (d) Sales representative
 - (e) TV repairer
 - (f) Nurse
 - (g) Air-traffic controller
 - (h) Human resource manager of a manufacturing firm.

4. Discuss the pros and cons of the trait, behaviour and results appraisals.
5. Three types of appraisal interviews have been described in this chapter:
 - (a) Identify different skills required for each type and the reactions one can expect from using these different skills
 - (b) How can one develop the skills needed for the problem solving type of interview?
 - (c) Which method do you feel is the least desirable, and which one is the most desirable? Explain
6. Describe the factors you would consider in diagnosing poor performance. What difficulties are you likely to encounter in the process?

CHAPTER SEVEN

HUMAN RESOURCE TRAINING AND DEVELOPMENT

Learning Objectives

To:

- List some characteristics of an effective orientation programme.
- Describe the scope of organisational training programmes
- Identify and describe the five phases of the systems approach to training
- Recognise the benefits of training
- Explain forces that determine the types of training
- Describe the planned approach to managing the training function
- Appreciate characteristics of effective trainers.

Summary

One major area of particular relevance to the effective use of human resources is training and development. Few people would argue against the importance of training as a major influence on the success of an organisation. Staff are crucial, but an expensive resource. A basic operation in the work of the manager is to develop people and to direct, encourage and train subordinates. Training is necessary to ensure an adequate supply of staff who are technically and socially competent, and capable of career advancement into specialist departments or management positions. There is, therefore, a continual need for the process of staff development, and training fulfils an important part of this process. Training should be viewed, therefore, as an integral part of the process of total quality management. (TQM)

Human resource training has become increasingly vital to the success of modern organisations. Rapidly changing technology requires that employees possess the abilities, skills and knowledge (ASK) needed to cope with new processes and production techniques. The growth of organisations into large, complex operations whose structures are continually changing makes it necessary for managers, as well as employees, to develop the ASK that will enable them to handle new and more demanding assignments. There are many forces that determine the types of training required in an organisation. Automation and computerization will continue to have a major impact. Economic, social and political forces likewise have implications for training programmes.

Training is a continuous process, beginning with the orientation of new employees and continuing throughout an employee's tenure with the organisation.

Benefits of Training

Training can:

- increase the confidence, motivation and commitment of staff;
- provide recognition, enhanced responsibility, and the possibility of increased pay and promotion;
- give a feeling of personal satisfaction and achievement, and broaden opportunities for career progression, and
- help to improve the availability and quality of staff, through creation of better sources of internal recruitment.

Training is therefore a key element of improved organisational performance. Training increases the level of individual and organisational competence. It helps to reconcile the gap between what should happen and what is happening; between desired targets of standards and actual levels or work performance (Armstrong: 1991)

The most important reason for investing in training is that it does result in performance improvement. Trained employees do more work, make fewer errors, require less supervision, and have higher morale and lower rates of attrition.

At What Point Does Training Start?

The first step in the training process is to get new employees off to a good start. This is generally accomplished through a formal orientation programme.

Orientation: is the formal process of familiarising new employees with the organisation, their job, and their work unit. Its purpose is to enable new employees to get "in sync" so that they become productive members of the organization.

Benefits of Orientation

In some organisations a formal new-hire orientation programme is almost non-existent or, when it does exist, is performed in a casual manner. Some readers may remember showing up the first day on a new job, being told to

work, and receiving no instructions, introduction, or support. This is unfortunate, since there are a number of very practical and cost effective benefits to be derived from conducting a well-run programme. Benefits include the following:

1. lower turnover
2. increased production
3. improved employee morale
4. lower recruiting and training costs
5. facilitation of learning and
6. reduction of the new employee's anxiety

The more time and effort an organisation devotes to making new employees feel welcome, the more likely they are to identify with the organisation and become valuable members of it. Orientation is designed to develop in employees a particular attitude about the work they will be doing and their role in the organisation. It defines the philosophy behind the rules and provides a framework for job-related tasks.

An orientation programme can make an immediate and lasting impression on an employee that can mean the difference between the employee's success and failure on the job. Thus careful planning with emphasis on programme goals, topics to be covered, and methods of organising and presenting them is essential. Successful orientation programmes emphasize the individual's needs for information, understanding, and a feeling of belonging. Those planning an orientation programme should take into account the anxiety employees feel during their first few days on the job. It is natural to experience some anxiety, but if employees are too anxious, training costs, turnover, absenteeism and even production costs may increase. Early in the orientation program steps should be taken to reduce the anxiety level of new employees. This anxiety reduction can be accomplished by establishing specific times in which the supervisor will be available for questions or coaching.

Furthermore, anxiety can be decreased by reassuring newcomers that the performance levels they are observing among their co-workers will be attained, within a predetermined time frame, based on experiences with other newcomers. This reassurance is particularly important for employees with limited work experience who are learning new skills.

Supervisors should always consult with new employees after the first day and frequently throughout the first week on the job. It is dangerous to leave new employees being oriented by peers. There is a possibility that unsafe work practices and unacceptable behaviours that conflict with the organisation's policies can be perpetuated through brainwashing. Thus, the behaviours these employees develop can undermine the organisation's policies and procedures.

Orientation Checklist

While there is no universal checklist, we can still propose the common items that can be present to facilitate the orientation programme.

1. A formal greeting, including introduction to colleagues
2. Explanation of job procedures, duties and responsibilities
3. Training to be received (When and Why)
4. Supervisor and organisation expectations regarding attendance and behaviour norms
5. Job standards and production/service levels
6. Performance appraisal criteria, including estimated time frame to achieve peak performance
7. Conditions of employment, including hours of work, pay periods, and overtime requirements
8. Organisation and work unit rules, regulations, and policies
9. Safety regulations
10. Those to notify or turn to if problems or questions arise
11. Chain of command for reporting purposes
12. An overall explanation of the organisation's operations and purpose
13. Offers of help and encouragement, including a specific time each week (in the early stages of employment) for questions or coaching
14. Surroundings and essential services: canteen, toilet facilities, first aid etc.

Forces that Determine the Type of Training

There are many forces that determine the types of training required in an organisation:

1. Increased global and domestic competition is leading to a greater need for competitive strategies, which often include training as an essential element.
2. Rapid advances in technology has created an acute need for people with specialised technical skills.

3. Widespread mergers, acquisitions, and divestitures, which realign corporate structures but do not necessarily give people the ability to carry out their new responsibilities, require long term training plans.
4. A better educated workforce, which values self development and personal growth, has brought an enormous desire for learning plus a growing need for new forms of participation at work.
5. The obsolescence of some occupations and the emergence of new ones resulting from the changing nature of the economy, the impact of research, development and technology require flexible training policies to prevent increased turnover and lower productivity.

The System's view to Training

Since the primary goal of training is to contribute to the organisation's overall goals, training programs should be developed with an eye to organisational strategy, by adopting a "system" view to training, which involves a five step sequence:

1. conduct a needs analysis
2. formulate instructional objectives
3. select and design learning experiences to achieve these objectives
4. devise transfer or learning procedures; and
5. gather information to use in evaluating training programs

Needs Analysis

Comprises of three analyses:

1. **Organisational analysis**
This is an examination of the goals, resources, and environment of the organisation to determine where in training emphasis should be placed. The resources: time, human, financial and technological that are available to meet objectives also must be considered.
2. **Task Analysis**
The process of determining the content of a training program based on a study of the task or duties involved in the job.
3. **Person Analysis**
Involves determining the specific skills, knowledge and attitudes required of people on the job.

Formulating Instructional Objectives

Formal statements of the desired outcomes of a training programme. Before you prepare for instruction, before you select instructional procedures or subject matter or material, it is important to be able to state clearly just what you intend the results of that instruction to be. A clear statement of instructional objectives will provide a sound basis for choosing methods and materials and for selecting the means for assessing whether the instruction will be successful. In other words, you must know where you are going before you design programmes to get you there.

Transfer of Learning

Refers to the implementation in the work environment of the skills acquired during the training programme, and the maintenance of those acquired skills over time.

Evaluation of training

Training, like any other HRM function, should be evaluated to determine its effectiveness. Unfortunately, few organisations have adequate systems to evaluate the effectiveness of their training programmes. Training can be evaluated in four ways:

1. Reactions – did they like it?
2. Learning – did they learn it?
3. Behaviour – did they use it on the job?
4. Results – did this change measurable organisational outcomes?

