

ARMSTRONG'S HANDBOOK OF HUMAN RESOURCE MANAGEMENT PRACTICE

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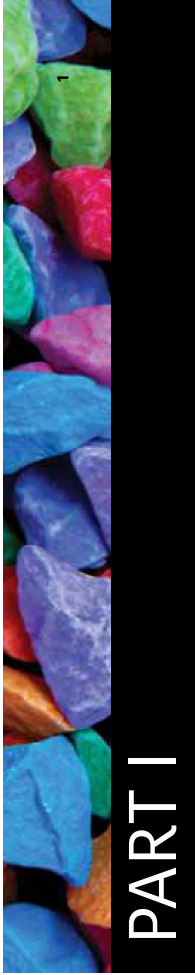
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PART I

The practice of human resource management

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Introduction

Human resource management (HRM) is a comprehensive and coherent approach to the employment and development of people. HRM can be regarded as a philosophy about how people should be managed, which is underpinned by a number of theories relating to the behaviour of people and organizations. It is concerned with the contribution it can make to improving organizational effectiveness through people but it is, or should be, equally concerned with the ethical dimension – how people should be treated in accordance with a set of moral values. HRM involves the application of policies and practices in the fields of organization design and development, employee resourcing, learning and development, performance and reward and the

provision of services that enhance the well-being of employees. These are based on human resource (HR) strategies that are integrated with one another and aligned to the business strategy.

Some people object to the term ‘human resources’ because it implies that people can be manipulated like any other factor of production. Instead they favour ‘people management’. But HRM is the most commonly used term.

Whatever term is adopted the approach should be based on the principle laid down by Schneider (1987: 450): ‘Organizations are the people in them; that people make the place’. He went on to explain that: ‘Positive job attitudes for workers in an organization can be expected when the natural inclinations of the persons there are allowed to be reflected

Part 1 The Practice of Human Resource Management

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in their behaviours by the kinds of processes and structures that have evolved there.’

As Keegan and Francis (2010: 873) noted: ‘HR work is now largely framed as a business issue’. The emphasis is on business alignment and strategic fit. These are important requirements but focusing on them can lead HR professionals to place correspondingly less emphasis on employee needs and motivations when developing their new and altered arrangements. A simplistic view of the business imperative permits little room for considering how HR strategy should impact on individual employees. HRM indeed aims to support the achievement of business goals but, equally, it should aim to build

a relationship based on trust, openness and personal fulfilment.

This first part of the handbook deals with the broad areas and concerns of the practice of HRM covering its conceptual basis, the strategic framework within which HRM activities take place and the various factors that affect it, including the impact of HRM on performance, the specific functions of human capital management, knowledge management and competency-based HRM and, importantly, the ethical and social responsible considerations that need to be taken into account when practising HRM. International HRM is dealt with in Part IX.

References

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01 The essence of human resource management (HRM)

KEY CONCEPTS AND TERMS

Added value	Humanism
Agency theory	Institutional theory
AMO theory	Matching model of HRM
Commitment	Motivation
Contextual model of HRM	Organizational behaviour theory
Contingency theory	Organizational capability
European model of HRM	Resource-based theory
5-P model of HRM	Resource dependence theory
Hard HRM	Soft HRM
Harvard framework	Strategic alignment
HR philosophy	Strategic human resource management (SHRM)
Human capital theory	Transaction costs theory
Human relations	Unitarist
Human resource management (HRM)	

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also know about:

- The fundamental concept of HRM and how it developed
- The meaning of HRM
- The goals of HRM
- The philosophy of HRM
- The underpinning theories
- The reservations made about HRM
- Models of HRM
- The position of HRM today

Introduction – the HRM concept

Human resource management (HRM) is concerned with all aspects of how people are employed and managed in organizations. It covers the activities of strategic HRM, human capital management, knowledge management, corporate social responsibility, organization development, resourcing (workforce planning, recruitment and selection and talent management), learning and development, performance and reward management, employee relations, employee well-being and the provision of employee services. It also has an international dimension. As described in Chapter 3, HRM is delivered through the HR architecture of systems and structures, the HR function and, importantly, line management.

The practice of referring to people as resources as if they were any other factor of production is often criticised. Osterby and Coster (1992: 31) argued that: ‘The term “human resources” reduces people to the same category of value as materials, money and technology – all resources, and resources are only valuable to the extent they can be exploited or leveraged into economic value.’ People management is sometimes preferred as an alternative, but in spite of its connotations, HRM is most commonly used.

The development of the HRM concept

The term HRM has largely taken over that of ‘personnel management’, which took over that of ‘labour management’ in the 1940s, which took over that of ‘welfare’ in the 1920s (the latter process emerged in the munitions factories of the First World War). HRM largely replaced the human relations approach to managing people founded by Elton Mayo (1933) who based his beliefs on the outcome of the research project conducted in the 1920s known as the Hawthorne studies. Members of this school believed that productivity was directly related to job satisfaction and that the output of people would be high if someone they respected took an interest in them. HRM also shifted the emphasis away from humanism – the belief held by writers such as Likert (1961) and McGregor (1960)

that human factors are paramount in the study of organizational behaviour and that people should be treated as responsible and progressive beings.

An early reference to human resources was made by Bakke (1966). Later, Armstrong (1977: 13) observed that in an enterprise ‘the key resource is people’. But HRM did not emerge in a fully fledged form until the 1980s through what might be called its founding fathers. These were the US academics Charles Fombrun and his colleagues in the ‘matching model’, and Michael Beer and his colleagues in the ‘Harvard framework’ as described on page 9.

In the UK they were followed by a number of commentators who developed, explained and frequently criticized the concept of human resource management. Legge (2005: 101) commented that: ‘The term [HRM] was taken up by both UK managers (for example, Armstrong, 1987; Fowler, 1987) and UK academics’. Hendry and Pettigrew (1990: 18) stated that HRM was ‘heavily normative from the start: it provided a diagnosis and proposed solutions’. They also mentioned that: ‘What HRM did at this point was to provide a label to wrap around some of the observable changes, while providing a focus for challenging deficiencies – in attitudes, scope, coherence, and direction – of existing personnel management’ (ibid: 20). Armstrong (1987: 31) argued that:

HRM is regarded by some personnel managers as just a set of initials or old wine in new bottles. It could indeed be no more and no less than another name for personnel management, but as usually perceived, at least it has the virtue of emphasising the virtue of treating people as a key resource, the management of which is the direct concern of top management as part of the strategic planning processes of the enterprise. Although there is nothing new in the idea, insufficient attention has been paid to it in many organizations.

However, commentators such as Guest (1987) and Storey (1995) regarded HRM as a substantially different model built on unitarism (employees share the same interests as employers), individualism, high commitment and strategic alignment (integrating HR strategy with the business strategy). It was also claimed that HRM was more holistic than traditional personnel management and that, importantly,

it emphasized the notion that people should be regarded as assets rather than variable costs.

The conceptual framework of HRM

HRM as conceived in the 1980s had a conceptual framework consisting of a philosophy underpinned by a number of theories drawn from the behavioural sciences and from the fields of strategic management, human capital and industrial relations. The HRM philosophy has been heavily criticized by academics as being managerialist and manipulative but this criticism has subsided, perhaps because it became increasingly evident that the term HRM had been adopted as a synonym for what used to be called personnel management. As noted by Storey (2007: 6): 'In its generic broad and popular sense it [HRM] simply refers to any system of people management.'

HRM practice today

HRM practice is no longer governed by the original philosophy – if it ever was. It is simply what HR people and line managers do. Few references are made to the HRM conceptual framework. This is a pity – an appreciation of the goals, philosophy and underpinning theories of HRM and the various HRM models provides a sound basis for understanding and developing HR practice. But account needs to be taken of the limitations of that philosophy as expressed by the critics of HRM set out later in this chapter.

Aim of this chapter

The aim of this chapter is to remedy this situation. It starts with a selection of definitions (there have been many) and elaborates on these by examining HRM goals. Because the original concept of HRM is best understood in terms of its philosophy and underpinning theories these are dealt with in the next two sections. Reference is then made to the reservations made about HRM but it is noted that while these need to be understood, much of what HRM originally set out to do is still valid. However, as explained in the next section of the chapter, HRM is more diverse than interpretations of the

original concept can lead us to believe. This is illustrated by the various models summarized in this section which provide further insights into the nature of HRM. The chapter ends with an assessment of where the concept of HRM has got to now. Following this analysis the next two chapters explain how in general terms HRM is planned through the processes of strategic HRM and delivered through the HR architecture and system, the HR function and its members, and, importantly, line managers.

HRM defined

Human resource management can be defined as a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations. It was defined by Boxall and Purcell (2003: 1) as 'all those activities associated with the management of employment relationships in the firm'. A later comprehensive definition was offered by Watson (2010: 919):

HRM is the managerial utilisation of the efforts, knowledge, capabilities and committed behaviours which people contribute to an authoritatively co-ordinated human enterprise as part of an employment exchange (or more temporary contractual arrangement) to carry out work tasks in a way which enables the enterprise to continue into the future.

The goals of HRM

The goals of HRM are to:

- support the organization in achieving its objectives by developing and implementing human resource (HR) strategies that are integrated with the business strategy (strategic HRM);
- contribute to the development of a high-performance culture;
- ensure that the organization has the talented, skilled and engaged people it needs;
- create a positive employment relationship between management and employees and a climate of mutual trust;

- encourage the application of an ethical approach to people management.

An earlier list of HR goals was made by Dyer and Holder (1988: 22–28), who analysed them under the headings of contribution (what kind of employee behaviour is expected?), composition (what headcount, staffing ratio and skill mix?), competence (what general level of ability is desired?) and commitment (what level of employee attachment and identification?). Guest (1987) suggested that the four goals of HRM were strategic integration, high commitment, high quality and flexibility. And Boxall (2007: 63) proposed that 'the mission of HRM is to support the viability of the firm through stabilizing a cost-effective and socially legitimate system of labour management'.

The philosophy of human resource management

Doubts were expressed by Noon (1992) as to whether HRM was a map, a model or a theory. But it is evident that the original concept could be interpreted as a philosophy for managing people in that it contained a number of general principles and beliefs as to how that should be done. The following explanation of HRM philosophy was made by Legge (1989: 25) whose analysis of a number of HRM models identified the following common themes:

That human resource policies should be integrated with strategic business planning and used to reinforce an appropriate (or change an inappropriate) organizational culture, that human resources are valuable and a source of competitive advantage, that they may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interests of the 'adaptive organization's' pursuit of excellence.

Storey (2001: 7) noted that the beliefs of HRM included the assumptions that it is the human resource that gives competitive edge, that the aim should be to enhance employee commitment, that HR decisions are of strategic importance and that

therefore HR policies should be integrated into the business strategy.

Underpinning theories of HRM

The original notion of HRM had a strong theoretical base. Guest (1987: 505) commented that: 'Human resource management appears to lean heavily on theories of commitment and motivation and other ideas derived from the field of organizational behaviour.' A number of other theories, especially the resource-based view, have contributed to the understanding of purpose and meaning of HRM. These theories are summarized below.

Commitment

The significance in HRM theory of organizational commitment (the strength of an individual's identification with, and involvement in, a particular organization) was highlighted in a seminal *Harvard Business Review* article by Richard Walton (1985).

Source review

From control to commitment – Walton (1985: 77)

Workers respond best – and most creatively – not when they are tightly controlled by management, placed in narrowly defined jobs and treated as an unwelcome necessity, but, instead, when they are given broader responsibilities; encouraged to contribute and helped to take satisfaction in their work. It should come as no surprise that eliciting commitment – and providing the environment in which it can flourish – pays tangible dividends for the individual and for the company.

The traditional concept of organizational commitment resembles the more recent notion of organizational engagement (see Chapter 15).

Motivation

Motivation theory explains the factors that affect goal-directed behaviour and therefore influences the approaches used in HRM to enhance engagement (the situation in which people are committed to their work and the organization and are motivated to achieve high levels of performance).

The resource-based view

Resource-based theory expressed as 'the resource-based view' states that competitive advantage is achieved if a firm's resources are valuable, rare and costly to imitate. It is claimed that HRM can play a major part in ensuring that the firm's human resources meet these criteria.

Organizational behaviour theory

Organizational behaviour theory describes how people within their organizations act individually or in groups and how organizations function in terms of their structure, processes and culture. It therefore influences HRM approaches to organization design and development and enhancing organizational capability (the capacity of an organization to function effectively in order to achieve desired results).

Contingency theory

Contingency theory states that HRM practices are dependent on the organization's environment and circumstances. This means that, as Paauwe (2004: 36) explained: 'The relationship between the relevant independent variables (eg HRM policies and practices) and the dependent variable (performance) will vary according to the influences such as company size, age and technology, capital intensity, degree of unionization, industry/sector ownership and location.'

Contingency theory is associated with the notion of fit – the need to achieve congruence between an organization's HR strategies, policies and practices and its business strategies within the context of its external and internal environment. This is a key concept in strategic HRM.

Institutional theory

Organizations conform to internal and external environmental pressures in order to gain legitimacy and acceptance.

Human capital theory

Human capital theory is concerned with how people in an organization contribute their knowledge, skills and abilities to enhancing organizational capability and the significance of that contribution.

Resource dependence theory

Resource dependence theory states that groups and organizations gain power over each other by controlling valued resources. HRM activities are assumed to reflect the distribution of power in the system.

AMO theory

The 'AMO' formula as set out by Boxall and Purcell (2003) states that performance is a function of Ability + Motivation + Opportunity to Participate. HRM practices therefore impact on individual performance if they encourage discretionary effort, develop skills and provide people with the opportunity to perform. The formula provides the basis for developing HR systems that attend to employees' interests, namely their skill requirements, motivations and the quality of their job.

Social exchange theory

Employees will reciprocate their contribution to the organization if they perceive that the organization has treated them well.

Transaction costs theory

Transaction costs economics assumes that businesses develop organizational structures and systems that economize the costs of the transactions (interrelated exchange activities) that take place during the course of their operations.

Agency theory

Agency theory states that the role of the managers of a business is to act on behalf of the owners of the business as their agents. But there is a separation between the owners (the principals) and the agents (the managers) and the principals may not have complete control over their agents. The latter may therefore act in ways that are against the interests of those principals. Agency theory indicates that it is desirable to operate a system of incentives for agents, ie directors or managers, to motivate and reward acceptable behaviour.

Reservations about the original concept of HRM

On the face of it, the original concept of HRM as described above had much to offer, at least to management. But for some time, HRM was a controversial topic, especially in academic circles. The main reservations as set out below have been that HRM promises more than it delivers and that its morality is suspect:

- Guest (1991: 149) referred to the 'optimistic but ambiguous label of human resource management'.
- HRM 'remains an uncertain and imprecise notion' Noon (1992: 16).
- 'The HRM rhetoric presents it as an all or nothing process which is ideal for any organization, despite the evidence that different business environments require different approaches'. (Armstrong, 2000: 577)
- HRM is simplistic – as Fowler (1987: 3) wrote: 'The HRM message to top management tends to be beguilingly simple. Don't bother too much about the content or techniques of personnel management, it says. Just manage the context. Get out from behind your desk, bypass the hierarchy, and go and talk to people. That way you will unlock an enormous potential for improved performance.'
- The unitarist approach to industrial relations implicit in HRM (the belief that management and employees share the same concerns and it is therefore in both their interests to work

together) is questionable. Fowler (1987: 3) commented that: 'At the heart of the concept is the complete identification of employees with the aims and values of the business – employee involvement but on the company's terms. Power in the HRM system remains very firmly in the hands of the employer. Is it really possible to claim full mutuality when at the end of the day the employer can decide unilaterally to close the company or sell it to someone else?' Later, Ramsey *et al* (2000: 521) questioned the unitarist assumption underlying much mainstream management theory that claims that everyone benefits from managerial innovation.

- HRM is 'macho-management dressed up as benevolent paternalism' Legge (1998: 42).
- HRM is manipulative. Willmott (1993: 534) asserted that: 'any (corporate) practice/value is as good as any other so long as it secures the compliance of employees'. HRM was dubbed by the Labour Research Department (1989: 8) as 'human resource manipulation'. John Storey (2007: 4) referred to 'the potential manipulative nature of seeking to shape human behaviour at work'.
- HRM is managerialist. 'The analysis of employment management has become increasingly myopic and progressively more irrelevant to the daily experience of being employed. While the reasons for this development are immensely complex... it is primarily a consequence of the adoption of the managerialist conception of the discourse of HRM' (Delbridge and Keenoy, 2010: 813).
- HRM overemphasizes business needs. Keegan and Francis (2010) have rightly criticized the increasing focus on the business partnership role of HR at the expense of its function as an employee champion. An illustration of this is provided by the Professional Map produced by the British Chartered Institute of Personnel and Development (CIPD), which as stated by the CIPD (2013: 2): 'Sets out standards for HR professionals around the world: the activities, knowledge and behaviours needed for success.' The map refers to 'business' 82 times but to 'ethics' only once and 'ethical' only twice.

These concerns merit attention, but the more important messages conveyed by the original notion of HRM such as the need for strategic integration, the treatment of employees as assets rather than costs, the desirability of gaining commitment, the virtues of partnership and participation and the key role of line managers are still valid and are now generally accepted, and the underpinning theories are as relevant today as they ever were.

And it should be remembered that these objections, with the exception of the last one, mainly apply to the original concept of HRM. But today, as explained in the final section of this chapter, HRM in action does not necessarily conform to this concept as a whole. The practice of HRM is diverse. Dyer and Holder (1988) pointed out that HRM goals vary according to competitive choices, technologies, characteristics of employees (eg could be different for managers) and the state of the labour market. Boxall (2007: 48) referred to 'the profound diversity' of HRM and observed that: 'Human resource management covers a vast array of activities and shows a huge range of variations across occupations, organizational levels, business units, firms, industries and societies.' There are in fact a number of different models of HRM as described below.

Models of HRM

The most familiar models defining what HRM is and how it operates are as follows.

The matching model of HRM

Fombrun *et al* (1984) proposed the 'matching model', which indicated that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy. This point was made in their classic statement that: 'The critical management task is to align the formal structure and human resource systems so that they drive the strategic objectives of the organization' (ibid.: 37). Thus they took the first steps towards the concept of strategic HRM.

The Harvard model of HRM

Beer *et al* (1984) produced what has become known as the 'Harvard framework'. They started with the

proposition that: 'Human resource management (HRM) involves all management decisions and actions that affect the nature of the relationship between the organization and employees – its human resources' (ibid.: 1). They believed that: 'Today... many pressures are demanding a broader, more comprehensive and more strategic perspective with regard to the organization's human resources' (ibid.: 4). They also stressed that it was necessary to adopt 'a longer-term perspective in managing people and consideration of people as a potential asset rather than merely a variable cost' (ibid.: 6). Beer and his colleagues were the first to underline the HRM tenet that it belongs to line managers. They suggested that HRM had two characteristic features: 1) line managers accept more responsibility for ensuring the alignment of competitive strategy and HR policies; 2) HR has the mission of setting policies that govern how HR activities are developed and implemented in ways that make them more mutually reinforcing.

Contextual model of HRM

The contextual model of HRM emphasizes the importance of environmental factors by including variables such as the influence of social, institutional and political forces that have been underestimated in other models. The latter, at best, consider the context as a contingency variable. The contextual approach is broader, integrating the human resource management system in the environment in which it is developed. According to Martin-Alcazar *et al* (2005: 638): 'Context both conditions and is conditioned by the HRM strategy'. A broader set of stakeholders is involved in the formulation and implementation of human resource strategies that is referred to by Schuler and Jackson (2000: 229) as a 'multiple stakeholder framework'. These stakeholders may be external as well as internal and both influence and are influenced by strategic decisions

The 5-P model of HRM

As formulated by Schuler (1992) the 5-P model of HRM describes how HRM operates under the five headings of:

- 1 HR philosophy – a statement of how the organization regards its human resources,

the role they play in the overall success of the business, and how they should be treated and managed.

- 2 HR policies – these provide guidelines for action on people-related business issues and for the development of HR programmes and practices based on strategic needs.
- 3 HR programmes – these are shaped by HR policies and consist of coordinated HR efforts intended to initiate and manage organizational change efforts prompted by strategic business needs.
- 4 HR practices – these are the activities carried out in implementing HR policies and programmes. They include resourcing, learning and development, performance and reward management, employee relations and administration.
- 5 HR processes – these are the formal procedures and methods used to put HR strategic plans and policies into effect.

European model of HRM

Brewster (1993) described a European model of HRM as follows:

- *environment* – established legal framework;
- *objectives* – organizational objectives and social concern – people as a key resource;
- *focus* – cost/benefits analysis, also environment;
- *relationship with employees* – union and non-union;
- *relationship with line managers* – specialist line liaison;
- *role of HR specialist* – specialist managers – ambiguity, tolerance, flexibility.

The main distinction between this model and what Brewster referred to as 'the prescribed model' was that the latter involves deregulation (no legal framework), no trade unions and a focus on organizational objectives but not on social concern.

As set out by Mabey *et al* (1998: 107) the characteristics of the European model are:

- dialogue between social partners;
- emphasis on social responsibility;

- multicultural organizations;
- participation in decision-making;
- continuous learning.

The hard and soft HRM models

Storey (1989: 8) distinguished between the 'hard' and 'soft' versions of HRM. He wrote that: 'The hard one emphasises the quantitative, calculative and business-strategic aspects of managing human resources in as "rational" a way as for any other economic factor. By contrast, the soft version traces its roots to the human-relations school; it emphasizes communication, motivation and leadership.'

However, it was pointed out by Keenoy (1997: 838) that 'hard and soft HRM are complementary rather than mutually exclusive practices'. Research in eight UK organizations by Truss *et al* (1997) indicated that the distinction between hard and soft HRM was not as precise as some commentators have implied. Their conclusions were as follows.

Source review

Conclusions on hard and soft models of HRM – Truss *et al* (1997: 70)

Even if the rhetoric of HRM is 'soft', the reality is almost always 'hard', with the interests of the organization prevailing over those of the individual. In all the organizations, we found a mixture of both hard and soft approaches. The precise ingredients of this mixture were unique to each organization, which implies that factors such as the external and internal environment of the organization, its strategy, culture and structure all have a vital role to play in the way in which HRM operates.

HRM today

As a description of people management activities in organizations the term HRM is here to stay,

even if it is applied diversely or only used as a label to describe traditional personnel management practices. Emphasis is now placed on the need for HR to be strategic and businesslike and to add value, ie to generate extra value (benefit to the business) by the expenditure of effort, time and money on HRM activities. There have been plenty of new interests, concepts and developments, including human capital management, engagement, talent management, competency-based HRM, e-HRM, high performance work systems, and performance and reward management. But these have not been introduced under the banner of the HRM concept as originally defined.

HRM has largely become something that organizations do rather than an aspiration or a philosophy and the term is generally in use as a way of describing the process of managing people. A convincing summary of what HRM means today, which focuses on what HRM is rather than on its philosophy, was provided by Peter Boxall, John Purcell and Patrick Wright (2007), representing the new generation of commentators.

Source review

The meaning of HRM – Boxall *et al* (2007: 1)

Human resource management (HRM), the management of work and people towards desired ends, is a fundamental activity in any organization in which human beings are employed. It is not something whose existence needs to be radically justified: HRM is an inevitable consequence of starting and growing an organization. While there are a myriad of variations in the ideologies, styles, and managerial resources engaged, HRM happens in some form or other. It is one thing to question the relative performance of particular models of HRM in particular contexts... It is quite another thing to question the necessity of the HRM process itself, as if organizations cannot survive or grow without making a reasonable attempt at organizing work and managing people.

Key learning points: The essence of human resource management

HRM defined

Human resource management (HRM) is concerned with all aspects of how people are employed and managed in organizations.

Goals of HRM

The goals of HRM are to:

- support the organization in achieving its objectives by developing and implementing human resource (HR) strategies that are integrated with the business strategy (strategic HRM);
- contribute to the development of a high-performance culture;
- ensure that the organization has the talented, skilled and engaged people it needs; create a positive employment relationship between

management and employees and a climate of mutual trust;

- encourage the application of an ethical approach to people management.

Philosophy of HRM

The beliefs of HRM included the assumptions that it is the human resource that gives competitive edge, that the aim should be to enhance employee commitment, that HR decisions are of strategic importance and that therefore HR policies should be integrated into the business strategy (Storey, 2001: 7).

Underpinning theories

'Human resource management appears to lean heavily on theories of commitment and motivation and other ideas derived from the field of organizational behaviour' (Guest, 1987: 506).

The diversity of HRM

Many HRM models exist, and practices within different organizations are diverse, often only corresponding to the conceptual version of HRM in a few respects.

Reservations about HRM

On the face of it, the concept of HRM has much to offer, at least to management. But reservations have

been expressed about it. There may be something in these criticisms, but the fact remains that as a description of people management activities in organizations HRM is here to stay, even if it is applied diversely or only used as a label to describe traditional personnel management practices.

Questions

- 1 What is HRM?
- 2 What was the main message of the Harvard framework?
- 3 What was the main message of the matching model?
- 4 What are the goals of HRM?
- 5 What is the difference between hard and soft HRM?
- 6 What is the essence of the philosophy of HRM?
- 7 What is resource-based theory?
- 8 What is the significance of contingency theory?
- 9 What are the key reservations made by commentators about the early version of HRM?
- 10 What is the position of HRM today?

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02 Strategic HRM

KEY CONCEPTS AND TERMS

Best fit	High-performance management
Best practice	High-performance work system
Bundling	Human resource advantage
Business model	Life cycle model
Business model innovation	Resource-based view
Competency framework	Resource dependence theory
Competitive advantage	Strategic configuration
Configuration	Strategic fit
Contingent determinism	Strategic HRM
High-commitment management	Strategic management
High-involvement management	Strategy

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also understand:

- The conceptual basis of strategic HRM
- The fundamental characteristics of strategy
- How strategy is formulated
- The aims of strategic HRM
- The resource-based view and its implications
- The meaning of strategic fit
- The three HRM ‘perspectives’ of Delery and Doty
- The significance of bundling
- The significance of the concepts of ‘best practice’ and ‘best fit’
- The significant features of strategic HRM
- The content and formulation of HR strategies

Introduction

Strategic human resource management (strategic HRM or SHRM) is an approach to the development and implementation of HR strategies that are integrated with business strategies and support their achievement. SHRM has been described by Boxall (1996) as the interface between HRM and strategic management. Schuler and Jackson (2007: 5) stated that SHRM is fundamentally about 'systematically linking people with the firm'.

Baird and Meshoulam (1988: 116) pointed out that: 'Business objectives are accomplished when human resource practices, procedures and systems are developed and implemented based on organizational needs, that is, when a strategic perspective to human resource management is adopted.' Wright and McMahan (1992: 295) explained that the field of HRM has 'sought to become integrated with the strategic management process through the development of a new discipline referred to as strategic human resource management'.

In essence, strategic HRM is conceptual; it is a general notion of how integration or 'fit' between HR and business strategies is achieved, the benefits of taking a longer-term view of where HR should be going and how to get there, and how coherent and mutually supporting HR strategies should be developed and implemented. Importantly, it is also about how members of the HR function should adopt a strategic approach on a day-to-day basis. This means that they operate as part of the management team, ensure that HR activities support the achievement of business strategies on a continuous basis and add value.

The aim of this chapter is to explore what this involves. It starts with an analysis of the meaning of SHRM. It then covers: an examination of its nature and its aims; an analysis of its underpinning concepts – the resource-based view and strategic fit. This is followed by a description of how strategic HRM works, namely the universalistic, contingency and configurational perspectives defined by Delery and Doty (1996) and the three approaches associated with those perspectives – best practice, best fit and bundling. The chapter continues with a summary of the distinctive features of strategic HRM and ends with an examination of how HR strategies are developed and implemented when an SHRM approach is adopted.

The conceptual basis of strategic HRM

Strategic HRM takes the notion of HRM as a strategic, integrated and coherent process and associates it with an approach to management that involves adopting a broad and long-term view of where the business is going and managing it in ways that ensure that this strategic thrust is maintained. It is influenced by the concepts of strategic management and strategy.

Strategic management

According to Boxall and Purcell (2003: 44): 'Strategic management is best defined as a process. It is a process of strategy making, of forming and, if the firm survives, reforming its strategy over time.' Strategic management was described by Johnson *et al.* (2005: 6) as 'understanding the strategic position of an organization, making strategic choices for the future, and turning strategy into action'. The purpose of strategic management has been expressed by Kanter (1984: 288) as being to 'elicit the present actions for the future' and become 'action vehicles for – integrating and institutionalizing mechanisms for change' (*ibid.*: 301).

The key strategic management activity identified by Thompson and Strickland (1996: 3) is 'deciding what business the company will be in and forming a strategic vision of where the organization needs to be headed – in effect, infusing the organization with a sense of purpose, providing long-term direction, and establishing a clear mission to be accomplished'.

The focus is on identifying the organization's mission and strategies, but attention is also given to the resource base required to make it succeed. Managers who think strategically will have a broad and long-term view of where they are going. But they will also be aware that they are responsible, first, for planning how to allocate resources to opportunities that contribute to the implementation of strategy, and second, for managing these opportunities in ways that will add value to the results achieved by the firm.

The concept of strategy

Strategy is the approach selected to achieve specified goals in the future. As defined by Chandler (1962:

13) it is: 'The determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals.' The formulation and implementation of corporate strategy is a process for developing a sense of direction, making the best use of resources and ensuring strategic fit.

Strategy has three fundamental characteristics. First, it is forward looking. It is about deciding where you want to go and how you mean to get there. It is concerned with both ends and means. In this sense a strategy is a declaration of intent: 'This is what we want to do and this is how we intend to do it.' Strategies define longer-term goals but they also cover how those goals will be attained. They guide purposeful action to deliver the required result. A good strategy is one that works, one that in Abell's (1993: 1) phrase enables organizations to adapt by 'mastering the present and pre-empting the future'. As Boxall (1996: 70) explained: 'Strategy should be understood as a framework of critical ends and means.'

The second characteristic of strategy is the recognition that the organizational capability of a firm (its capacity to function effectively) depends on its resource capability (the quality and quantity of its resources and their potential to deliver results). This is the resource-based view as described later in this chapter.

The third characteristic of strategy is that it aims to achieve strategic fit – the need when developing functional strategies such as HR to achieve congruence between them and the organization's business strategies within the context of its external and internal environment.

Implementation of strategy

'Implementation entails converting the strategic plan into action and then into results' (Thompson and Strickland, 1996: 20). Dreaming up a strategy is fairly easy; getting it to work is hard. Kanter (1984: 305) noted that: 'Many companies, even very sophisticated ones, are much better at generating impressive plans on paper than they are at getting "ownership" of the plans so that they actually guide operational decisions.'

Critical evaluation of the concept of strategy

The development of corporate strategy is often assumed to be a logical, step-by-step affair, the outcome of which is a formal written statement that provides a definitive guide to the organization's intentions. Many people still believe and act as if this were the case, but it is a misrepresentation of reality. In practice, the formulation of strategy may not be as rational and linear a process as some writers describe it or as some managers attempt to make it. There are limitations to the totally logical model of management that underpins the concept of strategic human resource management. In the words of Mabey *et al.* (1998: 74): 'The reality is... that strategies may not always be easy to discern, that the processes of decision-making may be implicit, incremental, negotiated and compromised.'

Sparrow *et al.* (2010: 4) asserted succinctly that: 'Strategy is not rational and never has been.' Strategy formulation can best be described as 'problem solving in unstructured situations' (Digman, 1990: 53) and strategies will always be formed under conditions of partial ignorance. Quinn (1980: 9) stated that a strategy may simply be 'a widely held understanding resulting from a stream of decisions'. He believed that strategy formulation takes place by means of 'logical incrementalism', ie it evolves in several steps rather than being conceived as a whole. Pertigrew and Whipp (1991: 26) observed that: 'strategy does not move forward in a direct linear way, nor through easily discernable sequential phases. Quite the reverse; the pattern is much more appropriately seen as continuous, iterative and uncertain.'

Another difficulty is that strategies are often based on the questionable assumption that the future will resemble the past. Some years ago, Heller (1972: 150) had a go at the cult of long-range planning: 'What goes wrong' he wrote, 'is that sensible anticipation gets converted into foolish numbers: and their validity always hinges on large loose assumptions'. Faulkner and Johnson (1992: 17–18) said of long-term planning that it:

was inclined to take a definitive view of the future, and to extrapolate trend lines for the key business variables in order to arrive at this view. Economic turbulence was insufficiently considered, and the reality that much strategy is formulated and

implemented in the act of managing the enterprise was ignored. Precise forecasts ending with derived financials were constructed, the only weakness of which was that the future almost invariably turned out differently.

Strategy formulation is not necessarily a deterministic, rational and continuous process, as was emphasized by Mintzberg (1987). He noted that, rather than being consciously and systematically developed, strategy reorientation happens in what he calls brief 'quantum loops'. A strategy, according to Mintzberg, can be deliberate – it can realize the intentions of senior management, for example to attack and conquer a new market. But this is not always the case. In theory, he says, strategy is a systematic process: first we think, then we act; we formulate then we implement. But we also 'act in order to think'. In practice, 'a realized strategy can emerge in response to an evolving situation' (ibid: 68) and the strategic planner is often 'a pattern organizer, a learner if you like, who manages a process in which strategies and visions can emerge as well as be deliberately conceived' (ibid: 73). This concept of 'emergent strategy' conveys the essence of how in practice organizations develop their business and HR strategies.

Boxall and Purcell (2003: 34) suggested that 'it is better if we understand the strategies of firms as sets of strategic choices some of which may stem from planning exercises and set-piece debates in senior management, and some of which may emerge in a stream of action'. Research conducted by Tyson (1997: 280) confirmed that, realistically, strategy:

- has always been emergent and flexible – it is always 'about to be', it never exists at the present time;
- is not only realized by formal statements but also comes about by actions and reactions;
- is a description of a future-oriented action that is always directed towards change;
- is conditioned by the management process itself.

The nature of strategic HRM

Strategic HRM is an approach that defines how the organization's goals will be achieved through people

by means of HR strategies and integrated HR policies and practices. It was defined by Mabey *et al* (1998: 25) as the process of 'developing corporate capability to deliver new organizational strategies'. It is based on two key ideas, namely the resource-based view and the need for strategic fit, as discussed later in this chapter.

SHRM can be regarded as a mindset underpinned by certain concepts rather than a set of techniques. It provides the foundation for strategic reviews in which analyses of the organizational context and existing HR practices lead to decisions on strategic plans for the development of overall or specific HR strategies. SHRM involves the exercise of strategic choice (which is always there) and the establishment of strategic priorities. It is essentially about the integration of business and HR strategies so that the latter contribute to the achievement of the former.

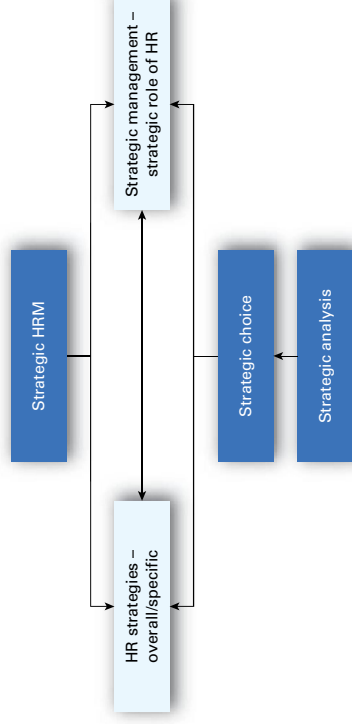
Strategic HRM is not just about strategic planning, nor does it only deal with the formulation of individual HR strategies. Its main concern is with integrating what HR does and plans to do with what the business does and plans to do. As modelled in Figure 2.1, SHRM is about both HR strategies and the strategic management activities of HR professionals.

Aims of SHRM

The fundamental aim of strategic HRM is to generate organizational capability by ensuring that the organization has the skilled, engaged, committed and well-motivated employees it needs to achieve sustained competitive advantage. Alvesson (2009: 52) wrote that strategic HRM is about 'how the employment relationships for all employees can be managed in such a way as to contribute optimally to the organization's goal achievement'.

SHRM has three main objectives: first to achieve integration – the vertical alignment of HR strategies with business strategies and the horizontal integration of HR strategies. The second objective is to provide a sense of direction in an often turbulent environment so that the business needs of the organization and the individual and the collective needs of its employees can be met by the development and implementation of coherent and practical HR policies and programmes. The third objective

FIGURE 2.1 Strategic HRM model



is to contribute to the formulation of business strategy by drawing attention to ways in which the business can capitalize on the advantages provided by the strengths of its human resources.

Critical evaluation of the concept of SHRM

The whole concept of SHRM is predicated on the belief that HR strategies should be integrated with corporate or business strategies. Vertical integration (strategic fit between business and HR strategies) may be desirable but it is not easy to achieve for the following reasons.

Diversity of strategic processes, levels and styles

The different levels at which strategy is formulated and the different styles adopted by organizations may make it difficult to develop a coherent view of what sort of HR strategies will fit the overall strategies and what type of HR contributions are required during the process of formulation.

The complexity of the strategy formulation process

Business strategy formulation and implementation is a complex, interactive process heavily influenced by a variety of contextual and historical factors. In these circumstances, as Guest (1991) has asked, how can there be a straightforward flow from the business strategy to the HR strategy? It has been pointed out by Truss (1999: 44) that the assumption of some matching models of strategic HRM is that there is a simple linear relationship between business strategy and human resource strategy, but this assumption 'fails to acknowledge the complexities both between and within notions of strategy and human resource management... [It] is based on a rational model of organizations and individuals which takes no account of the significance of power, politics and culture.'

The evolutionary nature of business strategy

The evolutionary and incremental nature of strategy making may make it difficult to pin down the HR

issues that are likely to be relevant. Hendry and Pettigrew (1990) suggest that there are limits to the extent to which rational HR strategies can be drawn up if the process of business strategic planning is itself irrational.