Stages of Training

According to Fill and Mullins (1990:13-16) training can be seen to pass through four main stages:

1. **Output training:** It is centred around the individual, is performed in-house and is only initiated when new equipment products or persons are introduced into the organisation. The costs must be seen to be absorbed and the transaction completed in the shortest possible time, if only to justify the initial investment risk.
2. **Task Training:** Involves selected individuals being sent away on short training, for a particular task like health and safety regulations.
3. **Performance Training:** Plans and budgets become some of the tools used to manage the training process. Training programmes become means by which the performance of individuals and the organisation

can be controlled. Appraisal systems also become more established enough to evaluate the effectiveness of training received and to anticipate future training requirements:

4. **Strategic Training:** This is reached when the organisation recognises and practices training as an integral part of the management of human resources, prepares organisational strategies, and plans training in the light of both individual and organisational needs. Strategic training is integral to the philosophy and culture of the organisation.

The four main stages of training need; however, to be related to the context of the external environment in which the organisation is operating. According to the systems view of organisations, there are a wide range of forces acting upon organisations and which make the need for change inevitable.

Managing the Training Function: A Planned Approach

In order to secure the full benefits of successful training there must, therefore, be a planned and systematic approach to the effective management of training (Mullins 1991: 4-5)

1. There must be a clear commitment to training throughout all levels of the organisation.
2. There should be an objective assessment of training needs related to:
 - (i) a vision of where the organisation is going;
 - (ii) the need to be responsive to changes in external environmental influences;
 - (iii) a comprehensive system of human resource planning and
 - (iv) a process of job analysis leading to the preparation of job descriptions and person specifications.
3. Staff to be given 'ownership and partnership' in the training process.
4. There should be a clear set of objectives and a defined policy for training.
5. The training programme should be planned carefully and staggered over a reasonable period of time, since people cannot absorb properly a large amount of information at one time.
6. There should be an effective system of review and evaluation including ongoing monitoring of progress, a supporting appraisal system and the maintenance of suitable training records.
7. Wherever possible, evaluation should be related to objective, measurable factors; for example; increased output or sales; reduced

scrap or wastage, fewer accidents at work; fewer errors or customer complaints. The ultimate evaluation of training is, of course, the extent to which it contributes to improved organisational performance and effectiveness; and to the quality satisfaction and prospects of employees.

Characteristics of Effective Trainers

The success of any training effort will depend in large part on the training skills and personal characteristics of those responsible for conducting the training.

1. **Knowledge of subject/job:** employees expect trainers to know their subject/job thoroughly.
2. **Adaptability:** Some individuals learn faster or slower than others. Instruction should be therefore matched to the trainee's learning ability.
3. **Sincerity:** Trainees appreciate and expect sincerity in trainers.
4. **Sense of humour:** Learning can be fun. Very often a point can be made with a story or anecdote.
5. **Interest:** good trainers have a keen interest in the subject they are handling. This interest is readily conveyed to trainees.
6. **Clear instructions:** Training is accomplished more quickly and retained longer when trainers give clear instructions.
7. **Individual assistance:** When training more than one employee, successful trainers always provide individual assistance.
8. **Enthusiasm:** A dynamic presentation and a vibrant personality show trainees that the trainer enjoys training. Employees tend to respond positively to an enthusiastic climate.

When trainees and students rate instructors, they focus on four critical dimensions:

- presentation skill;
- rapport with the learner;
- structure of the learning experience; and
- ability to evaluate in a fair and consistent manner.

Conclusion

Since an organisation is faced with ever changing conditions, its plans, policies, and procedures must change with these conditions. Unless current employees are kept up to date with these changes, they may find themselves

embarrassingly unaware of activities to which new employees are being oriented.

Training should be viewed as an investment in people. But training for its own sake achieves little. It must be real, operational and rewarding. Training requires the co-operation of line managers, adequate finance, time and other resources, skilled staff and a supporting appraisal. There has to be a genuine commitment from top management and throughout all levels of the organisation.

If organisations are to pursue a positive policy of investing in people, this demands that they demonstrate a continuous commitment to training standards. Training should be part of business strategy. Employees for their part, should receive positive recognition for good training achievements through, for example, increased job satisfaction, higher wage rates and related systems of career progression. Training can be one of the most satisfying activities for the manager. But the extent to which the full rewards are realised depends on a planned and systematic approach. Too often, however, training is seen as a low priority activity, especially in many small organisations.

Key Terms

Total Quality Management
ASK – Attitudes, Skills, Knowledge
Orientation
Anxiety
Needs analysis
Organisational analysis
Task analysis
Person analysis
Evaluation
Output training
Task training
Performance training
Strategic training

Review Questions

1. Why is employee orientation an important process? What are some benefits of a properly conducted orientation programme?
2. A new employee is likely to be anxious the first few days on the job
 - (a) What are some possible causes of this anxiety?

(b) How may the anxiety be reduced?

3. What economic, social, and political forces have made employee training ever more important than in the past?
4. What analyses should be made to determine the training needs of an organisation? List the benefits of doing a needs analysis.
5. Suppose that you are the manager of an accounts receivable unit in a large company. You are switching to a new system of billing and record keeping and need to train your three supervisors and 28 employees in the new procedures. What training method(s) would you use and why?
6. Participants of a training course are often asked to evaluate the course by means of a questionnaire. What are the pros and cons of this approach? Are there better ways of evaluating a course? Explain.

CHAPTER EIGHT

MANAGEMENT DEVELOPMENT

Learning Objectives

At the end of course a student should be able to:

- Explain the main features and requirements of the management development process.
- Examine the importance of management development.
- Recognise the importance of management development programmes.

Summary

Organisations create management development programmes to have trained personnel who are able to carry out the management functions as required by the specific organisation. Contemporary organisations must have competent managers who can cope with the growing complexity of the problems affecting their operations. A formal management development programme helps to ensure that developmental experiences both on and off-the-job are coordinated and in line with the individual's and the organisation's needs. Management succession planning, as an ingredient of management development, aims to ensure that a sufficient supply of appropriately qualified people are available to meet the future vacancies caused through retirement, death, resignation, promotion or transfer of staff, or through the establishment of new positions. Allied to management development and succession planning should be a programme of planned career progression, to provide potential managers with:

- training and experience to equip them to assume a level of responsibility compatible with their ability; and
- practical guidance, encouragement and support so that they may realise their potential, satisfy their career ambition and wish to remain in the organisation.

However, care should be taken to avoid giving staff too long or over ambitious career expectations. If these expectations cannot be fulfilled, staff may become disillusioned and frustrated.

What is Management Development?

There is no single, agreed definition of management development. A common view is that whereas training is concerned with the achievement of effective performance in the manager's present job, development is concerned with preparing the manager for expected changes in the job, or for an anticipated future job or role. However, management development is likely to include at least an element of training; thus management development programmes (MDP) are formal efforts to improve the skills and attitudes of present and prospective managers. Through MDP, managers learn more effective approaches to managing people and other resources.

The intent of MDP is not only to learn new methods and techniques but to develop an inquisitive thinking process. Too often personnel within a firm become so accustomed to performing the same task day after day that they forget how to think. A properly designed management development program places a person in a frame of mind to analyse problems and is often used to provide the foundation for a change to occur.

A more general interpretation views management development as an integral part of the process of organisational development. Management development is not only concerned with improvement in the effectiveness of individual managers, it is also concerned with improvement in management performance as a whole and with improvement in organisational effectiveness.

Management development is equally as important for the public sector as it is for the private enterprise organisations, be they large or small. We are referring to the changing role of the manager, and we are suggesting that the manager of the future will have to master three specific roles, or survival skills.

- **The role of leader:** involves the skills of focusing on the wider picture, involving employees in implementation and establishing an environment in which people can operate and have enough space for creativity
- **The role of coach.** Involves the skills of creating an environment where change can thrive, and bringing abilities to the surface by building up confidence and building upon capabilities.
- **The role of facilitator:** involves the skills of moving the organisation forward and achieving continuous improvement in performance, encouraging the growth of new ideas and bringing the best out of employees.

An Integrated Model of Management Development

The wide variety of organisational settings within the work situation makes special demands upon its managers. There is a dichotomy between the application of general management theory in influencing the behaviour and performance of managers, while at the same time accepting the need for individuals to manage according to situational demands. Particular models of managerial behaviour applied to specific types of organisations have little relevance, and if anything, provide a constraint on the need for an open and fluid interpretation of management development.

Mullins and Aldrich have constructed an integrated model of managerial behaviour and development. The model relies on basic management and behavioural theories for its structure, and situational demands for its adaptation¹

The model identifies the following main elements:

1. Past knowledge and experience

Development involves a combination of knowledge and varied experience; seen as taking place through a combination of both theoretical and practical involvement.

2. The Manager as an individual

Behavioural and social variables provide a framework for conceptualizing behaviour; for example:

- links with other individuals and groups within and outside the organisation
- personality and people perception
- values
- attitudes
- opinions
- motivation: needs and expectations
- intelligence and abilities: learning and skill acquisition and the assimilation and retention of past knowledge and experience

¹ See Mullins, I. J. and Aldrich, P. 'An Integrated Model of Management and Managerial Development' Journal of Management Development. Vol. 7 no. 3 1988 pp. 29-39

3. **The organisational system:** with its interrelated sub-systems of task, technology, structure, people and management.
4. **Managerial Activities:** this area of the model attempts to synthesize common views on the basic activities and processes of management such as: clarifying goals and objectives, planning, organizing, motivating, measuring, decision making, co-ordination and integration.
5. **Other variables** i.e., demands, constraints and choices involved in the manager's job.
6. **Behavioural roles and styles**
According to the contingency approach, the task of the manager is to identify which style, which role or technique will in a particular situation, in particular circumstances, within a particular organisation and at a particular time contribute best to the attainment of corporate, managerial, social and individual goals.
7. **Efficient and effective Management**
Efficiency is concerned with doing things right and relates to inputs and what a manager does. Effectiveness is concerned with doing the right things and relates to outputs of the job and what the manager actually achieves.
8. **Measurement:** Managerial effectiveness is a difficult concept either to define or to measure.
Managerial effectiveness cannot be measured simply in terms of achievement, productivity or relationships with other people. The manager must be adaptable in adopting the appropriate style of behaviour which will determine effectiveness in achieving the output requirements of the job. What is also important is the manner in which the manager achieves results, and the effects on the people.

Managerial effectiveness may be assessed in three ways:
(i) Formal assessment
(ii) Informal assessment
(iii) Self assessment
9. **Feedback and Development**
Feedback is largely associated with the measurement area of the model. Feedback may take place along with performance or after; for example, the perception of other people's visual reactions towards a management style in a given situation.

Management Development Process

The process of management development should be related to the nature, objectives and requirements of the organisation as a whole. A prerequisite of management development is effective Human Resource Planning, coupled with procedures for recruitment and selection. Programmes of management development should be designed in accordance with the culture and specific requirements of the particular organisation, and the demands of particular organisation, and the demands of particular managerial jobs. There should be a clear management development policy together with regular reviews of individual performance and a programme of career progression.

Such a policy should include responsibility for:-

1. The implementation, standardization and monitoring of management development activities including selection and placement, performance appraisal, potential appraisal, career planning and remuneration.
3. The availability of finance and other resources, and operational support including training, counselling and problem solving.
4. The motivation and stimulation to continue with management development activities at the operational level, and
5. The evaluation and review of policies, procedures and systems.

Requirements of a Management Development Programme

A management development programme must be seen as providing:

- an effective method of defining expected results from managers
- the continuous improvement in the performance of managers
- the recruitment and retention of suitable calibre staff
- first class training, for tomorrow's jobs as well as today's at lower cost
- a reliable means of judging the performance of managers
- a flexible succession plan for the future staffing of the organisation
- the motivation of managers and fair rewards in relation to results achieved
- improved flow of communication up, down and across the organisation
- performance review to help identify individual strengths, weaknesses, potential for promotion, and training and development needs
- a framework for agreeing objectives and standards of performance, and measuring results against objectives

- a combination of on-the-job training and off-the-job learning
- action learning, a learner-driven process, through a practical, real-life and organisation based project; hence finding solutions to actual problems

Management Development in the 21st Century

Managers in this century will have to be good at

- strategic planning
- responding to and managing change
- total quality management
- verbal communication
- coaching others vs judging employees
- delegating responsibility
- empowering subordinates
- drawing the brainpower of all subordinates

Challenges Facing Management

In view of developing successful management development programmes, there are at least six challenges facing management:

1. Organisations must recognise that investment in management development contributes directly to long-term competitiveness
2. Managers must commit themselves to lifelong learning
3. Senior managers must provide commitment and leadership
4. Providers must recognise and respond to the diverse training and development needs of their customers and users
5. Standards must be accepted and qualifications transferable; and
6. A more coherent infrastructure for management development must be created.

Conclusion

An important part of the process of improving the performance of managers is self-development. Part of being an effective manager is the responsibility to further one's own development. A significant factor affecting the success of self-development is the extent to which individual managers take advantage of development of opportunities around them. This demands that the manager must be able to identify clearly real development needs and goals, to take

responsibility for actions to reach these goals and recognise opportunities for learning.

Self development has to be self-initiated. But if this is to be a realistic aim, it requires an organisational climate that will encourage managers to develop themselves; and the active support of top management.

Key Terms

Management Development Programme
Demands
Constraints
Choices
Self development
Measurement
Succession planning
Planned career progression

Review Questions

1. Outline the main elements of an integrated model of managerial behaviour and development. Use this model to examine the nature of management development in your own organisation.
2. Detail the main features in the process of management development. What are the main factors to consider in the implementation of a successful management development programme?
3. Comment critically on the apparent effectiveness of management development programmes in your own organisation.
4. What are the challenges of being a manager in the 21st century in:
(a) developing countries
(b) developed countries

CHAPTER NINE

DESCRIBING AND EVALUATING JOBS

Learning Objectives

The chapter is intended to:

Explain the meaning of and the difference between job descriptions and job evaluation

- Identify the different parts of job descriptions
- Examine problems associated with job descriptions and job evaluation
- Appreciate the value and advantages of job descriptions and job evaluation
- Acknowledge the purpose of having written job descriptions and job evaluation
- Identify various methods of job evaluation

Summary

A job consists of a group of related activities and duties. Job duties should consist of natural work units and these should be clear and distinct from those of other jobs. Several persons may perform a given job. A position consists of the different duties and responsibilities performed by only one employee.

Jobs are specifically designed to facilitate the achievement of organisational objectives, by having jobs that interrelate to produce goods or services. Since organisations are dynamic, HR managers need to continually monitor the content of relationships between jobs.

Unproductive jobs could be one leading cause of lagging productivity in organisations. Organisations are trying to correct this problem through job redesign efforts, employee work teams and work hour changes.

Job Descriptions

A job description is a written description of a job and the types of duties it includes. Since there is no standard format for job descriptions, they tend to vary in appearance and content from one organisation to another. However, most job descriptions will contain at least three parts: The job title, a job identification section, and essential functions section. If the job specifications are not prepared as a separate document, they are usually stated in the concluding section of the job description.

1. Job Title

The job title should accurately reflect the duties of the job and in addition provide psychological importance and status of the employee. For example "sanitation expert" is a more appealing title than "garbage collector"

Certain kinds of job titles should be avoided altogether. For example, a series of identical titles with qualifiers, such as "inventory clerk I" and "inventory clerk II", makes it difficult to distinguish one job from another. Job titles qualified by the term "man" or "woman" or "master", should be in the trend of being discarded to avoid the implication that the jobs can be performed only by members of one gender. Thus, a postmaster to be a post superintendent, steward/stewardess, a flight attendant. What about the Parliamentary Draftsman? Also Watchman?

2. The Job Identification section

This section simply provides information to identify the job. Information to include might be items such as departmental location of the job, number of employees in the job, the person to whom the jobholder reports, and payroll number, also the date the job description was last revised.

3. Essential Functions Section

This is the heart of any job description. The statements covering job duties are typically arranged in order of importance. These statements should indicate the weight, or value of each duty. e.g. 'complex', 'routine', 'simple'; or by indicating the percentage of time devoted to its completion. The statements should stress the responsibilities all the duties entail and the results they are to accomplish. It is generally recommended that the tools and equipment used by the employee in performing the job be indicated.

Job Specifications

The personal qualifications an individual must possess in order to perform the duties and responsibilities contained in a job description are compiled in the job specification. Typically, the job specification covers two areas:

1. the skill required to perform the job and

2. the physical demands the job places upon the employee performing it.

Skills relevant to a job include education, experience, specialized training, personal traits or abilities and manual dexterities. The physical demands of a job refer to how much walking, standing, reaching, lifting or talking must be done on the job. The condition of the physical work environment and the hazards employees may encounter are also among the physical demands of a job.

Problems with Job Descriptions

HR managers consider job descriptions a valuable tool for performing HRM functions. Nevertheless, several problems are frequently associated with these documents, including the following:

1. They are often poorly written, providing little guidance to the jobholder
2. They are not updated as job duties or specifications change
3. They may contain specifications not related to job success
4. They can limit the scope of activities of the jobholder

The significance of Written Job Descriptions

From the employees' standpoint, job descriptions can be used to help them learn their job duties and to remind them of the results they are expected to achieve. From the employer's standpoint, written job descriptions can serve as a basis for minimizing misunderstandings that occur between supervisors and their subordinates concerning job requirements. Written job descriptions also serve as useful tools for performance management, monitoring and appraisal.

Conclusion

The format of job descriptions varies widely, often reflecting the needs of the organisation and the expertise of the writer. Job descriptions should be written in clear and specific terms with considerations given to their legal implications.