The absence of articulated business strategies

If, because of its evolutionary nature, the business strategy has not been clearly articulated, this would add to the problems of clarifying the business strategic issues that human resource strategies should address.

The qualitative nature of HR issues

Business strategies tend, or at least aim, to be expressed in the common currency of figures and hard data on portfolio management, growth, competitive position, market share, profitability, etc. HR strategies may deal with quantifiable issues such as resourcing and skill acquisition but are equally likely to refer to qualitative factors such as engagement, commitment, motivation, good employee relations and high employment standards. The relationship between the pursuit of policies in these areas and individual and organizational performance may be difficult to establish.

Integration with what?

The concept of SHRM implies that HR strategies must be totally integrated with corporate/business strategies in the sense that they both flow from and contribute to such strategies. But as Brewster (2004) argued, HR strategy will be subjected to considerable external pressure; for example, in Europe, legislation about involvement. These may mean that HR strategies cannot be entirely governed by the corporate/business strategy.

The question: 'To what extent should HR strategy take into account the interests of all the stakeholders in the organization, employees in general as well as owners and management?' also needs to be answered.

Conclusions

The difficulties mentioned above are real, but they are frequently glossed over in rhetorical statements about the need for integration. Too often the outcome is a platitudinous statement such as: 'Our HR strategy is to develop a performance culture' or: 'Our HR strategy is to ensure that the organization has the talented people it needs'. These are perfectly laudable broad objectives but they need to be more specific about how the aims will be achieved and how they will support the achievement of business goals.

Matching HR and business strategies is a problematic process but this doesn't mean that the attempt to do so should be abandoned. HR strategists must make every effort to understand the business model of their organization (ie a picture of an organization that explains how it achieves competitive advantage and makes money) and the plans for business model innovation (the process followed by an organization to develop a new business model or change an existing one). They have to take into account the difficulties mentioned above but they need to overcome these by persistent efforts designed to obtain insight into the real issues facing the organization, leading to plans for practical interventions that address those issues.

The resource-based view of SHRM

To a very large extent, the philosophy of SHRM is underpinned by the resource-based view. This states that it is the range of resources in an organization, including its human resources, that produces its unique character and creates competitive advantage. The resource-based view is founded on the ideas of Penrose (1959: 24–25), who wrote that the firm is 'an administrative organization and a collection of productive resources' and saw resources as 'a bundle of potential services'. It was expanded by Wernerfelt (1984: 172), who explained that strategy is a balance between the exploitation of existing resources and the development of new ones'. Resources were defined by Hunt (1991: 322) as 'anything that has an enabling capacity'.

The concept was developed by Barney (1991: 102), who stated that 'a firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy'. This will happen if their resources are valuable, rare, inimitable and non-substitutable. He noted later (Barney 1995: 49) that an environmental analysis of strengths, weaknesses, opportunities and threats (SWOT analysis) was only half the story: 'A complete understanding of sources of a firm's competitive advantage requires the analysis of a firm's internal strengths and weaknesses as well.' He emphasized that:

Creating sustained competitive advantage depends on the unique resources and capabilities that a firm brings to competition in its environment. To discover these resources and capabilities, managers must look inside their firm for valuable, rare and costly-to-imitate resources, and then exploit these resources through their organization. (ibid: 60)

The following rationale for resource-based strategy was produced by Grant (1991: 13):

The resources and capabilities of a firm are the central considerations in formulating its strategy: they are the primary constants upon which a firm can establish its identity and frame its strategy, and they are the primary sources of the firm's profitability. The key to a resource-based approach to strategy formulation is understanding the relationships between resources, capabilities, competitive advantage and profitability – in particular, an understanding of the mechanisms through which competitive advantage can be sustained over time. This requires the design of strategies which exploit to maximum effect each firm's unique characteristics.

Resource-based SHRM can produce what Boxall and Purcell (2003) referred to as 'human resource advantage'. The aim is to develop strategic capabilities. This means strategic fit between resources and opportunities, obtaining added value from the effective deployment of resources, and developing managers who can think and plan strategically in the sense that they understand the key strategic issues and ensure that what they do enables the

strategic goals of the business to be achieved. In line with human capital theory, the resource-based view emphasizes that investment in people increases their value to the firm. It proposes that sustainable competitive advantage is attained when the firm has a human resource pool that cannot be imitated or substituted by its rivals.

Boxall (1996: 66) suggested that 'the resource-based view of the firm provides a conceptual basis, if we needed one, for asserting that key human resources are sources of competitive advantage'. He noted that human resource advantage is achieved by a combination of 'human capital advantage', which results from employing people with comparatively valuable knowledge and skills, and 'human process advantage', which follows from the establishment of 'difficult to imitate, highly evolved processes within the firm, such as cross-departmental cooperation and executive development'. Accordingly, 'human resource advantage', the superiority of one firm's labour management over another's, can be thought of as the product of its human capital and human process advantages. He also observed (ibid: 66) that the strategic goal emerging from the resource-based view was to 'create firms which are more intelligent and flexible than their competitors' by hiring and developing more talented staff and by extending their skills base. Resource-based strategy is therefore concerned with the enhancement of the human or intellectual capital of the firm. As Ulrich (1998: 126) commented: 'Knowledge has become a direct competitive advantage for companies selling ideas and relationships. The challenge to organizations is to ensure that they have the capability to find, assimilate, compensate and retain the talented individuals they need.'

The strategic goal emerging from the resource-based view is to create firms that are more intelligent and flexible than their competitors (Boxall, 1996) by hiring and developing more talented staff and by extending their skills base. Resource-based strategy is therefore concerned with the enhancement of the human or intellectual capital of the firm. Resource dependence theory (Pfeffer and Davis-Blake, 1992) suggests that HR strategies such as those concerned with reward are strongly influenced by the need to attract, retain and energize high-quality people.

Critical evaluation of the resource-based view

The resource-based view has had considerable influence on thinking about human resource management. It provides a justification for attaching importance to resourcing activities, especially those concerned with talent management. It can also be used to enhance the value of the HR contribution in achieving competitive advantage. But it has the following limitations:

- it may be difficult to find resources that satisfy all the criteria;
- external factors such as product market pressures are ignored;
- it provides only generalized guidance on what resources are suitable;
- different resource configurations can provide the same value for firms;
- as Priem and Butler (2001) pointed out, the theory is tautological because valuable resources and competitive advantage are defined in the same terms.

Strategic fit

The concept of strategic fit stresses that when developing HR strategies it is necessary to achieve congruence between them and the organization's business strategies within the context of its external and internal environment. This notion is fundamental to SHRM, as was stressed by Wright and Snell (1998: 758) who wrote: 'The primary role of strategic HRM should be to promote a fit with the demands of the competitive environment.' In more detail, Schuler (1992: 18) stated that:

Strategic human resource management is largely about integration and adaptation. Its concern is to ensure that: (1) human resources (HR) management is fully integrated with the strategy and strategic needs of the firm (vertical fit); (2) HR policies cohere both across policy areas and across hierarchies (horizontal fit); and (3) HR practices are adjusted, accepted and used by line managers and employees as part of their everyday work.

Perspectives on SHRM

Taking into account the concepts of the resource-based view and strategic fit, Delery and Dory (1996: 802) contended that 'organizations adopting a particular strategy require HR practices that are different from those required by organizations adopting different strategies' and that organizations with 'greater congruence between their HR strategies and their (business) strategies should enjoy superior performance' (ibid: 803). They identified three HRM perspectives:

- 1 *The universalistic perspective* – some HR practices are better than others and all organizations should adopt these best practices. There is a universal relationship between individual 'best' practices and firm performance.
- 2 *The contingency perspective* – to be effective an organization's HR policies must be consistent with other aspects of the organization. The primary contingency factor is the organization's strategy. This can be described as 'vertical fit'.
- 3 *The configurational perspective* – this is a holistic approach that emphasizes the importance of the pattern of HR practices and is concerned with how this pattern of independent variables is related to the dependent variable of organizational performance.

This typology provided the basis for what has become the most commonly used classification of approaches, which is to adopt the terms 'best practice' and 'best fit' for the universalistic and contingency perspectives, and 'bundling' as the third approach (Richardson and Thompson, 1999). This followed the classification made by Guest (1997) of fit as an ideal set of practices, fit as contingency and fit as bundles.

The best practice model

This model is based on the assumption that there is a set of best HRM practices that are universal in the sense that they are best in any situation, and that adopting them will lead to superior organizational performance.

A number of lists of 'best practices' have been produced, the most quoted being by Pfeffer (1998):

- employment security;
- selective hiring;
- self-managed teams;
- high compensation contingent on performance;
- training to provide a skilled and motivated workforce;
- reduction of status differentials;
- sharing information.

The best fit model

The best fit model is in line with contingency theory. It emphasizes that HR strategies should be congruent with the context and circumstances of the organization. 'Best fit' can be perceived in terms of vertical integration or alignment between the organization's business and HR strategies. There are three models: life cycle, competitive strategy and strategic configuration.

The life cycle model

The life cycle model is based on the theory that the development of a firm takes place in four stages: start-up, growth, maturity and decline. This is in line with product life cycle theory. The basic premise of this model was expressed by Baird and Meshoulam (1988: 117) as follows:

Human resource management's effectiveness depends on its fit with the organization's stage of development. As the organization grows and develops, human resource management programmes, practices and procedures must change to meet its needs. Consistent with growth and development models it can be suggested that human resource management develops through a series of stages as the organization becomes more complex.

Best fit and competitive strategies

Three strategies aimed at achieving competitive advantage were identified by Porter (1985):

- 1 *Innovation* – being the unique producer.
- 2 *Quality* – delivering high-quality goods and services to customers.
- 3 *Cost leadership* – the planned result of policies aimed at 'managing away' expense.

It was argued by Schuler and Jackson (1987) that to achieve the maximum effect it is necessary to match the role characteristics of people in an organization with the preferred strategy.

Strategic configuration

Another approach to best fit is the proposition that organizations will be more effective if they adopt a policy of strategic configuration (Delery and Dory, 1996). This means matching their strategy to one of the ideal types defined by theories such as those produced by Miles and Snow (1978). They identified the following four types of organizations, classifying the first three types as 'ideal' organizations:

- 1 *Prospectors*, which operate in an environment characterized by rapid and unpredictable changes. Prospectors have low levels of formalization and specialization and high levels of decentralization. They have relatively few hierarchical levels.
- 2 *Defenders*, which operate in a more stable and predictable environment than prospectors and engage in more long-term planning. They have more mechanistic or bureaucratic structures than prospectors and obtain coordination through formalization, centralization, specialization and vertical differentiation.
- 3 *Analysers*, which are a combination of the prospector and defender types. They operate in stable environments, like defenders, and also in markets where new products are constantly required, like prospectors. They are usually not the initiators of change, like prospectors, but they follow the changes more rapidly than defenders.
- 4 *Reactors*, which are unstable organizations existing in what they believe to be an unpredictable environment. They lack consistent well-articulated strategies and do not undertake long-range planning.

Critical evaluation of the best practice and best fit models

The best practice model

The notion of best practice assumes that there are universally effective HR practices that can readily be transferred. This rubric has been attacked by a number of commentators. Cappelli and Crocker-Hefter (1996: 7) commented that the notion of a single set of best practices has been overstated: 'There are examples in virtually every industry of firms that have very distinctive management practices... Distinctive human resource practices shape the core competencies that determine how firms compete.'

Purcell (1999: 26) noted that 'the search for best practice tends to take on the flavour of a moral crusade'. He has also criticized the best practice or universalist view by pointing out the inconsistency between a belief in best practice and the resource-based view, which focuses on the intangible assets, including HR, that allow the firm to do better than its competitors. He asked how can 'the universalism of best practice be squared with the view that only some resources and routines are important and valuable by being rare and imperfectly imitable?' and stated that: 'The claim that the bundle of best practice HRM is universally applicable leads us into a utopian cul-de-sac' (ibid: 36). Boxall (2007: 5) concluded that he was 'deeply sceptical about claims for universal applicability for particular HRM practices or clusters of practices [but] this does not rule out the search for general principles in the management of work and people'.

However, a knowledge of what is assumed to be best practice can be used to inform decisions on what practices are most likely to fit the needs of the organization, as long as it is understood why a particular practice should be regarded as a best practice and what needs to be done to ensure that it will work in the context of the organization. Becker and Gerhart (1996) argued that the idea of best practice might be more appropriate for identifying the principles underlying the choice of practices, as opposed to the practices themselves.

The best fit model

The best fit model seems to be more realistic than the best practice model. As Dyer and Holder (1988: 31)

observed: 'The inescapable conclusion is that what is best depends.' But there are limitations to the concept. Paaue (2004: 37) emphasized that: 'It is necessary to avoid falling into the trap of "contingent determinism" (ie claiming that the context absolutely determines the strategy). There is, or should be, room for making strategic choices.'

There is a danger of mechanically matching HR policies and practices with strategy. It is not credible to claim that there are single contextual factors that determine HR strategy, and internal fit cannot therefore be complete. Purcell (1999: 35) pointed out that: 'each firm has to make choices not just on business and operational strategies but on what type of HR system is best for its purposes'. As Boxall (2007: 61) asserted: 'It is clearly impossible to make all HR policies reflective of a chosen competitive or economic mission.' They may have to fit with social legitimacy goals. And Purcell (1999: 37) commented that: 'The search for a contingency or matching model of HRM is also limited by the impossibility of modelling all the contingent variables, the difficulty of showing their interconnection, and the way in which changes in one variable have an impact on others.'

Best fit models tend to be static and don't take account of the processes of change. They neglect the fact that institutional forces shape HRM – it cannot be assumed that employers are free agents able to make independent decisions.

Conclusions

It is often said that best fit is better than best practice but this statement can only be accepted with reservations. As Stavrou *et al* (2010: 952–53) argued:

There may be merit in both approaches where the debate is between general principles/bundles (training and development, staffing, compensation, and benefits, communication and participation, and planning) and the manner in which they are carried out... It seems that the 'best fit' and 'best practice' approaches of the HR-performance relationship are not necessarily mutually exclusive. On the contrary, they may be combined to provide a more holistic picture.

This is particularly the case if the term 'best practice' is replaced by 'good practice', thus avoiding the notion of universality implied by the former term.

For example, the meta-analysis carried out by Schmidt and Hunter (1998) established conclusively that when selecting people, the best levels of predictive validity are achieved by a combination of structured interviews and intelligence tests. But a decision on what sort of structured interview should be adopted and whether or not to use intelligence tests would depend on the situation in which the decision was made.

Bundling

'Bundling' is the development and implementation of several HR practices together so that they are interrelated and therefore complement and reinforce each other. This is the process of horizontal integration, which is also referred to as the use of 'complementarities'. Richardson and Thompson (1999) suggested that a strategy's success turns on combining vertical or external fit and horizontal or internal fit. They concluded that a firm with bundles of associated HR practices should have a higher level of performance, provided it also achieves high levels of fit with its competitive strategy.

Dyer and Reeves (1995: 656–57) noted that: 'The logic in favour of bundling is straightforward... Since employee performance is a function of both ability and motivation, it makes sense to have practices aimed at enhancing both.' Thus there are several ways in which employees can acquire needed skills (such as careful selection and training) and multiple incentives to enhance motivation (different forms of financial and non-financial rewards). Their study of various models listing HR practices that create a link between HRM and business performance found that the activities appearing in most of the models were involvement, careful selection, extensive training and contingent compensation.

The process of bundling HR strategies is an important aspect of the concept of strategic HRM. In a sense, SHRM is holistic: it is concerned with the organization as a total system or entity and addresses what needs to be done across the organization as a whole. It is not interested in isolated programmes and techniques, or in the ad hoc development of HR strategies and practices.

Bundling can take place in a number of ways. Competency frameworks (a set of definitions of the competencies that describe the types of behaviour required for the successful performance of a role)

can be devised that have a variety of uses, for example to specify recruitment standards, provide a framework for structured interviews, identify learning and development needs and indicate the standards of behaviour or performance required. Job evaluation can also be used to clarify and define levels in an organization. Grade structures can define career ladders in terms of competency requirements (career family structures) and thus provide the basis for learning and development programmes. Total reward approaches 'bundle' financial and non-financial rewards together. High-performance systems are in effect based on the principle of bundling because they group a number of HR practices together to produce synergy and thus increase their impact.

Critical evaluation of bundling

Bundling sounds like a good idea. The research by MacDuffie (1995) and others has shown that bundling can improve performance. But there are a number of inhibiting factors, namely:

- deciding which bundles are likely to be best – there is no evidence that one bundle is generally better than another;
- actually linking practices together – it is always easier to deal with one practice at a time;
- managing the interdependencies between different parts of a bundle;
- convincing top management and line managers that bundling will benefit the organization and them.

These can be overcome by dedicated HR professionals, but it is hard work. What can be done, with difficulty, is to find ways in which different HR practices can support one another, as in the examples given above.

HR strategies

HR strategies indicate what the organization wants to do about its human resource management policies and practices and how they should be integrated with the business strategy and each other. They set out aspirations that are expressed as intentions,

which are then converted into actions. As suggested by Chesters (2011: 32), they should be regarded as a statement of the organization's collective endeavour. They are not just a laundry list of everything that the organization would like to do.

HR strategies were described by Dyer and Reeves (1995: 656) as 'internally consistent bundles of human resource practices'. Richardson and Thompson (1999: 3) observed that:

A strategy, whether it is an HR strategy or any other kind of management strategy must have two key elements: there must be strategic objectives (ie things the strategy is supposed to achieve), and there must be a plan of action (ie the means by which it is proposed that the objectives will be met).

Purcell (2001: 72) made the point that: 'Strategy in HR, like in other areas, is about continuity and change, about appropriateness in the circumstances, but anticipating when the circumstances change. It is about taking strategic decisions.'

The purpose of HR strategies is to articulate what an organization intends to do about its HRM policies and practices now and in the longer term to ensure that they contribute to the achievement of business objectives. However, it is necessary to bear in mind the dictum of Fombrun *et al* (1984) that business and managers should perform well in the present to succeed in the future.

HR strategies may be defined formally as part of a strategic HRM process that leads to the development of overall or specific strategies for implementation by HR and, vitally, line managers. But an organization that has developed an HR strategy will not be practising SHRM unless that HR strategy has strategic relevance to the organization's success. As Wright and McMahan (1999: 52) indicated, HRM can only be considered to be strategic if 'it enables an organization to achieve its goals'.

Petrigrew and Whipp (1991: 30) emphasized that strategy, 'far from being a straightforward, rational phenomenon, is in fact interpreted by managers according to their own frame of reference, their particular motivations and information'. They were writing about business strategy, but the same applies to HR strategy, which can appear through an emergent, evolutionary and possibly unarticulated process influenced by the business strategy as it develops and changes in the internal and external environment. But there are still strong

arguments for a systematic approach to identifying strategic directions that can provide a framework for decision-making and action. The main argument for articulating HR strategies is that unless you know where you are going, you will not know how to get there or when you have arrived.

Because all organizations are different, all HR strategies are different. There is no such thing as a standard strategy. Research into HR strategy conducted by Armstrong and Long (1994) and Armstrong and Baron (2002) revealed many variations. Some strategies are simply very general declarations of intent. Others go into much more detail. The two types of HR strategies are: 1) general strategies such as high-performance working; 2) specific strategies relating to the different aspects of HRM such as learning and development and reward.

General HR strategies

General strategies describe the overall system or bundle of complementary HR practices that the organization proposes to adopt or puts into effect in order to improve organizational performance. The three main approaches are summarized below.

High-performance management

High-performance management aims, through high-performance work systems (bundles of practices that enhance employee performance and facilitate their engagement, motivation and skill enhancement), to make an impact on the performance of the organization in such areas as productivity, quality, levels of customer service, growth and profits. High-performance working practices include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems and performance management processes.

High-commitment management

One of the defining characteristics of HRM is its emphasis on the importance of enhancing mutual commitment (Walton, 1985). High-commitment management has been described by Wood (1996) as: 'A form of management which is aimed at eliciting a commitment so that behaviour is primarily self-regulated rather than controlled by sanctions and

pressures external to the individual, and relations within the organization are based on high levels of trust.'

High-involvement management

As defined by Benson *et al* (2006: 519): 'High-involvement work practices are a specific set of human resource practices that focus on employee decision-making, power, access to information, training and incentives.' Camps and Luna-Arocas (2009: 1057) observed that: 'High-involvement work practices aim to provide employees with the opportunity, skills and motivation to contribute to organizational success in environments demanding greater levels of commitment and involvement.' The term 'high-involvement' was used by Lawler (1986) to describe management systems based on commitment and involvement, as opposed to the old bureaucratic model based on control.

Examples of general HR strategies

- A local authority: as expressed by the chief executive of this borough council, its HR strategy is about 'having a very strong focus on the overall effectiveness of the organization, its direction and how it's performing; there is commitment to, and belief in, and respect for individuals, and I think that these are very important factors.'
- A public utility: 'The only HR strategy you really need is the tangible expression of values and the implementation of values... unless you get the human resource values right you can forget all the rest' (managing director).
- A manufacturing company: 'The HR strategy is to stimulate changes on a broad front aimed ultimately at achieving competitive advantage through the efforts of our people. In an industry of fast followers, those who learn quickest will be the winners' (HR director).
- A retail stores group: 'The biggest challenge will be to maintain [our] competitive advantage and to do that we need to maintain and continue to attract very high calibre people. The key differentiator on anything any company does is fundamentally

the people, and I think that people tend to forget that they are the most important asset. Money is easy to get hold of, good people are not. All we do in terms of training and manpower planning is directly linked to business improvement' (managing director).

Specific HR strategies

Specific HR strategies set out what the organization intends to do in areas such as:

- *Human capital management* – obtaining, analysing and reporting on data that informs the direction of value-adding, people management, strategic, investment and operational decisions.
- *Knowledge management* – creating, acquiring, capturing, sharing and using knowledge to enhance learning and performance.
- *Corporate social responsibility* – a commitment to managing the business ethically in order to make a positive impact on society and the environment.
- *Engagement* – the development and implementation of policies designed to increase the level of employees' engagement with their work and the organization.
- *Organization development* – the planning and implementation of programmes designed to enhance the effectiveness with which an organization functions and responds to change.
- *Resourcing* – attracting and retaining high-quality people.
- *Talent management* – how the organization ensures that it has the talented people it needs to achieve success.
- *Learning and development* – providing an environment in which employees are encouraged to learn and develop.
- *Reward* – defining what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of its stakeholders.

- *Employee relations* – defining the intentions of the organization about what needs to be done and what needs to be changed in the ways in which the organization manages its relationships with employees and their trade unions.
- *Employee well-being* – meeting the needs of employees for a healthy, safe and supportive work environment.

The following are some examples of specific HR strategies.

The Children's Society

- Implement the rewards strategy of the society to support the corporate plan and secure the recruitment, retention and motivation of staff to deliver its business objectives.
- Manage the development of the human resources information system to secure productivity improvements in administrative processes.
- Introduce improved performance management processes for managers and staff of the society.
- Implement training and development that supports the business objectives of the society and improves the quality of work with children and young people.

Diageo

There are three broad strands to the *Organization and People Strategy*:

- 1 *Reward and recognition*: use recognition and reward programmes to stimulate outstanding team and individual performance contributions.
- 2 *Talent management*: drive the attraction, retention and professional growth of a deep pool of diverse, talented employees.
- 3 *Organizational effectiveness*: ensure that the business adapts its organization to maximize employee contribution and deliver performance goals.

The strategy provides direction to the company's talent, operational effectiveness and performance and reward agendas. The company's underlying thinking is that the people strategy is not for the human resource function to own but is the responsibility of the whole organization, hence the title 'Organization and People Strategy'.

A government agency

The key components of the HR strategy are:

- Investing in people – improving the level of intellectual capital.
- Performance management – integrating the values contained in the HR strategy into performance management processes and ensuring that reviews concentrate on how well people are performing those values.
- Job design – a key component concerned with how jobs are designed and how they relate to the whole business.
- The reward system – in developing reward strategies, taking into account that this is a very hard-driven business.

A local authority

The focus is on the organization of excellence. The strategy is broken down into eight sections: employee relations, recruitment and retention, training, performance management, pay and benefits, health and safety, absence management and equal opportunities.

Criteria for an effective HR strategy

An effective HR strategy is one that works in the sense that it achieves what it sets out to achieve. Its criteria are that it:

- will satisfy business needs;
- is founded on detailed analysis and study and is evidence-based – it is not just wishful thinking;
- can be turned into actionable programmes that anticipate implementation requirements and problems;

- is coherent and integrated, being composed of components that fit with and support each other;

- takes account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders.

Formulating HR strategy

Research conducted by Wright *et al* (2004) identified two approaches that can be adopted by HR to strategy formulation: 1) the inside-out approach begins with the status quo HR function (in terms of skills, processes, technologies, etc) and then attempts (with varying degrees of success) to identify linkages to the business (usually through focusing on 'people issues'), making minor adjustments to HR activities along the way; 2) the outside-in approach in which the starting point is the business and the customer, competitor and business issues it faces. The HR strategy then derives directly from these challenges to add real value.

Wright *et al* commented that HR strategies are more likely to flow from business strategies dominated by product/market and financial considerations. But there is still room for HR to make an essential contribution at the stage when business strategies are conceived, for example by focusing on resource issues. This contribution may be more significant when strategy formulation is an emergent or evolutionary process – HR strategic issues will then be dealt with as they arise during the course of formulating and implementing the corporate strategy.

Implementing HR strategy

As Gratton (2000: 30) commented: 'There is no great strategy, only great execution.' Strategies cannot be left as generalized aspirations or abstractions. But getting strategies into action is not easy: intent does not always lead to action. Too often, strategists act like Charles Dickens's character Mr Pecksniff, who was compared by Dickens (*Martin Chuzzlewit*, Penguin Classics, 2004: 23) to 'a direction-post which is always telling the way to a place and never goes there.' It is necessary to avoid saying, in effect: 'We need to get from here to there but we don't care how.'

If, in Kanter's (1984) phrase, HR strategies are to be action vehicles, they must be translated into HR policies that provide guidelines on decision-making and HR practices that enable the strategy to work. These can be the basis for implementation programmes with clearly stated objectives and deliverables.

To a large extent, HR strategies are implemented by line managers. As Purcell *et al* (2003: x) stressed, it is front-line managers who 'bring policies to life'. They pointed out that:

Implementing and enacting policies is the task of line managers. It is necessary first to involve line managers in the development of HR strategy – bearing in mind that things done *with* line managers are much more likely to work than things done *to* line managers. Second, ensure that the HR policies they are expected to put into practice are manageable with the resources available. Third, provide managers with the training, supporting processes and on the spot guidance they need.

Key learning points: Strategic HRM

The conceptual basis of strategic HRM
Strategic HRM is the 'interface between HRM and strategic management'. It takes the notion of HRM as a strategic, integrated and coherent approach and develops that in line with the concept of strategic management (Boxall, 1996).

The fundamental characteristics of strategy

- Forward looking.
- The organizational capability of a firm depends on its resource capability.
- Strategic fit – the need when developing HR strategies to achieve congruence between them and the organization's business strategies within the context of its external and internal environment.

How strategy is formulated

An emergent and flexible process of developing a sense of direction, making the best use of resources and ensuring strategic fit.

The aim of SHRM

To generate organizational capability by ensuring that the organization has the skilled, engaged, committed and well-motivated employees it needs to achieve sustained competitive advantage.

Implications of the resource-based view (RBV)

The RBV emphasizes the importance of creating firms that are 'more intelligent and flexible than their competitors' (Boxall, 1996) by hiring and developing more talented staff and by extending the skills base.

Implications of the concept of strategic fit

The concept of strategic fit means developing HR strategies that are integrated with the business strategy and support its achievement (vertical integration or fit), and the use of an integrated approach to the development of HR practices.

Best practice

There is a set of best HRM practices that are universal in the sense that they are best in any situation and adopting them will lead to superior organizational performance. The notion of best practice incorrectly assumes that there are universally effective HR practices that can readily be transferred.

Best fit

HR strategies should be congruent with the context and circumstances of the organization. More realistic than best practice, but there is a danger of mechanically matching HR policies and practices with strategy.

The significance of bundling

The process of bundling HR strategies is an important aspect of the concept of SHRM, which is concerned with the organization as a total system or entity and addresses what needs to be done across the organization as a whole.

HR strategies

HR strategies set out what the organization intends to do about its HRM policies and practices and how they should be integrated with the business strategy and each other. The two types of HR strategies are:
1) general strategies such as high-performance working;
2) specific strategies relating to the different aspects of HRM such as learning and development and reward.

Questions

- 1 What is strategic HRM?
- 2 What is strategic management?
- 3 What is strategy?
- 4 What is the resource-based view?
- 5 What is the meaning and significance of strategic fit?
- 6 What is the best practice model and to what extent is it valid?
- 7 What is the best fit model and to what extent is it valid?
- 8 What is bundling?
- 9 What are HR strategies?
- 10 What are the criteria for an effective HR strategy?

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04 HRM and performance

KEY CONCEPTS AND TERMS

The black box
Causal ambiguity
High-performance culture
High-performance work system
HR value chain
Performance management
Reversed causality

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also understand:

- What impact HRM can make on performance
- How HRM makes that impact
- The nature of a high-performance culture
- How a high-performance work system functions
- The role of performance management
- How HR can contribute

Introduction

All organizations are under an obligation to their stakeholders to perform well. To do this they depend on the quality, dedication, enthusiasm, expertise and skill of the people working in them at every level. The message of the resource-based view is that HRM delivers added value and helps to achieve sustainable competitive advantage through the strategic development of the organization's rare, hard-to-imitate and hard-to-substitute human resources. As Guest (1997: 269) argued: 'The distinctive feature of HRM is its assumption that improved performance is achieved through the people in the organization.' If, therefore, appropriate HR policies and practices are introduced, it can also be assumed that HRM will impact on firm performance.

The chapter begins with a review of the evidence that HRM makes an impact on performance and of the problems met by researchers in establishing what the link is and how it works. It continues with a description of the concept of a high-performance culture and how it can be achieved through a high-performance work system and performance management.

The impact of HR

Much research has been carried out showing that good HRM practice and firm performance are correlated; notable examples in the UK are Guest *et al* (2000a), Patterson *et al* (1997), Purcell *et al* (2003), Thompson (2002) and West *et al* (2002), summarized in Table 4.1.

How HRM makes an impact

Storey *et al* (2009: 4) observed that: 'The premise is that, in some shape or form, HR policies have an effect on HR practices and these in turn influence staff attitudes and behaviours which will, in turn again, impact on service offerings and customer perceptions of value.' The assumption is that good HRM practices will enhance performance. This is supported by the notion of 'best practice HRM', which as noted in Chapter 2 is illustrated by lists

such as Pfeffer's (1998), Bowen and Ostroff (2004) argued that the link between HRM and performance is likely to be greater where what they describe as a 'strong' HR system is in place. Core characteristics of their 'strong' system are high levels of distinctiveness, consistency, and consensus. Where these are present there will be an organizational climate that supports HR implementation. But they also made the obvious suggestion that it is not enough to have good practices if they are not properly implemented. As Guest (2011: 6) commented: 'What this does is switch the focus to line management.' Nishii *et al* (2008) argued that it is not just the presence of practices that is important but 'perceptions about the intentions behind the practices'.

An extensive research project conducted by Guest and Conway (2011) led to the finding that consensus on HR effectiveness did not support strong HR system would have a significant association with outcomes. Guest and Conway commented that their study revealed very low levels of agreement about HR effectiveness. They concluded that: 'There are three elements in a logical model of HR effectiveness. HR practices must be present, they must be effective and they must be effectively implemented' (ibid: 1700).

Uncertainties about the link between HRM and performance

As noted earlier, much research has demonstrated an association between HRM and performance. But Guest *et al* (2000b) observed that it left uncertainties about cause and effect. Ulrich (1997: 304) pointed out that: 'HR practices seem to matter; logic says it is so; survey findings confirm it. Direct relationships between performance and attention to HR practices are often fuzzy, however, and vary according to the population sampled and the measures used.' Guest (2011: 11) summed up his article on HRM and performance with the comment that: 'After hundreds of research studies we are still in no position to assert with any confidence that good HRM has an impact on organization performance.'

There are two issues that affect the determination of a link between HRM and firm performance: 'causal ambiguity' and 'contingency factors'. These contribute to what is known as the 'black box' phenomenon.

TABLE 4.1 Research on the link between HRM and firm performance

Researcher(s)	Methodology	Outcomes
Patterson <i>et al</i> (1997)	The research examined the link between business performance and organization culture and the use of a number of HR practices.	HR practices explained significant variations in profitability and productivity (19% and 18% respectively). Two HR practices were particularly significant: 1) the acquisition and development of employee skills, and 2) job design including flexibility, responsibility and variety.
Guest <i>et al</i> (2000a)	An analysis of the 1998 WERS survey, which sampled some 2,000 workplaces and obtained the views of about 28,000 employees.	A strong association exists between HRM and both employee attitudes and workplace performance.
Thompson (2002)	A study of the impact of high-performance work practices such as teamworking, appraisal, job rotation, broad-banded grade structures and sharing of business information in UK aerospace establishments.	The number of HR practices and the proportion of the workforce covered appeared to be the key differentiating factor between more and less successful firms.
West <i>et al</i> (2002)	Research conducted in 61 UK hospitals obtaining information on HR strategy, policy and procedures from chief executives and HR directors and mortality rates.	An association between certain HR practices and lower mortality rates was identified. As noted by West: 'if you have HR practices that focus on effort and skill; develop people's skills; encourage cooperation, collaboration, innovation and synergy in teams for most, if not all employees, the whole system functions and performs better.'
Purcell <i>et al</i> (2003)	A University of Bath longitudinal study of 12 companies to establish how people management impacts on organizational performance.	The most successful companies had 'the big idea'. They had a clear vision and a set of integrated values. They were concerned with sustaining performance and flexibility. Clear evidence existed between positive attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance. Policy and practice implementation (not the number of HR practices adopted) is the vital ingredient in linking people management to business performance and this is primarily the task of line managers.

TABLE 4.1 Continued

Researcher(s)	Methodology	Outcomes
Birdi <i>et al</i> (2008)	A longitudinal research study by the Institute of Work Psychology, University of Sheffield covering 308 companies over 22 years, designed to establish the impact of various HRM and operational practices on company productivity.	It was found that the impact of empowerment (job enrichment) was to produce a gain of nearly 7% of value added per employee, while the gain for extensive training was nearly 6%. But teamwork did not make a significant impact, neither did total quality management or just-in-time.

Causal ambiguity

The term causal ambiguity refers to the numerous, subtle and often hidden interconnections between the factors influencing cause and effect. Boselic *et al* (2005: 75) referred to the causal distance between an HRM input and an output such as financial performance: 'Put simply, so many variables and events, both internal and external, affect organizations that this direct linkage strains credibility.'

A basic reason for ambiguity is multiple causation, which exists when there is more than one possible cause for an effect. HRM may have caused an improvement in performance but there may be many other economic or business factors that did so, and it could be difficult to unravel them. Another factor is the possibility of reversed causality (a situation where A might have caused B but B might well have caused A). As Purcell *et al* (2003: 2) expressed it: 'Although it is nice to believe that more HR practices leads to higher economic return, it is just as possible that it is successful firms that can afford more extensive (and expensive) HRM practices.'

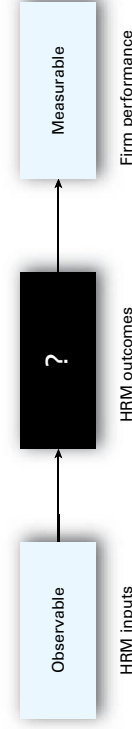
Contingency factors

Causation will additionally be affected by the organization's context, ie the internal and external environmental factors that influence what happens within the organization.

The black box phenomenon

Causal ambiguity also stems from the black box phenomenon, as illustrated in Figure 4.1. This is the situation in which, while it may be possible to observe HRM inputs in the form of HR practices and to measure firm performance outputs, it may be difficult to ascertain, through research, what happened in between – what the HRM outcomes were that converted the input of HR practices into firm performance outputs. Alvesson (2009: 56) suggested that 'Research does not proceed beyond attempts to find an empirical association between HR practices and organizational performance. The phenomena are in a black box, only input and output are registered and what is happening remains clouded in the dark.'

FIGURE 4.1 The black box phenomenon



Explanations of how HRM makes an impact

Guest (1997: 268) stated that: ‘The assumption is that “appropriate” HRM practices tap the motivation and commitment of employees.’ He explained how expectancy theory might help to explain the HR/performance link as follows:

The expectancy theory of motivation provides one possible basis for developing a more coherent rationale about the link between HRM practices and performance. Although expectancy theory is concerned primarily with motivation, it is also a theory about the link between motivation and performance. Specifically, it proposes that high performance, at the individual level, depends on high motivation plus possession of the necessary skills and abilities and an appropriate role and understanding of that role. It is a short step to specify the HRM practices that encourage high skills and abilities, for example careful selection and high investment in training; high motivation, for example employee involvement and possibly performance-related pay; and an appropriate role structure and role perception, for example job design and extensive communication and feedback.