JOB EVALUATION

Introduction

Job evaluation is the name given to a set of methods designed to compare jobs systematically with a view to assessing their relative worth. Job evaluation produces a rank order of jobs based on rational and reasonably objective assessment of number of key factors taken from a representative cross-section of all jobs in a particular job hierarchy. Job evaluation is designed to produce an equitable, consistent, understandable, valid and administratively feasible

system for ranking jobs. Such rankings are made for pay differentiations and for other purposes in an organization.

It begins with job analysis, which involves the determination, using various sources of information, of the tasks comprising a job and the skills, knowledge, and responsibilities required of an employee for successful performance.

Definitions:

Several authors have defined job evaluation using different words. However analysing their definitions, one realizes that they all centre on the same basic issues. We have noted the following definitions any of which we believe can be used to mean the working definition of job evaluation.

- (i) Job evaluation is a technique for determining the size of one job compared with another and the relationship between the two.
 - Job evaluation schemes can broadly be divided into analytical and non-analytical; the technique forms the basis for wage and salary administration (Cole: 1996).
- (ii) Is an attempt to assess and evaluate a specific job or category of jobs, not the person holding the job (Terry and Crino: 1990). Job evaluation places a value on the job. This value is expressed directly in monetary value or indirectly through a ranking, classification, factor comparison or point scheme. It is directly associated with the concept of Internal Equity which provides the base information for the organisation pay structure decisions.
- (iii) Is a system of comparing different jobs to provide a basis for grading and payment structure. It is a method of establishing the relating positions of jobs in a job hierarchy. (Armstrong: 1993)
- (iv) Job evaluation determines the tasks involved in a job and the skills, knowledge and responsibilities required of the job's occupant. So job evaluation has the potential to provide valuable information regarding a wide range of personnel functions. If organisations are to cope effectively with change, they need a constant flow of information on the content and requirements of the job within them (Moore: 1985)

Purpose of Job Evaluation

The purpose of job evaluation is to produce a defensible ranking of jobs which can be used as the basis for a rational pay structure. Following job evaluation, pay can be based on a rational estimate of the contribution made by individual jobs to the organisation in terms of skills, responsibility, length of training and

other factors. There are several key points which need to be noted about job evaluation.

These are as follows:-

- Job evaluation deals in relative positions not in absolutes.
- Job evaluation assesses jobs, not the individuals in them; i.e. it is not a performance appraisal exercise.
- The evaluation process is usually carried out by groups (job evaluation committees) rather than by individuals.
- Job evaluation committees utilize concepts such as logic, fairness and consistency in their assessment of jobs.
- There will always be some element of subjective judgement in job evaluation.
- Job evaluation by itself cannot determine pay scales or pay levels, it can only provide the basic data on which decision about pay can be taken.

JOB EVALUATION METHODS/APPROACHES

Mostly, job evaluation methods can be divided into two main categories:-

- Non-analytical methods and
- Analytical methods

Job Ranking

Sometimes referred to as position ranking, is a method of comparing jobs on a "whole job" basis for the purpose of ranking such jobs in a hierarchy from highest to lowest. Usually the basis for ranking is unspecified but frequently includes consideration of organisational level of the position, perceived importance of the position to the organisation's mission, personal status of the incumbent, etc: (Moore: 1985).

In other words job ranking involves comparing jobs and arranging them in order of importance, difficulty and/or value to the organisation. The question to be asked is; what is the importance of the job to end results?. Ranking operates by identifying key jobs in the organisation, for example the most important and the least jobs and then ranking all jobs within that framework: (Kempton: 1995). The advantage of this approach lies in its simplicity and inexpensiveness. It is disadvantageous however, in that it is subjective and that if several persons are involved in the evaluation process, disagreements may arise. It fails to determine differences among the values of each job, e.g. a job ranked third is obviously more valuable than one ranked fourth, but

there is little indication as to how much of the pay difference should exist between the two jobs! It is also a difficult technique to use where there is a large number of complex jobs to be evaluated.

Job Grading or Job classification

A method of comparing jobs on a "whole job" basis and grouping together into classes those jobs deemed sufficiently alike with respect to their duties and responsibilities and qualifications as to justify and same descriptive title, rates of pay and qualification requirements.

The resultant classes are set forth in written class specifications which define and distinguish the various classes of positions (Moore: 1985). From the definition above, we can simply say, this system is based on initial definition of a grading structure, i.e. the number and characteristics of the grades are decided and jobs are placed in the grades accordingly. The typical discernible differences used to differentiate the groups would be factors such as skill, responsibility, complexity, knowledge or education and training required (Cole: 1996).

The advantages of job classification method include the fact that it provides a practical means of evaluating a large number of jobs some of which vary considerably in terms of tasks, working conditions etc. (Terry & Crino: 1990). The method is also simple to use. It however relies more heavily on the credibility of the initial salary grades and does not permit sufficient distinctions to be made between jobs especially in a relatively complex organisation with a wide variety of specialist roles.

These non-analytical methods are simple but crude. In complex organisations it is essential to use analytical methods as these are the only way of discriminating fairly between jobs which are not at all similar. For example, they could be used to distinguish the relative importance of a systems analyst compared with, say, a management accountant or of a chief architect compared with a head brewer (Cole: 1996).

Analytical Methods

Analytical methods break jobs down into their component tasks, responsibilities and other factors and assess the jobs factor by factor, sometimes allocating points for each factor and sometimes allocating monetary sums to them. The most commonly used analytical methods is Points Rating where points are allocated to job factors. The method

where monetary sums are allocated to the factors is known as factor comparison and is not widely used nowadays.

Points Rating

This is a method of evaluating (quantitatively) jobs or groupings of jobs on a systematic basis using a predetermined number of factors which are divided into a number of defined levels or degrees, each of which is assigned a value expressed in points. The sum of all points awarded to the job determines its relative value among the others being evaluated, (Moore: 1985).

Points rating job evaluation technique is the most widely used. It requires an analysis of factors common to all jobs. The amount of factors present indicates level in the hierarchy. The factors that are commonly used are skill, responsibility, complexity, decisions and contact with others as well as resources controlled. (Armstrong: 1993).

The best known points rating system is that of Hay Management Consultants. The scheme was developed in the 1940's by Ned Hay who identified nine factors common to all jobs as shown below.

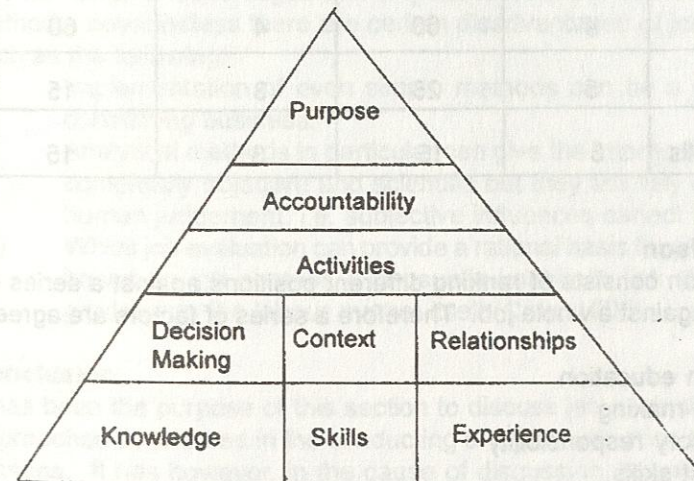


Figure 9.1. Hay's Nine-Factor Points Rating System.

Hay proposed that levels 2 and 5 are the key indicators for senior jobs in the organisation and levels 3, 4 and 5 will be the key levels for the remaining jobs.

Jobs are evaluated against three key characteristics:

- Know-how
- Problem – Solving
- Accountability

The position of the job against these criteria indicates a certain number of points. Basically the greater the number of points accrued the more important the job, e.g. an evaluation of two jobs using a four factor scheme could produce the results shown below.

Table 9.1 Measuring Jobs Against Key Characteristics

FACTOR	JOB "A"		JOB "B"	
	Level	Points	Level	Points
Resource	4	20	5	25
Decision	4	60	4	60
Complexity	5	25	3	15
Knowledge/skills	3	15	3	15

Factor Comparison

Factor comparison consists of ranking different positions against a series of factors and not against a whole job. Therefore a series of factors are agreed upon such as:-

- Minimum education
- Decision making
- Supervisory responsibility
- Specialist skills
- Training

Jobs are placed in rank order against the criteria so that a cumulative score is achieved for each job. Factor comparison systems are useful for clerical and

administrative positions but are perhaps not sophisticated enough to cope with specialist or senior management position, where measuring degrees of problem solving is required.

ADVANTAGES AND DISADVANTAGES OF JOB EVALUATION

Advantages of Job Evaluation

Taking a broad view of job evaluation, as a technique for facilitating management decision making in an important area of personnel relations namely pay, the advantages are:

- (i) It provides a rational and defensible basis on which to decide pay in general and differentials in particular, because it focuses on job content.
- (ii) It provides a rational basis for devising or improving, grading structures.
- (iii) It reduces the effects of ad hoc or traditional arrangements for pay or grading.
- (iv) It encourages management and employees alike to think of jobs in terms of key components.

Disadvantages of Job Evaluation

The full range of advantages can only come from the use of analytical methods, nevertheless there are certain disadvantages of job evaluation such as the following:

- (i) Implementation of even simple methods can be a costly and time consuming business.
- (ii) Analytical methods in particular can give the impression that they are completely objective and scientific but they still rely considerably on human judgement, i.e. subjective influences cannot be ruled out.
- (iii) Whilst job evaluation can provide a rational basis for grade differentials based on job content, it is usually unable to link the resulting pay grades into the labour market itself (Cole: 1996).

Conclusion

It has been the purpose of this section to discuss job evaluation, factors and approaches considered in the conducting of a job evaluation exercise and the reasons. It has however, in the course of discussion, been realized that job analysis and job evaluation demand considerable technical skill and expertise and that the two should not be viewed as isolated subfields governed by technicians. If job evaluation systems are to serve larger managerial needs, they must complement the organisation's environment, structure, technology

and employee characteristics. Furthermore, line managers must be involved in determining the goals and purposes of job evaluation systems. No approach is best for all situations, and selection of the appropriate system demands the attention of top managers. Only in this way can job evaluation be beneficial to the organisation.

Key Terms

Job Description
Job Evaluation
Job Specification
Job Ranking
Job Carding
Job Classification
Points Rating
Factor comparison

Review Questions

1. Performance appraisal and similar decisions must be based on job related criteria. What are the implications for job analysis?
2. To what extent can the absence of formal job description contribute to employee dissatisfaction?
3. Prepare a description for a job at which you are currently working, or have worked. Develop specification listing the minimum qualifications required for the job. How do the qualifications required for the job compare with your own qualifications? Are/were you underemployed or overemployed?
4. Explain why it is desirable for organisations to conduct job evaluation

CHAPTER TEN

ADMINISTRATION OF WAGES AND SALARIES

Learning Objectives

At the end of the course students should be able to:

- Explain employer's concerns in developing the compensation programme
- Identify the various factors that influence the setting of wages
- Describe goals of a compensation policy
- Explain the bases for salary control systems
- Identify salary control techniques

Summary

The objectives of wage and salary administration plus other compensation dimensions should facilitate the effective utilization and management of an organisation's human resources, while also contributing to the overall objectives of the organisation. A compensation programme, therefore, must be tailored to the ability and needs of the organisation and the needs of its employees. For example, in the recruitment of new employees, the rate of pay for jobs can increase or limit the supply of applicants. If the rates of pay are high, creating a large applicant pool, then organisations may choose to raise their selection standards and hire better qualified employees. This in turn can reduce employer's training costs. When employees perform at exceptional levels, their performance appraisals may justify an increased pay rate. For these reasons and other, an organisation should develop a formal HR programme to manage employee's compensation. This programme should establish its intended objectives, the policies for determining compensation payments, and the methods by which the payments will be disbursed. The programme should also include communicating to employees information concerning wages and benefits.

Common Goals of Compensation Policy

1. To reward employees' past performance
2. To remain competitive in the labour market
3. To maintain salary equity among employees
4. To motivate employee's future performance

5. To maintain the budget
6. To attract new employees
7. To reduce unnecessary turnover

To achieve these goals, policies must be established to guide management in its decision making. Formal statements of compensation policies typically include the following:

1. The rate of pay within the organisation and whether it is to be above, below or at the prevailing community rate.
2. The ability of the pay programme to gain employee's acceptance while motivating employees to perform to the best of their abilities.
3. The pay level at which employees may be recruited and the pay differential between new and more senior employees.
4. The intervals at which pay raises are to be granted and the extent to which merit and/or seniority will influence the rates.
5. The pay levels needed to facilitate the achievement of a sound financial position in relation to the products or services offered.

To raise productivity and lower labour costs in today's competitive economic environment, organisations are increasingly setting compensation objectives based on pay-for-performance standard. It is agreed that managers must tie at least some reward to employee effort and performance. Without this standard, motivation to perform with greater effort will be low, resulting in higher wage costs to the organisation.

Unfortunately, designing a sound pay-for-performance system is not easy. Considerations must be given to how employee performance will be measured, the monies to be allocated for compensation increases, which employees to cover, the payout method and the periods when payments will be made. A critical issue concerns the size of the monetary increase and its perceived value to employees.

The Motivating Value of Compensation

Pay constitutes a quantitative measure of an employee's relative worth. For most employees, pay has a direct bearing not only on their standard of living but also on the status and recognition they may be able to achieve both on and off-the job. Since pay represents a reward received in exchange for an employee's contributions, it is essential, according to the equity theory, that the pay be equitable in terms of those contributions. It is essential also that

an employee's pay be equitable in terms of what other employees are receiving for their contributions.

Pay Equity: This is an employee's perception that compensation received is equal to the value of the work performed. Not only must pay be equitable, it must also be perceived as such by employees. Employees' perceptions of pay equity, or inequity can have dramatic effects on their motivation for both work behaviour and productivity. Managers must therefore develop pay practices that are both internally and externally equitable. Employees must believe that wage rates for jobs within the organisation approximate the job's worth to the organisation. Also, the employer's wage rates must correspond closely to the prevailing market rates for the employee's occupation.

Pay Expectancy

The expectancy theory of motivation predicts that one's level of motivation depends on the attractiveness of the reward sought. Employees also must believe that good performance is valued by their employer and will result in their receiving the expected reward. The perceptions and expectations employees develop concerning their pay are influenced by the accuracy of their knowledge and understanding of the compensation programme.

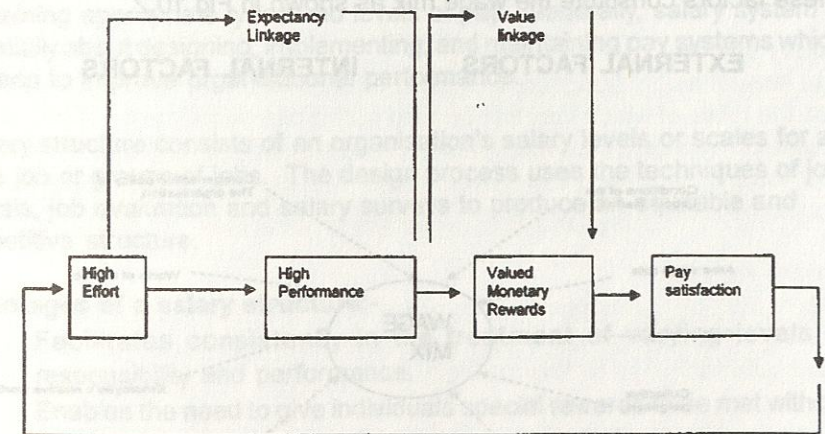


Fig. 10.1. Pay-for-Performance and Expectancy Theory

Source: Belcourt, M. et al (1996). *Managing Human Resources*. Nelson Canada ITP p. 383.

Pay Secrecy

Employee misperceptions concerning the equity of their pay and its relationship to performance can be created by secrecy about the pay that others receive. There is reason to believe that secrecy can generate distrust in the compensation system, reduce employee motivation, and inhibit organisational effectiveness. Yet pay secrecy seems to be an accepted practice in many organisations, both in the public and private sector.

Managers may justify secrecy on the grounds that most employees prefer to have their own pay kept secret. Probably one of the reasons for pay secrecy that managers may be unwilling to admit is that it gives them greater freedom in compensation management, since pay decisions are not disclosed and there is no need to justify or defend them.

However, secrecy surrounding compensation decisions may lead employees to believe that there is no direct relationship between pay and performance.

Components of the Wage Mix

A combination of external and internal factors can influence directly or indirectly, the rates at which employees are paid. Through their interaction these factors constitute the wage mix as shown in Fig 10.2.