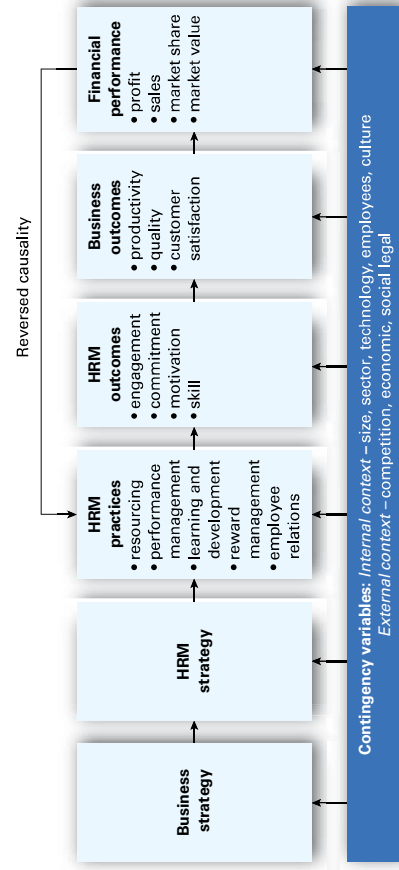
Following this contribution from Guest, any explanation of the impact of HRM on organizational

performance is likely to be based on three propositions: 1) that HR practices can make a direct impact on employee characteristics such as engagement, commitment, motivation and skill; 2) if employees have these characteristics it is probable that organizational performance in terms of productivity, quality and the delivery of high levels of customer service will improve; and 3) if such aspects of organizational performance improve, the financial results achieved by the organization will improve. This can be described as the HR value chain.

The propositions highlight the existence of an intermediate factor between HRM and financial performance. This factor consists of the HRM outcomes in the shape of employee characteristics affected by HR practices. Therefore, HRM does not make a direct impact. A model of the impact of HRM taking into account the considerations of reverse causation and contingency effects mentioned earlier is shown in Figure 4.2.

But high performance is not just about HR practices. The case-based research by Purcell *et al* (2003) showed that the key to activating what they called the ‘people-performance’ link lies not only in well-crafted ‘bundles’ of HR practices, but in their conjunction with a powerful and cohering organizational vision (or ‘big idea’) and corporate leadership, together with front-line leadership’s action and use of its discretionary power.

FIGURE 4.2 Impact of HRM on organizational performance (based on Paauwe, 2004)



Developing a high-performance culture

Organizations achieve sustained high performance through the systems of work they adopt, but these systems are managed and operated by people. Ultimately, therefore, high-performance working is

about improving performance through people. This can be done through the development and implementation of a high-performance culture involving high-performance work systems in which performance management plays an important part.

High-performance cultures are ones in which the achievement of high levels of performance is a way of life. The characteristics of such cultures are set out below.

Characteristics of a high-performance culture

- Management defines what it requires in the shape of performance improvements, sets goals for success and monitors performance to ensure that the goals are achieved.
- Alternative work practices are adopted such as job redesign, autonomous work teams, improvement groups, team briefing and flexible working.
- People know what is expected of them – they understand their goals and accountabilities.
- People feel that their job is worth doing, and there is a strong fit between the job and their capabilities.
- People are empowered to maximize their contribution.
- There is strong leadership from the top that engenders a shared belief in the importance of continuing improvement.
- There is a focus on promoting positive attitudes that result in an engaged, committed and motivated workforce.
- Performance management processes are aligned to business goals to ensure that people are engaged in achieving agreed objectives and standards.
- Capacities of people are developed through learning at all levels to support performance improvement and they are provided with opportunities to make full use of their skills and abilities.
- A pool of talent ensures a continuous supply of high performers in key roles.
- People are valued and rewarded according to their contribution.
- People are involved in developing high-performance practices.
- There is a climate of trust and teamwork, aimed at delivering a distinctive service to the customer.
- A clear line of sight exists between the strategic aims of the organization and those of its departments and its staff at all levels.

High-performance work systems

High-performance work systems (HPWS) are bundles of HR practices that facilitate employee involvement, skill enhancement and motivation. An HPWS was described by Becker and Huselid (1998: 55) as:

‘An internally consistent and coherent HRM system that is focused on solving operational problems and implementing the firm’s competitive strategy.’ The approach used in an HPWS is sometimes referred to as ‘high-performance working’.

Performance cultures are created by HPWS that embody ways of thinking about performance in organizations and how it can be improved. They are

concerned with developing and implementing bundles of complementary practices that, as an integrated whole, will make a much more powerful impact on performance than if they were dealt with as separate entities. Appelbaum *et al* (2000) stated that HPWS facilitate employee involvement, skill enhancement and motivation.

Features of an HPWS

There is no generally accepted definition of an HPWS and there is no standard list of the features or components of such a system. In spite of this problem of definition, an attempt to describe the basic components of an HPWS was made by Shih *et al* (2005) as follows:

- *Job infrastructure* – workplace arrangements that equip workers with the proper abilities to do their jobs, provide them with the means to do their jobs, and give them the motivation to do their jobs. These practices must be combined to produce their proper effects.
- *Training programmes to enhance employee skills* – investment in increasing employee skills, knowledge and ability.
- *Information sharing and worker involvement mechanisms* – to understand the available alternatives and make correct decisions.
- *Reward and promotion opportunities that provide motivation* – to encourage skilled employees to engage in effective discretionary decision-making in a variety of environmental contingencies.

Many descriptions of high-performance systems include lists of desirable features and therefore embody the notion of ‘best practice’. However, Gephart (1995) noted that research has not clearly identified any single set of high-performance practices. Becker *et al* (1997) pointed out that HPWS were highly idiosyncratic and had to fit the organization’s individual circumstances. The lists that have been compiled vary considerably, as is shown in the selection set out in Table 4.2.

TABLE 4.2 Components of an HPWS

US Department of Labor (1993)	Appelbaum <i>et al</i> (2000)	Sung and Ashton (2005)	Thompson and Heron (2005)
<ul style="list-style-type: none"> • Careful and extensive systems for recruitment, selection and training. • Formal systems for sharing information with employees. • Clear job design. • High-level participation processes. • Monitoring of attitudes. • Performance appraisals. • Properly functioning grievance procedures. • Promotion and compensation schemes that provide for the recognition and reward of high-performing employees. 	<ul style="list-style-type: none"> • Work is organized to permit front-line workers to participate in decisions that alter organizational routines. • Workers require more skills to do their jobs successfully, and many of these skills are firm specific. • Workers experience greater autonomy over their job tasks and methods of work. • Incentive pay motivates workers to extend extra effort on developing skills. • Employment security provides front-line workers with a long-term stake in the company and a reason to invest in its future. 	<ul style="list-style-type: none"> • High-involvement work practices – eg self-directed teams, quality circles and sharing/information. • Human resource practices – eg sophisticated recruitment processes, performance appraisals, work redesign and mentoring. • Reward and commitment practices – eg various financial rewards, family friendly policies, job rotation and flexi-hours. 	<ul style="list-style-type: none"> • Information sharing. • Sophisticated recruitment. • Formal induction programme. • Five or more days of off-the-job training in the last year. • Semi- or totally autonomous work teams; continuous improvement teams; problem-solving groups. • Interpersonal skills development. • Performance feedback. • Involvement – works council, suggestion scheme, opinion survey. • Team-based rewards, employee share ownership scheme, profit-sharing scheme.

Critical evaluation of the high-performance work system approach

Research conducted by Ramsay *et al* (2000) aimed to explore linkages from HPWS practices to employee outcomes, and via these to organizational performance. They referred to the existence of the ‘black box’, meaning that while the introduction of an HPWS may be associated with improved performance, no researchers have yet established how this happens. They commented that ‘the widely held view that positive performance outcomes from HPWS flow via positive employee outcomes has been shown to be highly questionable’ (ibid: 521).

Godard (2001) concluded, following his research in Canada, that the actual effects of high-performance work systems can vary considerably and many have a limited lifespan. Following further research, he commented in 2004 that:

The full adoption of this (high performance) paradigm may not yield outcomes that are appreciably more positive than those yielded by practices that have long been associated with good management, including professional personnel practices (eg job ladders, employment security, grievance systems, formal training, above-market pay), group work organization, information sharing and accommodative union relations policies... There may be positive effects in some workplaces. However, these effects may be inherently more limited than assumed and, in a great many workplaces, may not be sufficient to justify full adoption.

But research conducted by Sung and Ashton (2005), Combs *et al* (2006) and Ericksen (2007) indicated that an HPWS can significantly improve performance. Even so, it is still possible to have reservations about causality and there seems to be no agreement on what constitutes an HPWS except for variable lists of ‘best practices’ – a dubious concept. As Godard (2004) commented, these lists are no more than bundles of long-accepted good personnel practices. Perhaps the virtue of the HPWS model is simply that it makes people think about what can be done to improve performance and how the various approaches can be linked together in a cohesive action programme.

TABLE 4.3 Examples of high-performance working ingredients

Organization	High-performance working ingredients
Halo Foods	A strategy that maintains competitiveness by increasing added value through the efforts and enhanced capability of all staff. The integration of technical advance with people development. Continuing reliance on teamworking and effective leadership, with innovation and self- and team management skills.
Land Registry	Organizational changes to streamline processes, raise skill levels and release talents. Managers who could see that the problems were as much cultural as organizational. Recruitment of people whose attitudes and aptitudes match the needs of high-performance work practices.
Meritor Heavy Vehicle Braking Systems	Skill enhancement, particularly of management and self-management skills using competence frameworks. Teamworking skills and experience used on improvement projects. Linking learning, involvement and performance management.
Orangebox	A strategy that relies on constant reinvention of operational capability. Engagement and development of existing talent and initiative in productivity improvement. Increasing use of cross-departmental projects to tackle wider opportunities.
Perkinelmer	A vision and values worked through by managers and supervisors. Engagement of everyone in the organization and establishment of a continuous improvement culture. Learning as a basis for change.
United Welsh Housing Association	Linking of better employment relations with better performance. Using staff experience to improve customer service. Focusing management development on the cascading of a partnership culture.

Performance management

Performance management can contribute to the development of a high-performance culture in an organization by delivering the message that high performance is important. The management of organizational performance is the continuing responsibility of top management who, with the help and advice of HR, plan, organize, monitor and control activities and provide leadership to achieve strategic objectives and satisfy the needs and requirements of stakeholders. Individual and team performance management systems play an important part, but they function within the context of what is done to manage organizational performance and to develop effective work systems.

The strategic approach adopted by Johnson & Johnson was described by Wortzel-Hoffman and Boltzlar (2007) as follows:

As we embarked on developing an integrated performance and development process into the organization, we knew that driving change and an enhanced process requires a cultural shift within an organization. The best performance management becomes a continuous process and is not a one time event; it takes time and effort and a dedication to developing people. We also knew that from a business standpoint it was critical to build and develop the talent pipeline of the organization to meet the aggressive business goals and dynamically changing marketplace.

Performance management at organizational, team and individual level defines what high performance is and how managers and their teams should achieve it. It explains how performance should be measured and the steps that should be taken to monitor results in comparison with expectations. The means of achieving high performance are provided by defining the performance expectations implicit in the psychological contract, creating high levels of engagement,

motivating people and enhancing skills and competencies through feedback, coaching and personal development planning. Performance management systems are described more fully in Chapter 25.

The contribution of HR

HR contributes to enhancing organizational performance by providing insights on the performance issues affecting the organization and its employees. This means identifying the reasons for the issues, exploring their implications for business and people management and conveying these messages to management. The aim is to find new ways of meeting performance challenges.

HR can advise management on the development of a high performance strategy supported by performance and reward initiatives. Additionally, HR can review policies and practices such as those concerned with organizational development, engagement, resourcing, learning and development, and employee relations. Decisions can then be made to enhance existing policies and practices or introduce new ones. Importantly, consideration needs to be given to how integration of these policies and practices can be achieved by linking them together in a 'bundle' so that they are mutually supportive.

HR has then to prepare a business case for any developments or innovations and persuade management to accept it. Line managers and employees should be involved in the development programme and a communications strategy should be created to inform people about what is going on and how it will affect them.

HR will also be involved in producing and project managing an implementation programme. As necessary, learning and development activities and events will be conducted to ensure that line managers and employees have the skills required.

Key learning points: HRM and performance

The impact of HRM

Much research has been carried out showing that good HRM practice and firm performance are correlated; notable examples in the UK are Guest *et al* (2000a), Patterson *et al* (1997), Purcell *et al* (2003), Thompson (2002) and West *et al* (2002).

How HRM makes an impact

Storey *et al* (2009: 4) observed that: 'The premise is that, in some shape or form, HR policies have an effect on HR practices and these in turn influence staff attitudes and behaviours which will, in turn again, impact on service offerings and customer perceptions of value.'

Explanations of how HRM makes an impact

Guest (1997: 268) stated that: 'The assumption is that "appropriate" HRM practices tap the motivation and commitment of employees.'

An explanation of the impact of HRM is based on three propositions: 1) that HR practices can make a direct impact on employee characteristics such as engagement, commitment, motivation and skill; 2) if employees have these characteristics it is probable that organizational performance in terms of productivity, quality and the delivery of high levels of customer service will improve; and 3) if such aspects of organizational performance improve, the financial results achieved by the organization will improve.

Developing a high-performance culture

Organizations achieve sustained high performance through the systems of work they adopt, but these systems are managed and operated by people. Ultimately, high-performance working is about improving performance through people. This can be done through the development and implementation of a high-performance culture involving HPWS in which performance management plays an important part.

High-performance work systems

HPWS are bundles of HR practices that facilitate employee involvement, skill enhancement and motivation. HPWS provide the means for creating a performance culture.

Performance management

Performance management can contribute to the development of a high-performance culture by delivering the message in an organization that high performance is important.

The contribution of HR

HR can contribute to enhancing organizational performance by providing insight on the performance issues affecting the organization and its employees.

Questions

- 1 How does HRM make an impact on performance?
- 2 What is a high-performance culture?
- 3 What is a high-performance work system?
- 4 What are the typical features of a high-performance work system?
- 5 How can performance management contribute?

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07 Competency-based HRM

KEY CONCEPTS AND TERMS

Behavioural competencies	Criterion referencing
Behavioural indicators	Emotional intelligence
Competency	Role-specific competencies
Competency-based HRM	Technical competencies
Competency framework	

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also understand:

- The meaning of competency-based HRM
- The different types of competencies
- The contents of competency frameworks
- Reasons for using competencies
- Coverage of competencies
- Applications of competency-based HRM
- How to develop a competency framework
- Keys to success in using competencies
- Competencies and emotional intelligence

Introduction

Competency-based HRM is about using the notion of competency and the results of competency analysis to inform and improve HR processes, especially those concerned with recruitment and selection, learning and development, and performance and reward management. It has an important part to play in a number of HR activities.

Competency defined

The term 'competency' refers to an underlying characteristic of a person that results in effective or superior performance. The leading figure in defining and popularizing the concept of competency was Boyatzis (1982). He conducted research that established that there was no single factor but a range of factors that differentiated successful from less successful performance. These factors included personal qualities, motives, experience and behavioural characteristics. Since his contribution, three types of competencies have been identified: behavioural competencies, technical competencies and NVQs/SNVQs.

Behavioural competencies

Behavioural competencies define behavioural expectations, ie the type of behaviour required to deliver results under such headings as teamworking, communication, leadership and decision-making and are sometimes known as 'soft skills'. Criterion-referencing, ie comparing one measure or situation with a criterion in the form of another measure or outcome, may be used to determine the relationship between them. They can be set out in a 'competency framework', which contains definitions of the behavioural competencies used for all employees in an organization or for particular occupations such as managers. Guidelines on defining behavioural competencies are provided in Chapter 51.

Technical competencies

Technical competencies define what people have to know and be able to do (knowledge and skills) in

order to carry out and meet performance expectations and are sometimes known as 'hard skills'. They are related to either generic roles (groups of similar roles), or to individual roles ('role-specific competences'). They are not usually part of a behavioural-based competency framework, although the two are linked when considering and assessing role demands and requirements.

The terms 'technical competencies' and 'competences' are closely related, although the latter has a particular and more limited meaning when applied to NVQs/SNVQs, as discussed below. Guidelines on defining technical competencies are provided in Chapter 51.

NVQ/SNVQ competences

The concept of competence was conceived in the UK as a fundamental part of the process of developing standards for NVQs/SNVQs. These specify minimum standards for the achievement of set tasks and activities expressed in ways that can be observed and assessed with a view to certification. An element of competence in NVQ language is a description of something that people in a work area should be able to do. They are assessed on being competent or not yet competent. No attempt is made to assess the level of competence.

Competency headings

The most common competencies included in competency in frameworks are people skills, although outcome-based skills, such as focusing on results and solving problems, are also popular. The more common competency headings included in the frameworks of organizations responding to a Competency and Emotional Intelligence survey in 2006/7 are shown in Table 7.1.

The first seven of these were used in over 50 per cent of the respondent organizations. The 49 frameworks included 553 competency headings. No doubt, many of these overlapped. The typical number of competencies was seven, rising to eight where the frameworks applied solely to managers.

TABLE 7.1 Incidence of different competency headings

Competency heading	Summary definition	% used
Team orientation	The ability to work cooperatively and flexibly with other members of the team with a full understanding of the role to be played as a team member.	86
Communication	The ability to communicate clearly and persuasively, orally or in writing.	73
People management	The ability to manage and develop people and gain their trust and cooperation to achieve results.	67
Customer focus	The exercise of unceasing care in looking after the interests of external and internal customers to ensure that their wants, needs and expectations are met or exceeded.	65
Results orientation	The desire to get things done well and the ability to set and meet challenging goals, create own measures of excellence and constantly seek ways of improving performance.	59
Problem solving	The capacity to analyse situations, diagnose problems, identify the key issues, establish and evaluate alternative courses of action and produce a logical, practical and acceptable solution.	57
Planning and organizing	The ability to decide on courses of action, ensuring that the resources required to implement the action will be available and scheduling the programme of work required to achieve a defined end-result.	51
Technical skills	Possession of the knowledge, understanding and expertise required to carry out the work effectively.	49
Leadership	The capacity to inspire individuals to give of their best to achieve a desired result and to maintain effective relationships with individuals and the team as a whole.	43
Business awareness	The capacity continually to identify and explore business opportunities, understand the business needs and priorities of the organization and constantly to seek methods of ensuring that the organization becomes more businesslike.	37

TABLE 7.1 Continued

Competency heading	Summary definition	% used
Decision making	The capacity to make sound and practical decisions that deal effectively with the issues and are based on thorough analysis and diagnosis.	37
Change orientation	The ability to manage and accept change.	33
Developing others	The desire and capacity to foster the development of members of his or her team, providing feedback, support, encouragement and coaching.	33
Influence and persuasion	The ability to convince others to agree on or to take a course of action.	33
Initiative	The capacity to take action independently and to assume responsibility for one's actions.	29
Interpersonal skills	The ability to create and maintain open and constructive relationships with others, to respond helpfully to their requests and to be sensitive to their needs.	29
Strategic orientation	The capacity to take a long-term and visionary view of the direction to be followed in the future.	29
Creativity	The ability to originate new practices, concepts and ideas.	26
Information management	The capacity to originate and use information effectively.	26
Quality focus	The focus on delivering quality and continuous improvement.	24
Self-confidence and assertiveness	Belief in oneself and standing up for one's own rights.	24
Self-development	Managing one's own learning and development.	22
Managing	Managing resources, people, programmes and projects.	20

TABLE 7.2 Example of a basic competency framework

- **Achievement/results orientation.** The desire to get things done well and the ability to set and meet challenging goals, create own measures of excellence and constantly seek ways of improving performance.
- **Business awareness.** The capacity continually to identify and explore business opportunities, understand the business opportunities and priorities of the organization and constantly to seek methods of ensuring that the organization becomes more businesslike.
- **Communication.** The ability to communicate clearly and persuasively, orally or in writing.
- **Customer focus.** The exercise of unceasing care in looking after the interests of external and internal customers to ensure that their wants, needs and expectations are met or exceeded.
- **Developing others.** The desire and capacity to foster the development of members of his or her team, providing feedback, support, encouragement and coaching.
- **Flexibility.** The ability to adapt to and work effectively in different situations and to carry out a variety of tasks.
- **Leadership.** The capacity to inspire individuals to give of their best to achieve a desired result and to maintain effective relationships with individuals and the team as a whole.
- **Planning.** The ability to decide on courses of action, ensuring that the resources required to implement the actions will be available and scheduling the programme of work required to achieve a defined end-result.
- **Problem solving.** The capacity to analyse situations, diagnose problems, identify the key issues, establish and evaluate alternative courses of action and produce a logical, practical and acceptable solution.
- **Teamwork.** The ability to work cooperatively and flexibly with other members of the team with a full understanding of the role to be played as a team member.

Competency frameworks

Competency frameworks provide the basis for the use of competencies in areas such as recruitment and selection, learning and development, and performance management. They may simply contain definitions of each competency heading as in the example given in Table 7.2.

Some frameworks illustrate these definitions with descriptions of acceptable or unacceptable behaviour, which may be expressed as positive or negative indicators as shown in Table 7.3.

Using competencies

A number of approaches to using competencies are adopted, as described below.

The 'menu' approach

A 'menu' approach selects competencies that are relevant to generic or individual roles. Some organizations provide guidelines on the number of competencies to be selected (eg four to eight) and others combine their core framework with a menu so that users are required to select the organization-wide core competencies but can add a number of optional ones.

Role-specific competencies

Role-specific competencies are also used by some organizations for generic or individual roles. These may be incorporated in a role profile in addition to a statement of key result areas. This approach is adopted in performance management processes, in recruitment person specifications and in the preparation of individual learning programmes.

TABLE 7.3 Example of competency framework definition with positive and negative indicators

Competency heading	Manage continuous improvement
Competency definition	Constantly seeking ways of improving the quality of services, the relevance and appeal of those services to the needs of customers and clients, and their effectiveness.
Competency requirement	Set targets for improvement. Develop and implement programmes for managing change. Contribute to the development of quality assurance and control processes and ensure that they are implemented.
Positive indicators	Encourages the development of new ideas and methods especially those concerned with the provision of quality. Conscious of the factors that enable change to take place smoothly. Discusses ideas with colleagues and customers and formulates views on how to improve services and processes.
Negative indicators	Doesn't try anything that hasn't been done before. Complacent, believes that there is no room for improvement. Follows previous practices without considering whether there is any need to change.

Graded competencies

A further, although less common, application of competencies is in graded career or job family structures (career or job families consist of jobs in a function or occupation such as marketing, operations, finance, IT, HR, administration or support services that are related through the activities carried out and the basic knowledge and skills required, but in which the levels of responsibility, knowledge, skill or competence needed differ). In such families, the successive levels in each family are defined in terms of competencies as well as the key activities carried out.

Applications of competency-based HRM

The Competency and Emotional Intelligence 2006/7 survey found that 95 per cent of respondents used behavioural competencies and 66 per cent used technical competencies. It was noted that because the latter deal with specific activities and tasks they inevitably result in different sets of competencies for groups of related roles, functions or activities. The three top areas where competencies were applied are:

- Recruitment and selection: 85 per cent.
- Learning and development: 82 per cent.
- Performance management: 76 per cent.

Developing a competency framework

A competency framework should be as simple to understand and use as possible. The language should be clear and jargon-free. Without clear language and examples it can be difficult to assess the level of competency achieved. When defining competencies, especially if they are used for performance management or competency-related pay, it is essential to ensure that they can be assessed. They must not be vague or overlap with other competencies and they must specify clearly the sort of behaviour that is expected and the level of technical or functional skills (competencies) required to meet acceptable standards. It is helpful to address the user directly ('you will...') and to give clear and brief examples of how the competency needs to be performed.

Developing a behavioural competency framework that fits the culture and purpose of the organization and provides a sound basis for a number of key HR processes is not to be undertaken lightly. It requires a lot of hard work, much of it concerned with involving staff and communicating with them to achieve understanding and buy-in. The steps required are described below.

Step 1. Programme launch

Decide on the purpose of the framework and the HR processes for which it will be used. Make out a business case for its development, setting out the benefits to the organization in such areas as improved performance, better selection outcomes, more focused performance management, employee development and reward processes. Prepare a project plan that includes an assessment of the resources required and the costs.

Step 2. Involvement and communication

Involve line managers and employees in the design of the framework (Steps 3 and 4) by setting up a task force. Communicate the objectives of the exercise to staff.

Only 30 per cent of organizations linked competencies to reward. The ways in which these competencies are used are described below.

Recruitment and selection

Competencies are used in many organizations as a basis for person specifications set out under competency headings developed through role analysis. The competencies defined for a role are used as the framework for recruitment and selection, and competency-based interviews are structured around the competencies listed in the specification.

Learning and development

Role profiles, which are either generic (covering a range of similar jobs) or individual (role-specific), can include statements of the competencies required. These are used to assess the levels of competency achieved by individuals and so identify their learning and development needs. Learning events can be based on competency analysis related to an organization's competency framework.

Competencies are also used in development centres, which help participants build up their understanding of the competencies they require now and in the future so that they can plan their own self-directed learning programmes.

Performance management

Competencies in performance management are used to ensure that performance reviews do not simply focus on outcomes but also consider the behavioural aspects of how the work is carried out that determine those outcomes. Performance reviews conducted on this basis are used to inform personal improvement and development plans and learning programmes.

Reward management

Competency-related pay relates additional awards to assessments of competency but it has never become popular. However, more frequent use is made of contribution-related pay, which provides for people to be rewarded according to both the results they achieve and their level of competence.

Step 3. Framework design – competency list

First, get the task force to draw up a list of the core competencies and values of the business – what it should be good at doing and the values it believes should influence behaviour. This provides a foundation for an analysis of the competencies required by people in the organization. The aim is to identify and define the behaviours that contribute to the achievement of organizational success, and there should be a powerful link between these people competencies and the organization's core competencies (more guidance on defining competencies is provided in Chapter 51).

The list can be drawn up by brainstorming. The list should be compared with examples of other competency frameworks, to avoid replicating other lists. It is essential to produce a competency framework that fits and reflects the organization's own culture, values, core competencies and operations, but referring to other lists will help to clarify the conclusions reached in the initial analysis and serve to check that all relevant areas of competency have been included. When identifying competencies, care must be taken to avoid bias because of sex or race.

Step 4. Framework design – definition of competencies

Care needs to be exercised to ensure that definitions are clear and unambiguous and that they will serve their intended purpose. If, for example, one of the purposes is to provide criteria for conducting performance reviews, then it is necessary to be certain that the way the competency is defined, together with supporting examples, will enable fair assessments to be made. The following four questions have been produced by Mirabile (1998) to test the extent to which a competency is valid and can be used:

- 1 Can you describe the competency in terms that others understand and agree with?
- 2 Can you observe it being demonstrated or failing to be demonstrated?

- 3 Can you measure it?

- 4 Can you influence it in some way, eg by training, coaching or some other method of development?

It is also important at this stage to ensure that definitions are not biased.

Step 5. Define uses of the competency framework

Define exactly how it is intended that the competency framework should be used, covering such applications as recruitment and selection, learning and development, performance management and reward.

Step 6. Test the framework

Test the framework by gauging the reactions of a balanced selection of line managers and other employees to ensure that they understand it and believe that it is relevant to their roles. Also pilot-test the framework in live situations for each of its proposed applications.

Step 7. Finalize the framework

Amend the framework as necessary following the tests and prepare notes for guidance on how it should be used.

Step 8. Communicate

Let everyone know the outcome of the project – what the framework is, how it will be used and how people will benefit. Group briefings and any other suitable means should be used.

Step 9. Train

Give line managers and HR staff training in how to use the framework.

Step 10. Monitor and evaluate

Monitor and evaluate the use of the framework and amend it as required.

Keys to success in using competencies

- The competencies should reflect the organization's values and its needs, as established by analysis, to determine the behaviours that will lead to high performance.
- Frameworks should not be overcomplex.
- There should not be too many headings in a framework – seven or eight will often suffice.
- The language used should be clear and jargon-free.
- Competencies must be selected and defined in ways that ensure that they can be assessed

by managers – the use of 'behavioural indicators' is helpful.

- Frameworks should be regularly updated.

Competencies and emotional intelligence

Emotional intelligence as described fully in Chapter 10 is a combination of skills and abilities such as self-awareness, self-control, empathy and sensitivity to the feelings of others. It covers many of the interpersonal skills included in competency frameworks.

But as Dulewicz and Higgs (1998) pointed out, the concept of emotional intelligence overlaps with that of competency.

Key learning points: Competency-based HRM

Competency-based HRM is about using the notion of competency and the results of competency analysis to inform and improve HR processes, especially those concerned with recruitment and selection, learning and development, and performance and reward management.

Competency defined

The term 'competency' refers to an underlying characteristic of a person that results in effective or superior performance. The different types of competencies are:

- 1 Behavioural competencies define behavioural expectations, ie the type of behaviour required to deliver results under such headings as teamworking, communication, leadership and decision-making.
- 2 Technical competencies define what people have to know and be able to do (knowledge and skills) to carry out their roles effectively.

- 3 NVD/SNVQ competences specify minimum standards for the achievement of set tasks and activities expressed in ways that can be observed and assessed with a view to certification.

The contents of competency frameworks (the 10 most popular headings)

- 1 team orientation;
- 2 communication;
- 3 people management;
- 4 customer focus;
- 5 results orientation;
- 6 problem solving;
- 7 planning and organizing;
- 8 technical skills;
- 9 leadership;
- 10 business awareness.

Uses of competencies (2006/7)

- Learning and development: 82 per cent.
 - Performance management: 76 per cent.
 - Selection: 85 per cent.
 - Recruitment: 55 per cent.
 - Reward: 30 per cent.
- How to develop a competency framework
- Decide on the purpose of the framework and the HR processes for which it will be used.
 - Make out a business case for its development, setting out the benefits.
 - Prepare a project plan that includes an assessment of the resources required and the costs.
 - Involve line managers and employees in the design of the framework.
 - Communicate the objectives of the exercise to staff.
 - Draw up a list of the core competencies of the business.
 - Define the competencies for inclusion in a competency framework.
 - Test and finalize and communicate framework.

Keys to success in using competencies

- The competencies should reflect the organization's values and its needs, as established by analysis, to determine the behaviours that will lead to high performance.
- Frameworks should not be overcomplex.
- There should not be too many headings in a framework – seven or eight will often suffice.
- The language used should be clear and jargon-free.
- Competencies must be selected and defined in ways that ensure they can be assessed by managers – the use of 'behavioural indicators' is helpful.
- Frameworks should be regularly updated.

Competencies and emotional intelligence

The emotional intelligence elements of self-awareness, emotional management, empathy, relationships, communication and personal style correspond to competencies such as sensitivity, flexibility, adaptability, resilience, impact, listening, leadership, persuasiveness, motivating others, energy, decisiveness and achievement motivation.

09

Corporate social responsibility

KEY CONCEPTS AND TERMS

Corporate social responsibility (CSR)
Stakeholder theory
Strategic CSR
Value statement

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also understand:

- The meaning of corporate social responsibility (CSR)
- CSR activities
- CSR strategy
- Developing a CSR strategy
- The rationale for CSR

Questions

- 1 What is competency-based HRM?
- 2 What is a competency?
- 3 What are behavioural competencies?
- 4 What are technical competencies?
- 5 What is the difference between the concepts of competency and competence?
- 6 What is a competency framework?
- 7 What are the main ways in which competencies can be used?

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Introduction

The notion that businesses should act in a socially responsible way by practising 'corporate social responsibility' (CSR) has been around for some time. J M Keynes wrote in 1923 that: 'The business man is only tolerable so long as his gains can be held to bear some relation to what, roughly and in some sense, his activities have contributed to society.' The aim of this chapter is to explore what CSR means as a concept and a strategy. The rationale for CSR is also considered – the arguments in favour are overwhelming, but reference is made also to powerful opposing views.

HR professionals, because of the ethical dimension of their function (as described in Chapter 8), have an important role to play in furthering CSR. CSR was justified by the CIPD (2009: 1) as a relevant and important HR activity because:

CSR needs to be embedded in an organization's culture to make a change to actions and attitudes, and the support of the top team is critical to success. HR already works at communicating and implementing ideas, policies, cultural and behavioural change across organizations. Its role in influencing attitudes and links with line managers and the top team means it is ideally placed to do the same with CSR.

HR professionals need to marshal the arguments in favour of CSR, as set out in this chapter, to overcome any overt or covert resistance. They must be able to advise on CSR strategies and how they can be implemented. This is not an easy task and suggestions on the approaches that can be adopted are made in the concluding section of the chapter.

Corporate social responsibility defined

Corporate social responsibility (CSR) is exercised by organizations when they conduct their business in an ethical way, taking account of the social, environmental and economic impact of how they operate, and going beyond compliance. Wood (1991: 695) stated that: 'The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society

has certain expectations for appropriate business behaviour and outcomes.' As Baron (2001: 11) noted, CSR involves 'providing to others benefits beyond those generated by economic transactions with the firm or required by law'.

McWilliams *et al* (2006: 1) stated that CSR refers to the actions taken by businesses 'that further some social good beyond the interests of the firm and that which is required by law'. CSR has also been described by Husted and Salazar (2006: 76) as being concerned with 'the impact of business behaviour on society' and by Porter and Kramer (2006: 83) as a process of integrating business and society. The latter argued that to advance CSR: 'We must root it in a broad understanding of the interrelationship between a corporation and society while at the same time anchoring it in the strategies and activities of specific companies.'

CSR is concerned generally with how companies function and this includes how they manage their people. The CIPD (2003: 5) emphasized that 'the way a company treats its employees will contribute directly to the picture of a company that is willing to accept its wider responsibilities'.

CSR policy may be expressed in a value statement that sets out the organization's core values under such headings as:

- care and consideration for people;
- competence;
- competitiveness;
- customer service;
- innovation;
- performance;
- quality;
- teamwork.

But espoused values are pointless unless they become values in use and this needs concerted action by management working with employees and supported by HR.

Strategic CSR defined

Strategic CSR is about deciding initially the degree to which the firm should be involved in social issues and then creating a corporate social agenda

– considering what social issues to focus on and to what extent. As Porter and Kramer (2006: 85) observed: 'It is through strategic CSR that the company will make the greatest social impact and reap the greatest business benefits.' They also observed that 'strategy is always about choice – organizations that 'make the right choices and build focused, proactive and integrated social initiatives in concert with their core strategies will increasingly distance themselves from the pack' (ibid: 91).

CSR strategy needs to be integrated with the business strategy but it is also closely associated with HR strategy. This is because it is concerned with socially responsible behaviour both outside and within the firm – with society generally and with the internal community. In the latter case this means creating a working environment where personal

and employment rights are upheld and HR policies and practices provide for the fair and ethical treatment of employees.

CSR activities

CSR activities as listed by McWilliams *et al* (2006) include incorporating social characteristics or features into products and manufacturing processes, adopting progressive HRM practices, achieving higher levels of environmental performance through recycling and pollution abatement, and advancing the goals of community organizations. The information set out below was obtained by Business in the Community research.

Source review

The CSR activities of 120 leading British companies – Business in the Community (2007)

- **Community** – skills and education, employability and social exclusion were frequently identified as key risks and opportunities. Other major activities were support for local community initiatives and being a responsible and safe neighbour.
- **Environment** – most companies reported climate change and resource-use as key issues for their business: 85 per cent of them managed their impacts through an environmental management system.
- **Marketplace** – the issues most frequently mentioned by companies were research and development, procurement and supply chain, responsible selling, responsible marketing and product safety. There was a rising focus on fair

treatment of customers, providing appropriate product information and labelling, and on the impacts of products on customer health.

- **Workplace** – this was the strongest management performing area as most companies have established employment management frameworks that can cater for workplace issues as they emerge. Companies recognized the crucial role of employees to achieve responsible business practices. Emphasis was placed on internal communications and training in order to raise awareness and understanding of why CSR is relevant to them and valuable for the business. More attention was paid to health and well-being issues as well as the traditional safety agenda. More work was done on diversity, both to ensure the business attracts a diverse workforce and to communicate the business case for diversity internally.

Business in the Community also reported a growing emphasis on responsible business as a source of competitive advantage as firms move beyond minimizing

risk to creating opportunities. A survey conducted by Industrial Relations Services (Egan, 2006) found that:

- most employers believe that employment practices designed to ensure the fair and ethical treatment of staff can boost recruitment and retention;
- relatively few employers are strongly convinced of a positive link to business performance or productivity;
- the issue of ethics in employment is often viewed as part of a broader social responsibility package;
- policies on ethical employment most commonly cover HR practice in the areas of recruitment, diversity, redundancy/dismissal proceedings and employee involvement.

The rationale for CSR

Stakeholder theory, as first propounded by Freeman (1984), suggests that managers must satisfy a variety of constituents (eg workers, customers, suppliers, local community organizations) who can influence firm outcomes. According to this view, it is not sufficient for managers to focus exclusively on the needs of shareholders or the owners of the business. Stakeholder theory implies that it can be beneficial for the firm to engage in certain CSR activities that non-financial stakeholders perceive to be important.

The rationale for CSR, as defined by Hillman and Keim (2001), is based on two propositions. First, there is a moral imperative for businesses to 'do the right thing' without regard to how such decisions affect firm performance (the social issues argument); second, firms can achieve competitive advantage by tying CSR activities to primary stakeholders (the stakeholders argument). Their research in 500 firms implied that investing in stakeholder management may be complementary to shareholder value creation and could indeed provide a basis for competitive advantage as important resources and capabilities are created that differentiate a firm from its competitors. However, participating in social issues beyond the direct stakeholders may adversely affect a firm's ability to create shareholder wealth. Strong arguments for CSR were made by Porter and Kramer (2006).

Source review

Arguments supporting CSR – Porter and Kramer (2006)

- 1 *The moral appeal* – the argument that companies have a duty to be good citizens. The US business association Business for Social Responsibility (2007) asks its members 'to achieve commercial success in ways that honour ethical values and respect people, communities and the natural environment'.
- 2 *Sustainability* – an emphasis on environmental and community stewardship. This involves meeting the needs of the present without compromising the ability of future generations to meet their own needs.
- 3 *License to operate* – every company needs tacit or explicit permission from government, communities and other stakeholders to do business.
- 4 *Reputation* – CSR initiatives can be justified because they improve a company's image, strengthen its brand, enliven morale and even raise the value of its stock.