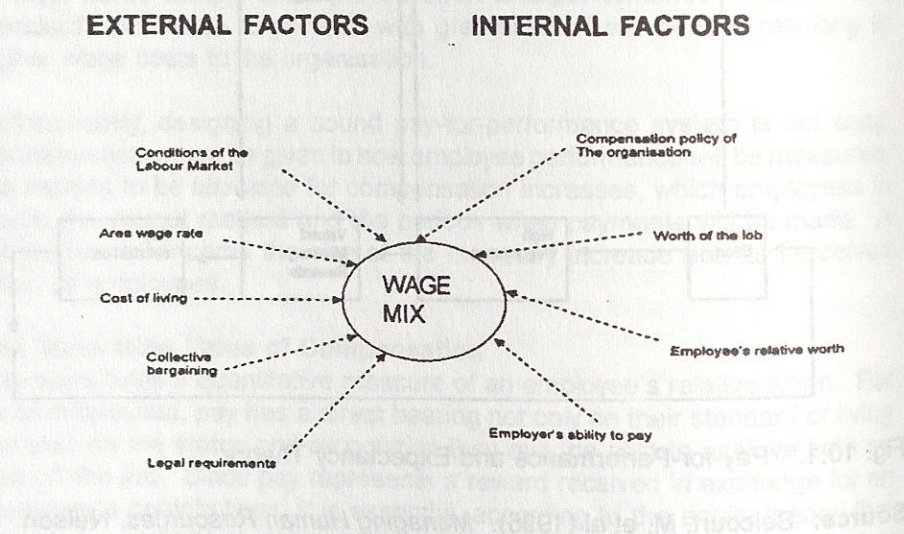


Fig. 10.2. Factors Affecting the Wage Mix

Two-Tier Wage System

A compensation plan that pays newly hired employees less than present employees performing the same or similar jobs.

Salary and Salary Systems

According to Oxford Dictionary, "Salary is a fixed wage paid monthly or quarterly, especially for white collar work". Salary therefore is paid in exchange of labour used to produce either goods or services. Saleemi N.A. defined wage or pay as "the remuneration paid to the labourer engaged in production". The term wage refers to the hourly rate to blue collar worker (production and maintenance employees) while salary refer to the weekly or monthly remuneration paid to the white collar worker, clerical, administrative and professional employees.

A salary control system ensures that the salary policies of the organisation are implemented and that costs are kept within budget. A salary system contains arrangements in the form of processes, practices, structures, subsystems and procedures which will be concerned with providing and maintaining appropriate types and levels of pay. Generally, salary system is essentially about designing, implementing, and maintaining pay systems which will keep to improve organisational performance.

A salary structure consists of an organisation's salary levels or scales for a single job or groups of jobs. The design process uses the techniques of job analysis, job evaluation and salary surveys to produce an equitable and competitive structure.

Advantages of a salary structure:-

- Facilitates consistency in the treatment of varying levels of responsibility and performance.
- Enables the need to give individuals special rewards to be met without undue costs or distortion of a structure as a whole
- Determines appropriateness to the needs of the organisation in terms of its size, the degree to which it is subject to change. The need for mobility of staff and the type and level of staff to be covered.

Salary Control Systems

These provide the basis for administering reward management. Salary control system is based on:-

- A clearly defined and understood salary structure.
- Defined methods of salary progression
- Budget of salary costs
- Method of monitoring salary costs and the implementation of salary policies
- Clearly defined salary review guidelines
- Well defined procedures for grading jobs and fixing salaries and clear statements of the degree of authority managers have at each level to decide salaries and increments

Salary Control Techniques

There are four techniques for monitoring salary costs and checking on the stability and effectiveness of the salary system namely:

- Salary budget
- Attrition measurement
- Compa-ratio
- Salary Audit

Salary Budget

The annual salary budget is a product of the number of staff to be employed and the rates at which they will be paid during the budget year. It is therefore based on human resources plans, present salary levels and forecasts of additional costs arising from general or individual salary reviews. Actual costs should be monitored against budget using a return.

Salary Attrition

Salary attrition takes place when entrants join on lower salaries than those leaving so that salary costs over a period are likely to go down. In theory at least, attrition helps to finance merit increases.

Compa-ratio (Comparative ratio)

Provides a measurement of how far average salaries in a range differ from a target salary. A target salary is a salary which should be carried by a fully competent individual in a job.

Formula:
$$\frac{\text{Average of all salaries in grade} \times 100}{\text{Mid-Point of range}}$$

if the distribution of salaries is on target i.e the average salary is equal to the mid-point the compa ratio will be 100. If the ratio is above 100, this suggests either that staff are overpaid or there is a large number of long serving employees paid at the top of the range. If the ratio is below 100, the causes would probably be that salaries are too low or that a large number of entrants on lower salaries have affected the relationships.

The identification of the reasons for a high or low-compa-ratio can suggest policy adjustments to correct the imbalance, although there can be many solutions where a ratio of over or under 100 is perfectly justified.

Salary Audit

Salary system needs to be audited to check the following:-

- Salary levels are keeping pace with changes in the market rates.
- Salary progression policies are being maintained properly
- Appropriate differentials are being maintained internally as well as unjustifiable up-grading i.e. where one obtains high salary not related to an increase in responsibility.

Advantages of Salary Control Systems

Salary control systems are needed in order to

- Avoid excessive salary costs
- Avoid staff being overpaid or underpaid for what they do
- Avoid difficulties in recruiting or retaining
- Avoid lack of motivation if the salary is inequitable

Disadvantages:

If not well planned they will cause uproars from the employees and that will be source of inefficiency which inturn hinders the achievement of the anticipated organisational goals.

Payment by Results System

This means payment of uniform price per unit production and it is most appropriate where production is repetitive in character and can easily be divided into similar units. In case of time being used, workers are paid at their basic piece work rate for the time allowed but if they complete the job in less time they gain advantages of time saved. For example one who completes a job timed at 60 hours in 40 hours would receive a bonus of 50% of her or his piecework rate i.e.

$(60-40) \times 1000$

40

Measured day work

In measured day work, the pay of the employee is fixed on the understanding that she or he will maintain a specific level of performance. The arrangement relies on work measurement to define the required level of performance and to monitor the actual level.

Advantages

Employees are paid according to what they have produced.

Disadvantages

It is very difficult to measure what the employee should produce or have produced by using her or his labour power (particularly in service industries) Measurement is not perfect and therefore the employee might not be paid what she/he deserves.

Group incentive schemes

Group or area incentive schemes that are provided for payment of a bonus either equally or proportionately to individuals within a group or area. The bonus is related to the output achieved over an agreed standard or to the time saved on a job i.e. the difference between allowed time and actual time.

Advantages

Employees work hard to achieve the targeted goal.

Disadvantages

- Does not allow for new innovations
- No curiosity for new ideas and improvements

Factory wide incentive schemes (Gain sharing schemes)

Provide a bonus for all factory workers, which is related to an overall measure of performance. They are sometimes referred to as share of production plans.

Advantages

People who work primarily for money will work harder if they are paid more, thus more production.

Disadvantages

- Employees might produce more regardless of the quality required.
- No innovation, what matters is the quantity produced hurriedly.

Design Performance-Related Pay Systems

Performance Related Pay (PRP) links reward or salary progression to some form of performance rating. There are three types:

- Variable salary progression
- Variable increments
- Achievement bonuses

Variable Salary progression

Movement through a salary range is governed by performance ratings

A	=	Exceptional,
B	=	Above average,
C	=	Average
D	=	Below average

Advantages

- Provides room for creativity among individuals
- Encourages employees below average to work hard so as to improve their performance
- Encourages employees to further develop their skills

Variable Increments

Pay is varied according to performance by giving extra increments for good performance or by with-holding increments for poor performance.

Criteria for effective performance related pay is more likely to work as a motivator if the following are met:

- The reward is linked to effort of the individual or team
- If employees are in a position to influence their performance by changing their behaviour
- If fair and consistent means are available for measuring performance
- If employees can track their performance against targets and standards

- If there is an easily understood formula
- If provisions are made in the scheme for amending the formula in specified circumstances etc.

Advantages

- Motivates employees to achieve higher level of performance
- Provides a tangible means of recognising achievement
- Is a means of ensuring that every one understands the performance imperatives of the organisation.

Disadvantages

- If not well administered it can demotivate the employees, if say there are elements of favouritism. In such a situation it will distort the whole meaning.

Decide on total recruitment package

This should incorporate various forms of employees (pensions, sick pay etc as well as basic pay, incentive pay, profit sharing etc.)

Advantages

- Will provide a sound basis for recruiting
- Motivates the employees to work hard
- Helps to retain the quality of people required in the organisation

Disadvantages

- Those with high salaries normally have higher allowances than those receiving low salaries; in this case the gap between the two becomes too wide.
- This could frustrate the low salary receivers, thus demotivate them.
- In the long run, the allowances cease to be incentives and become part and parcel of the employees salary and thus make the employee feel that the incentive should be increased.
- If the total package doesn't reflect the reality (below the cost of living) it might cause employees dissatisfaction especially when related to inflation problems.

Conclusion

Given the nature of salary and wage structure and systems (administration) in organisations, it can be said that without having salary system in an organisation, it will be very difficult for an organisation to achieve its goals because the organisation will or might end up in chaos, employees being in a state of confusion without knowing when to be paid, how and what to be paid and modalities for payment.