Moran and Ghoshal (1996: 45) contended that 'what is good for society does not necessarily have to be bad for the firm, and what is good for the firm does not necessarily have to come at a cost to society. Value creation, rather than value appropriation, lies at the heart of effective firm strategies.'

The opposing view

The opposing view is that businesses are there to make a profit, not to exercise social responsibility. The marketing expert Theodore Levitt (1958: 41), in an article in the *Harvard Business Review* on the dangers of social responsibility, posed the questions: 'Are top executives being taken in by pretty words

and soft ideas? Are they letting the country in for a nightmare return to feudalism by forgetting that they must be businessmen first, last and almost always?' He did write that CSR can be used as 'a way of maximizing the lifetime of capitalism by taking the wind out of its critics' sails' (ibid: 43). But, writing as an unstructured capitalist, he suggested that: 'The essence of free enterprise is to go after profit in any way that is consistent with its own survival as an economic system' (ibid: 44).

The Chicago monetarist Milton Friedman (1962: 133–34) questioned the ability of business managers to pursue the social interest. He asked:

If businessmen do have a social responsibility other than making maximum profits for stockholders, how are they to know what it is? Can self-selected private individuals decide what the social interest is? Can they decide how great a burden they are justified in placing on themselves or their stockholders to serve that social interest?

In 1970 Friedman argued that the social responsibility of business is to maximize profits within the bounds of the law. He maintained that the mere existence of CSR was an agency problem within the firm in that it was a misuse of the resources entrusted to managers by owners, which could be better used on value-added internal projects or returned to the shareholders.

These outspoken views may no longer be supported so openly but they still exist and are still acted on. There is much evidence that CSR is not on the agenda – for example, UK banks that made money by selling worthless investments or insurance policies and then failed to respond adequately to complaints. And, less egregiously, a glance at the 'Your Problems' column in the *Observer* reveals plenty of instances of businesses indulging in antisocial behaviour. It is necessary, therefore, to have a convincing case for the benefits of CSR.

Benefits of CSR

Benefits from CSR listed by the CIPD (2003: 4) include, 'offering distinctive positioning in the market place, protecting reputation, building credibility and trust with customers and employees, redefining corporate purpose or mission and securing the company's licence to operate'.

Much research has been conducted into the relationship between CSR and firm performance. For example, Russo and Fouts (1997) found that there was a positive relationship between environmental performance and financial performance. Hillman and Keim (2001) established that if the socially responsible activity were directly related to primary stakeholders, then investments may benefit not only stakeholders but also result in increased shareholder wealth. However, participation in social issues beyond the direct stakeholders may adversely affect a firm's ability to create such wealth.

The basis for developing a CSR strategy

The basis for developing a CSR strategy is provided by the following competency framework of the CSR Academy (2006), which is made up of six characteristics:

- 1 *Understanding society* – understanding how business operates in the broader context and knowing the social and environmental impact that the business has on society.
- 2 *Building capacity* – building the capacity of others to help manage the business effectively. For example, suppliers understand the business's approach to the environment and employees can apply social and environmental concerns in their day-to-day roles.
- 3 *Questioning business as usual* – individuals continually questioning the business in relation to a more sustainable future and being open to improving the quality of life and the environment.
- 4 *Stakeholder relations* – understanding who the key stakeholders are and the risks and opportunities they present. Working with them through consultation and taking their views into account.
- 5 *Strategic view* – ensuring that social and environmental views are included in the business strategy so that they are integral to the way the business operates.
- 6 *Harnessing diversity* – respecting that people are different, which is reflected in fair and transparent business practices.

Developing and implementing a CSR strategy

To develop and implement a CSR strategy based on these principles it is necessary to:

- understand the business and social environment in which the firm operates;
- understand the business and HR strategies and how the CSR strategy should be aligned to them;
- know who the stakeholders are (including top management) and find out their views on and expectations of CSR;
- produce and deliver persuasive arguments in favour of CSR: if all else fails suggest that there is room for enlightened self-interest that involves doing well by doing good;
- identify the areas in which CSR activities might take place by reference to their

relevance in the business context of the organization and an evaluation of their significance to stakeholders;

- prioritize as necessary on the basis of an assessment of the relevance and significance of CSR to the organization and its stakeholders and the practicalities of introducing the activity or practice;
- draw up the strategy and make the business case for it to top management and the stakeholders;
- obtain approval for the CSR strategy from top management and key stakeholders;
- communicate information on the whys and wherefores of the strategy, comprehensively and regularly;
- provide training to employees on the skills they need in implementing the CSR strategy;
- measure and evaluate the effectiveness of CSR.

Key learning points: Corporate social responsibility

The meaning of CSR

CSR activities include incorporating social characteristics or features into products and manufacturing processes, adopting progressive HRM practices, achieving higher levels of environmental performance through recycling and pollution abatement, and advancing the goals of community organizations.

The rationale for CSR

There are two arguments for CSR (Hillman and Keim, 2001): first, there is a moral imperative for businesses to 'do the right thing' without regard to how such decisions affect firm performance (the social issues argument); second, firms can achieve competitive advantage by tying CSR activities to primary stakeholders (the stakeholders argument).

Developing a CSR strategy

- Identify the areas in which CSR activities might take place by reference to their relevance in the business context of the organization and an evaluation of their significance to stakeholders.
- Prioritize as necessary on the basis of an assessment of the relevance and significance of CSR to the organization and its stakeholders and the practicalities of introducing the activity or practice.
- Draw up the strategy and make the case for it to top management and the stakeholders to obtain their approval.
- Communicate information on the strategy, comprehensively and regularly.
- Provide training to employees on the skills they need to use in implementing the CSR strategy.

Questions

- 1 Is it necessary to have a business case for CSR and, if so, what is it?
- 2 What is the role of HR in promoting CSR?
- 3 What sort of approaches to CSR can an organization adopt?

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13 Motivation

KEY CONCEPTS AND TERMS

Cognitive evaluation theory	Herzberg's two-factor model of motivation
Content (needs) motivation theory	Intrinsic motivation
Discretionary behaviour	Instrumentality
Discretionary effort	Job characteristics model
Equity theory	Job satisfaction
Expectancy theory	Law of effect
Extrinsic motivation	Line of sight
Goal theory	Management by objectives

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also understand:

- The meaning of motivation
- Types of motivation
- The different motivation theories
- Motivation and job satisfaction
- Approaches to developing a motivation strategy

Introduction

Motivation is the force that energizes, directs and sustains behaviour. High performance is achieved by well-motivated people who are prepared to exercise discretionary effort, ie independently do more than is expected of them. Even in fairly basic roles, Hunter *et al* (1990) found through their research that the difference in value-added discretionary

performance between 'superior' and 'standard' performers was 19 per cent. For highly complex jobs it was 48 per cent. The aims of this chapter are to explore the meaning of motivation, define the two main types of motivation – intrinsic and extrinsic, describe and critically evaluate the main theories of motivation, discuss two related aspects of motivation – its relationship to job satisfaction and money, and outline approaches to motivation strategy.

The meaning of motivation

The term 'motivation' derives from the Latin word for movement (*movere*). A motive is a reason for doing something. Motivation is the strength and direction of behaviour and the factors that influence people to behave in certain ways. People are motivated when they expect that a course of action is likely to lead to the attainment of a goal and a valued reward – one that satisfies their needs and wants. The term 'motivation' can refer variously to the goals that individuals have, the ways in which individuals choose their goals and the ways in which others try to change their behaviour. Locke and Latham (2004: 388) observed that: 'The concept of motivation refers to internal factors that impel action and to external factors that can act as inducements to action.'

As described by Arnold *et al* (1991) the three components of motivation are:

- 1 *Direction* – what a person is trying to do.
- 2 *Effort* – how hard a person is trying.
- 3 *Persistence* – how long a person keeps on trying.

Well-motivated people engage in positive discretionary behaviour – they decide to make an effort. Such people may be self-motivated, and as long as this means they are going in the right direction to attain what they are there to achieve, then this is the best form of motivation. But additional motivation provided by the work itself, the quality of leadership, and various forms of recognition and reward, builds on self-motivation and helps people to make the best use of their abilities and to perform well.

There are two types of motivation and a number of theories explaining how it works, as discussed below.

Types of motivation

Intrinsic motivation

Intrinsic motivation takes place when individuals feel that their work is important, interesting and challenging and that it provides them with a reasonable degree of autonomy (freedom to act), opportunities to achieve and advance, and scope to use and develop their skills and abilities. It can be described as

motivation by the work itself. It is not created by external incentives. Deci and Ryan (1985) suggested that intrinsic motivation is based on the need to be competent and self-determining (that is, to have a choice). Michael Sandel (2012: 122) remarked that: 'When people are engaged in an activity they consider intrinsically worthwhile, offering money may weaken their motivation by "crowding out" their intrinsic interest or commitment'.

Intrinsic motivation can be enhanced by job design. Katz (1964) suggested that jobs should in themselves provide sufficient variety, complexity, challenge and skill to engage the abilities of the worker. Hackman and Oldham (1974) in their job characteristics model identified the five core characteristics of jobs that result in intrinsic motivation, namely: skill variety, task identity, task significance, autonomy and feedback. Pink (2009) stated that there are three steps that managers can take to improve motivation:

- 1 *Autonomy* – encourage people to set their own schedule and focus on getting work done not how it is done.
- 2 *Mastery* – help people to identify the steps they can take to improve and ask them to identify how they will know they are making progress.
- 3 *Purpose* – when giving instructions explain the *why* as well as the *how*.

Intrinsic motivation is associated with the concept of engagement, as explained in Chapter 15.

Extrinsic motivation

Extrinsic motivation occurs when things are done to or for people in order to motivate them. These include rewards such as incentives, increased pay, praise or promotion; and punishments such as disciplinary action, withholding pay, or criticism.

Extrinsic motivators can have an immediate and powerful effect, but it will not necessarily last long. The intrinsic motivators, which are concerned with the 'quality of working life' (a phrase and movement that emerged from this concept), are likely to have a deeper and longer-term effect because they are inherent in individuals and the work – and are not imposed from outside in such forms as incentive pay. Motivation theory as described below explains the ways in which intrinsic and extrinsic motivation take place.

Motivation theory

As mentioned by Steers *et al* (2004: 379) the earliest approaches to understanding human motivation date from the time of the Greek philosophers and focus on the concept of hedonism as a principle driving force in behaviour. Individuals were seen as directing their efforts to seeking pleasure and avoiding pain. This principle was later refined and further developed in the works of philosophers such as John Locke and Jeremy Bentham in the 17th and 18th centuries. Motivation theory has moved on from then. It started in the earlier part of the 20th century with the contributions of the exponents of scientific management (instrumentality theory). In the middle years of that century the behavioural scientists entered the field and began to develop the 'content' or 'needs' theory of motivation. The main process theories such as expectancy theory emerged in the 1960s and 70s, although the first formulation of the process theory of reinforcement took place in 1911. The three main areas of motivation theory – instrumentality, content and process – are examined below.

Instrumentality theory

Instrumentality theory states in effect that rewards and punishments are the best instruments with which to shape behaviour. It assumes that people will be motivated to work if rewards and penalties are tied directly to their performance; thus the awards are contingent upon effective performance. Instrumentality theory has its roots in the scientific management methods of Taylor (1911: 121) who wrote: 'It is impossible, through any long period of time, to get workmen to work much harder than the average men around them unless they are assured a large and a permanent increase in their pay.'

This theory provides a rationale for financial incentives such as performance-related pay, albeit a dubious one. Motivation using this approach has been and still is widely adopted. It may be successful in some circumstances, eg piece work, but – for reasons explained in Chapter 27 – merit or performance pay is flawed.

Instrumentality theory relies exclusively on a system of external controls and does not recognize a number of other human needs. It also fails to appreciate the fact that the formal control system can

be seriously affected by the informal relationship existing between workers.

Content theory

The aim of the content or needs theories produced by Maslow, Alderfer, McClelland, Herzberg, and Deci and Ryan was to identify the factors associated with motivation. The theory focuses on the content of motivation in the shape of needs. Its basis is the belief that an unsatisfied need creates tension and a state of disequilibrium. To restore the balance a goal is identified that will satisfy the need, and a behaviour pathway is selected that will lead to the achievement of the goal and the satisfaction of the need. Behaviour is therefore motivated by unsatisfied needs. A content theory model is shown in Figure 13.1. Content theory, as the term implies, indicates the components of motivation but it does not explain how motivation affects performance – a necessary requirement if the concept is to provide guidance on HR policy and practice. This was the role of expectancy theory, as will be discussed later.

that everyone has the same needs is invalid. It is difficult to accept that needs progress steadily up the hierarchy and Maslow himself expressed doubts about the validity of a strictly ordered hierarchy. But he did emphasize that the higher-order needs are more significant.

ERG theory (Alderfer)

Alderfer (1972) produced a more convincing and simpler theory, which postulated three primary categories of needs:

- 1 *Existence needs* such as hunger and thirst – pay, fringe benefits and working conditions are other types of existence needs.
- 2 *Relatedness needs*, which acknowledge that people are not self-contained units but must engage in transactions with their human environment – acceptance, understanding, confirmation and influence are elements of the relatedness process.
- 3 *Growth needs*, which involve people in finding the opportunities to be what they are most fully and to become what they can. This is the most significant need.

McClelland's achievement motivation

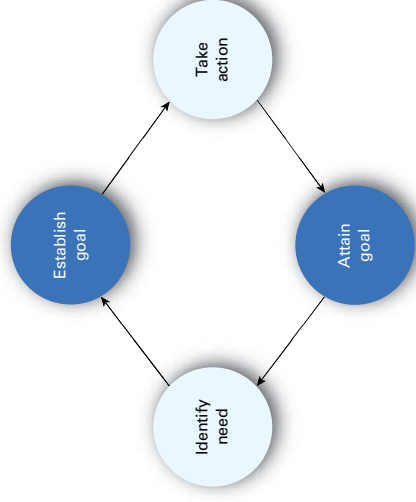
An alternative way of classifying needs was developed by McClelland (1961), who based it mainly on studies of managers. He identified three needs of which the need for achievement was the most important:

- 1 The need for *achievement*, defined as the need for competitive success measured against a personal standard of excellence.
- 2 The need for *affiliation*, defined as the need for warm, friendly, compassionate relationships with others.
- 3 The need for *power*, defined as the need to control or influence others.

Herzberg's two-factor model

The two-factor model of motivation developed by Herzberg (1957, 1966) was based on an investigation into the sources of job satisfaction and dissatisfaction of accountants and engineers who were asked what made them feel exceptionally good or exceptionally bad about their jobs. According to Herzberg, this

FIGURE 13.1 The process of motivation according to content theory



research established that there were two factors that affected feelings of satisfaction or dissatisfaction. Motivating factors or 'satisfiers' relate to the job content and consist of the need for achievement, the interest of the work, responsibility and opportunities for advancement. These needs are the intrinsic motivators. He summed this up in the phrase 'motivation by the work itself'.

Hygiene factors relate to the job context, including such things as pay and working conditions. 'Hygiene' is used in the medical use of the term, meaning preventative and environmental. In themselves hygiene factors neither satisfy nor motivate and they serve primarily to prevent job dissatisfaction, while having little effect on positive job attitudes. Pay is not a satisfier but if it is inadequate or inequitable it can cause dissatisfaction. However, its provision does not provide lasting satisfaction.

Herzberg's two-factor theory in effect identifies needs but it has been attacked by, for example, Opsahl and Dunnette (1966). The research method has been criticized because no attempt was made to measure the relationship between satisfaction and performance. It has been claimed that the two-factor nature of the theory is an inevitable result of the questioning method used by the interviewees. It has also been suggested that wide and unwarranted inferences have been drawn from small and specialized samples and that there is no evidence to suggest that the satisfiers do improve productivity. The underpinning assumption that everyone has the same needs is invalid. Denise Rousseau (2006: 263) in her presidential address to the US Academy of Management summed up these views as follows: 'Herzberg's long discredited two-factor theory is typically included in the motivation section of management textbooks, despite the fact that it was discredited as an artefact of method bias over thirty years ago.'

In spite of these objections, the Herzberg two-factor theory continues to thrive; partly because it is easy to understand and seems to be based on real-life rather than academic abstractions, and partly because it convincingly emphasizes the positive value of the intrinsic motivating factors and highlights the need to consider both financial and non-financial factors when developing reward systems. It is also in accord with a fundamental belief in the dignity of labour and the Protestant ethic – that work is good in itself. Herzberg's strength as a proselytizer rather than a researcher

meant that he had considerable influence on the job enrichment movement, which sought to design jobs in a way that would maximize the opportunities to obtain intrinsic satisfaction from work and thus improve the quality of working life. Herzberg famously remarked that if you want people to do a good job then give them a good job to do (quoted by Dowling, 1971).

Self-determination theory

As formulated by Deci and Ryan (2000) this theory states that individuals are motivated by the need to achieve three fundamental goals: striving for competence, autonomy and relatedness.

Comment on content theories

Shields (2007: 74) observed that content theories share some common shortcomings. His criticisms were that they incorrectly assume:

- the existence of a universally applicable set of human needs;
- that according to Maslow (1954), needs conform to a simple ordered hierarchy of need importance, when in reality, needs seem to operate in a more flexible, less ordered and predictable way;
- that the link between needs and behaviours is direct and automatic, rather than mediated by human consciousness, values and choice.

In addition, he pointed out that content theories 'underestimate the motivational potency of extrinsic rewards, including financial rewards'.

Process theory

In process theory, the emphasis is on the psychological or mental processes and forces that affect motivation, as well as on basic needs. It is also known as cognitive theory because it refers to people's perceptions of their working environment and the ways in which they interpret and understand it. The main process theories are concerned with reinforcement, expectancy, goals, equity, and cognitive evaluation.

Reinforcement theory

This is the oldest and least complex of the process theories. It is based on 'the law of effect' as formulated

frequently presented with new situations – a change in job, payment system, or working conditions imposed by management – where past experience is an inadequate guide to the implications of the change. In these circumstances, motivation may be reduced.

Motivation is only likely when a clearly perceived and usable relationship exists between performance and outcome, and the outcome is seen as a means of satisfying needs. This explains why extrinsic financial motivation – for example, an incentive or bonus scheme – works only if the link (line of sight) between effort and reward is clear and the value of the reward is worth the effort. It also explains why intrinsic motivation arising from the work itself can be more powerful than extrinsic motivation. Intrinsic motivation outcomes are more under the control of individuals, who can place greater reliance on their past experiences to indicate the extent to which positive and advantageous results are likely to be obtained by their behaviour.

This theory was developed by Porter and Lawler (1968) into a model shown in Figure 13.2, which follows Vroom's ideas by suggesting that there are two factors determining the effort that people put into their jobs: first, the value of the rewards to individuals in so far as they satisfy their needs for security, social esteem, autonomy and self-actualization; second, the probability that rewards depend on effort, as perceived by individuals – in other words, their expectations about the relationships between effort and reward. Thus, the greater the value of a set of awards and the higher the probability that receiving each of these rewards depends upon effort, the greater the effort that will be put forth in a given situation.

But, as Porter and Lawler emphasized, mere effort is not enough. It has to be effective effort if it is to produce the desired performance. The two variables additional to effort that affect task achievement are: 1) ability – individual characteristics such as intelligence, knowledge, skills; 2) role perceptions – what the individual wants to do or thinks they are required to do. These are good from the viewpoint of the organization if they correspond with what it thinks the individual ought to be doing. They are poor if the views of the individual and the organization do not coincide.

Alongside goal theory (see below), expectancy theory has become the most influential motivation theory, particularly as it affects performance and

by Thorndike (1911), which states that over time people learn about the relationships between their actions and the consequences of them and this understanding guides their future behaviour. In other words, if they believe that something has worked previously then they will do it again. It was later developed by Hull (1943, 1951).

Skinner (1953) and others later built on these principles with the notion of 'operant conditioning', which was influenced by the work of Pavlov and his salivating dogs. As Shields (2007: 76) put it: 'Positive reinforcement of desired behaviour elicits more of the same; punishment of undesired behaviour (negative reinforcement) elicits less of the same.' Reinforcement models continue to thrive today as explanatory vehicles for understanding work motivation and job performance, and as a justification of performance pay.

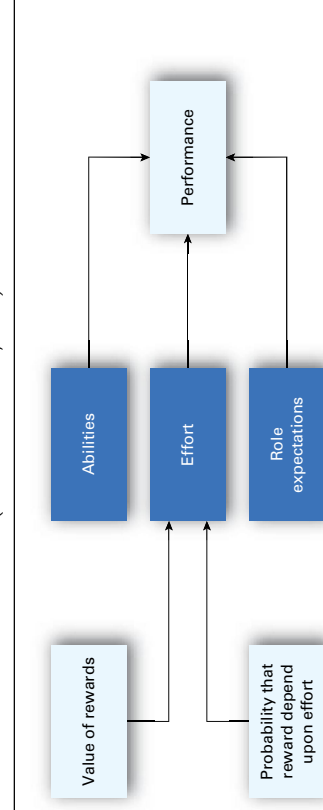
But reinforcement theory can be criticized for taking an unduly mechanistic view of human nature. It implies that people can be motivated by treating them as machines – by pulling levers. In assuming that the present choices of individuals are based on an understanding of the outcomes of their past choices, reinforcement theory ignores the existing context in which choices are made. In addition, motivational theories based on the principle of reinforcement pay insufficient attention to the influence of expectations – no indication is given of how to distinguish in advance which outcomes would strengthen responses and which would weaken them. Above all, they are limited because they imply, in Allport's (1954) vivid phrase, a hedonism of the past.

Expectancy theory

Expectancy theory states that motivation will be high when people know what they have to do in order to get a reward, expect that they will be able to get the reward and expect that the reward will be worthwhile.

The concept of expectancy was originally contained in the valency-instrumentality-expectancy (VIE) theory that was formulated by Vroom (1964). Valency stands for value; instrumentality is the belief that if we do one thing it will lead to another; and expectancy is the probability that action or effort will lead to an outcome.

The strength of expectations may be based on past experiences (reinforcement), but individuals are

FIGURE 13.2 Motivation model (Porter and Lawler, 1968)

reward management. But reservations have been expressed about it. House *et al.* (1974) remarked that: 'Evidence for the validity of the theory is very mixed.' They also established that there were a number of variables affecting expectations that make it difficult to predict how they function. These are:

- Leadership behaviour – the function of the leader in clarifying expectations, guiding, supporting and rewarding subordinates.
- Individual characteristics – the subjects' perception of their ability to perform the required task.
- Nature of the task – whether accomplishing the task provides the necessary reinforcements and rewards.
- The practices of the organization – its reward and control systems and how it functions.

Research conducted by Behling and Starke (1973) established that individuals:

- make crucial personal decisions without clearly understanding the consequences;
- do not in practice consistently evaluate their order of preference for alternative actions;
- have to assign two values when making a decision – its desirability and its achievability – but they tend to be influenced mainly by desirability – they let their tastes influence their beliefs;

However, the universality of goal theory has been questioned. For example, Pintrich (2000) noted that people have different goals in different circumstances and that it is hard to justify the assumption that goals are always accessible and conscious. And Harackiewicz *et al.* (2002) warned that goals are only effective when they are consistent with and match the general context in which they are pursued. But support for goal theory was provided by Bandura and Cervone (1983) who emphasized the importance of self-efficacy (a belief in one's ability to accomplish goals).

Equity theory

Equity theory, as defined by Adams (1965), is concerned with the perceptions people have about how they are being treated as compared with others. He proposed that employees assess the fairness or otherwise of their rewards (outcomes) in relation to their effort or qualifications (inputs) and that they do this by comparing their own input/output ratio against that of other individuals. If the input/output ratio is perceived to be unfavourable, they will feel that there is reward inequity.

Equity theory explains only one aspect of the processes of motivation and job satisfaction, although it may be significant in terms of morale and, possibly, of performance.

Social learning theory

Social learning theory as developed by Bandura (1977) combines aspects of both reinforcement and expectancy theory. It recognizes the significance of the basic behavioural concept of reinforcement as a determinant of future behaviour but also emphasizes the importance of internal psychological factors, especially expectancies about the value of goals and the individual's ability to reach them. The term 'reciprocal determinism' is used to denote the concept that while the situation will affect individual behaviour individuals will simultaneously influence the situation.

Cognitive evaluation theory

Cognitive evaluation theory contends that the use of extrinsic rewards may destroy the intrinsic motivation that flows from inherent job interest. It was formulated by Deci and Ryan (1985). Referring to their research, they stated that: 'Rewards, like

feedback, when used to convey to people a sense of appreciation for work well done, will tend to be experienced informationally and will maintain or enhance intrinsic motivation. But when they are used to motivate people, they will be experienced controlling and will undermine intrinsic motivation.'

Deci *et al.* (1999) followed up this research by carrying out a meta-analysis of 128 experiments on rewards and intrinsic motivation to establish the extent to which intrinsic motivation was undermined by rewards. The results of the study indicated that for high-interest tasks, rewards had significant negative effects on what the researchers called 'free-choice measures', which included the time spent on the task after the reward was removed.

But as noted by Gerhart and Rynes (2003: 52): 'The vast majority of research on this theory has been performed in school rather than work settings, often with elementary school-aged children.' But that did not stop other commentators assuming that the results were equally significant for working adults. It is interesting to note that research in industry conducted by Deci and Ryan (1985), while it found that financial incentives did decrease intrinsic motivation in high-control organizational cultures, also established that in organizations with the opposite high-involvement culture, intrinsic and extrinsic motivation were both increased by monetary incentives. Context is all important. Moreover, a meta-analysis of 145 studies conducted by Cameron *et al.* (2001) led to the conclusion that rewards do not inevitably have negative effects on intrinsic motivation.

Purposeful work behaviour

A more recent integrated motivation theory formulated by Barrick and Mount (2013) focused on the impact on motivation of individual factors, such as personality and ability, and situational factors, such as job characteristics. The motivation to engage in purposeful work behaviour depends on both these factors.

Comment on process theories

Process theories are not based on suspect assumptions about the universality of needs, as are content theories. Process theories emphasize the importance of individual decision-making on work behaviour. As pointed out by Shields (2007: 85) They 'acknowledge the importance of social and job context

as co-determinants of motivational strength while those other than reinforcement theory also highlight the importance of self-efficacy, task or goal clarity and motivational learning.

Summary of motivation theories

A summary of motivation theories is set out in Table 13.1.

Conclusions on motivation theory

All the theories referred to above make some contribution to an understanding of the processes that affect motivation. But instrumentality theory provides only a simplistic explanation of how motivation works. Needs and content theories are more sophisticated but have their limitations. As Gerhart and Rynes (2003: 53) commented:

Although the ideas developed by Maslow, Herzberg and Deci have had considerable appeal to many people, the prevailing view in the academic literature is that the specific predictions of these theories is not supported by empirical evidence. On the other hand it would be a mistake to underestimate the influence that these theories have had on research and practice. Pfeffer, Kohn and others continue to base their argument regarding the ineffectiveness of money as a motivator on such theories.

But, bearing in mind the reservations set out earlier, needs theory still offers an indication of the factors that motivate people and content theory provides useful explanations of how motivation takes place. And while instrumentality and reinforcement theories may be simplistic they still explain some aspects of how rewards affect motivation and performance and they continue to exert influence on the beliefs of some people about the power of incentives to motivate people. Herzberg's research may be flawed but he still contributed to the recognition of the importance of job design.

Motivation theory can explain what makes people tick at work but it is also necessary to consider two other aspects of the impact of motivation – its relationship with job satisfaction and the effect of money on motivation. Strategies for motivation based on the lessons learnt from motivation theory are considered at the end of this chapter.

Motivation and job satisfaction

Job satisfaction can be defined as the attitudes and feelings people have about their work. Positive and favourable attitudes towards the job indicate job satisfaction. Negative and unfavourable attitudes towards the job indicate job dissatisfaction. It can be distinguished from morale, which is a group rather than individual variable, related to the degree to which group members feel attracted to their group and want to remain a member of it.

The factors that affect job satisfaction

Levels of job satisfaction or dissatisfaction are influenced by:

- *The intrinsic motivating factors.* These relate to job content, especially the five dimensions of jobs identified by Hackman and Oldham (1974): skill variety, task identity, task significance, autonomy and feedback (the job characteristics model).
- *The quality of supervision.* The Hawthorne studies (Roethlisberger and Dixon, 1939) resulted in the claim that supervision is the most important determinant of worker attitudes. Elton Mayo (1933) believed that a man's desire to be continuously associated in work with his fellows is a strong, if not the strongest human characteristic.
- *Success or failure.* Success obviously creates satisfaction, especially if it enables individuals to prove to themselves that they are using their abilities to the full. And it is equally obvious that the reverse is true of failure.

Job satisfaction and performance

It is a commonly held and not unreasonable belief that an increase in job satisfaction results in improved performance. The whole human relations movement led by Mayo (1933) and supported by the Roethlisberger and Dixon (1939) research was

TABLE 13.1 Summary of motivation theories

Category	Theory	Summary of theory	Implications
Instrumentality	Taylorism Taylor (1911)	If we do one thing it leads to another. People will be motivated to work if rewards and punishments are directly related to their performance.	Basis of crude attempts to motivate people by incentives. Often used as the implied rationale for performance-related pay although this is seldom an effective motivator.
Content or needs	Hierarchy of needs Maslow (1954)	A hierarchy of needs exists: physiological, safety, social, esteem, self-fulfilment. Needs at a higher level only emerge when a lower need is satisfied.	Focuses attention on the various needs that motivate people and the notion that a satisfied need is no longer a motivator. The concept of a hierarchy has no practical significance.
	ERG Alderfer (1972)	A non-hierarchical theory identifying three basic needs: existence, relatedness and growth.	A simpler and more convincing categorization of needs.
	Achievement motivation McClelland (1961)	Identified three needs for managers: achievement, affiliation and power. Of these, achievement is the most important.	Emphasized the importance to managers of achievement as a motivating factor.
	Two-factor model Herzberg (1957, 1966)	Two groups of factors affect job satisfaction: 1) those intrinsic to the work itself; 2) those extrinsic to the job such as pay and working conditions. The factors that affect positive feelings (the motivating factors) are quite different from those that affect negative feelings (the hygiene factors).	The research methodology has been strongly criticized (it does not support the existence of two factors) and the underpinning assumption that everyone has the same needs is invalid. But it has influenced approaches to job design (job enrichment) and it supports the proposition that reward systems should provide for both financial and non-financial rewards.
	Self-determination Deci and Ryan (2000)	Individuals are motivated to achieve three fundamental goals: striving for competence, autonomy, and relatedness.	Provides an alternative and simpler classification of needs.

TABLE 13.1 Continued

Category	Theory	Summary of theory	Implications
Process	Reinforcement Thorndike (1911) Skinner (1953)	As experience is gained in satisfying needs, people perceive that certain actions help to achieve goals while others are unsuccessful. The successful actions are repeated when a similar need arises.	Provide feedback that positively reinforces effective behaviour.
	Expectancy Vroom (1964) Porter and Lawler (1968)	Effort (motivation) depends on the likelihood that rewards will follow effort and that the reward is worthwhile.	The key theory informing approaches to rewards, ie that they must be a link between effort and reward (line of sight), the reward should be achievable and it should be worthwhile.
	Goal Latham and Locke (1979)	Motivation will improve if people have demanding but agreed goals and receive feedback	Influences performance management and learning and development practices.
	Equity Adams (1966)	People are better motivated if treated equitably, ie treated fairly in comparison with another group of people (a reference group) or a relevant other person.	Need to have equitable reward and employment practices.
	Social learning Bandura (1977)	Recognizes the significance of reinforcement as a determinant of future behaviour but also emphasizes the importance of expectancies about the value of goals and the individual's ability to reach them.	The emphasis is on expectancies, individual goals and values and the influence of both person and situational factors as well as reinforcement.
	Cognitive evaluation Deci and Ryan (1985)	The use of extrinsic rewards may destroy the intrinsic motivation that flows from inherent job interest.	Emphasizes the importance of non-financial rewards. The conclusions reached from Deci and Ryan's research have been questioned.

based on the belief that productivity could be increased by making workers more satisfied, primarily through pleasant and supportive supervision and by meeting their social needs. But research by Katz *et al* (1950) and Katz *et al* (1951) found that the levels of satisfaction with pay, job status or fellow workers in high productivity units were no different to those in low productivity units.

Meta-analysis by Brayfield and Crockett (1955) of a number of studies concluded that there was little evidence of any simple or appreciable relationship between satisfaction and performance. A later review of research by Vroom (1964) found that the median correlation between job satisfaction and job performance for all these studies was only 0.14, which is not high enough to suggest any marked relationship between them. Spector (1997) came to the same conclusion. Indeed, it can be argued that it is not increases in satisfaction that produce improved performance but improved performance that increases satisfaction. This was confirmed by data on the link between job satisfaction and performance for 177 store managers, analysed by Christen *et al* (2006). It was established that store managers' performance increased their job satisfaction but that job satisfaction had no impact on job performance.

Motivation and money

Money, in the form of pay or some other sort of remuneration, is regarded by many people as the most obvious extrinsic reward. Money seems to provide the carrot that most people want.

Doubts were cast on the effectiveness of money by Herzberg (1968), which although unsupported by his research have some degree of face validity. He claimed that while the lack of money can cause dissatisfaction, its provision does not result in lasting satisfaction. There is something in this, especially for people on fixed salaries or rates of pay who do not benefit directly from an incentive scheme. They may feel good when they get an increase; apart from the extra money, it is a highly tangible form of recognition and an effective means of helping people to feel that they are valued. But this feeling of euphoria can rapidly die away. Other causes of dissatisfaction from Herzberg's list of hygiene factors, such as working conditions or the quality of management, can loom larger in some people's minds when they fail to get the satisfaction they need from

the work itself. However, it must be re-emphasized that different people have different needs and wants. Some will be much more motivated by money than others. What cannot be assumed is that money motivates everyone in the same way and to the same extent. Thus it is naive to think that the introduction of a performance-related pay scheme will miraculously transform everyone overnight into well-motivated, high-performing individuals.

Nevertheless, money is a powerful force because it is linked directly or indirectly to the satisfaction of many needs. Money may in itself have no intrinsic meaning, but it acquires significant motivating power because it comes to symbolize so many intangible goals. It acts as a symbol in different ways for different people, and for the same person at different times.

But do financial incentives motivate people? The answer is yes, for those people who are strongly motivated by money and whose expectations are that they will receive a worthwhile financial reward. But less confident employees may not respond to incentives that they do not expect to achieve. It can also be argued that extrinsic rewards may erode intrinsic interest – people who work just for money could find their tasks less pleasurable and may not, therefore, do them so well. What we do know is that a multiplicity of factors is involved in performance improvements and many of those factors are interdependent.

Money can therefore provide positive motivation in the right circumstances not only because people need and want money but also because it serves as a highly tangible means of recognition. But badly designed and managed pay systems can demotivate. Another researcher in this area was Jaques (1961), who emphasized the need for such systems to be perceived as being fair and equitable. In other words, the reward should be clearly related to effort or level of responsibility and people should not receive less money than they deserve compared with their fellow workers. Jaques called this the 'felt-fair' principle.

Motivation strategies

Motivation strategies aim to create a working environment and to develop policies and practices that will provide for higher levels of performance from employees. The factors affecting them and the HR contribution are summarized in Table 13.2.

TABLE 13.2 Continued

Factors affecting motivation strategies	The HR contribution
The cultural environment of the organization in the shape of its values and norms will influence the impact of any attempts to motivate people by direct or indirect means.	Advise on the development of a culture that supports processes of valuing and rewarding employees.
Motivation will be enhanced by leadership, which sets the direction, encourages and stimulates achievement and provides support to employees in their efforts to reach goals and improve their performance generally.	Devise competency frameworks that focus on leadership qualities and the behaviours expected of managers and team leaders. Ensure that leadership potential is identified through performance management and assessment centres. Conduct leadership development programmes.
Achievement motivation is important for managers and those who aspire to greater responsibility.	Pay attention to job design to ensure that people are given the scope to achieve. Develop talent management processes to provide people with opportunities to achieve and performance management processes to provide them with feedback on how well they are achieving and what they must do to achieve more.

TABLE 13.2 Factors affecting motivation strategies and the HR contribution

Factors affecting motivation strategies	The HR contribution
The complexity of the process of motivation means that simplistic approaches based on instrumentality or needs theory are unlikely to be successful. People are more likely to be motivated if they work in an environment in which they are valued for what they are and what they do. This means paying attention to the basic need for recognition.	Avoid the trap of developing or supporting strategies that offer prescriptions for motivation based on a simplistic view of the process or fail to recognize individual differences. Encourage the development of performance management processes that provide opportunities to agree expectations and to recognize accomplishments. Develop total reward systems that provide opportunities for both financial and non-financial rewards to recognize achievements. Bear in mind, however, that financial rewards systems are not necessarily appropriate and the lessons of expectancy, goal and equity theory need to be taken into account in designing and operating them. Pay particular attention to recognition as a means of motivation. Develop intrinsic motivation by paying attention to job design, ensuring that managers are aware of its importance and their role in designing intrinsically motivating jobs.
Extrinsic motivators such as incentive pay can have an immediate and powerful effect, but it will not necessarily last long. The intrinsic motivators, which are concerned with the 'quality of working life' (a phrase and movement that emerged from this concept), are likely to have a deeper and longer-term effect because they are inherent in individuals and the work they do and not imposed from outside in such forms as performance-related pay.	Avoid the introduction of a performance-related pay scheme in the belief that it will miraculously transform everyone overnight into well-motivated, high-performing individuals. Advise on processes for the design of jobs that take account of the factors affecting the motivation to work, providing for job enrichment in the shape of variety, decision-making responsibility and as much control as possible in carrying out the work. Provide facilities and opportunities for learning through such means as personal development planning processes as well as more formal training. Develop career planning processes.
Some people will be much more motivated by money than others. It cannot be assumed that money motivates everyone in the same way and to the same extent. The need for work that provides people with the means to achieve their goals, a reasonable degree of autonomy, and scope for the use of skills and competences. The need for the opportunity to grow by developing abilities and careers.	Advise on processes for the design of jobs that take account of the factors affecting the motivation to work, providing for job enrichment in the shape of variety, decision-making responsibility and as much control as possible in carrying out the work. Provide facilities and opportunities for learning through such means as personal development planning processes as well as more formal training. Develop career planning processes.

Key learning points: Motivation

The process of motivation

Motivation is goal-directed behaviour. People are motivated when they expect that a course of action is likely to lead to the attainment of a goal and a valued reward – one that satisfies their needs and wants.

Types of motivation

The two basic types are intrinsic and extrinsic motivation.

Motivation theories

There are a number of motivation theories that, in the main, are complementary to one another. The

most significant theories are those concerned with expectancy, goal setting, equity and cognitive evaluation, which are classified as process or cognitive theories.

Motivation strategies

Motivation strategies aim to create a working environment and to develop policies and practices that will provide for higher levels of performance from employees. They include the design of intrinsically motivating jobs and leadership development programmes and the development of total reward systems and performance management processes.

Questions

- 1 What is motivation?
- 2 What is the difference between extrinsic and intrinsic motivation?
- 3 What is instrumentality?
- 4 What is reinforcement?
- 5 What is content or needs theory?
- 6 How valid is Maslow's concept of the hierarchy of human needs?
- 7 How valid is Herzberg's two-factor theory of motivation?
- 8 What is expectancy theory?
- 9 What is goal theory?
- 10 What is equity theory?

- 11 What is cognitive evaluation theory?
- 12 Which motivation theory provides the best guide on the principles of performance-related pay and why?
- 13 What message for HR policy is provided by the belief that motivation is a highly complex process?
- 14 Why is recognition so important as a means of motivation?
- 15 Why are there limitations in the power of money to motivate?
- 16 Why is intrinsic motivation through the work itself likely to be more effective in the longer term than extrinsic motivation?

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14 Commitment

KEY CONCEPTS AND TERMS

Commitment	Pluralist
High commitment model	Psychological contract
Mutuality	Unitarist
Organizational engagement	

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also understand:

- The meaning of organizational commitment
- The importance of commitment
- Commitment and engagement
- Problems with the concept of commitment
- The impact of high commitment
- Factors affecting commitment
- Developing a commitment strategy

Introduction

Commitment represents the strength of an individual's identification with, and involvement in, an organization. It is a concept that has played an important part in HRM philosophy. As Guest (1987: 503) suggested, HRM policies are designed to 'maximize organizational integration, employee commitment, flexibility and quality of work'. Beer *et al* (1984: 20) identified commitment in their concept of HRM as a key dimension because it 'can result not only in more loyalty and better performance for the organization, but also in self-worth, dignity,

psychological involvement, and identity for the individual'.

The meaning of organizational commitment

Commitment refers to attachment and loyalty. It is associated with the feelings of individuals about their organization. Mowday (1998) stated that it is characterized by an emotional attachment to one's organization that results from shared values and

interests. The three characteristics of commitment identified by Mowday *et al* (1982) are:

- 1 A strong desire to remain a member of the organization.
- 2 A strong belief in and acceptance of the values and goals of the organization.
- 3 A readiness to exert considerable effort on behalf of the organization.

Appelbaum *et al* (2000: 183) rephrased this definition as: 'Organizational commitment is a multidimensional construct that reflects a worker's identification with the organization (loyalty), attachment to the organization (intention to stay), and willingness to expend effort on the organization's behalf (discretionary effort)'. An alternative, although closely related definition of commitment emphasizes the importance of behaviour in creating commitment. Three features of behaviour are important in binding individuals to their acts: the visibility of the acts, the extent to which the outcomes are irrevocable, and the degree to which the person undertakes the action voluntarily. Commitment, according to Salancik (1977) can be increased and harnessed to obtain support for organizational ends and interests through such ploys as participation in decisions about actions.

The importance of commitment

The importance of commitment was highlighted by Walton (1985a). His theme was that improved performance would result if the organization moved away from the traditional control-oriented approach to workforce management, which relies upon establishing order, exercising control and achieving efficiency. He proposed that this approach should be replaced by a commitment strategy that would enable workers 'to respond best – and most creatively – not when they are tightly controlled by management, placed in narrowly defined jobs, and treated like an unwelcome necessity, but, instead, when they are given broader responsibilities, encouraged to contribute and helped to achieve satisfaction in their work' (*ibid*: 77). He described the commitment-based approach as follows.

Source review

Richard Walton on commitment – Walton (1985a: 79)

Jobs are designed to be broader than before, to combine planning and implementation, and to include efforts to upgrade operations, not just to maintain them. Individual responsibilities are expected to change as conditions change, and teams, not individuals, often are the organizational units accountable for performance. With management hierarchies relatively flat and differences in status minimized, control and lateral coordination depend on shared goals. And expertise rather than formal position determines influence.

Expressed like this, a commitment strategy sounds idealistic ('the American dream' as Guest (1990) put it) but it does not appear to be a crude attempt to manipulate people to accept management's values and goals, as some have suggested. In fact, Walton did not describe it as being instrumental in this manner. His prescription was for a broad HRM approach to the ways in which people are treated, jobs are designed and organizations are managed. He believed that the aim should be to develop 'mutuality', a state that exists when management and employees are interdependent and both benefit from this interdependency. The importance of mutuality and its relationship to commitment was spelled out by Walton (1985b: 64) as follows:

The new HRM model is composed of policies that promote mutuality – mutual goals, mutual influence, mutual respect, mutual rewards, mutual responsibility. The theory is that policies of mutuality will elicit commitment which in turn will yield both better economic performance and greater human development.

But a review by Guest (1991) of the mainly North American literature, reinforced by the limited UK research available, led him to the conclusion that: 'High organizational commitment is associated

with lower labour turnover and absence, but there is no clear link to performance.' Swales (2002: 164) confirmed that: 'Despite the best efforts of researchers... the evidence for a strong positive link between commitment and performance remains patchy.'

It is probably unwise to expect too much from commitment as a means of making a direct and immediate impact on performance. It is not the same as motivation. It is possible to be dissatisfied with a particular feature of a job while retaining a fairly high level of commitment to the organization as a whole. But it is reasonable to believe that strong commitment to work may result in conscientious and self-directed application to do the job, regular attendance, the need for less supervision and a high level of discretionary effort. Commitment to the organization will certainly be related to the intention to stay there.

Commitment and engagement

The notion of commitment as described above appears to be very similar if not identical to that of organizational engagement that, as defined in Chapter 15, focuses on attachment to, or identification with, the organization as a whole. Are there any differences?

Some commentators have asserted that commitment is a distinct although closely linked entity. As cited by Buchanan (2004: 19), the US Corporate Executive Board divides engagement into two aspects of commitment: 1) rational commitment, which occurs when a job serves employees' financial, developmental or professional self-interest; and 2) emotional commitment, which arises when workers value, enjoy and believe in what they do and has four times the power to affect performance as its more pragmatic counterpart. The Corporate Executive Board (2004: 1) indicated that engagement is 'the extent to which employees commit to someone or something in their organization, how hard they work, and how long they stay as a result of that commitment'. Wellins and Conzelman (2005: 1) suggested that 'to be engaged is to be actively committed'. And Macey and Schneider (2008: 8–9) observed that:

problems. One of these concerns the definition of the concept. The first issue is – commitment to what? Most writers are interested in commitment to the organization, but others have examined career commitment and job commitment. Once the general concept of commitment is utilized, then union commitment, workgroup commitment and family commitment should also be considered. The possibility of multiple and perhaps competing commitments creates a more complex set of issues.

Unitary frame of reference

The concept of commitment, especially as put forward by Walton (1985a), can be criticized as being simplistic, even misguided, in adopting a unitary frame of reference that assumes that organizations consist of people with shared interests. It has been suggested by people such as Cyert and March (1963), Mangham (1979) and Mintzberg (1983) that an organization is really a coalition of interest groups where political processes are an inevitable part of everyday life.

Legge (1989: 38) also raised this question in her discussion of strong culture as a key requirement of HRM, which she criticized because it implies 'a shared set of managerially sanctioned values... that assumes an identification of employee and employer interests'. As Cooney and Hartley (1991: 2.1) put it: 'Commitment is not an all-or-nothing affair (though many managers might like it to be) but a question of multiple or competing commitments for the individual.' A pluralist perspective recognizes the legitimacy of different interests and is more realistic.

It could be argued that values concerned with performance, quality, service, equal opportunity and innovation are not necessarily wrong because they are managerial values. But pursuing a value such as innovation could work against the interests of employees by, for example, resulting in redundancies. And flexibility may sound a good idea but, beyond the rhetoric, as Sisson (1994: 5) observed, the reality may mean that management can do what it wants. It would be quite reasonable for any employee encouraged to behave in accordance with a value supported by management to ask, 'What's in it for me?' It can also be argued that the imposition from above of management's values on employees without their having any part to play in discussing and agreeing them is a form of coercion.

Commitment and flexibility

It was pointed out by Cooney and Hartley (1991: 22) that: 'The problem for a unitarist notion of organizational commitment is that it fosters a conformist approach which not only fails to reflect organizational reality, but can be narrowing and limiting for the organization.' They argued that if employees are expected and encouraged to commit themselves tightly to a single set of values and goals they will not be able to cope with the ambiguities and uncertainties that are endemic in organizational life in times of change. Conformity to 'imposed' values will inhibit creative problem solving, and high commitment to present courses of action will increase both resistance to change and the stress that invariably occurs when change takes place.

If commitment is related to tightly defined plans, this will become a real problem. To avoid it, the emphasis should be on overall strategic directions. These would be communicated to employees with the proviso that changing circumstances will require their amendment. In the meantime, however, everyone can at least be informed in general terms where the organization is heading and, more specifically, the part they are expected to play in helping the organization to get there and, if they can be involved in the decision-making processes on matters that affect them (including management's values for performance, quality and customer service), so much the better.

Values need not necessarily be restrictive. They can be defined in ways that allow for freedom of choice within broad guidelines. In fact, the values themselves can refer to such processes as flexibility, innovation and responsiveness to change. Thus, far from inhibiting creative problem solving, they can encourage it. But they will not do so if they are imposed from above. Employees need to have a say in defining the values they are expected to support.

Factors affecting commitment

Kochan and Dyer (1993) indicated that the factors affecting the level of commitment in what they called 'mutual commitment firms' were as follows:

- *Strategic level*: supportive business strategies, top management value commitment and effective voice for HR in strategy making and governance.
- *Functional (human resource policy) level*: staffing based on employment stabilization, investment in training and development and contingent compensation that reinforces cooperation, participation and contribution.
- *Workplace level*: selection based on high standards, broad task design and teamwork, employee involvement in problem solving and a climate of cooperation and trust.

The research conducted by Purcell *et al.* (2003) identified the following key policy and practice factors that influence levels of commitment:

- received training last year;
- satisfied with career opportunities;
- satisfied with the performance appraisal system;
- think managers are good in people management (leadership);
- find their work challenging;
- think their firm helps them achieve a work-life balance;
- satisfied with communication or company performance.

Developing a commitment strategy

A commitment strategy can be based on the high-commitment model incorporating policies and practices in areas of HR such as job design, learning and development, career planning, performance management, reward management, participation, communication and employee well-being. HR should play a major part in developing a high-commitment organization. The 10 steps it can take are:

- 1 Advise on methods of communicating the values and aims of management and the achievements of the organization so that employees are more likely to identify with the organization as one they are proud to work for.

- 2 Emphasize to management that commitment is a two-way process; employees cannot be expected to be committed to the organization unless management demonstrates that it is committed to them and recognizes their contribution as stakeholders.

- 3 Impress on management the need to develop a climate of trust by being honest with people, treating them fairly, justly and consistently, keeping its word, and showing willingness to listen to the comments and suggestions made by employees during processes of consultation and participation.

- 4 Develop a positive psychological contract (the set of reciprocal but unwritten expectations that exist between individual employees and their employers) by treating people as stakeholders, relying on consensus and cooperation rather than control and coercion, and focusing on the provision of opportunities for learning, development and career progression.

- 5 Advise on the establishment of partnership agreements with trade unions that emphasize unity of purpose; common approaches to working together and the importance of giving employees a voice in matters that concern them.

- 6 Recommend and take part in the achievement of single status for all employees (often included in a partnership agreement) so that there is no longer an 'us and them' culture.

- 7 Encourage management to declare a policy of employment security and ensure that steps are taken to avoid involuntary redundancies.

- 8 Develop performance management processes that provide for the alignment of organizational and individual objectives.

- 9 Advise on means of increasing employee identification with the company through rewards related to organizational performance (profit sharing or gainsharing) or employee share ownership schemes.

- 10 Enhance employee job engagement, ie identification of employees with the job they are doing, through job design processes that aim to create higher levels of job satisfaction (job enrichment).

Key learning points: Commitment

The meaning of commitment

Commitment refers to attachment and loyalty. It is associated with the feelings of individuals about their organization. The three characteristics of commitment identified by Mowday *et al.* (1982) are:

- 1 A strong desire to remain a member of the organization.
- 2 A strong belief in and acceptance of the values and goals of the organization.
- 3 A readiness to exert considerable effort on behalf of the organization.

The impact of high commitment

In his seminal *Harvard Business Review* article, Richard Walton (1985a) stated that 'eliciting employee commitment will lead to enhanced performance [and] the evidence shows this belief to be well founded'. The importance of commitment was highlighted by Walton. His theme was that improved performance would result if the organization moved away from the traditional control-oriented approach to workforce management, which relies upon establishing order, exercising control and achieving efficiency. He proposed that this approach should be replaced by a commitment strategy.

Problems with the concept of commitment

There are four main problem areas: 1) the imprecise nature of the term, 2) its unitary frame of reference, 3) commitment as an inhibitor of flexibility, and 4) the extent to which high commitment does in practice result in improved organizational performance.

Engagement and commitment

Organizational engagement and commitment are closely associated. Commitment was included by the IES in its model as an element of engagement. But commitment is a somewhat wider concept in that it is concerned with both job engagement and organizational engagement.

The factors affecting the level of commitment (Kochan and Dyer, 1993)

- *Strategic level*: supportive business strategies, top management value commitment and effective voice for HR in strategy making and governance.
- *Functional (human resource policy) level*: staffing based on employment stabilization, investment in training and development and contingent compensation that reinforces cooperation, participation and contribution.
- *Workplace level*: selection based on high standards, broad task design and teamwork, employee involvement in problem solving and a climate of cooperation and trust.

HR's role in enhancing commitment

HR should play a major part in developing a high-commitment organization. The 10 steps it can take are:

- Advise on methods of communicating the values and aims of management.
- Emphasize to management that commitment is a two-way process.
- Impress on management the need to develop a climate of trust.
- Develop a positive psychological contract.
- Advise on the establishment of partnership agreements with trade unions.
- Recommend and take part in the achievement of single status for all employees.
- Encourage management to declare a policy of employment security.
- Develop performance management processes.
- Advise on means of increasing employee identification with the company.
- Enhance employee job engagement through job design processes.

Questions

- 1 What is commitment?
- 2 What is mutuality?
- 3 What are the three characteristics of commitment?
- 4 Why is commitment important?
- 5 What impact can high levels of commitment have on performance?
- 6 What is the relationship between commitment and engagement?
- 7 What did the research conducted by Purcell *et al* (2003) tell us about the factors affecting commitment?
- 8 Is a belief in the virtues of commitment based on an unrealistic unitary view of employment relationships?
- 9 Do high levels of commitment result in lack of flexibility and, if so, what can be done about it?
- 10 What are the essential features of a commitment strategy?

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15 Employee engagement

KEY CONCEPTS AND TERMS

Commitment	Leader-member exchange
Discretionary behaviour	Motivation
Engagement	Organizational citizenship behaviour
Extrinsic motivation	Organizational engagement
Intrinsic motivation	Social exchange theory
Job engagement	

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also understand:

- The meaning of employee engagement
- Job engagement
- Organizational engagement
- The theory of engagement
- The components of engagement
- The drivers of engagement
- Outcomes of engagement
- Enhancing engagement
- The significance of burnout

Introduction

Engagement takes place when people are committed to their work and the organization and are motivated to achieve high levels of performance. According to the CIPD (2012: 13): 'Engagement has become for practitioners an umbrella concept for capturing the various means by which employers can elicit

additional or discretionary effort from employees – a willingness on the part of staff to work beyond contract. It has become a new management mantra.' As David Guest (2013: 231) remarked: 'One of the attractions of engagement is that it is clearly a good thing. Managers are attracted to the concept because they like the idea of having engaged employees and dislike the prospect of having disengaged employees'.

According to Truss *et al* (2013: 1): 'The notion that individuals can be "personally" engaged in their work, investing positive emotional and cognitive energy into their role performance, was first proposed by William Kahn (1990) in his seminal article in the *Academy of Management Journal*'. Schaufeli (2013: 15) commented: 'It is not entirely clear when the term "engagement" was first used in relation to work, but generally the Gallup Organization is credited with coining the term, sometime during the 1990s'.

Reilly and Brown (2008) noted that the terms 'job satisfaction', 'motivation' and 'commitment' are generally being replaced now in business by 'engagement' because it appears to have more descriptive force and face validity. Truss *et al* (2013: 2657) suggested that 'engagement may constitute the mechanism through which HRM practitioners impact individual and organizational performance'.

This chapter starts with an analysis of the meaning of employee engagement and continues with an assessment of the components, drivers and outcomes. This is followed by a discussion of what Macey *et al* describe as burnout, the possibility of which should be taken into account in pursuing the engagement strategies described at the end of the chapter.

- 1 *intellectual engagement* – thinking hard about the job and how to do it better;
- 2 *affective engagement* – feeling positively about doing a good job;
- 3 *social engagement* – actively taking opportunities to discuss work-related improvements with others at work.

Job or organizational engagement or both

The term 'engagement' can be used in a specific job-related way to describe what takes place when people are interested in and positive – even excited – about their jobs, exercise discretionary behaviour and are motivated to achieve high levels of performance. It is described as job or work engagement. Truss *et al* (2006: ix) stated that: 'Put simply, engagement means feeling positive about your job.' They went on to explain that: 'The engaged employee is the passionate employee, the employee who is totally immersed in his or her work, energetic, committed and completely dedicated' (ibid: 1).

Organizational engagement focuses on attachment to or identification with the organization as a whole. The Conference Board (2006) defined employee engagement as the heightened connection that employees feel for their organization. Robinson *et al* (2004: 9) emphasized the organizational aspect of engagement when they referred to it as 'a positive attitude held by the employee towards the organization and its values'. This definition of organizational engagement resembles the traditional notion of commitment.

Perhaps the most illuminating and helpful approach to the definition of engagement is to recognize that it involves both job and organizational engagement as suggested by Saks (2006) and Balain and Sparrow (2009).

The theory of engagement

Saks (2006: 603) thought that a strong theoretical rationale for engagement was provided by social exchange theory. As he described it:

Social exchange theory argues that obligations are generated through a series of interactions between

The meaning of employee engagement

Kahn (1990: 894) defined employee engagement as 'the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances'. There have been dozens of definitions since the explosion of interest in the concept during the 2000s. Harter *et al* (2002: 269) stated that engagement was 'the individual's involvement and satisfaction with as well as enthusiasm for work. A later definition was produced by Macey *et al* (2009: 7) who defined engagement as 'an individual's purpose and focused energy, evident to others in the display of personal initiative, adaptability, effort and persistence directed towards organizational goals'.

Alfes *et al* (2010: 5) saw engagement as having three core facets:

The components of employee engagement

Engagement can be regarded as having three overlapping components: motivation and commitment as defined in Chapters 13 and 14 and organizational citizenship behaviour (OCB) as defined below. A model of engagement containing these components produced by the Institute for Employment Studies (Armstrong *et al.*, 2010) is shown in Figure 15.1. Work or job engagement is also associated with job satisfaction. These components of engagement are considered below.

Engagement and commitment

The concepts of commitment and organizational engagement are closely related, although Robinson *et al.* (2004) stated that while engagement contains many of the elements of commitment it is not a perfect match. They suggested that it does not reflect sufficiently two aspects of engagement—its two-way nature, and the extent to which engaged employees are expected to have positive attitudes about their job. However, Storey (2007: 8) referred to the concept of employee engagement as 'a term that broadly equates with the notion of high commitment'.

parties who are in a state of reciprocal interdependence. A basic tenet of social exchange theory is that relationships evolve over time into trusting, loyal and mutual commitments as long as the parties abide by certain 'rules' of exchange... [These] usually involve reciprocity or repayment rules such that the actions of one party lead to a response or actions by the other party.

He argued that one way for individuals to repay their organization is through their level of engagement. In other words, employees will choose to engage themselves to varying degrees and in response to the resources they receive from their organization. This is consistent with the description of engagement by Robinson *et al.* (2004) as a two-way relationship between the employer and the employee. Balain and Sparrow (2009: 16) concluded that:

To understand what really causes engagement, and what it causes in turn, we need to embed the idea in a well-founded theory. The one that is considered most appropriate is social exchange theory, which sees feelings of loyalty, commitment and discretionary effort as all being forms of social reciprocation by employees to a good employer.

As discussed below, the concept of engagement can be further explored in terms of its make-up (its components), its antecedents (the forces that drive it), and its outcomes.

Yalabik *et al.* (2013: 2803) proposed that 'affective commitment' (ie an emotional attachment to, identification with and involvement with the organization) is an antecedent of work engagement.

Engagement and motivation

The motivation element in engagement is intrinsic. Macey *et al.* (2009: 67) commented that: 'When the work itself is meaningful it is also said to have intrinsic motivation. This means that it is not the pay or recognition that yields positive feelings of engagement but the work itself'. They also pointed out that engaged employees 'feel that their jobs are an important part of what they are' (*ibid.*: 127).

Engagement and organizational citizenship behaviour

Organizational citizenship behaviour (OCB), as originally defined by Organ (1988), is employee behaviour that goes above and beyond the call of duty and contributes to organizational effectiveness. It is discretionary and not explicitly recognized by the employing organization's formal reward system.

As Little and Little (2006) observed, OCB is an outcome of the attitudes of job satisfaction and organizational commitment. It is similar to the definitions in the engagement literature of being respectful of and helpful to colleagues and willingness to go the extra mile or work longer hours, try harder, accomplish more and speak positively about the organization. They noted that this desirable behaviour has been shown to be related more to the work situation than to individual dispositions.

Engagement and job satisfaction

Job satisfaction was defined by Locke (1976: 1304) as 'a pleasurable or positive emotional state resulting from the appraisal of one's job and job experiences'. Engaged employees are more likely than not to be satisfied with their jobs.

Job satisfaction, like commitment, is regarded by Yalabik *et al.* (2013: 2805) as an antecedent of work engagement. It has been shown to be related to other attitudes and behaviours. Positively, it is related to organizational commitment, job involvement,

organizational citizenship behaviours and mental health. Negatively, it is related to turnover and stress.

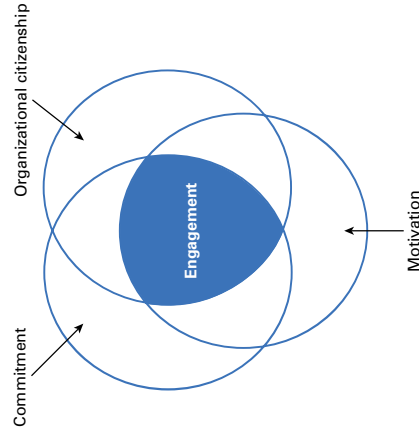
Drivers of employee engagement

To be able to do anything about engagement it is necessary to understand the factors that affect this – its antecedents and drivers. Crawford *et al.* (2013: 59–62) listed the following drivers:

- **Job challenge** – this takes place when the scope of jobs is broad, job responsibility is high and there is a high work load. It enhances engagement because it creates potential for accomplishment and personal growth.
- **Autonomy** – the freedom, independence and discretion allowed to employees in scheduling their work and determining the procedures for carrying it out. It provides a sense of ownership and control over work outcomes.
- **Variety** – jobs which allow individuals to perform many different activities or use many different skills.
- **Feedback** – providing employees with direct and clear information about the effectiveness of their performance.
- **Fit** – the existence of compatibility between an individual and a work environment (eg, job, organization, manager, co-workers) which allows individuals to behave in a manner consistent with how they see or want to see themselves.
- **Opportunities for development** – these make work meaningful because they provide pathways for employee growth and fulfilment.
- **Rewards and recognition** – these represent both direct and indirect returns on the personal investment of one's time in acting out a work role.

In addition, the quality of leadership exercised by line managers is an important driver. Hakanen *et al.* (2006) established through their research

FIGURE 15.1 IES model of employee engagement



SOURCE: Armstrong *et al.* (2000)

that supervisory support is positively related to employee engagement as is involvement in decision-making and day-to-day control over tasks and schedules. Macey and Schneider (2008) argued that when leaders have clear expectations, are fair, and recognize good performance they will have positive effects on employee engagement by engendering a sense of attachment to the job. Research by MacLeod and Clarke (2009) confirmed that line managers played a key part in promoting engagement by providing clarity of purpose, appreciating employees' effort and contribution, treating their people as individuals and ensuring that work is organized efficiently and effectively so that employees feel they are valued, and equipped and supported to do their job.

Macey *et al.* (2009: 11) emphasized the work environment and the jobs people do. They noted that: 'Engagement requires a work environment that does not just demand more but promotes information sharing, provides learning opportunities and fosters a balance in people's lives, thereby creating the bases for sustained energy and personal initiative.'

Outcomes of engagement

Stairs and Galpin (2010) claimed that high levels of engagement have been shown to relate to:

- lower absenteeism and higher employee retention;
- increased employee effort and productivity;
- improved quality and reduced error rates;
- increased sales;
- higher profitability, earnings per share and shareholder returns;
- enhanced customer satisfaction and loyalty;
- faster business growth; and
- higher likelihood of business success.

Alfes *et al.* (2010: 2) asserted that engaged employees perform better, are more innovative than others, are more likely to want to stay with their employers, enjoy greater levels of personal well-being and perceive their workload to be more sustainable than others.

However, Sparrow (2013: 102) warned against over-confident claims that high engagement results

in high performance. He suggested that it is possible that being in a well-performing unit makes employees engaged, not the other way round a possible. In other words 'reverse causation' (A situation where A might have caused B but it is just as likely that B caused, A).

Enhancing employee engagement

Research conducted by Towers Perrin (2003) showed that enhancing engagement is a process that never ends and it rests on the foundation of a meaningful and emotionally enriching work experience. Furthermore, it is not about making people happy, or paying them more money. Important as pay and benefits are in attracting and retaining people, it was found they play a less significant role in engaging people in their work. The elements found to be fundamental for engagement were strong leadership, accountability, autonomy, a sense of control over one's environment and opportunities for development.

Jenkins and Delbridge (2013) proposed that in line with Storey's (1989) contrast between 'hard' and 'soft' HRM it was possible to distinguish between hard and soft management approaches to enhancing engagement. In their case studies of two companies, one adopted a soft approach that centred on work design and promoting positive workplace conditions and relationships between management and employees. Enhanced employee engagement was seen as a positive outcome – productivity was not the primary goal. In the other case, a 'hard' approach concentrated on directly increasing employee effort to improve organizational performance. In the company using a soft approach high levels of engagement were reported, while in the other company high levels of employee disengagement were evident.

To enhance employee engagement employers have to address issues concerning both aspects of engagement – job and organizational engagement. These are interrelated and any actions taken to enhance either aspect will be mutually supporting. However, it is useful to consider what can be done specifically in each area, bearing in mind the particular circumstances and needs of the organization.

Enhancing job engagement

Line managers play a key role in enhancing job engagement with the support of organizational initiatives in the areas of job design, learning programmes, including leadership development for line managers, and performance and reward management systems.

Line managers

According to the Gallup Organization research reported by Coffman and Gonzalez-Molina (2002: 1.30), to enhance engagement managers should:

- make employees aware of their individual strengths;
- provide continuous feedback on how those strengths are being used;
- 'clear the path' so that employees can do what they do best without unnecessary distractions;
- build trust by showing commitment to the employee's success;
- challenge people within areas of their distinctive strengths;
- focus upon particular skills and knowledge in order to build talent into strengths;
- give employees ownership and creation of their outcomes.

Extensive research by Lewis *et al.* (2012) for the Chartered Institute of Personnel and Development resulted in the production of the competency framework for employee engagement management set out in Table 15.1.

Job design

Job design is an important factor in enhancing engagement. Macey *et al.* (2009: 69) commented that: 'People come to work for pay but get engaged at work because the work they do is meaningful.' Intrinsic motivation and therefore increased engagement can be generated by the work itself if it provides interest and opportunities for achievement and self-fulfilment. Robertson and Smith (1985) suggested

that the aim should be to influence: 1) skill variety, 2) task identity, 3) task significance, 4) autonomy, and 5) feedback.

Learning and development programmes

Learning and development programmes can ensure that people have the opportunity and are given the encouragement to learn and grow in their roles. This includes the use of policies that focus on role flexibility – giving people the chance to develop their roles by making better and extended use of their talents. It also means going beyond talent management for the favoured few and developing the abilities of the core people on whom the organization depends.

The strategy should also cover career development opportunities and how individuals can be given the guidance, support and encouragement they need if they are to fulfil their potential and achieve a successful career with the organization in tune with their talents and aspirations. The actions required to provide men and women of promise with a sequence of learning activities and experiences that will equip them for whatever level of responsibility they have the ability to reach should be included in the strategy.

Developing engagement through performance management

Performance management processes as described in Chapter 25 can be used to define individual goals and responsibilities, offer feedback on performance and provide the basis for developing skills and planning career development. Although the organization can create a performance management system, its effectiveness will depend on the interest and competence of line managers.

Developing engagement through reward

Reilly and Brown (2008) asserted that appropriate reward practices and processes, both financial and non-financial and managed in combination (ie a

TABLE 15.1 Employee engagement management competency framework

Competency	Description
Autonomy and empowerment	Trusts and involves employees
Development	Helps to develop employees' careers
Feedback, praise and recognition	Gives positive feedback and praise and rewards good work
Individual interest	Shows concern for employees
Availability	There when needed
Personal manner	Positive approach, leads by example
Ethics	Treats employees fairly
Reviewing and guiding	Helps and advises employees
Clarifying expectations	Sets clear goals and defines what is expected
Managing time and resources	Ensures resources are available to meet workload
Following processes and procedures	Understands and explains processes and procedures

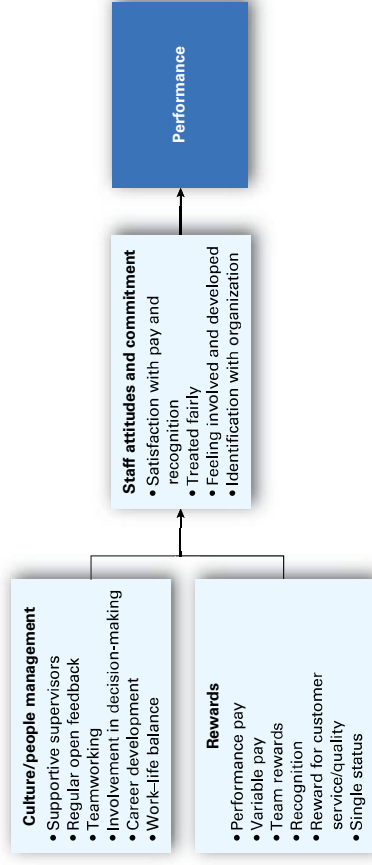
SOURCE: Adapted from Lewis *et al.* (2012: 9)

total rewards approach), can help to build and improve employee engagement, and that badly designed or executed rewards can hinder it. Their model, based on research of how reward policies influence performance through engagement, is shown in Figure 15.2.

Enhancing organizational engagement

The approaches that can be used to enhance organizational engagement consist of: 1) high-involvement management; (2) providing more scope for employee voice; (3) developing 'the big idea'; and 4) tackling the work environment.

FIGURE 15.2 How reward policies influence performance through engagement



SOURCE: Reilly and Brown (2008)

Employee voice

Employee voice policies enable employees to effectively communicate their concerns to management. Rees *et al.* (2013: 2781) suggested that there is a direct relationship between the effectiveness of such policies and levels of employee engagement. They invoked social exchange theory, which states that employees engage in reciprocal relationships that can develop into trusting, loyal and mutual commitments when certain 'rules of exchange' are observed. Employees will demonstrate positive attitudes and behaviours when they perceive that their employer values them and their contribution. They will demonstrate higher levels of performance if the work environment is one in which employees have a voice in the sense that they can share their concerns, opinions and ideas with their employers.

The 'big idea'

A basis for building organizational engagement was established by the longitudinal research in 12 companies conducted by Professor John Purcell and his colleagues (Purcell *et al.*, 2003: 13). They found that the most successful companies had 'the big idea'. This was 'a clear sense of mission underpinned by

values and a culture expressing what a firm is and its relationship with its customers and employees'.

The work environment

Increasing organizational engagement through the work environment means developing a culture that encourages positive attitudes to work, promoting interest and excitement in the jobs people do, reducing stress and recognizing the importance of social interaction. For example, Lands' End, the clothing company, believes that staff who are enjoying themselves, who are being supported and developed and who feel fulfilled and respected at work, will provide the best service to customers.

It was suggested by Guest (2009) that engagement can be achieved through effective leadership of a strong, positive culture that ensures the enactment of organizational values; through strong management that supports employees' work and well-being; through careful design of systems and jobs to enable employees to contribute through full use of their knowledge and skills; through effective employee voice; and through provision of appropriate resources, tools and information to perform effectively.

Burnout

There is a negative side to engagement – burnout, defined by Maslach and Jackson (1981: 99) as ‘a syndrome of emotional exhaustion and cynicism’. Burnout can take place when individuals are placed under too much pressure to perform. It is sometimes called disengagement. Workaholics who put themselves under too much pressure can suffer burnout.

Burnout is a response to high stress caused by excessive job demands, which include attempting to meet challenging, relentless and unreachable standards. It is more likely to happen when workers have no control over their work environment. Burnout can result in failure, absenteeism or leaving the organization.

To avoid the pursuit of engagement resulting in disengagement and burnout, managements need to ensure that employees are not put under too much pressure, are provided with support when required and are recognized for what they can achieve with the resources they have available (including their own skills and ability to exert effort). Alfes *et al* (2010) concluded that a responsible approach to engagement requires a work environment that does not just demand more but fosters a balance in people’s lives.

Measuring engagement

Engagement surveys provide the basis for the development and implementation of engagement strategies. A review by Vance (2006) of a number of such surveys identified the following common themes:

- pride in employer;
- satisfaction with employer;
- job satisfaction;
- opportunity to perform well at challenging work;
- recognition and positive feedback for one’s contributions;
- personal support from one’s supervisor;
- effort a above and beyond the minimum;

- understanding the link between one’s job and the organization’s mission;
- prospects for future growth with one’s employer;
- intention to stay with one’s employer.

The important thing to do with an engagement survey (an example of which is given in Chapter 64), as with any form of attitude survey, is to ensure that proper use is made of it through the ‘triple-A’ approach: Analysis, Assessment and Action. It is also important to inform employees of the results of the survey in full and involve them in assessing the results and agreeing actions.

Conclusions

Keenoy (2013: 198) referred to the message delivered by employee engagement prescriptions as ‘motherhood and apple pie’ and suggested that the term engagement could be replaced by job involvement, empowerment, high performance management or ‘any of the other putative solutions’ to the problem of getting employees to be more productive. He argued that ‘there are powerful generic echoes of McGregor’s (1960) Theory Y’ – the view that people are creative beings who under proper conditions will not only accept but also seek responsibility.

David Guest (2013: 233) warned that: ‘The risk must be that if [employee engagement] will soon join the pantheon of laudable aspirations, with which we can all agree, including happiness, quality, growth and sustainability, goals that most of us would like to pursue, concepts that some people think we can measure, but goals that will remain ultimately elusive in many if not most cases’.

However, John Purcell (2013: 247) contended that: ‘Employee engagement is worth pursuing, not as an end in itself, but as a means of improving working lives and company performance’. And the CIPD (2012: 1) noted that:

Engagement is not about driving employees to work harder but about providing the conditions in which they will work more effectively – it is about releasing employees’ discretionary behaviour.

CASE STUDY Land Registry – modernizing the public sector

Land Registry is a government executive agency employing 300 people. Engaging and enthusing its staff has been a challenge. The Swansea site was an underperforming office within an otherwise successful organization. Today it is one of the most productive Land Registry offices as a result of a planned high-engagement working change process.

The change process focused on the engagement of individuals at all levels. An internal project board masterminded a series of staff surveys and conferences. Senior management team away-days and line management training and coaching to improve performance management and the development of soft skills were all resourced in-house. Training initially focused on senior management team development, so they could understand and lead the changes, building middle management skills so that they could lead change and create an atmosphere in which employees could have confidence in an open appraisal process, and team building and development. Service to customers was always at the centre of the process. Personal development plans, based on Land Registry’s

national core competency framework, provided the opportunity to discuss knowledge, skills and ‘most importantly’ attitudes. The framework bands nine competencies in five main performance areas:

- *Delivering results*: planning and organizing the workload; and dealing effectively with/managing change.
- *Effective teamwork*: contributing to the team’s performance; and building and leading a team.
- *Knowledge and experience*: acquiring and applying technical/specialist knowledge.
- *Providing a quality service*: meeting customers’ needs; and anticipating problems and achieving solutions.
- *Personal effectiveness*: communicating effectively; and showing initiative and determination.

Each of these competencies can be demonstrated at four levels, from entry to senior management level.