Salary system is a source of motivation to employees. Since it is a motivation, it has to be systematically and competently arranged in consideration of several factors as explained above.

Indeed, it is an up-hill task to the manager because if not scientifically done, it will cause uproars, complaints, boycotts, demonstrations and sabotage.

Key Terms

Compensation programme

Pay equity

Pay expectancy

Pay secrecy

Pay-for-performance

Wage mix

Salary system

Salary budget

Salary attrition

Salary audit

Review Questions

1. Discuss the advantages and disadvantages of pay secrecy. What's your personal stand on this issue?
2. If you were assigned to conduct a wage and salary survey, what factors would you consider and why?
3. One of the objections to granting wage increases on a percentage basis is that the lowest-paid employees, who are having the most trouble making ends meet, get the smallest increase while the highest-paid employees get the largest increase. Is this objection a valid one?
4. What are some of the problems that emerge when an organisation attempts to develop a pay system based on equal pay for work of comparable value?

CHAPTER ELEVEN

COLLECTIVE BARGAINING AND ARBITRATION

Learning Objectives

This chapter aims to:

- Discuss the collective bargaining process
- Identify the means through which deadlocks may be handled and resolved
- Describe the forms of bargaining power that a union and an employer may utilize to enforce their bargaining demands
- Outline types of union-management relations
- Describe types of bargaining issues.

Summary

The major function of a labour organisation is to bargain collectively over conditions of employment for those in the bargaining unit.

Collective bargaining requires that negotiators possess special skills and knowledge if they are to represent their parties successfully.

The type of union-management relationship that exists can complicate the process of collective bargaining. However, when a union becomes the bargaining representative, management must change its style of decision making to include union representatives. Employees can take collective action that is not always to the liking of management. This can lead to an adversarial relationship with varying degrees of conflict. Sloane and Witney list six types of union-management relations¹

1. **Conflict:** Each challenges the other's actions and motivation; cooperation is non-existent; uncompromising attitude and union militancy are present.
2. **Armed Truce:** Each views the other interpretation of bargaining obligations and contract interpretations.

¹ Sloane, A.A. and Witney F. (1981) Labour Relations. Fourth Edition. Englewood Cliffs N.J.: Prentice Hall pp. 28 - 35

3. **Power bargaining:** Management accepts the union; each side tries to gain advantage from the other.
4. **Accommodation:** Each tolerates 'live and let live' atmosphere, and attempts to reduce conflict without eliminating it.
5. **Cooperation:** Each side accepts the other and works together to resolve personnel and production problems as they occur.
6. **Collusion:** Both "cooperate" to the point of adversely affecting the legitimate interests of employees, other businesses in industry, and the consuming public, conniving to control markets, supplies, and prices illegally and/or unethically.

The Collective Bargaining Process

Depending on the type of union-management relationship, the collective bargaining process may be relatively simple or it may be a long, tense struggle for both parties. A general framework for understanding the process is shown in Figure 11.1.

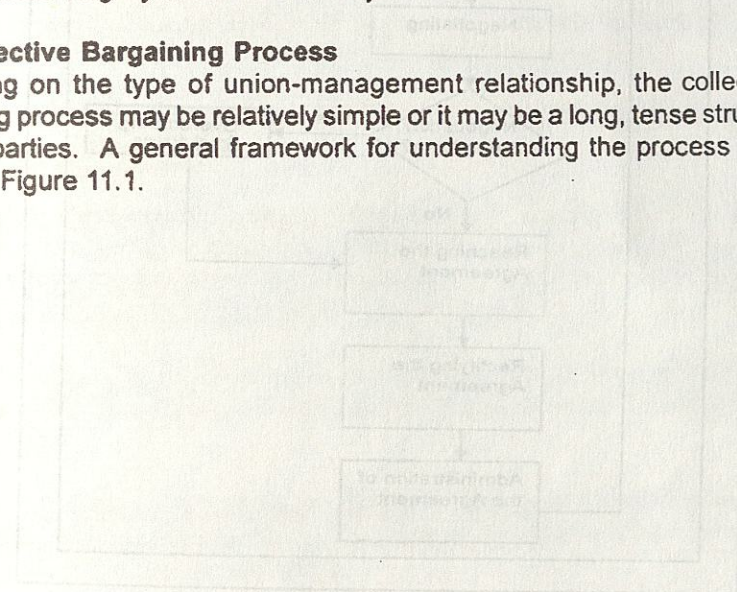


Fig. 11.1. The collective bargaining process. Source: Murray F.V. and Co. (1987). Personnel: The Management of Human Resources. Third Edition. Allyn and Unwin, London, p. 288.

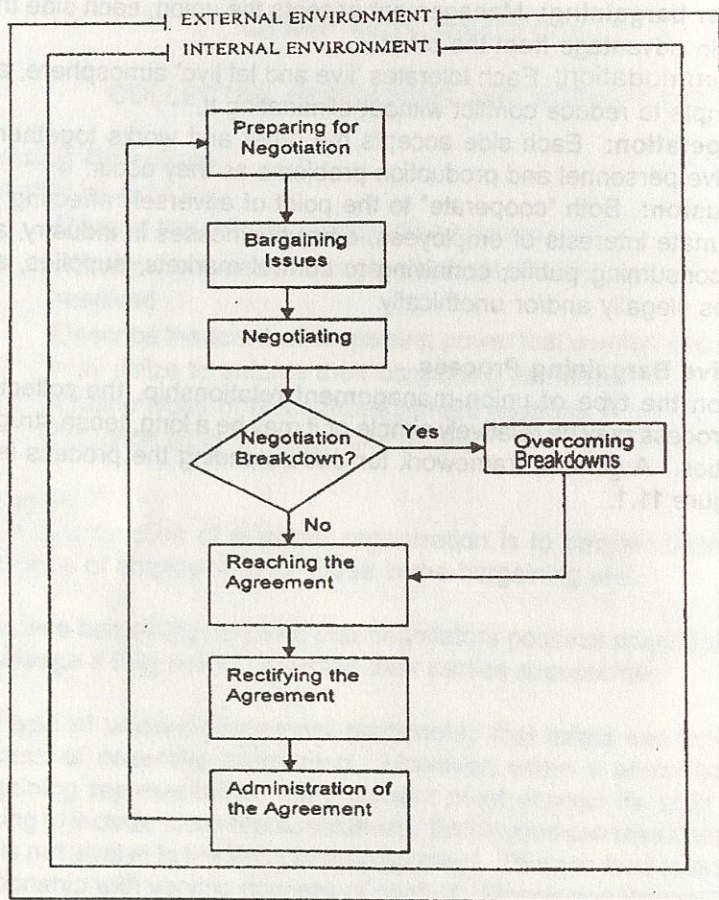


Fig. 11.1. The collective bargaining process.

Source: Mondy, R.W. and Noel, R.M III (1987). *Personnel: The Management of Human Resources*. Third Edition. Allyn and Bacon Inc. p. 569

Bargaining Issues

These can be divided into three categories:

1. **Mandatory bargaining Issues:** are those issues that fall within the definition of wages, hours, and other terms and conditions of employment. These issues generally have an immediate and direct effect on workers' jobs. A refusal to bargain on these could lead to an unfair labour practice charge.
2. **Permissive bargaining Issues:** are those issues that may be raised, but neither side may insist that they be bargained over.
3. **Prohibited (illegal) bargaining Issues:** are those issues that are statutorily outlawed.

The document that results from the collective bargaining process is called an *agreement or contract*. It regulates the relationship between the employer and the employees involved for a specified period of time. Each agreement is unique and there is no standard or universal model.

Surface Bargaining: Occurs when either party goes through the motions of bargaining with no intention of making meaningful concessions (Belcourt et al 1996: 578)

Pattern Bargaining: Bargaining in which unions negotiate provisions covering wages and other benefits that are similar to those provided in other agreements existing within the industry or region.

Bargaining Strategies: At a minimum, the employer's bargaining strategy must address these points:

- Likely union proposals and management responses to them
- A listing of management demands, limits of concessions, and anticipated union responses
- Development of a database to support management bargaining proposals and to counteract union demands
- A contingency operating plan should employees strike

Generally, the initial demands presented by each side are greater than those it actually may hope to achieve. Moreover, each party will usually avoid giving up the maximum it is capable of conceding in order to allow for further concessions that may be needed to break a bargaining deadlock.

Bargaining Zone: Area within which the union and the employer are willing to concede when bargaining. If the solution desired by one party exceeds the limits of the other party, then, that solution is outside the bargaining zone. If that party refuses to modify its demands sufficiently to bring them within the bargaining zone, or if the opposing party refuses to extend its limit to accommodate the demands of the other party, a bargaining deadlock will result.