Key learning points: Employee engagement

The meaning of employee engagement

Engagement happens when people are committed to their work and the organization and are motivated to achieve high levels of performance. It has two interrelated aspects: 1) job engagement, which takes place when employees exercise discretionary effort because they find their jobs interesting, challenging and rewarding; and 2) organizational engagement, when they identify with the values and purpose of their organization and believe that it is a great place in which to work and to continue to work.

Components of engagement

The components of engagement are commitment, organizational citizenship behaviour, motivation and job satisfaction.

Theory of engagement

Engagement will have behavioural outcomes leading to what can be described as an ‘engaged employee’. A strong theoretical rationale for engagement is provided by social exchange theory.

Drivers of engagement

Macey *et al* (2009) emphasize the importance of the work environment and the jobs people do. Alfes *et al* (2010) established that the main drivers of engagement are meaningful work (the most important), senior management vision and communication, positive perceptions of one’s line manager and employee voice – employees having a say in matters that concern them.

Enhancing engagement

Line managers play a key role in enhancing job engagement with the support of organizational initiatives in the areas of job design, learning programmes, including leadership development for line managers; and performance and reward management systems.

The approaches that can be used to enhance organizational engagement include: (1) high-involvement management; (2) developing 'the big idea'; and (3) tackling the work environment.

Burnout

Burnout can take place when individuals are placed under too much pressure to perform. It is sometimes called disengagement.

Measuring engagement

Engagement surveys provide the basis for the development and implementation of engagement strategies.

Questions

- 1 What is employee engagement?
- 2 What is job engagement?
- 3 What is organizational engagement?
- 4 What are the components of engagement?
- 5 What is organizational citizenship behaviour?
- 6 What is the relationship between engagement and commitment?
- 7 What is the relationship between engagement and motivation?
- 8 What is the relationship between engagement and organizational citizenship behaviour?
- 9 What are the main outcomes of engagement (name at least four)?
- 10 What are the main conclusions about engagement reached by the research conducted by Saks (2006)?
- 11 What are the main conclusions about engagement reached by the research conducted by Balain and Sparrow (2009)?
- 12 What are the main conclusions about engagement reached by the research conducted by MacLeod and Clarke (2009)?
- 13 What are the main conclusions about engagement reached by the research conducted by Alfes *et al* (2010)?
- 14 What is social exchange theory?
- 15 What is discretionary behaviour?
- 16 What are the main drivers of engagement as listed by MacLeod and Clarke (name at least three)?
- 17 How can job engagement be enhanced?
- 18 What is the role of job design in job engagement?
- 19 How can organizational engagement be enhanced?
- 20 What is high-involvement management?

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16

Strategic resourcing

KEY CONCEPTS AND TERMS

Employee value proposition
 Employer brand
 Employer of choice
 Psychological contract
 Talent management
 Workforce planning

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also know about:

- The meaning of strategic resourcing
- The objective of strategic resourcing
- The strategic HRM approach to resourcing
- Strategic fit in resourcing
- Integrating business and resourcing strategies
- The components of resourcing strategy

Introduction

Strategic resourcing is a key part of strategic human resource management, ie matching human resources to the strategic and operational requirements of the organization and ensuring the full utilization of those resources. It is concerned not only with obtaining and keeping the number and quality of staff required but also with selecting and promoting people who 'fit' the culture and the strategic requirements of the organization.

The objective of strategic resourcing

Strategic resourcing aims to ensure that the organization has the people it needs to achieve its business goals. Like strategic HRM, strategic resourcing is essentially about the integration of business and employee resourcing strategies so that the latter contribute to the achievement of the former.

The concept that the strategic capability of a firm depends on its resource capability in the shape of people (the resource-based view) provides the rationale for strategic resourcing. The objective is therefore to ensure that a firm achieves competitive advantage by recruiting, retaining and developing more capable people than its rivals. The organization attracts such people by being 'the employer of choice'. It retains them by providing better opportunities, rewards and conditions of employment than others and by developing a positive psychological contract (the set of reciprocal but unwritten expectations that exist between individual employees and their employers), which increases engagement and commitment and creates mutual trust. Furthermore, the organization deploys its people in ways that maximize the added value they supply and develops their talents and skills.

The strategic HRM approach to resourcing

The philosophy behind the strategic approach to resourcing is that it is people who implement the strategic plan. As Quinn Mills (1983) put it, the process is one of 'planning with people in mind'.

The integration of business and resourcing strategies is based on an understanding of the direction in which the organization is going and the determination of:

- the numbers of people required to meet business needs;
- the skills and behaviour required to support the achievement of business strategies;
- the impact of organizational restructuring as a result of rationalization, decentralization, delayering, acquisitions, mergers, product or market development, or the introduction of new technology – for example, cellular manufacturing;
- plans for changing the culture of the organization in such areas as ability to deliver, performance standards, quality, customer service, teamworking and flexibility, which indicate the need for people with different attitudes, beliefs and personal characteristics.

These factors will be strongly influenced by the type of business strategies adopted by the organization and the sort of business it is in. These may be expressed in such terms as Miles and Snow's (1978) typology of defender, prospector and analyser organizations.

Strategic HRM places more emphasis than traditional personnel management on finding people whose attitudes and behaviour are likely to fit what management believes to be appropriate and conducive to success. Townley (1989) commented that organizations are concentrating more on the attitudinal and behavioural characteristics of employees. This tendency has its dangers. Innovative and adaptive organizations need non-conformists, even mavericks, who can 'buck the system'. If managers recruit people 'in their own image' there is the risk of staffing the organization with conformist clones and of perpetuating a dysfunctional culture – one that may have been successful in the past but is no longer appropriate in the face of new challenges.

The resourcing strategies that emerge from the process of strategic resourcing exist to provide the people and skills required to support the business strategy, but they should also contribute to the formulation of that strategy. HR directors have an obligation to point out to their colleagues the human resource opportunities and constraints that will affect the achievement of strategic plans. In mergers or acquisitions, for example, the ability of management within the company to handle the new situation and the quality of management in the new business will be important considerations.

Strategic fit in resourcing

Strategic resourcing places more emphasis than traditional personnel management on finding people whose attitudes and behaviour are likely to fit what management believes to be appropriate and conducive to success. As mentioned above, Townley (1989) felt that organizations are concentrating more on the attitudinal and behavioural characteristics of employees, a tendency that has its dangers.

business needs and deciding on the numbers and types of people required.

- *Developing the organization's employee value proposition and its employer brand* – the employee value proposition is what an organization offers that prospective or existing employees would value and which would help to persuade them to join or remain with the business; employer brand is the image presented by an organization as a good employer.
- *Resourcing plans* – preparing plans for finding people from within the organization and/or for learning and development programmes to help people learn new skills. If needs cannot be satisfied from within the organization, it involves preparing longer-term plans for ensuring that recruitment and selection processes will satisfy them.
- *Retention plans* – preparing plans for retaining the people the organization needs.
- *Flexibility plans* – planning for increased flexibility in the use of human resources to enable the organization to make the best use of people and adapt swiftly to changing circumstances.
- *Talent management* – ensuring that the organization has the talented people it requires to provide for management succession and meet present and future business needs.

Bundling resourcing strategies and activities

Employee resourcing is not just about recruitment and selection. It is concerned with any means available to meet the firm's need for certain skills and behaviours. A strategy to ensure the organization has the talented people it needs (a talent management strategy) may start with recruitment and selection but would extend into learning and development to enhance abilities and skills and modify behaviours and succession planning. Performance management processes can be used to identify development needs (skills and behaviours) and motivate people to make the most effective use of their abilities. Competency frameworks and profiles can be prepared to define the skills and behaviours required and can be used in selection, employee development and employee reward processes. The aim should be to develop a reinforcing bundle of strategies along these lines.

The components of strategic employee resourcing

The overarching component of strategic resourcing is the integration of resourcing and business plans. Within this framework strategic resourcing includes specific strategies for:

- *Workforce planning*, alternatively called human resource planning – assessing future

17 Workforce planning

KEY CONCEPTS AND TERMS

Demand forecasting
 Hard human resources planning
 Human resources planning
 PESTLE analysis
 Ratio-trend analysis
 Scenario planning
 Soft human resources planning
 Supply forecasting
 SWOT analysis

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also understand:

- The nature of workforce planning
- The link between workforce and business planning
- The rationale for workforce planning
- Workforce planning issues
- Approaches to workforce planning

Introduction

Organizations have to know how many people and what sort of people they need to meet present and future business requirements. This is the function of workforce planning. The purpose of this chapter is to describe how workforce planning functions, bearing in mind that it is not as straightforward as it was presented when the notion of 'manpower planning' became popular in the 1960s and 70s. Workforce planning, or human resource planning as it used to be called, may be well established in the HRM vocabulary but it does not seem to be embedded as a key HR activity.

This chapter starts with a definition of workforce planning and continues with a discussion of its aims and the issues involved, including its link with business planning. The final section of the chapter describes the processes used, namely scenario planning, demand and supply forecasting and action planning. A workforce planning toolkit is provided in Chapter 65.

Workforce planning defined

The following definition of workplace planning was produced by the CIPD (2010a: 4): 'Workforce planning is a core process of human resource management that is shaped by the organizational strategy and ensures the right number of people with the right skills, in the right place at the right time to deliver short- and long-term organizational objectives.'

Workforce planning may be conducted as an overall approach to establishing and satisfying people requirements covering all major employee categories and skills. However, it frequently concentrates on key categories of staff, for example, doctors, nurses and other health workers in the National Health Service, skilled operatives in a manufacturing company, sales staff in a retail store or drivers in a transport company.

Rothwell (1995: 194) distinguished between HR planning in the hard sense – 'to serve as an indicator of the likely match or mismatch of the supply and demand for the right number of people with appropriate skills' – and HR planning in the soft sense – 'to alert the organization to the implications of

business strategy for people development, culture and attitudes as well as numbers and skills'. The CIPD (2010a: 4) made a similar distinction between 'hard' and 'soft' workforce planning. As the report on their research commented:

Hard workforce planning is about numbers. In the past this often revolved around using past trends to predict the future, matching supply and demand for labour with the result that plans were often out of date before the ink was dry. Now there is more emphasis on management information that can help understand cause and effect of certain phenomena.

Soft workplace planning focuses on general issues relating to the supply of and demand for people and how they are deployed.

The precursor to workforce planning – manpower planning as conceived in the 1960s – was almost entirely about numbers in the shape of quantitative demand and supply forecasts. It was the failure in many organizations to produce accurate forecasts and therefore prepare meaningful plans that led to its decline if not fall. Workforce planning today covers a wider range of activities such as succession planning, smart working, flexible working and talent planning, and is not such a numbers game.

Incidence of workforce planning

The CIPD Annual Survey of Resourcing and Talent Planning (2010b) found that 61 per cent of organizations conducted workforce planning, although it was most common in the public services sector and in larger organizations: 20 per cent of organizations planned for less than one year, 41 per cent for one to two years and only 2 per cent for more than five years. The CIPD (2010a) research established that the top five planning activities were:

- 1 succession planning – 62 per cent;
- 2 flexible working – 53 per cent;
- 3 demand/supply forecasting – 53 per cent;
- 4 skills audit/gap analysis – 49 per cent;
- 5 talent management – 42 per cent.

The link between workforce and business planning

Workforce planning is an integral part of business planning. The strategic planning process defines projected changes in the types of activities carried out by the organization and the scale of those activities. It identifies the core competencies that the organization needs to achieve its goals and therefore its skill and behavioural requirements.

Workforce planning interprets these plans in terms of people requirements. But it may influence the business strategy by drawing attention to the ways in which people could be developed and deployed more effectively to further the achievement of business goals. It will also address issues concerning the supply of suitable people.

Reasons for workforce planning

Research conducted by the Institute for Employment Studies (Reilly, 1999) established that there were three main reasons why organizations engaged in workforce planning:

- 1 Planning for substantive reasons, that is, to have a practical effect by optimizing the use of resources and/or making them more flexible, acquiring and nurturing skills that take time to develop, identifying potential problems and minimizing the chances of making a bad decision.
- 2 Planning because of the process benefits, which involves understanding the present in order to confront the future, challenging assumptions and liberating thinking, making explicit decisions that can later be challenged, standing back and providing an overview and ensuring that long-term thinking is not driven out by short-term focus.
- 3 Planning for organizational reasons, which involves communicating plans so as to obtain support/adherence to them, linking HR plans to business plans so as to influence them, (re)gaining corporate control over

operating units and coordinating and integrating organizational decision-making and actions.

Workforce planning issues

The main difficulties faced by those involved in quantitative (hard) workforce planning are the impact of change and trying to predict the future. Many organizations therefore adopt a short-term approach and deal with deficits or surpluses of people as they arise. This problem is compounded by what Rothwell (1995) referred to as the shifting kaleidoscope of policy priorities and strategies within organizations. It sounds like a good idea to adopt an integrated approach to workforce and business planning but it won't work well if business plans are volatile, vague, misleading or non-existent, as they easily can be. Beardwell (2007: 62) commented that HR plans should be treated as 'tentative, flexible, and reviewed and modified on a regular basis'. Cappelli (2009: 10) noted that: 'The competitive environment for businesses is so changeable, and firms adjust their own strategies and practices so frequently that these estimates [of the demand for talent] are rarely accurate and they get much worse the farther out one goes.'

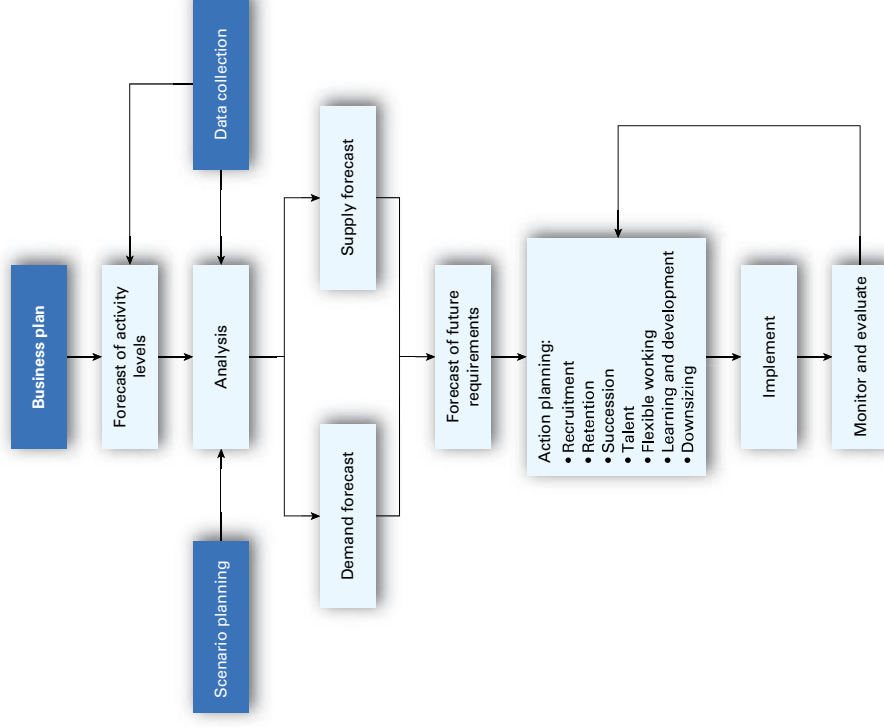
This problem will not be so acute in a stable marketplace, with largely passive (and static) customers, and with scope for long-term forecasting. But these are rare conditions today, even in the public sector where for a long time workplace planning has thrived.

It can be said that workforce planning is more art than science. Perhaps the accuracy of demand and supply forecasts is less important than the overall understanding of what the organization needs in the way of people, which can be generated by a systematic approach to planning.

The systematic approach to workforce planning

A flow chart of the process of workforce planning is shown in Figure 17.1. This identifies the main planning activities described below. Although these are

FIGURE 17.1 Workforce planning flowchart



referred to as separate areas, they are interrelated and can overlap. For example, demand forecasts may be prepared on the basis of assumptions about the productivity of employees. But a forecast of the supply of suitable people will also have to consider productivity trends and how they might affect the supply. A more detailed flow chart is given in Chapter 65 (Figure 65.1).

Business planning

The business plan provides the basis for the workforce plan insofar as it sets out what the organization intends to do in terms of activities and the scale of those activities.

Forecast activity levels

Forecasts of future activity levels flow from the business plan, which will have implications for the demand for people. Activity level forecasts will also be affected by external factors, for example demographic and political policy trends, especially in the public sector. Data will need to be collected and analysed for this purpose.

Scenario planning

Scenario planning is an assessment of the environmental changes that are likely to affect the organization so that a prediction can be made of the possible situations that may have to be dealt with in the future. The scenario may list a range of predictions so that different responses can be considered. The scenario is best based on systematic environmental scanning, possibly using the PESTLE approach (an assessment of the political, economic, social, legal, technological and economic factors that might affect the organization). The implications of these factors on the organization's labour markets and what can be done about any human resource issues can then be considered.

Data collection

The information used in workforce planning can be collected under the following headings:

- *Qualitative internal data:* business information on product/market

developments, proposed work system and organizational changes; HR information on people (skills, performance, etc).

- *Quantitative internal data:* workforce data on turnover, absence, demographics, skills audits, etc.
- *Qualitative external data:* PESTLE analysis covering the following factors: political, economic, social, technological, legal and environmental.
- *Quantitative external data:* labour market – demographics, skills availability.

Analysis

The analysis stage brings all the information together from the business plan, the activity forecast, scenarios and internal and external data to provide the basis for demand and supply forecasts.

Demand forecasting

Demand forecasting is the process of estimating the future numbers of people required and the likely skills and competences they will need. The basis of the forecast is the annual budget and longer-term business plan, translated into activity levels for each function and department. In a manufacturing company the sales budget would be translated into a manufacturing plan, giving the numbers and types of products to be made in each period. From this information the number of hours to be worked by each skill category to make the quota for each period would be computed.

Details are required of any organizational and work plans that would result in increased or decreased demands for employees. Examples are setting up a new regional organization, creating a new sales department, decentralizing a head office function to the regions, plans for new methods of working, additional outsourcing, increasing productivity and reducing employment costs. The demand forecasting methods for estimating the numbers of people required are described below.

Managerial judgement

The most typical method of forecasting used is managerial judgement. This simply requires managers to sit down, think about their future workloads,

and decide how many people they need. It may be quite unscientific and misleading.

Forecasting might be done on a 'bottom-up' basis with line managers submitting proposals for agreement by senior management. Alternatively, a 'top-down' approach can be used, in which company and departmental forecasts are prepared by top management, possibly acting on advice from the personnel departments. These forecasts are reviewed and agreed with departmental managers. A less directive approach is for top management to prepare planning guidelines for departmental managers, setting out the planning assumptions and the targets they should try to meet.

Perhaps the best way of using managerial judgement is to adopt both the 'bottom-up' and 'top-down' approaches. Guidelines for departmental managers should be prepared, indicating broad company assumptions about future activity levels that will affect their departments. Targets are also set where necessary. Armed with these guidelines, departmental managers prepare their forecasts to a laid-down format. They are encouraged to seek help at this stage from the personnel or work study departments. Meanwhile, the HR department, in conjunction as necessary with planning and work study departments, prepares a company forecast. The two sets of forecasts can then be reviewed by a human resource planning committee consisting of departmental managers any discrepancies between the two forecasts and submits the final amended forecast to top management for approval. This is sometimes called the 'right-angle method'.

Ratio-trend analysis

Ratio-trend analysis is carried out by analysing existing ratios between an activity level and the number of employees working on that activity. The ratio is applied to forecast activity levels to determine an adjusted number of people required. Account can be taken of possible improvements in productivity that would affect the ratio. The analysis may be extended to cover employees connected to but not directly involved in the activity – the indirect workers who provide support to the direct workers responsible for carrying out the activity. The existing ratio of direct to indirects would be applied to the forecast number of direct workers needed to deal with the new activity levels to forecast the number of indirects needed.

Work study techniques

Work study techniques are used in association with activity level forecasts to calculate how long operations should take and the number of people required. Work study techniques for direct workers can be combined with ratio-trend analysis to calculate the number of indirect workers needed.

Forecasting skill and competency requirements

Forecasting skill and competency requirements is largely a matter of managerial judgement. This judgement should, however, be exercised on the basis of an analysis of the impact of projected product/market developments and the introduction of new technology, either information technology or computerized manufacturing.

Supply forecasting

Supply forecasting measures the number of people likely to be available from within and outside the organization. The internal supply analysis covers the following areas:

- existing number of people employed by occupation, skill and potential;
- potential losses to existing resources through attrition (employee turnover);
- potential changes to existing resources through internal promotions;
- changes to the organization structure, new methods of working (including flexible working) more part-time working and different working hours;
- effect of increases in productivity;
- sources of supply from within the organization – existing employees and the outputs of talent management or training programmes.

The external supply analysis examines the local and national labour markets to assess implications for the availability of future people requirements. It will also take account of environmental changes as revealed by scenario planning.

Forecast of future requirements

To forecast future requirements it is necessary to analyse the demand and supply forecasts to identify any deficits or surpluses. The analysis can be made with the help of spreadsheets. The basic data can be set out as follows:

1	Current number employed	700
2	Annual level of turnover	10 per cent
3	Expected losses during year	70
4	Balance at end year	630
5	Number required at end year	750
6	Number to be obtained during year	$(5 - 4) = 120$

The data on the number of employees required may be modified by reference to the impact of any productivity plans, organizational changes, new methods of working or revision of role responsibilities.

Action planning

Action plans are derived from the broad resourcing strategies and the more detailed analysis of demand and supply factors. However, the plans often have to be short term and flexible because of the difficulty of making firm predictions about workforce requirements in times of rapid change. The planning

activities start with the identification of internal resources available now or that could be made available through learning and development programmes. They continue with plans for recruitment and retention, succession and talent management, the reduction of employee turnover and absenteeism, flexible working, outsourcing, productivity improvement and the revision of role responsibilities. Learning and development programmes may be prepared to provide for future skill requirements. Regrettably, but sometimes inevitably, plans for downsizing may be necessary, but these can aim to avoid compulsory redundancies by such means as recruitment freezes.

Implementation

The implementation of the action plans will provide a challenge. A flexible approach involving quick responses is needed to cope with unforeseeable changes in people requirements.

Monitoring and evaluation

Because of unpredictable events, the implementation of action plans does not always run smoothly. It is necessary to monitor progress carefully, evaluate the effects and, as required, amend the action plan.

Plymouth Primary Care Trust

The trust set up a multidisciplinary team drawn from the workforce planning and development department, finance and public health teams within the organization to introduce workforce planning across the whole organization. The trust's 230 managers and budget holders were then invited to an awareness programme to introduce the Six Steps Workforce Planning Methodology developed by the NHS Workforce Projects Team (2009). The steps are:

- 1 Define the plan.
- 2 Map service change.
- 3 Define the required workforce.
- 4 Understand workforce availability.
- 5 Plan to deliver the required workforce.
- 6 Implement, monitor and refresh.

Managers were informed that, using this framework, they would be required to produce plans over a one-year, two-year and five-year timescale. The guide was applied by asking each manager to define their workforce plan, outline forces for change, assess demand, assess supply, undertake a gap analysis and subsequent action planning and carry out implementation and a review of the plans.

It was found that while some managers were skilled in workforce planning, the majority needed support to link together the financial, workforce and planning elements of the process. The outcomes were:

- trust-wide workforce planning, using electronic staff record and planning tools;
- workforce planning is now part of day-to-day trust business;
- detailed workforce plans across clinical and non-clinical directorates;
- increased awareness of financial position, age profiles, and workforce risk assessment;
- the development of a more efficient workforce by reviewing skill mix and succession planning;
- integration of workforce planning into the corporate management programme.

Reference

Workforce Projects Team (2009) Skills for Health, available at http://www.healthcareworkforce.nhs.uk/resource/latest_resources/introduction_to_workforce_planning.html [accessed 29 July 2011]

Siemens (UK)

Workforce planning at Siemens (UK), the engineering and technology services company, (as reported by the CIPD, 2010a), involves obtaining answers to three fundamental questions: 'What do we have? What do we want? How do we fill the gap?'

At the highest level, the corporate people strategy gives the context for workforce planning, the key objective of which is to ensure that Siemens has the right level of capability to execute business strategy. In essence, the process of workforce planning is one in which the business strategy converges with the people strategy.

CASE STUDIES

Buckinghamshire County Council

Business need drove the workforce planning project at Buckinghamshire County Council. This recognized that current workforce planning practices would not meet the challenge of the Care Standards Act 2000, or of future service delivery. One of the main issues in working with children and families was recruiting and retaining qualified social workers. There were insufficient numbers of social workers in post. Turnover levels among established and new employees were high.

The council therefore decided to align strategy and workforce planning in social care for children and families. The workforce plan was developed with the input of a

team of representatives from social care for children and families. It was recognized that workforce planning was essential to anticipate future areas of skills shortages. This council is now in a position to anticipate skills shortages and has dealt with them innovatively and immediately.

The workforce plan looked at short- and long-term planning. Short-term planning covered immediate action on recruitment and promotion. Long-term planning covered activities that may span the next five years. Workforce planning allowed for an assessment of skills and an exploration of the levels employees need to work at.

The workforce planning process starts with a review of the current workforce derived from SAP data (SAP is a business software system) and onto this is overlaid the likely attrition. Future requirements are identified by means of a dialogue between HR business partners and business unit managers. This enables the skills in each job family to be matched to business initiatives and provides the basis for the workforce forecast.

Key learning points: Workforce planning

Workforce planning defined

The following definition of workplace planning was produced by the CIPD (2010a: 4): 'Workforce planning is a core process of human resource management that is shaped by the organizational strategy and ensures the right number of people with the right skills, in the right place at the right time to deliver short- and long-term organizational objectives.'

Incidence of workforce planning

The CIPD (2010a) research revealed that workforce planning in one form or another is taking place in many organizations.

Link to business planning

Workforce planning is an integral part of business planning.

The rationale for workforce planning

Workforce planning provides a basis for a systematic approach to assessing the number and type of people needed and, having taken into account information on the supply of labour and environmental scanning, for the preparation of recruitment, retention, management succession and talent management plans. Workforce planning

is important because it encourages employers to develop clear and explicit links between their business and HR plans and to integrate the two more effectively.

Workforce planning issues

The main difficulties faced by those involved in workforce planning are the impact of change and predicting the future.

Approaches to workforce planning

- Business planning.
- Forecast activity levels.
- Scenario planning.
- Data collection.
- Analysis.
- Demand forecasting.
- Supply forecasting.
- Forecast of future requirements.
- Action planning.
- Implementation.
- Monitoring and evaluation.

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Questions

- 1 What is workforce planning?
- 2 What is the link between business and workforce planning?
- 3 What is the rationale for workforce planning?
- 4 What are the main approaches to workforce planning?

18 Recruitment and selection

KEY CONCEPTS AND TERMS

Biodata	Psychological test
Criterion measure	Psychometric test
Employer brand	Recruitment
Employer of choice	Recruitment process outsourcing (RPO)
Intelligence quotient (IQ)	Reliability (test)
Job board	Role profile
Knowledge, skills and abilities (KSAs)	Selection
Person specification	Validity (test)
Predictive ability	Web 2.0

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also understand:

- The recruitment and selection process
- Defining requirements
- Attracting candidates
- Processing applications
- Selection methods – interviewing and tests
- References and offers
- Dealing with recruitment problems

Introduction

Recruitment is the process of finding and engaging the people the organization needs. Selection is that part of the recruitment process concerned with deciding which applicants or candidates should be appointed to jobs. Recruitment can be costly. The 2013 CIPD survey of resourcing and talent planning found that the average recruitment cost of filling a vacancy for a director or senior manager was £8,000 while for other employees it was £3,000.

Role profiles

Role profiles define the overall purpose of the role, its reporting relationships and the key result areas. For recruiting purposes, the profile is extended to include information on terms and conditions (pay, benefits and hours of work); special requirements such as mobility, travelling or unsocial hours; and learning, development and career opportunities. The recruitment role profile provides the basis for a person specification.

Person specification

A person specification, also known as a recruitment or job specification, defines the knowledge, skills and abilities (KSAs) required to carry out the role, the types of behaviour expected from role holders (behavioural competencies) and the education, qualifications, training and experience needed to acquire the necessary KSAs. The specification is set out under the following headings:

- **Knowledge** – what the individual needs to know to carry out the role.
- **Skills and abilities** – what the individual has to be able to do to carry out the role.
- **Behavioural competencies** – the types of behaviour required for successful performance of the role. These should be role-specific, ideally based on an analysis of employees who are carrying out their roles effectively. The behaviours should also be linked to the core values and competency framework of the organization to help in ensuring that candidates will fit and support the organization's culture.
- **Qualifications and training** – the professional, technical or academic qualifications required or the training that the candidate should have undertaken.
- **Experience** – the types of achievements and activities that would be likely to predict success.
- **Specific demands** – anything that the role holder will be expected to achieve in specified areas, eg develop new markets or products; improve sales, productivity or levels of customer service; introduce new systems or processes.

The recruitment and selection process

The stages of recruitment and selection are:

- 1 Defining requirements.
- 2 Attracting candidates.
- 3 Sifting applications.
- 4 Interviewing.
- 5 Testing.
- 6 Assessing candidates.
- 7 Obtaining references.
- 8 Checking applications.
- 9 Offering employment.
- 10 Following up.

Defining requirements

The number and categories of people required may be set out in formal workforce plans from which are derived detailed recruitment plans. More typically, requirements are expressed as ad hoc demands for people because of the creation of new posts, expansion into new activities or areas, or the need for a replacement. These short-term demands may put HR under pressure to deliver candidates quickly.

Requirements are set out in the form of role profiles and person specifications. These provide the information required to post vacancies on the company's website or the internet, draft advertisements, brief agencies or recruitment consultants and assess candidates by means of interviews and selection tests.

- *Special requirements* – travelling, unsocial hours, mobility, etc.

It is advisable not to overstate the requirements. Perhaps it is natural to go for the best, but setting an unrealistically high level for candidates increases the problems of attracting applicants and results in dissatisfaction among recruits when they find their talents are not being used. Understating requirements can, of course, be equally dangerous, but it happens less frequently.

The KSAs and competencies defined in the role profile form a fundamental feature of the selection process, which becomes more of a person-based than a job-based approach. They are used as the basis for structured interviews and provide guidance on which selection techniques, such as psychological testing or assessment centres, are most likely to be useful.

The following is an example of the key KSA and competencies parts of a person specification for an HR recruitment adviser.

KSA and competency requirements for a recruitment adviser

- 1 Knowledge of:**
 - all aspects of recruitment;
 - sources of recruits;
 - different media for use in recruiting;
 - relevant test instruments (OPA qualified).
- 2 Skills and abilities in:**
 - interviewing techniques;
 - test administration;
 - role analysis.
- 3 Behavioural competencies:**
 - able to relate well to others and use interpersonal skills to achieve desired objectives;
 - able to influence the behaviour and decisions of people on matters concerning recruitment and other HR or individual issues;
 - able to cope with change, to be flexible and to handle uncertainty;
 - able to make sense of issues, identify and solve problems and 'think on one's feet';
 - focus on achieving results;
 - able to maintain appropriately directed energy and stamina, to exercise self-control and to learn new behaviours;
 - able to communicate well, orally and on paper.

Attracting candidates

The following steps are required when planning how to attract candidates:

- 1 Analyse recruitment strengths and weaknesses to develop an employee value proposition and employer brand.
- 2 Analyse the requirement to establish what sort of person is needed.
- 3 Identify potential sources of candidates.

Analyse recruitment strengths and weaknesses

Attracting candidates is primarily a matter of identifying, evaluating and using the most appropriate sources of applicants. However, in cases where difficulties in attracting or retaining candidates are being met or anticipated, it may be necessary to carry out a study of the factors that are likely to attract or deter candidates – the strengths and weaknesses of the organization as an employer. The study could make use of an attitude survey to obtain the views of existing employees. The analysis should cover such matters as the national or local reputation of the organization, pay, employee benefits and working conditions, the intrinsic interest of the job, security of employment, opportunities for education and training, career prospects, and the location of the office or plant.

Candidates are, in a sense, selling themselves, but they are also buying what the organization has to offer. If, in the latter sense, the labour market is a buyer's market, then the company selling itself to candidates must study their wants and needs in relation to what it can provide. The study can be used to develop an employee value proposition (what an organization has to offer that prospective or existing employees would value and that would help to persuade them to join the business) and an employee brand (the image presented by an organization as a good employer) incorporating the features set out above. They can contribute to the recruitment material used on corporate websites and in advertisements and brochures to help make the organization 'an employer of choice'.

Analyse the requirement

First it is necessary to establish what jobs have to be filled and by when. Then turn to an existing role profile and person specification or, if not available or out of date, draw up new ones that set out information on responsibilities and competency requirements. This information can be analysed to determine the required education, qualifications and experience.

The next step is to consider where suitable candidates are likely to come from: within the organization, from other organizations or from education establishments, and the parts of the country where they can be found. Next, define the terms and conditions of the job (pay and benefits).

Finally, refer to the analysis of strengths and weaknesses to assess what it is about the job or the organization that is likely to attract good candidates, so that the most can be made of these factors when advertising the vacancy or reaching potential applicants in other ways. Consider also what might put them off, for example the location of the job, so that objections can be anticipated. Analyse previous successes or failures to establish what does or does not work.

Identify sources of candidates

First consideration should be given to internal candidates. In addition, it is always worth trying to persuade former employees to return to the organization or obtain suggestions from existing employees (referrals). Talent banks that record candidate details electronically can be maintained and referred to at this stage.

If these approaches do not work, the sources of candidates are online recruiting, social media, advertising, recruitment agencies, job centres, consultants, recruitment process outsourcing providers and direct approaches to educational establishments. The main sources used by employers, as established by the 2013 CIPD survey, were:

- own corporate website – 62 per cent;
- recruitment agencies – 49 per cent;
- employee referral scheme – 33 per cent;
- professional networking, eg LinkedIn – 32 per cent;
- commercial job boards – 32 per cent;

- local newspaper advertisements – 29 per cent;
- specialist journals – 24 per cent;
- Jobcentre Plus – 19 per cent;
- search consultants – 17 per cent;
- links with educational establishments – 14 per cent;
- national newspaper advertisements – 12 per cent;
- social networking sites – 9 per cent.

Note the predominance of corporate websites and local agencies as sources of candidates. It is also interesting to note that referrals are the third most popular method.

There is usually a choice between different methods or combinations of them. The criteria to use when making the choice are: 1) the likelihood that it will produce good candidates; 2) the speed with which the choice enables recruitment to be completed; and 3) the costs involved, bearing in mind that there may be direct advertising costs or consultants' fees.

Online recruitment

Online or e-recruitment uses the internet to advertise or post vacancies, provides information about jobs and the organization and enables e-mail communications to take place between employers and candidates. The latter can apply for jobs online and can e-mail application forms and CVs to employers or agencies. Tests can be completed online. The main types of online recruitment sites are corporate websites, commercial job boards and agency sites. Social media as described below is also used extensively.

The advantages of online recruiting are that it can reach a wider range of possible applicants. It is quicker and cheaper than traditional methods of advertising, more details of jobs and firms can be supplied on the site, and CVs can be matched and applications can be submitted electronically. More than four-fifths of respondents to the CIPD's 2013 survey reported that it helped them to increase the strength of their employer brand. The disadvantages are that it may produce too many irrelevant or poor applications and it is still not the first choice of many job seekers. Consider using it in conjunction with other recruitment methods to maximize response.

Agency sites are run by established recruitment agencies. Candidates register online but may be expected to discuss their details in person before these are forwarded to a prospective employer.

Social media

The use of social media means applying Web 2.0 technologies to search for recruits and find out more about them online on sites such as LinkedIn and Facebook. Potential recruits sometimes provide blogs from existing employees covering their experiences in working for the organization.

The 2013 survey of the Forum for In-House Recruitment Managers (FIRM), whose members tend to be bigger employers, established that 94 per cent used LinkedIn for attracting and recruiting candidates and the remaining 6 per cent intend to do so. LinkedIn recruiter tools enable employers to see how the online population views their employer brand, search the world by sector, job level, specialism and geography and directly approach strangers. Syedain (2013) recommends that to make the most of LinkedIn it is necessary to:

- build and prime a personal network before you recruit;
- set aside time to seek out and engage relevant and promising talent;
- obtain advice or training in how to use LinkedIn as a recruiting tool;
- get buy-in from the top – encourage senior managers to keep their own profiles up to date;
- build the employer brand by encouraging to post information on their status updates that give a sense of the organization;
- talk to managers about who they know or can get introduced to online;
- create an employer page and keep it updated;
- personalize your direct approaches, whether InMails or invitations to connect;
- be selective about the number and type of jobs you publicize – it is easy to overwhelm people's feeds and inboxes.

As reported by Anna Cook (2012), head of CERN's recruitment unit, CERN, the world's largest particle physics laboratory, has successfully made use of social media. All job vacancies are advertised on

LinkedIn, Facebook and Twitter. These networks provide much more than simple job boards in that they are used as communication tools to interact with the audience, with candidates and with people who are not necessarily candidates but may know people who may want to apply. Appropriate use is made of each medium. For example, Facebook is used to host a weekly question and answer session between one of CERN's recruiters and anyone who wants to submit a question, whereas the professional network LinkedIn provides a forum for more specialized discussions.

T-Mobile International has created a Facebook site for graduate recruitment. Potential graduate recruits established an individual presence on this invitation-only site. The site was used to provide information on selection procedures and processes, for example criteria and timetables and to allow the potential recruits to communicate with each other. As well as T-Mobile's IT department, an internal 'brand ambassador' was involved in design throughout.