For example, when bargaining a wage increase for employees, if the union's lowest limit is a 4 per cent increase and management's top limit is 6 percent, an acceptable range e.g. the bargaining zone is available to both parties. If management's top limit is only 3 percent, however, a bargaining zone is not available to either side and a deadlock is likely to occur.

It is important to note however, that as bargaining takes place, several important variables influence the negotiators and their ability to reach agreement within the bargaining zone. (See Fig 11.2)

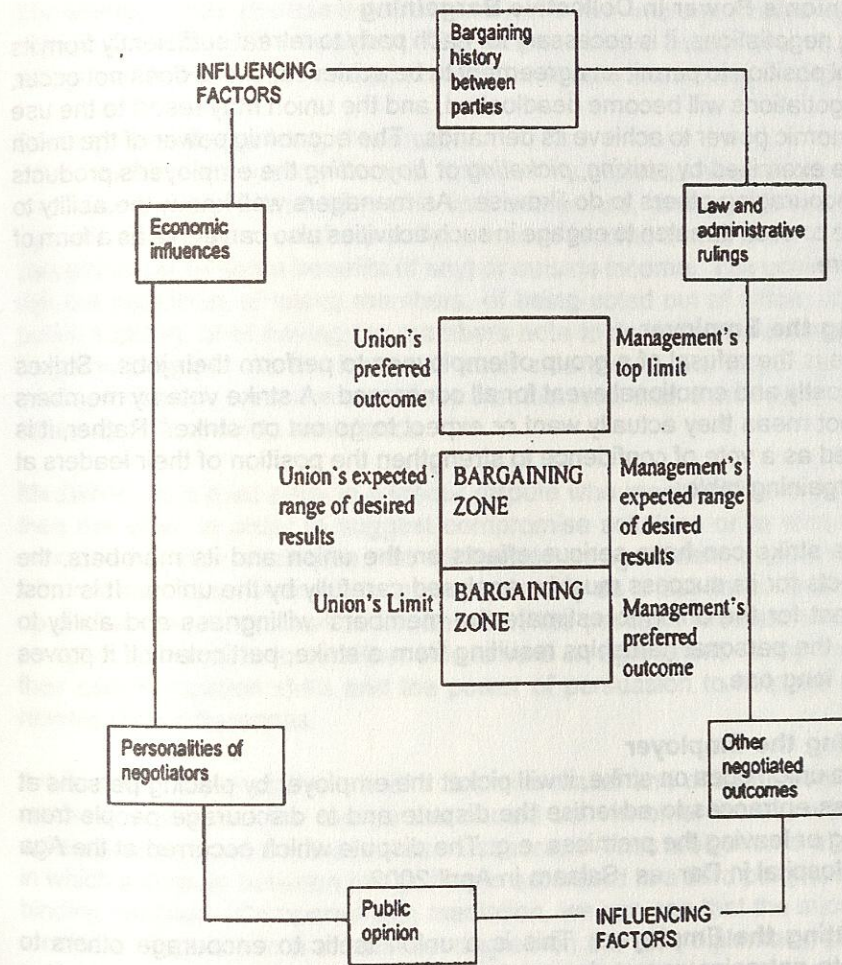


Fig. 11.2. The Bargaining Zone and Negotiation Influences

Source: Belcourt, M. et al (1996) *Managing Human Resources*. Nelson Canada ITP p. 583.

The Union's Power in Collective Bargaining

During negotiations, it is necessary for each party to retreat sufficiently from its original position to permit an agreement to be achieved. If this does not occur, the negotiations will become deadlocked, and the union may resort to the use of economic power to achieve its demands. The economic power of the union may be exercised by *striking*, *picketing* or *boycotting* the employer's products and encouraging others to do likewise. As managers well know, the ability to engage or even threaten to engage in such activities also can serve as a form of pressure.

Striking the Employer

A strike is the refusal of a group of employees to perform their jobs. Strikes are a costly and emotional event for all concerned. A strike vote by members does not mean they actually want or expect to go out on strike. Rather, it is intended as a vote of confidence to strengthen the position of their leaders at the bargaining table.

Since a strike can have serious effects on the union and its members, the prospects for its success must be analysed carefully by the union. It is most important for the union to estimate the members' willingness and ability to endure the personal hardships resulting from a strike, particularly if it proves to be a long one.

Picketing the Employer

When a union goes on strike, it will picket the employer by placing persons at business entrances to advertise the dispute and to discourage people from entering or leaving the premises. e.g. The dispute which occurred at the Aga Khan Hospital in Dar es Salaam in April 2002.

Boycotting the Employer: This is a union tactic to encourage others to refuse to patronize an employer. A primary boycott occurs where a union asks its members or customers not to patronize a business where there is a labour dispute. A union may go a step further, however, and attempt to induce third parties, e.g. suppliers of the struck employer, to refrain from business dealings with the employer with whom it has a dispute. A boycott of this type is called a secondary boycott.

The Employer's Power in Collective Bargaining

Although laws vary, in many cases employees must submit in writing, their intention to return to their job once a strike is finalised.

The employer may also use the strategy of lockout i.e. management temporarily ceases operation of the business. The employees are unable to work and do not get paid. The employer may also opt to replace the striking employees.

Dealing with Bargaining Deadlocks

When a strike or a lockout occurs, both parties are soon affected by it. The employer suffers a loss of profits and customers, and possibly of public goodwill. The union members suffer a loss of income that is likely to be only partially offset by strike benefits (if any) or outside income. The union leaders risk the possibility of losing members, of being voted out of office, of losing public support, or of having the members vote to decertify the union as their bargaining agent. As the losses to each side mount, the disputing parties usually feel more pressure to achieve a settlement; thus a third party may be called upon to provide assistance.

Mediator: Is a third party in a labour dispute who meets with one party and then the other in order to suggest compromise solutions or to recommend concessions from each side that will lead to an agreement without causing either to lose face. A mediator serves primarily as a fact-finder and to open up a channel of communication between the parties. Mediators have no power or authority to force either side toward an agreement. They must use their communication skills and the power of persuasion to help the parties resolve their differences.

Arbitrator: Assumes the role of a decision-maker and determines what the settlement between the two parties should be. In other words, arbitrators write a final contract that the parties must accept. Thus arbitration is a process in which a dispute between two parties is submitted to a third party to make a binding decision. Compared with mediation, we can see that the success of mediation depends to a substantial degree on the tact, diplomacy, patience and perseverance of the mediator. The mediator's fresh recommendations are used to get discussions going again.

In arbitrating a dispute, it is the responsibility of the arbitrator to ensure that each side receives a fair hearing during which it may present all of the facts it considers pertinent to the case. The primary purpose of hearing is to assist the arbitrator in obtaining the facts necessary to resolve a human relations problem rather than a legal one.

The arbitrator therefore, has a right to question witnesses or to request additional facts from either party. The foundation for an arbitrator's decision is the collective agreement and the rights it establishes for each party.

Submission to arbitrate: This is a statement that describes the issues to be resolved through arbitration.

Conclusion

The collective bargaining process includes not only the actual negotiations but also the power tactics used to support negotiating demands. When negotiations become deadlocked, bargaining becomes a power struggle to force from either side the concessions needed to break the deadlock.

Key Terms

Bargaining Unit
Collective bargaining process
Bargaining zone
Bargaining issues
Mandatory bargaining issues
Permissive bargaining issues
Prohibited bargaining issues
Surface bargaining
Pattern bargaining
Bargaining strategies
Bargaining deadlock
Striking
Picketing
Boycotting
Mediator
Arbitrator
Lock out
Submission to arbitrate
Unfair labour practice

Review Questions

1. Is collective bargaining the same as negotiating? Explain.
2. As a party to a labour dispute, under what situations are you likely to use
(a) Mediator
3. Of what significance is the bargaining zone? Describe some of the influences affecting negotiated outcomes.
4. What are the means by which breakdowns in negotiations may be overcome? Briefly describe each.
5. Discuss some current forces that can influence the collective bargaining process.
6. Describe the role of the human resource manager in a unionized firm.

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This book gives an overview of Human Resource Management as field and subject of study, explaining the job of a manager and dynamics of work teams. The book further concentrates on the major functions of Human Resource Management; namely Human Resource Recruitment, Human Resource Analysis and Planning, Appraising and Improving Performance of Human Resource, Human Resource Training and Development.

Topics on Management Development, Describing and Evaluating Jobs, Administration of wages and Salaries, as well as collective Bargaining and arbitration have been included to enrich the subject matter covered by the book.

The book is written in a user friendly language. It can be used as a quick reference guide to the subject for both undergraduate and postgraduate students, as well as practising managers and other professionals involved and interested in the management of human resource.

The choice of topics covered was guided by the author's experience of two decades in teaching the subject to management practitioners, undergraduate students, as well as postgraduate students in Tanzania, Botswana, Lesotho, and Swaziland.