Advertising

Advertising has traditionally been the most obvious method of attracting candidates and it is still fairly important, especially at local level and in specialized journals. However, as the CIPD 2013 survey revealed, many organizations now prefer to use online recruitment, agencies or consultants. A conventional advertisement will have the following aims:

- Generate candidates – attract a sufficient number of good candidates at minimum cost.
- Attract attention – it must compete for the attention of potential candidates against other employees.
- Create and maintain interest – it has to communicate, in an attractive and interesting way, information about the job, the company and the terms and conditions of employment.
- Stimulate action – the message needs to be conveyed in a way that will prompt a sufficient number of replies from candidates with the right qualifications for the job.

To achieve these aims, it is necessary to carry out the actions set out below. A recruitment advertisement should start with a compelling headline and then contain information on the following:

therefore avoid sexist job titles such as 'salesman' or 'stewardess'. They must refer to a neutral title such as 'sales representative', or amplify the description to cover both sexes by stating 'steward or stewardess'. Potential respondents should be referred to only as the 'candidate' or the 'applicant', otherwise you must specify 'man or woman' or 'he or she'. It is accepted, however, that certain job titles are unisex and therefore non-discriminatory, including director, manager, executive and officer.

It is also unlawful to place an advertisement that discriminates against any particular race. As long as race is never mentioned or even implied in an advertisement, you should have no problem in keeping within the law. The Equality Act also makes it unlawful to discriminate against employees on account of their age. Age limits should therefore not be included in advertisements and the wording should not indicate that people below or above a certain age are not wanted.

It is essential to measure the response to advertisements to provide guidance on the relative cost-effectiveness of different media. Cost per reply is the best ratio.

Recruitment agencies

Most recruitment agencies deal with secretarial and office staff who are registered with them. They are usually quick and effective but quite expensive. Agencies can charge a fee for finding someone of 1.5 per cent or more of the first year's salary. It can be cheaper to advertise or use the internet, especially when the company is in a buyer's market. Shop around to find the agency that suits the organization's needs at a reasonable cost.

Agencies should be briefed carefully on what is wanted. They can produce unsuitable candidates but the risk is reduced if they are clear about the requirements.

Jobcentre Plus

The jobcentres operated by the government are mainly useful for manual and clerical workers and sales or call centre assistants.

Recruitment consultants

Recruitment consultants advertise, interview and produce a shortlist. They provide expertise and reduce workload. The organization can be anonymous

- the organization;
- the job;
- the person required – qualifications, experience, etc;
- the pay and benefits offered;
- the location;
- the action to be taken.

The headline is all important. The simplest and most obvious approach is to set out the job title in bold type. To gain attention, it is advisable to quote the rate of pay and key benefits such as a company car. Applicants are suspicious of clauses such as 'salary will be commensurate with age and experience' or 'salary negotiable'. This often means either that the salary is so low that the company is afraid to reveal it, or that pay policies are so incoherent that the company has no idea what to offer until someone tells them what he or she wants.

The name of the company should be given. Do not use box numbers – if you want to be anonymous, use a consultant. Add any selling points, such as growth or diversification, and any other areas of interest to potential candidates, such as career prospects. The essential features of the job should be conveyed by giving a brief description of what the job holder will do and, as far as space permits, the scope and scale of activities. Create interest in the job but do not oversell it.

The qualifications and experience required should be stated as factually as possible. There is no point in overstating requirements and seldom any point in specifying exactly how much experience is wanted. Be careful about including a string of personal qualities such as drive, determination and initiative. These have no real meaning to candidates. Phrases such as 'proven track record' and 'successful experience' are equally meaningless. No one will admit to not having either of them.

The advertisement should end with information on how the candidate should apply. 'Brief but comprehensive details' is a good phrase. Candidates can be asked to write or e-mail their response, but useful alternatives are to ask them to telephone or to come along for an informal chat at a suitable venue.

Remember the anti-discrimination legislation set out in the Equality Act (2010). This makes it unlawful to discriminate in an advertisement by favouring either sex, the only exceptions being a few jobs that can be done only by one sex. Advertisements must

if it wishes. Most recruitment consultants charge a fee based on a percentage of the basic salary for the job, usually ranging from 15 to 20 per cent.

When choosing a recruitment consultant check their reputation and expertise, compare fees and meet the person who will work on the assignment to assess his or her quality. To use them effectively:

- Agree terms of reference.
- Brief them on the organization, where the job fits in, why the appointment is to be made, terms and conditions and any special requirements.
- Give them every assistance in defining the job and the person specification – they will do much better if they have comprehensive knowledge of what is required and what type of person is most likely to fit into the organization well.
- Check carefully the proposed programme and the draft text of the advertisement.
- Clarify the arrangements for interviewing and shortlisting.
- Clarify the basis upon which fees and expenses will be charged.
- Ensure that arrangements are made to deal directly with the consultant who will handle the assignment.

Executive search consultants

Use an executive search consultant or 'headhunter' for senior jobs where there is only a limited number of suitable people and a direct lead to them is wanted. Headhunters are not cheap. They charge a fee of 30 to 50 per cent or so of the first year's salary, but they can be quite cost-effective.

Executive search consultants first approach their own contacts in the industry or profession concerned. The good ones have an extensive range of contacts and their own data bank. They will also have researchers who will identify suitable people who may fit the specification or can provide a lead to someone else who may be suitable. The more numerous the contacts, the better the executive

search consultant. When a number of potentially suitable and interested people have been assembled, a fairly relaxed and informal meeting takes place and the consultant forwards a shortlist to the client with full reports on candidates.

There are some good and some not so good executive search consultants. Do not use one unless a reliable recommendation is obtained.

Educational and training establishments

Many jobs can, of course, be filled by school leavers. For some organizations the main source of recruits for training schemes will be universities and colleges as well as schools. Graduate recruitment is a major annual exercise for some companies, which go to great efforts to produce glossy brochures, visit campuses on the 'milk run' and use elaborate sifting and selection procedures to vet candidates, including 'biodata' and assessment centres.

Recruitment process outsourcing

Recruitment process outsourcing (RPO) is the term used when an organization commissions a provider to take responsibility for the end-to-end delivery of the recruitment process, covering all vacancies or a selection of them. This involves liaising with hiring managers to define requirements and specifications, deciding on the best ways to attract candidates, processing applications, and setting up and facilitating interviews. Some companies do not hand over all recruitment, using RPO only for high-volume vacancies. They may retain responsibility for senior and specialist jobs.

The advantage of RPO is that it can save time, bring outside expertise to bear on recruitment problems and free up HR for more value-adding activities. The disadvantage is the perception by some HR people and line managers that the provider is too remote to deal with the real issues and that there is a danger of losing control.

Comparison of sources

A summary of sources and an analysis of their advantages and disadvantages is given in Table 18.1.

TABLE 18.1 Summary of sources of candidates

Source	Description	Advantages	Disadvantages
Online recruitment	Company websites, job boards, social media.	Generally, can reach a wider range of possible applicants, and it is quicker and cheaper than traditional methods of advertising. More details of jobs and firms can be supplied on the site and CVs can be matched and applications can be submitted electronically. Websites can use an organization's brand to attract candidates. Job boards are keyword searchable. Job details can be changed and CVs managed electronically. Social media are good for reach – LinkedIn currently has 100 million members worldwide.	Generally, may produce too many irrelevant or poor applications and it is still not the first choice of many job seekers. Websites are expensive and still need other media to drive traffic to the site. Job boards are bad for 'passive seekers'. Social media – employer/recruiter has to manage own profile.
Advertising	Display or classified advertisements in national or local newspapers or journals.	Attract 'passing trade' – people who are not actively looking for a job.	Soon become irrelevant.
Recruitment agencies	Mainly recruit office and sales staff who are registered with them.	Convenient, save time and trouble, draw on an established pool of candidates.	Can produce unsuitable candidates. Pool may be limited.
Jobcentres	Mainly for manual workers and clerical and sales staff.	No cost; usually plenty of choice.	Limited to relatively routine jobs.
Recruitment consultants	Advertise, interview and produce a shortlist.	Provide expertise and reduce workload.	Can be expensive.
Executive search consultants	Conduct searches for senior executives.	Can find top-level people who might not otherwise be interested.	Expensive, limited to top jobs.
Educational establishments	Universities, colleges and schools.	Major source of future talent.	Recruitment campaigns can be costly.
Recruitment process outsourcing	Deliver complete recruiting process.	Save time, bring outside expertise to bear on recruitment problems and free up HR for more value-adding activities.	Feeling that provider is too remote to deal with the real issues and that there is a danger of losing control.

Dealing with applications

If recruitment agencies or consultants are used they will deliver their client a shortlist of candidates for interview. If not, the organization has to sift the applications itself. This means examining the information supplied by applicants, sorting them and drawing up a shortlist of applicants to be interviewed.

Examining information from candidates

Candidates may respond to an online notice or an advertisement with a formal application (by e-mail or letter), usually supported by a CV. Applicants may be asked to provide information about their education, qualifications, training and experience in a standardized format to provide a structured basis for drawing up shortlists, the interview itself and for the subsequent actions in offering an appointment and in setting up records. This ensures that all applicants are considered on the same basis against the person specification.

An application form, as illustrated in Figure 18.1, which sets out the information required, can be completed online (preferable if an online application has been made) or on paper. The following suggestions have been made by Piro and Baum (2005) on how to use application forms more effectively:

- Decide what the criteria for selection are and how these will be assessed by use of the application form.
- Keep questions clear, relevant and non-discriminatory.
- Ask for only the bare minimum of personal details.
- Widen your pool of applicants by offering different options and guidance for completing and viewing application forms.
- Employers may also refer for further information to social networks or the candidate's own blog.

However, to save time and trouble, recruiters may prefer to make a decision on the details provided in the initial application where it is clear that an applicant meets or does not meet the specification.

Processing applications

When the vacancy or vacancies have been posted or advertised and a fair number of replies received, the initial step is to list the applications on the recruitment database setting out name, date application received and actions taken (reject, hold, interview, shortlist, offer). A standard acknowledgement letter should be sent to each applicant unless an instant decision can be made to interview or reject. The next steps are to sift applications prior to drawing up a shortlist and arranging interviews.

Sorting applications

Applications are sifted by comparing the information available about them with the key criteria in the person specification. The criteria should be analysed with care so that they are fully understood. The criteria can be classified under the following three headings so that they can be applied consistently to guide sifting decisions:

- 1 **Essential** – applicants will not be considered unless this criterion is satisfied.
- 2 **Very desirable** – preference will be given to applicants who meet this criterion.
- 3 **Desirable** – applicants who meet this criterion will be given favourable consideration but it is not an essential requirement. However, if a number of applicants meet the first two criteria, satisfying desirable criteria would be a factor in making a choice.

A highly structured method of sifting applications is provided by the use of biodata. These are items of biographical data that are criterion-based (ie they relate to established criteria in such terms as qualifications and experience that indicate whether individuals are likely to be suitable). These are objectively scored and, by measurements of past achievements, predict future behaviour.

Following the analysis, applicants can be sorted initially into three categories: possible, marginal and unsuitable. The more information made available and the clearer the criteria the easier this process is. When there is a large field of applicants with many 'possibles', sifting may have to be repeated against more stringent criteria until a shortlist for interview is identified.

FIGURE 18.1 Example of application form (compressed)

APPLICATION FORM			
Surname:		First name:	
Address:			
Tel. (home)		Tel. (work)	
		e-mail (personal)	
Position applied for:			
Education			
Dates		Name of secondary school, college or university	Main subjects taken
From	To		Qualifications
Specialized training received			
Other qualifications and skills (languages, keyboard skills, current driving licence, etc)			
Employment history			
(Give details of all positions held since completing full-time education, start with your present or most recent position and work back)			
Dates		Name of employer, address and nature of business including any service in the Armed Forces	Position and summary of main duties
From	To		Starting and leaving rate of pay
			Reasons for leaving or wanting to leave
Add any comments you wish to make to support your application			
I confirm that the information given on this application form is correct			
Signature of applicant.....		Date.....	

Ideally, the numbers on the shortlist should be between four and eight. Fewer than four leaves relatively little choice (although such a limitation may be forced on the recruiter if an insufficient number of good applications have been received). More than eight will mean that too much time is spent on interviewing and there is a danger of diminishing returns.

Draw up an interviewing programme

The time allowed for an interview will vary according to the complexity of the job. For a fairly routine job, 30 minutes or so should suffice. For a more senior job, 60 minutes or more is required. It is best not to schedule too many interviews per day for more senior jobs – interviewers who try to conduct more than five or six exacting interviews will quickly run out of steam and do neither the interviewee nor the organization any justice. It is advisable to leave about 15 minutes between interviews to write up notes and prepare for the next one.

Administering the selection programme

When the interviewing programme has been drawn up shortlisted candidates can be invited for interview, using a standard letter where large numbers are involved. Candidates should be asked to complete an application form if they have not already done so. There is a lot to be said at this stage for sending candidates more details of the organization and the job so that too much time is not spent in going through this information at the interview.

Review the remaining ‘possibles’ and ‘marginals’ and decide if any are to be held in reserve. Send reserves a standard ‘holding’ letter and send the others a standard rejection letter. The latter should thank candidates for the interest shown and inform them briefly, but not too brusquely, that they have not been successful. A typical reject letter might read as follows:

Since writing to you on... we have given careful consideration to your application for the above position. I regret to inform you, however, that we have decided not to ask you to attend for an interview. We should like to thank you for the interest you have shown.

Selection methods

The aim of selection is to assess the suitability of candidates by predicting the extent to which they will be able to carry out a role successfully. It involves deciding on the degree to which the characteristics of applicants in terms of their KSAs, competencies, experience, qualifications, education and training match the person specification and then using this assessment to make a choice between candidates. The so-called ‘classic trio’ of selection methods consists of application forms, interviews and references. To these should be added selection tests and assessment centres.

Interviews are normally conducted by means of a face-to-face discussion. But, as established by the CIPD’s 2013 survey, a considerable proportion of employers (56 per cent) conduct interviews by telephone. Nearly one-third (30 per cent) use video or Skype interviews, rising to 42 per cent of those who recruit from overseas.

Interviews

The interview is the most familiar method of selection. The aim is to elicit information about candidates that will enable a prediction to be made about how well they will do the job and thus lead to a selection decision.

An interview involves face-to-face discussion. When it is an individual rather than a panel interview, it provides the best opportunity for the establishment of close contact – rapport – between the interviewer and the candidate, thus easing the acquisition of information about the candidate’s suitability and how well he or she would fit into the organization. As described below, interviews should be structured (detailed consideration of selection interviewing skills is given in Chapter 50). The advantages and disadvantages of interviews are as follows.

Advantages of interviews

- Provide opportunities for interviewers to ask probing questions about the candidate’s experience and to explore the extent to which the candidate’s competencies match those specified for the job.

- Enable interviewers to describe the job (a 'realistic job preview') and the organization in more detail, providing some indication of the terms of the psychological contract.
- Provide opportunities for candidates to ask questions about the job and to clarify issues concerning training, career prospects, the organization and terms and conditions of employment.
- Enable a face-to-face encounter to take place so that the interviewer can make an assessment of how the candidate would fit into the organization and what he or she would be like to work with.
- Give the candidate the same opportunity to assess the organization, the interviewer and the job.

Disadvantages of interviews

- Can lack validity as a means of making sound predictions of performance, and lack reliability in the sense of measuring the same things for different candidates.
- Rely on the skill of the interviewer – many people are poor at interviewing, although most think that they are good at it.
- Can lead to biased and subjective judgements by interviewers.

These disadvantages are most common when unstructured interviews are used, but they can be alleviated: first, by using a structured approach as described below; second, by training interviewers. The use of other opinions can also help to reduce bias, especially if the same structured approach is adopted by all the interviewers. Finally, selection tests, especially those measuring intelligence or general ability, can provide valuable information that supplements the interview.

Interview arrangements

Interviews are frequently conducted on a one-to-one basis but there is a case for using a second interviewer in order to avoid a biased or superficial decision. The alternative is a selection board or panel, which is often used in the public sector. This brings together a number of parties interested in the

selection decision. But the drawbacks are that questions tend to be unplanned and delivered at random and the candidates are unable to do justice to themselves because they may not be allowed to expand on their responses.

Structured interviews

A structured interview is one based on a defined framework. Within the framework there may be a set of predetermined questions. All candidates are asked the same questions, which will focus on the attributes and behaviours required to succeed in the job. The answers may be scored through a rating system.

The most typical framework is the person specification. Interview questions aim to analyse and build on the information provided by the candidate's CV or application form to establish the extent to which a candidate has the required knowledge, skills and abilities (KSAs). In a competency-based interview the emphasis is on establishing behavioural competencies. A structured interview may include experience-based questions in which candidates are asked to relate how they handled situations in the past requiring skills and abilities which they are applying. And/or it may include situational questions that provide candidates with hypothetical, job-relevant situations and ask how they would deal with them. Research by Pulakos and Schmitt (1995) found that experience-based interviews yielded higher levels of validity than situation-based ones. But as described in Chapter 50, both types of questions may be incorporated in an interview.

Unstructured interviews

Unstructured interviews are essentially a general discussion during which the interviewer asks a few questions that are relevant to what he or she is looking for but without any specific aim in mind other than getting an overall picture of the candidate as an individual. Questions are often random and non-specific. Candidates are judged on the general impression they make and the process is likely to be quite subjective. Research quoted later in this chapter has shown that the predictive validity (the extent to which it predicts performance in a job) of an unstructured interview is fairly low. The preferred method is a structured interview, which when conducted well has a higher level of predictive validity.

Selection testing

Selection tests are used to provide valid and reliable evidence of levels of abilities, intelligence, personality characteristics, aptitudes and attainments. Psychological tests are measuring instruments, which is why they are often referred to as psychometric tests: 'psychometric' means mental measurement. Psychometric tests assess intelligence or personality. They use systematic and standardized procedures to measure differences in individual characteristics, thus enabling selectors to gain a greater understanding of candidates to help in predicting the extent to which they will be successful in a job. The other types of tests described below are ability and aptitude tests.

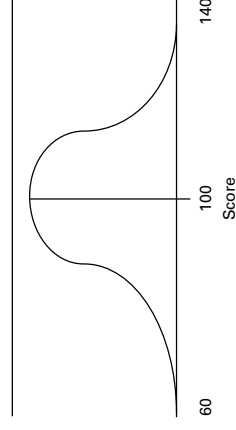
Intelligence tests

Intelligence tests measure a range of mental abilities that enable a person to succeed at a variety of intellectual tasks using the faculties of abstract thinking and reasoning. They are concerned with general intelligence (termed 'g' by Spearman (1927) one of the pioneers of intelligence testing) and are sometimes called 'general mental ability' (GMA) tests. Intelligence tests measure abilities while cognitive tests measure an individual's learning in a specific subject area. They contain questions, problems and tasks. The meta-analysis conducted by Schmidt and Hunter (1998) showed that intelligence tests had high predictive validity.

The outcome of a test can be expressed as a score that can be compared with the scores of members of the population as a whole, or the population of all or part of the organization using the test (norms). An intelligence test may be recorded as an intelligence quotient (IQ), which is the ratio of an individual's mental age to the individual's actual age as measured by an intelligence test. When the mental and actual age correspond, the IQ is 100. Scores above 100 indicate that the individual's level of average is above the norm for his or her age, and vice versa. It is usual now for IQs to be directly computed as an IQ test score. It is assumed that intelligence is distributed normally throughout the population; that is, the frequency distribution of intelligence corresponds with the normal curve shown in Figure 18.2.

The normal curve is a way of expressing how scores will typically be distributed; for example,

FIGURE 18.2 A normal curve



that 60 per cent of the population are likely to get scores between x and y , 20 per cent are likely to get scores below x and 20 per cent are likely to get more than y .

Intelligence tests can be administered to a single individual or to a group. They can also be completed online.

Personality tests

Personality tests attempt to assess the personality of candidates in order to make predictions about their likely behaviour in a role. There are many different theories of personality and, consequently, many different types of personality tests. These include self-report personality questionnaires and other questionnaires that measure interests, values or work behaviour.

Personality tests can provide interesting supplementary information about candidates that is free from the biased reactions that frequently occur in face-to-face interviews, but they have to be used with great care. The tests should have been developed by a reputable psychologist or test agency on the basis of extensive research and field testing, and they must meet the specific needs of the user.

Ability tests

Ability tests establish what people are capable of knowing or doing. They measure the capacity for:

- *verbal reasoning* – the ability to comprehend, interpret and draw conclusions from oral or written language;
- *numerical reasoning* – the ability to comprehend, interpret and draw conclusions from numerical information;

- *spatial reasoning* – the ability to understand and interpret spatial relations between objects;
- *mechanical reasoning* – understanding of everyday physical laws such as force and leverage.

Aptitude tests

Aptitude tests are occupational or job-related tests that assess the extent to which people can do the work. They typically take the form of work sample tests, which replicate an important aspect of the actual work the candidate will have to do, such as using a keyboard or carrying out a skilled task such as repair work. Work sample tests can be used only with applicants who are already familiar with the task through experience or training.

Characteristics of a good test

A good test is one that provides data that enables reliable predictions of behaviour or performance to be made and therefore assists in the process of making objective and reasoned decisions when selecting people for jobs. It will be based on research that has produced standardized criteria derived by using the same measure to test a number of representative people to produce a set of 'norms' for comparison purposes. The test should be capable of being objectively scored by reference to the normal or average performance of the group.

The two key characteristics of a good test are first that it is reliable in the sense that it always measures the same thing; a test aimed at measuring a particular characteristic, such as intelligence, should measure the same characteristic when applied to different people at the same or a different time or to the same person at different times. Second, a test should be valid in the sense that it measures the characteristic that the test is intended to measure. Thus, an intelligence test should measure intelligence (however defined) and not simply verbal facility. A test meant to predict success in a job or in passing examinations should produce reasonably convincing (statistically significant) predictions.

A criterion-related approach is used to assess validity. This means selecting criteria against which the validity of the test can be measured. These criteria must reflect 'true' performance at work as accurately as possible. A single criterion is inadequate; multiple criteria should be used. The extent to

which criteria can be contaminated by other factors should also be considered and it should be remembered that criteria are dynamic – they will change over time.

Interpreting test results

Test results can be interpreted by the use of norms or through criterion scores.

Norms

An individual's score in a test is not meaningful on its own. It needs to be compared with the scores achieved by the population on whom the test was standardized – the norm or reference group. A normative score is read from a norms table and might, for example, indicate that someone has performed the test at a level equivalent to the top 30 per cent of the relevant population.

Criterion scores

Norms simply tell us how someone has performed a test relative to other people. A more powerful approach is to use the relationship between test scores and an indication of what the test is designed to measure, such as job success. This is described as a criterion measure.

The use of tests in a selection procedure

Validated intelligence and personality tests will produce useful data, but there is much to be said for combining them in a selection procedure with structured interviews.

Tests are often used as part of a selection procedure for occupations where a large number of recruits are required, and where it is not possible to rely entirely on examination results or information about previous experience as the basis for predicting future performance. In these circumstances it is economical to develop and administer the tests, and a sufficient number of cases can be built up for part essential validation exercise. Tests usually form part of an assessment centre programme. They can be administered online and FIRM's 2013 membership survey showed that they were used for 72 per cent of applications.

Intelligence tests are particularly helpful in situations where intelligence is a key factor and there is no other reliable method of measuring it. Aptitude

tests are most useful for jobs where specific and measurable skills are required, such as word-processing and skilled repair work. Personality tests can complement structured interviews and intelligence and aptitude tests. Some organizations use them for jobs such as selling, where they believe that 'personality' is important and where it is not too difficult to obtain quantifiable criteria for validation purposes. They may be used to assess integrity and conscientiousness where these characteristics are deemed to be important.

In some situations a battery of tests may be used, including various types of intelligence, personality and aptitude tests. These may be a standard battery supplied by a test agency, or a custom-built battery may be developed. The biggest pitfall to avoid is adding extra tests just for the sake of it, without ensuring that they make a proper contribution to the success of the predictions for which the battery is being used.

Tests should be administered only by people who have been trained in what the tests are measuring, how they should be used, and how they should be interpreted. Also, it is essential to evaluate all tests by comparing the results at the interview stage with later achievements. To be statistically significant, these evaluations should be carried out over a reasonable period of time and cover as large a number of candidates as possible.

Assessment centres

Assessment centres assemble a group of candidates and use a range of assessment techniques over a concentrated period (one or two days) with the aim of providing a more comprehensive and balanced view of the suitability of individual members of the group. The main features of assessment centres are that:

- exercises are used to capture and simulate the key dimensions of the job;
- these may include one-to-one role-plays and group exercises; it is assumed that performance in these simulations predicts behaviour on the job;
- candidates are interviewed and tested;
- performance is measured in several dimensions in terms of the competencies required to achieve the target level of performance in a particular job or at a particular level in the organization;

- several candidates or participants are assessed together to allow interaction and to make the experience more open and participative;
- several trained assessors or observers are used in order to increase the objectivity of assessments.

The case for assessment centres is that they obtain much more information about candidates than conventional interviews, even when these are supplemented by tests. But research by Schmidt and Hunter (1998) has shown that on their own, the ability of assessment centres to predict how well someone will perform (predictive validity) is lower than that of intelligence tests combined with structured interviews. Assessment centres are expensive and time-consuming and their use tends to be restricted to large organizations for managerial positions or for graduates.

Choice of selection methods

There is a choice between the selection methods. The most important criterion is the ability of a selection method or combination of methods to predict future performance. Predictive ability is expressed as a coefficient – complete validity would be 1.0; no validity would be 0.0.

The meta-analysis on the validity of different selection methods conducted by Schmidt and Hunter (1998: 265), which covered 85 years of research findings, produced the following predictive validity coefficients:

Intelligence tests and structured interviews	.63
Intelligence tests and unstructured interviews	.55
Assessment centres and structured interviews	.53
Intelligence tests only	.51
Structured interviews only	.51
Unstructured interviews only	.38
Assessment centres only	.37
Graphology only	.02

Robertson and Smith (2001) added personality assessments to this list, with a validity coefficient of .37.

Schmidt and Hunter (1998) established that the reason why intelligence (GMA) is such a good predictor of job performance is that more intelligent people acquire job knowledge more rapidly and acquire more of it, and it is this knowledge of how to perform the job that causes their job performance to be higher. Their research clearly indicates that the combination of structured interviews and intelligence tests is the most effective in terms of predictive validity. Graphology is useless.

Provisional offers and obtaining references

After the interviewing and testing procedure has been completed, a provisional decision to make an offer by telephone or in writing can be made. This is normally 'subject to satisfactory references' and the candidate should, of course, be told that these will be taken up. If there is more than one eligible candidate for a job it may be advisable to hold one or two people in reserve. Applicants often withdraw, especially those whose only purpose in applying for the job was to carry out a 'test marketing' operation, or to obtain a lever with which to persuade their present employers to value them more highly.

The main purpose of a reference is to obtain in confidence factual information about a prospective employee. This information is straightforward and essential. It is necessary to confirm the nature of the previous job, the period of time in employment, the reason for leaving (if relevant), the salary or rate of pay and, possibly, the attendance record.

Opinions about character, competence, performance and suitability are unreliable. Referees are reluctant to commit themselves and they are not in any position to assess suitability – only the prospective employer can do that. Personal referees are, of course, entirely useless. All they prove is that the applicant has at least one or two friends.

A written request for a reference could simply ask the previous employer to confirm the candidate's employment record. More precise answers may be obtained if a standard form is provided for the employer to complete. The questions asked on this form should be limited to the following:

- What was the period of employment?
- What was the job title?

qualifications and employment record. This was confirmed by a survey carried out by the CIPD (2008), which found that 2.5 per cent of employers had to withdraw their offers because applicants had lied or misrepresented their application. It is always advisable to check with universities, professional institutes and previous employers that the facts given by applicants are correct. Other checks can be made such as:

- interview questions about actual (not hypothetical) experiences, with deep probing to ascertain the extent of the individual's personal involvement, decision-making and contribution;
- detailed application forms with open-ended questions about specific learning related to the skills, knowledge and competencies required for the vacancies under consideration;
- identification check;
- electoral register check;
- credit reference agency check (especially appropriate for positions in the financial services sector);
- confirmation of previous employment with HM Revenue and Customs or through the Department of Work and Pensions;
- Criminal Records Bureau check;
- Companies House check (for directors);
- fraud prevention check, including Cifas staff fraud database check (to prevent an employer unwittingly employing people previously dismissed for fraud somewhere else). Cifas is a not-for-profit fraud prevention service.

Offering employment

The final stage in the selection procedure is to confirm the offer of employment after satisfactory references have been obtained, and the applicant has passed the medical examination required for pension and life assurance purposes or because a certain standard of physical fitness is required for the work. The contract of employment should also be prepared at this stage.

Following up

It is essential to follow up newly engaged employees to ensure that they have settled in and to check on how well they are doing. If there are any problems it is much better to identify them at an early stage rather than allowing them to fester.

Following up is also important as a means of checking on the selection procedure. If by any chance a mistake has been made, it is useful to find out how it happened so that the procedure can be improved. Misfits can be attributed to a number of causes; for example: inadequate person specification, poor sourcing of candidates, weak advertising, poor interviewing techniques, inappropriate or invalidated tests, or prejudice on the part of the selector.

Dealing with recruitment problems

Every experienced HR professional who is responsible for recruitment and selection will occasionally come across a vacancy that is particularly difficult to fill. In this situation any compromise that involves appointing someone who does not meet the specification must be avoided. To deal with the problem constructively it is necessary to take the following actions:

- Ensure that all the possible sources of candidates have been used.
- Consider any ways in which the advertisement or website entry could be made more attractive.
- Check that the person specification is realistic – that the requirements have not been overstated.
- Consider whether it might be necessary to improve the package offered to candidates – check market rates to ensure that the level of pay and benefits are competitive.
- In discussion with the line manager, examine the possibility of reshaping the role to increase its attractiveness.
- If the worse comes to the worst, discuss with the manager alternative ways of carrying out the work with existing staff.

Checking applications

It is a sad fact that applicants all too often misinform their prospective employers about their education,

- What work was carried out?
- What was the rate of pay or salary?
- How many days' absence were there over the last 12 months?
- Would you re-employ (if not, why not)?

The last question is important, if it is answered honestly.

Telephone references may save time and may be more reliable. They can be used as an alternative or in addition to written references. Ask factual questions only and keep a record of the conversation.

References – legal aspects

The key legal points that should be considered when asking for or giving references are:

- Once the decision has been made to make an offer, the letter should state that 'this is a provisional offer subject to the receipt of satisfactory references'.
- It has been generally held that there is no common law duty on an employer to provide references for a serving or past employee unless there is a term to that effect in the employment contract. But it has been ruled (*Spring v. Guardian Assurance 1994*) that there might be a moral duty to provide a reference where it is 'natural practice' to require a reference from a previous employer before offering employment, and where the employee could not expect to enter that type of employment without a reference.
- If a reference contains a false or unsubstantiated statement that damages the reputation of the individual, action for damages may result. It is possible to succeed in a claim for damages if it can be shown that the reference provided was negligent because reasonable care had not been taken in preparing it, which includes ensuring that it is factually correct.

CASE STUDIES

Recruitment assessment processes at Embarq

Embarq is the largest independent local telecoms provider in the United States. It suffered catastrophic rates of staff turnover in its call centres; then a new assessment process designed by PreVisor reduced turnover from 33.5 per cent in the first 90 days to 12.5 per cent.

The new process begins with an online screening tool that identifies characteristics and motivations that define long-term success in the roles, such as 'customer

focus' and 'persistence'. There follows a behaviour-based structured interview and a sales-based role-play exercise. This exercise takes place over the phone, which tests candidates in the most realistic way possible, and is more convenient and cost-effective.

Sales have since increased by 24 per cent, and customer service has also improved.

Recruitment and retention at Paul UK

Paul UK operates a chain of 22 retail patisserie and bakery shops employing 400 people. Its staff turnover rate of 168 per cent was below the sector's average but still too high. The steps taken to overcome this problem were as follows:

- a robust recruitment process was introduced using branded application forms and centralized recruiting;
- role descriptions and skills specifications were created for posts;
- a competency-based approach to recruitment was introduced – the competencies are closely linked to the company's values and defined the behaviours and attitudes required;
- recruitment literature was professionally designed by an agency;

- an employer brand was built – the promotional leaflet highlights the benefits of working for the company;
- an employee referral scheme was introduced (helped by the employer brand);
- a resource centre for recruitment and training was established;
- a rolling induction training programme was introduced;
- a career progression framework was developed.

The outcome was that within two years staff turnover had dropped by 30 per cent and retention rates had doubled.

Key learning points: Recruitment and selection

Define requirements

Requirements are set out in the form of job descriptions or role profiles and person specifications. These provide the information required to draft advertisements, post vacancies on the internet, brief agencies or recruitment consultants and assess candidates by means of interviews and selection tests.

Analyse recruitment strengths and weaknesses

The analysis should cover such matters as the national or local reputation of the organization, pay, employee benefits and working conditions, the intrinsic interest of the job, security of employment, opportunities for education and training, career prospects, and the location of the office or plant.

Analyse the requirement

- Establish how many jobs have to be filled and by when.
- Set out information on responsibilities and competency requirements.
- Consider where suitable candidates are likely to come from.
- Define the terms and conditions of the job (pay and benefits).
- Consider what is likely to attract good candidates.

Identify sources of candidates

Initially, consideration should be given to internal candidates. An attempt can be made to persuade former employees to return to the organization or obtain suggestions from existing employees (referrals). If these approaches do not work, the main sources of candidates are online recruiting, advertising, agencies and jobcentres, consultants, recruitment process outsourcing providers and direct approaches to educational establishments.

Selection methods

The aim is to assess the suitability of candidates by predicting the extent to which they will be able to carry

out a role successfully. It involves deciding on the degree to which the characteristics of applicants match the person specification and using this assessment to make a choice between candidates. The interview is the most familiar method of selection. The aim is to elicit information about candidates that will enable a prediction to be made about how well they will do the job and thus lead to a selection decision.

Structured interviews

A structured interview is one based on a defined framework. Within the framework there may be a set of predetermined questions. All candidates are asked the same questions and the answers may be scored through a rating system.

Competency-based interviews

In its purest form, a competency-based interview is a structured interview that focuses on the required behavioural competencies as set out in the person specification. The questions will be designed to establish the typical behaviour of a candidate in work situations.

Selection tests

Selection tests are used to provide valid and reliable evidence of levels of abilities, intelligence, personality characteristics, aptitudes and attainments.

Choice of selection methods

There is a choice between the selection methods. The most important criterion is the predictive validity of the method or combination of methods. Schmidt and Hunter (1998) found that the best results were obtained by combining intelligence tests with structured interviews.

References and offers

After the interviewing and testing procedure has been completed, a provisional offer by telephone or in writing can be made. This is normally 'subject to satisfactory references'. It is essential to check the information provided by candidates on qualifications and their work experience.

Questions

- 1 What is the difference between recruitment and selection?
- 2 What are the main stages of recruitment and selection?
- 3 What is a person specification?
- 4 How should recruitment strengths and weaknesses be analysed?
- 5 What are the main sources of candidates?
- 6 What is a structured interview?
- 7 What are the main types of selection tests?
- 8 What are the main criteria for a good test?
- 9 How should tests be used in a selection procedure?

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19

Resourcing practice

KEY CONCEPTS AND TERMS

Absence management	Half-life index
The Bradford factor	Length of service analysis
Employee turnover	Stability index
Employee turnover index	Survival rate
Employer of choice	

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also know about:

- Employee value propositions
- Creating an employer brand
- Measuring employee turnover
- Estimating the cost of employee turnover
- Retention planning
- Risk of leaving analysis
- Absence management
- Flexibility planning

Introduction

This chapter deals with general resourcing practices covering developing an employee value proposition, creating an employer brand, analysing employee turnover, tackling retention problems, managing absence management, introducing people to the organization and releasing them from it.

Employee value proposition

An organization's employee value proposition consists of what it offers to prospective or existing employees that they will value and that will persuade them to join or remain with the business. It will include remuneration – which is important but can be over-emphasized compared with non-financial factors.

The latter may be crucial in attracting and retaining people and include the attractiveness of the organization, the degree to which it acts responsibly, respects diversity and inclusion, work-life balance and opportunities for personal and professional growth. The aim is to become 'an employer of choice', a firm that people want to work for and stay with. The conclusions of Purcell *et al* (2003) on the basis of their research were as follows.

Source review

On being an employer of choice – Purcell *et al* (2003)

What seems to be happening is that successful firms are able to meet people's needs both for a good job and to work 'in a great place'. They create good work and a conducive working environment. In this way they become an 'employer of choice'. People will want to work there because their individual needs are met – for a good job with prospects linked to training, appraisal and working with a good boss who listens and gives some autonomy but helps with coaching and guidance.

To develop an employee value proposition it is necessary first to analyse what the organization has to offer people by reference to:

- its reputation as a business and as an employer;
- its working environment;
- its location;
- the career opportunities available;
- the scope that it provides for learning new skills;
- the terms and conditions of employment it offers.

The next step is to decide how this proposition can be conveyed to potential applicants on the organization's website or by other means.

Employer brand

The employee value proposition can be expressed as an employer brand – the image presented by an organization as a good employer. An employer brand was defined by Walker (2007: 44) as 'a set of attributes and qualities – often intangible – that make an organization distinctive, promise a particular kind of employment experience and appeal to people who will thrive and perform their best in its culture'. Employer branding is the creation of a brand image of the organization for prospective employees.

Creating an employer brand

- Analyse what the best candidates need and want and take this into account in deciding what should be offered and how it should be offered.
- Establish how far the core values of the organization support the creation of an attractive brand and ensure that these are incorporated in the presentation of the brand, as long as they are 'values in use' (lived by members of the organization) rather than simply espoused.
- Define the features of the brand on the basis of an examination and review of each of the areas that affect people's perceptions of the organization as 'a great place to work' – the way people are treated, the provision of a fair deal, opportunities for growth, work-life balance, leadership, the quality of management, involvement with colleagues and how and why the organization is successful.
- Benchmark the approaches of other organizations (the *Sunday Times* list of the 100 best companies to work for is useful) to obtain ideas about what can be done to enhance the brand.
- Be honest and realistic.

CASE STUDY

Developing an employer brand at the Ordnance Survey

The Ordnance Survey was finding it difficult to recruit technological and commercial staff of the right calibre and it was therefore decided to deal with the problem by conducting an employer branding exercise.

Objectives

The objectives of the exercise were to:

- improve external perceptions of Ordnance Survey as an employer;
- get recruitment campaigns 'right first time';
- reduce recruitment costs;
- attract and recruit high-quality people, especially in technology and commercial areas;
- unlock people's potential to deliver great performance;
- match the employee experience to the organization's strong corporate brand.

The research programme

The employee-research company ORC was engaged to conduct internal and external research and consultation. The external research covered four other large employers

The brand development workshop

The workshop consisted of a cross-section of staff who discussed the attributes of Ordnance Survey and the ways in which it presented them. Action groups met to consider particular aspects of the organization and its policies and how the brand could be developed. The focus was on the 'touch points' at which existing and potential employees engaged with the organization. The aim was to create something compelling and achievable with regard to each of these key elements. A leadership development programme was conducted that included looking at the employer brand.

Outcome

The employer brand created by this process was used as a centre point to inform and shape the people strategy and is aligned to the business strategy.

Employee turnover

Employee turnover (sometimes known as 'labour turnover', 'wastage' or 'attrition') is the rate at which people leave an organization. It can be disruptive and costly. The CIPD (2013) survey of resourcing and talent planning found that the average rate of turnover (the number leaving as a percentage of the number employed) in the UK was 11.9 per cent.

It is necessary to measure employee turnover and calculate its costs in order to forecast future losses

for planning purposes and to identify the reasons that people leave the organization. Plans can then be made to attack the problems causing unnecessary turnover and to reduce costs. There are a number of different methods of measuring turnover, as outlined below.

Employee turnover index

The employee turnover index as set out below (sometimes referred to as the employee or labour

wastage index) is the traditional formula for measuring turnover:

$$\frac{\text{Number of leavers in a specified period (usually 1 year)}}{\text{Average number of employees during the same period}} \times 100$$

This method is in common use because it is easy to calculate and to understand. It is a simple matter to work out that, if last year 30 out of an average force of 150 employees left (20 per cent turnover) and his trend continues, then the company will have to recruit 108 employees during the following year to increase and to hold the workforce at 200 in that year (50 extra employees, plus 40 to replace the 20 per cent wastage of the average 200 employees employed, plus 18 to replace wastage of the 90 recruits).

This formula is simple, but it can be misleading. The problem is that the percentage may be inflated by the high turnover of a relatively small proportion of the workforce, especially in times of heavy recruitment. Thus, a company employing 1,000 people might have had an annual wastage rate of 20 per cent, meaning that 200 jobs had become vacant during the year. But this could have been spread throughout the company, covering all occupations and long- as well as short-service employees. Alternatively, it could have been restricted to a small sector of the workforce – only 20 jobs might have been affected although each of these had to be filled 10 times during the year. These are different situations and unless they are understood inaccurate forecasts would be made of future requirements and inappropriate actions would be taken to deal with the problem. The turnover index is also suspect if the average number of employees upon which the percentage is based is unrepresentative of recent trends because of considerable increases or decreases during the period in the numbers employed.

Stability index

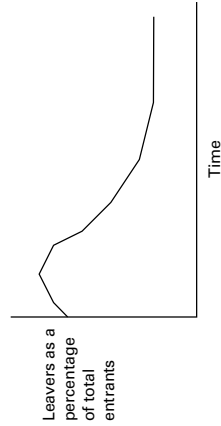
The stability index is considered by many to be an improvement on the turnover index. The formula is:

$$\frac{\text{Number with 1 year's service or more}}{\text{Number employed 1 year ago}} \times 100$$

Survival rate

The survival rate is the proportion of employees who are engaged within a certain period who

FIGURE 19.1 A survival curve



remain with the organization after so many months or years of service. Thus, an analysis of a cohort of 20 trainees who have completed their training might show that after two years 10 of the original trainees were still with the company, a survival rate of 50 per cent. The distribution of losses for each entry group, or cohort, can be plotted in the form of a survival curve, as shown in Figure 19.1.

The basic shape of this curve has been found to be similar in many situations, although the peak of the curve may occur further along the time scale and/or may be lower when it relates to more highly skilled or trained entry cohorts. An example of a survival rate analysis is shown in Table 19.1. This indicates that half the number of recruits in any one year may be lost over the next five years, unless something can be done about the factors causing wastage.

The survival rate is useful as a means of tracking a 'cohort' of recruits (eg graduates) to assess the effectiveness of recruitment and retention policies. But it cannot be used as a means of measuring the turnover rates of whole populations in order to allow for future wastage when making supply forecasts.

Half-life index

A simpler concept derived from survival rate analysis is that of the half-life index, which is defined as the time taken for a group or cohort of starters to reduce to half its original size through the wastage process (five years in the above example). Comparisons can then be made for successive entry years or between different groups of employees to show where action may have to be taken to counter undesirable wastage trends.

TABLE 19.1 A survival rate analysis

Entry cohort	Original number	Number surviving to end of year after engagement				
		Year 1	Year 2	Year 3	Year 4	Year 5
A	40	35	28	26	22	20
B	32	25	24	19	18	16
C	48	39	33	30	27	24
D	38	32	27	24	22	19
E	42	36	30	26	23	21
Total	200	167	142	125	112	100
Average survival rate	100%	83%	71%	62%	56%	50%

Leavers' length of service analysis

The information from measures of stability can be enhanced if an analysis is also made of the average length of service of people who leave, as in Figure 19.2. This analysis is still fairly crude, because it deals only with those who leave. A more refined analysis would compare for each designated length of service the numbers leaving with the numbers employed. If, in the example shown, the total number employed with less than three months' service was 80 and the total with more than five years' service was 80, the proportion of leavers in each category would be, respectively, 35 per cent and 14 per cent – more revealing figures.

The cost of employee turnover

The cost of employee turnover can be considerable. The CIPD 2008 survey established that the average cost per employee was £5,800, rising to £20,000 for senior managers or directors. Cost estimates are useful as means of backing up a business case for taking action to reduce turnover. The following factors should be considered when calculating costs:

- direct cost of recruiting replacements (advertising, interviewing, testing, etc);
- direct cost of introducing replacements (induction cost);
- direct cost of training replacements in necessary skills;
- leaving costs – payroll and HR administration;
- opportunity cost of time spent by HR and line managers in recruitment, induction and training;
- loss of output from those leaving before they are replaced;
- loss of output because of delays in obtaining replacements;
- loss of output while new starters are on their learning curves acquiring the necessary knowledge and skills.

Choice of measurement

It is difficult to avoid using the conventional employee (labour) turnover index as the easiest and most familiar of all methods of measurement. It provides the simplest basis for assessing future levels of supply by allowing for wastage. But it can usefully be supplemented with some measure of stability (eg survival rate or the length of service of leavers) to identify recruitment or retention problems.

Category	Sub-category	Value	Value	Value	Value
Cost of recruitment	Direct	10	15	0.075	0.081
	Indirect	0.03	0.052	0.001	0.003
	Total	9	0.22	0.02	0.022
Retention planning	Cost of recruitment	3	2	0.003	0.002
	Cost of turnover	6	3	0.006	0.003
	Cost of retention	4	3	0.004	0.003
Factors affecting retention	Cost of recruitment	31	8	0.031	0.008
	Cost of turnover	5	6	0.005	0.006
	Cost of retention	81	22	0.081	0.022
Risk of leaving analysis	Cost of recruitment	82	5	0.082	0.005
	Cost of turnover	6	21	0.006	0.021
	Cost of retention	82	8	0.082	0.008

Research by Phillips (1990) found that the 'visible' (ie direct) costs of recruitment accounted for only 10 to 15 per cent of total costs. By far the highest costs were associated with the inefficiencies arising while the post was vacant (33 per cent) and the inefficiency of new workers (32 per cent). On average, 12.5 months were required for executives to be comfortable in a new position and 13.5 months were required for a new employee to achieve maximum efficiency.

Retention planning

The turnover of key employees can have a disproportionate impact on the business. The people that organizations wish to retain are often the ones most likely to leave. It was claimed by Reed (2001) that every worker is five minutes away from handing in his or her notice, and 150 working hours away from walking out of the door to a better offer. There is no such thing as a job for life and today's workers have few qualms about leaving employers. Action is required to retain talented people, but there are limits to what any organization can do. It is also necessary to encourage higher levels of contribution from existing talent and to value them accordingly.

Factors affecting retention

Retention strategies should be based on an understanding of the factors that affect whether or not employees leave or stay. For early-career employees (30 years old and under) career advancement is significant. For mid-career employees (age 31–50) the ability to manage their careers and satisfaction from their work are important. Late-career employees (aged over 50) will be more interested in security. It is also the case that a younger workforce will change jobs and employers more often than an older workforce, and workforces with a lot of part-timers are less stable than those with predominately full-time staff. The other factors that affect retention are:

- company images;
- the effectiveness of recruitment, selection and deployment (fitting people into jobs that suit them);
- leadership – 'employees join companies and leave managers';

- learning and career opportunities;
- performance recognition and rewards.

A study by Holbeche (1998) of high-flyers found that the factors that aided the retention and motivation of high performers included providing challenge and achievement opportunities (eg assignments), mentors, realistic self-assessment and feedback.

Basis of the retention strategy

A retention strategy takes into account the retention issues the organization is facing and sets out ways in which these issues can be dealt with. This may mean accepting the following argument offered by Cappelli (2000: 104):

To adopt the new strategy you have to accept the new reality: the market, not your company, will ultimately determine the movement of your employees. Yes, you can make your organization as pleasant and rewarding a place in which to work in as possible – you can fix problems that might push people towards the exits. But you can't counter the pull of the market; you can't shield your people from attractive opportunities and aggressive recruiters. The old goal of HR – to minimize overall employee turnover – needs to be replaced by a new goal: to influence who leaves and when.

The strategy should be based on an analysis of the risks of leaving.

Risk of leaving analysis

As proposed by Bevan *et al* (1997) risk analysis can be used to quantify the seriousness of losing key people or of key posts becoming vacant. Risk analysis can be carried out by initially identifying potential risk areas – the key people who may leave and, for each of them, as individuals or groups, estimate:

- the likelihood of this occurring;
- how serious the effects of a loss would be on the business;
- the ease with which a replacement could be made and the replacement costs.

Each of the estimates could be expressed on a scale, say: very high, high, medium, low, very low. An

overview of the ratings under each heading could then indicate where action may need to be taken to retain key people or groups of people.

The analysis should provide information on reasons for leaving, for example:

- more pay;
- better prospects (career move);
- more security;
- more opportunity to develop skills;
- unable to cope with job;
- better working conditions;
- poor relationships with manager/team leader;
- poor relationships with colleagues;
- bullying or harassment;
- personal – pregnancy, illness, moving away from area, etc.

Information on the reasons for leaving, and therefore where action needs to be taken, can be provided by exit interviews, but they are fallible. More reliance can be placed on the results of attitude or opinion surveys to identify areas of dissatisfaction. The retention plan should propose actions that would focus on each of the areas in which there is dissatisfaction or lack of commitment.

Areas for action

Depending on the outcome of the risk and reasons for leaving analyses the possible actions that can be taken are:

- Ensure that selection and promotion procedures match the capacities of individuals to the demands of the work they have to do. Rapid turnover can result simply from poor selection or promotion decisions.
- Reduce the losses of people who cannot adjust to their new job – the 'induction crisis' – by giving them proper training and support when they join the organization.
- Design jobs to maximize skill variety, task significance, autonomy, control over work and feedback, and ensure that they provide opportunities for learning and growth. Some roles can be 'customized' to meet the needs of particular individuals.

- Deal with uncompetitive, inequitable or unfair pay systems. But as Cappelli (2000) pointed out, there is a limit to the extent to which people can be bribed to stay.
- Encourage the development of social ties within the company. In the words of Cappelli (2000: 108), 'loyalty to companies may be disappearing but loyalty to colleagues is not'.
- Take steps to improve work-life balance by developing policies, including flexible working, that recognize the needs of employees outside work.
- Eliminate as far as possible unpleasant working conditions or the imposition of too much stress on employees.
- Select, brief and train managers and team leaders so that they appreciate the positive contribution they can make to improving retention by the ways in which they lead their teams. Bear in mind that people often leave their managers rather than their organization.

Ensure that policies for controlling bullying and harassment are in place and are applied.

Absence management

Absence or attendance management is the development and application of policies and procedures designed to reduce levels of absenteeism. The CIPD (2012) report on absence management revealed that:

- the average length of employee absence was 6.8 days per employee per year;
- larger organizations have higher average levels of absence than smaller organizations;
- on average, two-thirds of working time lost to absence is accounted for by short-term absences of up to seven days; one-fifth is attributed to long-term absences;
- the average cost of absence was £600 per employee per year.

Something needs to be done about it. This means understanding the causes of absence, adopting comprehensive absence management (or, more positively,

attendance management) policies, measuring absence and implementing procedures for the management of short- and long-term absence.

Causes of absence

The causes of absence have been analysed by Huczynski and Fitzpatrick (1989) under three headings: job situation factors, personal factors and attendance factors.

Job situation factors

- Job scope – a high degree of task repetitiveness is associated with absenteeism, although job satisfaction itself is a contributory rather than a primary cause of absence.
- Stress – it is estimated that 40 million working days are lost each year in the UK through stress. This can be attributed to work load, poor working conditions, shift work, role ambiguity or conflict, relationships and organizational climate.
- Frequent job transfers increase absenteeism.
- Management style – the quality of management, especially that of immediate supervisors, affects the level of absenteeism.
- Physical working conditions.
- Work group size – the larger the organization the higher the absence rate.

Personal factors

- Employee values – for some workers, doing less work for the same reward improves the deal made with the employer (the effort-reward bargain). The following positive outcomes of absence have been shown by research to be particularly important to employees: break from routine, leisure time, dealing with personal business and a break from co-workers.
- Age – younger employees are more frequently absent than older ones.
- Personality – some people are absence-prone (studies have noted that between 5 and 10 per cent of workers account for about half of the total absence, while a few are never absent at all).

20 Talent management

KEY CONCEPTS AND TERMS

Career planning	Talent on demand policies
Portfolio career	Talent pipeline
Protean career	Talent planning
Succession planning	Talent pool
Talent	Talent relationship management
Talent management	War for talent

LEARNING OUTCOMES

On completing this chapter you should be able to define these key concepts. You should also know about:

- The meaning of talent management
- The process of talent management
- Developing a talent management strategy
- Management succession planning
- Career management

Introduction

The process of talent management is based on the proposition that 'those with the best people win'. It emerged in the late 1990s when McKinsey and Company coined the phrase 'the war for talent'. It has now been recognized as a major resourcing activity, although its elements are familiar. The fundamental concept of talent management – that it is necessary to engage in talent planning to build a talent pool by means of a talent pipeline – is a key

concern of human resource management. Talent management was defined by Tansley and Tietze (2013: 1804) as follows: 'Talent management contains strategies and protocols for the systematic attraction, identification, development, retention and deployment of individuals with high potential who are of particular value to an organization.' However, this definition refers to 'individuals with high potential' and although this may be the usual approach, some people believe that talent management covers everybody – on the grounds that all

people have talent and talent management activities should not be restricted to the favoured few.

There are many versions of talent management but in one way or another most incorporate typical HRM activities such as potential assessment, leadership and management development, succession planning and career planning. This chapter covers the meaning of talent management and talent management strategy and the processes involved. Two important aspects of talent management – management succession planning and career management – are dealt with at the end of the chapter.

Talent management defined

Talent management is the process of ensuring that the organization has the talented people it needs to attain its business goals. It involves the strategic management of the flow of talent through an organization by creating and maintaining a talent pipeline. As suggested by Younger *et al* (2007), the approaches required include emphasizing 'growth from within'; regarding talent development as a key element of the business strategy; being clear about the competencies and qualities that matter; maintaining well-defined career paths; taking management development, coaching and mentoring seriously; and demanding high performance.

The term 'talent management' may refer simply to management succession planning and/or management development activities, although this notion does not really add anything to these familiar processes except a new name – admittedly quite an evocative one. It is better to regard talent management as a more comprehensive and integrated bundle of activities, the aim of which is to create a pool of talent in an organization, bearing in mind that talent is a major corporate resource.

According to Lewis and Hackman (2006), talent management is defined in three ways: 1) as a combination of standard human resource management practices such as recruitment, selection and career development; 2) as the creation of a large talent pool, ensuring the quantitative and qualitative flow of employees through the organization (ie akin to succession or human resource planning); (3) as a good based on demographic necessity to manage talent.

Iles *et al* (2010: 127) identified three broad strands of thought about talent management:

- 1 It is not essentially different from human resource management or human resource development. Both are about getting the right people in the right job at the right time and managing the supply and development of people for the organization.
- 2 It is simply integrated HRD with a selective focus on a small 'talented' section of the workforce (a 'talent pool').
- 3 It involves organizationally focused competence development through managing and developing flows of talent through the organization. The focus is on the talent pipeline rather than the talent pool. This strand is closely related to succession and human resource planning.

The extent to which talent management is a new idea or simply a bundle of existing practices has been questioned. Iles and Preece (2010: 244–45) observed that:

Many current ideas in talent management, now often presented as novel and best practice, such as assessing potential, 360-degree feedback, assessment centres and coaching, come from the 1950s era of large stable bureaucracies and sophisticated succession planning as part of more general 'manpower planning'.

And David Guest, cited by Warren (2006: 29), commented that:

Organizations espouse a lot of notions about talent management and give it a lot of emphasis, but in practical terms it doesn't have a very different meaning to what most organizations have always done. Talent management is an idea that has been around a long time. It's been relabelled.

But he also noted that the process of bringing together some old ideas gives them a freshness and that it can provide a means of integrating these practices so that a coherent approach is adopted by the use of mutually supportive practices.

Before describing the process of talent management it is necessary to answer three questions:

- 1 What is talent?
- 2 What does it mean when reference is made to 'the war for talent'?
- 3 Who is covered by talent management programmes?

Talent defined

'Talent was defined by Michaels *et al* (2001, *xiv*) as 'the sum of a person's abilities... his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgement, attitude, character and drive. It also includes his or her ability to learn and grow.'

Talent is what people must have in order to perform well in their roles. They make a difference to organizational performance through their immediate efforts and they have the potential to make an important contribution in the future. Talent management aims to identify, obtain, keep and develop those talented people.

The war for talent

Following the McKinsey lead, the phrase 'the war for talent' has become a familiar metaphor for talent management. Michaels (of McKinsey and Co) *et al* (2001) identified five imperatives that companies need to act on if they are going to win what they called the 'war for managerial talent':

- 1 Creating a winning employee value proposition that will make your company uniquely attractive to talent.
- 2 Moving beyond recruiting hype to build a long-term recruiting strategy.
- 3 Using job experience, coaching and mentoring to cultivate the potential in managers.
- 4 Strengthening the talent pool by investing in A players, developing B players and acting decisively on C players.
- 5 Central to this approach is a pervasive mindset – a deep conviction shared by leaders throughout the company that competitive advantage comes from having better talent at all levels.

But Pfeffer (2001: 258) expressed doubts about the war for talent concept, which he believed was the wrong metaphor for organizational success. He argued that:

Fighting the war for talent can readily create self-fulfilling prophecies that leave a large portion of the workforce demotivated or ready to quit, and produce an arrogant attitude that makes it hard to learn or listen. It can cause the company

to focus always on getting better people, mainly from outside, instead of fixing the culture and system of management practices that research has shown are consequential for performance.

He suggested (*ibid*: 249) that perceiving talent management as a 'war' leads to:

- an invariable emphasis on individual performance thereby damaging team work;
- a tendency to glorify the talents of those outside the company and downplay the skills and abilities of insiders;
- those labelled as less able becoming less able because they are asked to do less and given fewer resources and training;
- a de-emphasis on fixing the systemic, cultural and business issues that are invariably more important for enhancing performance;
- the development of an elitist, arrogant attitude (*cf* Enron).

The people involved

There are different opinions about who should be involved. On the one hand there is the view that you must pay most attention to the best, while on the other, the view is that everyone has talent and it is not just about the favoured few. Iles and Preece (2010: 248) have identified three main perspectives:

- 1 Exclusive people – key people with high performance and/or potential irrespective of position.
- 2 Exclusive position – the right people in the strategically critical jobs.
- 3 Inclusive people – everyone in the organization is seen as actually or potentially talented, given opportunity and direction.

The first two perspectives, or a combination of the two, are the most common. Many organizations focus on the elite. For example, Microsoft UK is most concerned with its 'A list', the top 10 per cent of performers, regardless of role and level, whilst Six Continents targets executives below board level and high-potential individuals, as the two cadres are likely to provide their leaders of tomorrow. Huselid *et al* (2005) argued that talent management policies should concentrate on 'A positions'. McDonnell and Collings (2011: 58) suggested that

talent management is 'primarily concerned with those who add value to the organization... those who possess the potential to have a differential impact on organizational success'. They therefore argued that talent management should focus on these individuals rather than including everyone in the organization.

According to Clarke and Winkler (2006), the inclusive people approach is comparatively rare in practice, although there have been strong advocates of it such as Buckingham and Vosburgh (2001: 18), who wrote that talent is inherent in each person: 'HR's most basic challenge is to help one particular person increase his or her performance; to be successful in the future we must restore our focus on the unique talents of each individual employee, and on the right way to transfer those talents into lasting performance.' If exclusive approaches are adopted there is a danger of talent management being perceived as an elitist process. Creating a talent pool of a limited number of individuals may alienate those who are left out. Thorne and Pellant (2007: 9) argued that: 'No organization should focus all its attention on development of only part of its human capital. What is important, however, is recognizing the needs of different individuals within its community.' The CIPD (2010a: 1) asserted that: 'Talent management and diversity need to be interlinked. Diversity should be threaded through all talent management activities and strategies to ensure that organizations make the best use of the talent and skills of all their employees in ways that are aligned to business objectives.'

The most common view seems to be that the aims of talent management are to obtain, identify and develop people with high potential. But it should not be at the expense of the development needs of people generally. The McKinsey prescription has often been misinterpreted as meaning that talent management is only about obtaining, identifying and nurturing high-flyers, ignoring the point made by Michaels *et al.* (2001) that competitive advantage comes from having better talent at all levels.

A case study of a global management consultancy (Tansley and Tietze, 2013) revealed that the consultancy's approach to talent management was both inclusive (everyone is talented) and exclusive (key people were developed in ways different to those adopted for 'everyday talent'). This was expressed by the company's Talent Development Director as follows:

Talent in the Firm means two things. One I think that everybody is a talented individual. We recruit bright people intellectually. But our business also has the responsibility to help them realize that.

So there is a fundamental belief that everyone is talented, and there is a belief that we do need to identify future leaders, who are going to lead key parts or have key roles in the business in the future and these would be quite senior roles. And that identifying talent to these spaces, and helping people to gravitate towards one of these roles, will be the key challenge for us.

These beliefs were put into effect by the firm through a talent progression sequence of four stages:

- 1 **Rising talent** – highly educated graduate recruits who are given education and training for core technical or professional roles.
- 2 **Emerging leaders** – who are given training and education for management under the guidance of sponsors or mentors.
- 3 **Next generation leaders** – who undertake leadership development programmes and may attend a corporate academy.
- 4 **Corporate next generation leaders** – who are provided with one-to-one development through coaches and mentors and briefed on corporate/governance strategy.

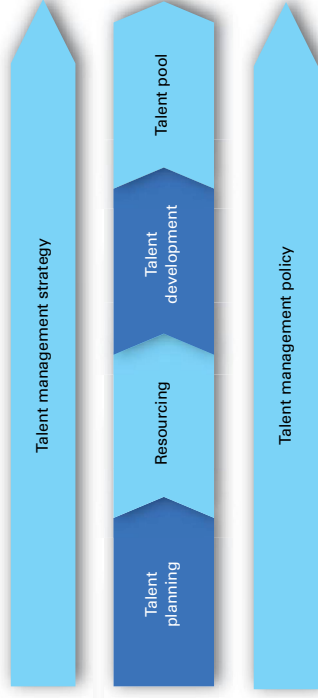
The process of talent management

The process of talent management can be described as a pipeline that, as illustrated in Figure 20.1, operates within the parameters of talent strategy and policy and starts with talent planning, followed by a sequence of resourcing and talent development activities to produce a talent pool.

A more detailed flow chart of the process of talent management is shown in Figure 20.2.

Talent management starts with the business strategy and what it signifies in terms of the future demand for talented people. Ultimately, the aim is to develop and maintain a pool of talented people through the talent pipeline, which consists of the processes of resourcing, career planning and talent

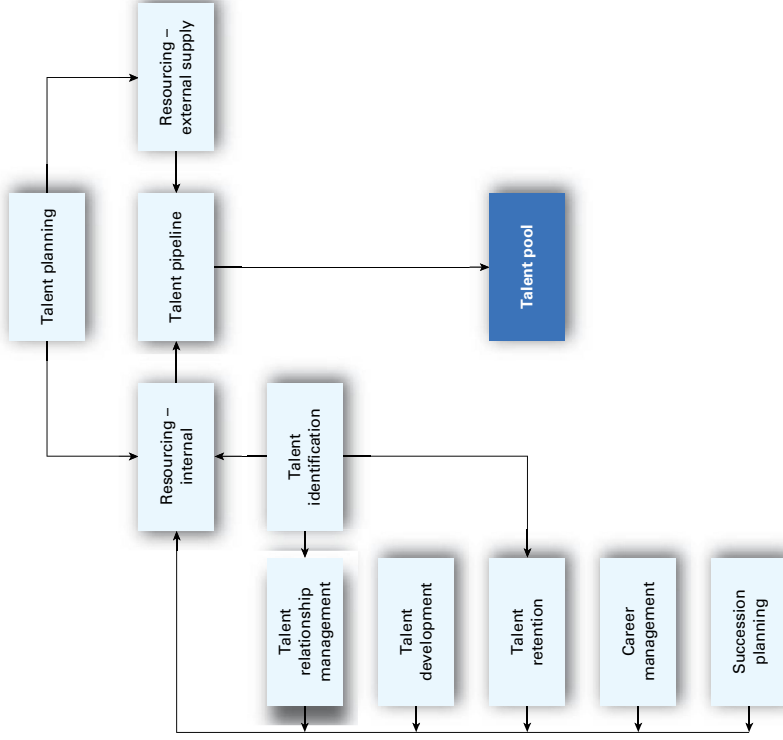
FIGURE 20.1 The talent management pipeline



development that maintain the flow of talent needed by the organization. Its elements are:

- **Talent planning** – the process of establishing how many and what sort of talented people are needed now and in the future. It uses the techniques of workforce planning as described in Chapter 17 and leads to the development of policies for attracting and retaining talent and for estimating future requirements as monitored by talent audits.
- **Resourcing** – the outcomes of talent planning are programmes for obtaining people from within and outside the organization (internal and external resourcing). Internally they involve the identification of talent, talent development and career management. Externally they mean the implementation of policies for attracting high-quality people.
- **Talent identification** – the use of talent audits to establish who is eligible to become part of the talent pool and to benefit from learning and development and career management programmes. The information for talent audits can be generated by a performance management system that identifies those with abilities and potential.
- **Talent relationship management** – building effective relationships with people in their roles. It is better to build on an existing relationship rather than try to create a new one when someone leaves. The aims are to recognize the value of individual employees, provide opportunities for growth, treat them fairly and achieve 'talent engagement', ensuring that people are committed to their work and the organization.
- **Talent development** – learning and development policies and programmes are key components of talent management. They aim to ensure that people acquire and enhance the skills and competencies they need. Policies should be formulated by reference to 'employee success profiles', which are described in terms of competencies and define the qualities that need to be developed. Leadership and management development programmes as described in Chapter 24 play an important part.
- **Talent retention** – the implementation of policies designed to ensure that talented people remain as engaged and committed members of the organization (retention planning is covered in Chapter 19).
- **Career management** – as discussed later in this chapter, this is concerned with the provision of opportunities for people to

FIGURE 20.2 The talent management process



develop their abilities and their careers so that the organization has the flow of talent it needs and they can satisfy their own aspirations.

- Management succession planning – as far as possible, the objective is to see that the organization has the managers it requires to meet future business needs. It is considered in detail later in this chapter.

- The talent pipeline – the processes of resourcing, talent development and career planning that maintain the flow of talent needed to create the talent pool required by the organization.
- The talent pool – the resources of talent available to an organization.

Talent management strategy

Cappelli (2008) suggested that the signs of a successful talent management strategy are that it is inclusive and that it can address and resolve any incongruity between the supply and demand of talent. He stated that too many firms have more employees than they need for available positions, or a talent shortfall, and always at the wrong times. He argued that talent management should not just be about employee development or succession planning, as many of the commonplace definitions suggest, but should focus on helping the firm attain its strategic objectives. His four principles for 'talent on demand' were:

- 1 Make and buy talent to manage the demand-side risk.
- 2 Reduce the uncertainty in talent demand.
- 3 Earn a return on investment in developing employees.
- 4 Employee interests should be balanced by creating an internal labour market that offers all the advantages of the external labour market to reduce staff turnover and to avoid the associated loss of talent and costs.

A talent management strategy consists of a view on how the processes involved in creating a talent pool should mesh together with an overall objective – to acquire and nurture talent wherever it is and wherever it is needed by using a number of interdependent policies and practices. Talent management is the notion of 'bundling' in action. The strategy should be based on definitions of what is meant by talent in terms of competencies and potential, who the talent management programme should cover, and the future talent requirements of the organization. The aims should be to:

- develop the organization as an 'employer of choice';
- plan and implement recruitment and selection programmes that ensure good-quality people are recruited who are likely to thrive in the organization and stay with it for a reasonable length of time (but not necessarily for life);
- plan and implement talent retention programmes;
- introduce reward policies that help to attract and retain high-quality staff;

- design jobs and develop roles that give people opportunities to apply and grow their skills and provide them with autonomy, interest and challenges;
- implement talent development programmes;
- provide talented staff with opportunities for career development and growth;
- recognize those with talent by rewarding excellence, enterprise and achievement;
- generate and maintain a talent pool so that 'talent on demand' is available to provide for management succession.

It can be difficult to introduce comprehensive talent management processes covering all the activities involved. A phased approach may be best. Resourcing activities take place anyhow, although the advantages of planning them on the basis of assessments of talent requirements are considerable; and it makes sense to devote energies to retaining key staff. But beyond that, the starting point in practice for an extended talent management programme could be a process of identifying people with talent through a performance management system. It would then be possible to concentrate on leadership and management development programmes. Sophisticated approaches to career planning and, possibly, succession planning could be introduced later.

What is happening in talent management

A study by CIPD (2007) of nine UK private and public sector organizations found that:

- What is seen as talent and how it is developed is highly varied.
- There is no one definition of talent management.
- There was little evidence of employers adopting a formal talent management strategy.
- Talent management programmes varied in terms of who they were aimed at and how.
- There were issues relating to the demotivation of individuals not selected for

talent management, especially if this meant that they had fewer resources and opportunities for progression.

- There was often a lack of integration with other HR programmes.

The CIPD 2013 learning and talent development survey revealed that the six most important objectives of respondents' talent management policies were:

- 1 Growing future senior managers/leaders (62 per cent).
- 2 Developing high-potential employees (60 per cent).
- 3 Enabling the achievement of the organization's strategic goals (37 per cent).
- 4 Retaining key staff (36 per cent).
- 5 Meeting the future skills requirements of the organization (32 per cent).
- 6 Attracting and recruiting key staff to the organization (27 per cent).

The most effective approach used by respondents was coaching, followed by development programmes and mentoring.

Career management

Career management is about providing the organization with the flow of talent it needs. But it is also concerned with the provision of opportunities for people to develop their abilities and their careers in order to satisfy their own aspirations. It integrates the needs of the organization with the needs of the individual.

An important part of career management is career planning, which shapes the progression of individuals within an organization in accordance with assessments of organizational needs, defined employee success profiles and the performance, potential and preferences of individual members of the enterprise. Career management also involves career counselling to help people develop their careers to their advantage as well as that of the organization.

Career management has to take account of the fact that many people are not interested in developing their careers in one organization and prefer to look

for new experience elsewhere. But as De Vos and Dries (2013: 1828) point out: 'Although careers for life, admittedly, are a reality from a distant past, the organizational career is far from dead.'

Aims

For the organization, the aim of career management is to meet the objectives of its talent management policies, which are to ensure that there is a talent flow that creates and maintains the required talent pool. For employees, the aims of career management policies are: 1) to give them the guidance, support and encouragement they need to fulfil their potential and achieve a successful career with the organization in tune with their talents and ambitions; and 2) to provide those with promise a sequence of experience and learning activities that will equip them for whatever level of responsibility they have the ability to reach.

Career management calls for an approach that explicitly takes into account both organizational needs and employee interests. It calls for creativity in identifying ways to provide development opportunities. Career management policies and practices are best based on an understanding of the stages through which careers progress in organizations.

Career stages

The stages of a career within an organization can be described as a career life cycle. Hall (1984) set this out as follows:

- 1 Entry to the organization, when the individual can begin the process of self-directed career planning.
- 2 Progress within particular areas of work, where skills and potential are developed through experience, training, coaching, mentoring and performance management.
- 3 Mid-career, when some people will still have good career prospects while others may have got as far as they are going to get, or at least feel that they have. It is necessary to ensure that these 'plateaued' people do not lose interest at this stage by taking such steps as providing them with cross-functional moves, job rotation, special assignments, recognition and rewards for effective performance, etc.

maturing – are illustrated in Figure 20.3. This also shows how individuals progress or fail to progress at different rates through these stages.

Career development strategy

A career development strategy might include the following activities:

- a policy of promoting from within wherever possible;
- career routes enabling talented people to move upwards or laterally in the organization as their development and job opportunities take them;
- personal development planning as a major part of the performance management process, to develop each individual's knowledge and skills;
- systems and processes to achieve sharing and development of knowledge (especially tacit) across the firm;
- multidisciplinary project teams, with a shifting membership, to offer developmental opportunities for as wide a range of employees as possible.

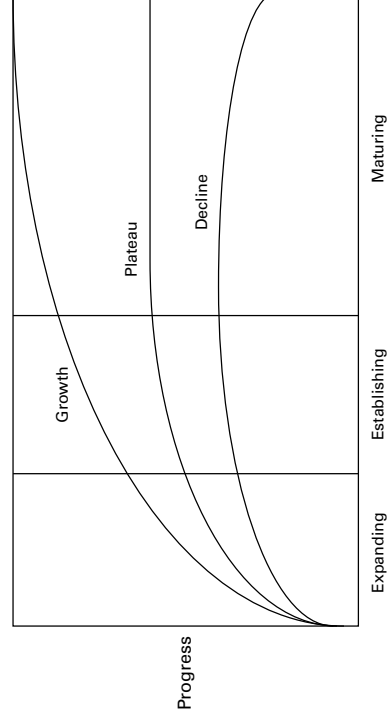
4 Later career, when individuals may have settled down at whatever level they have reached but are beginning to be concerned about the future. They need to be treated with respect as people who are still making a contribution and be given opportunities to take on new challenges wherever this is possible. They may also need reassurance about their future with the organization and what is to happen to them when they leave.

5 End of career with the organization – the possibility of phasing disengagement by being given the chance to work part-time for a period before they finally have to go should be considered at this stage.

Career dynamics

Career management should be based on an understanding of career dynamics. This is concerned with how careers progress – the ways in which people move through their careers either upwards when they are promoted, or by enlarging or enriching their roles to take on greater responsibilities or make more use of their skills and abilities. The three stages of career progression – expanding, establishing and

FIGURE 20.3 Career progression stages



Career management activities

As described by Hirsh and Carter (2002), career management encompasses recruitment, personal development plans, lateral moves, special assignments at home or abroad, development positions, career bridges, lateral moves and support for employees who want to develop.

Baruch and Peiperl (2000) identified 17 career management practices, and their survey of 194 UK companies established a rank order for their use. The practices are listed below in order, from most frequent to least frequent use:

- 1 Postings regarding internal job openings.
- 2 Formal education as part of career development.
- 3 Performance appraisal as a basis for career planning.
- 4 Career counselling by manager.
- 5 Lateral moves to create cross-functional experience.
- 6 Career counselling by HR department.
- 7 Retirement preparation programmes.
- 8 Succession planning.
- 9 Formal mentoring.
- 10 Common career paths.

11 Dual ladder career paths (parallel hierarchy for professional staff).

12 Books and/or pamphlets on career issues.

13 Written personal career planning (as done by the organization or personally).

14 Assessment centres.

15 Peer appraisal.

16 Career workshops.

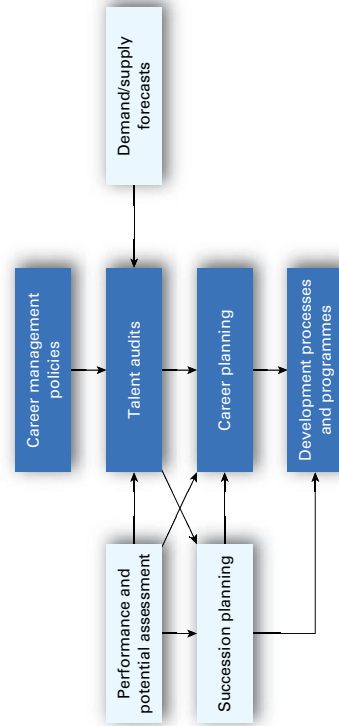
17 Upward (subordinate) appraisal.

The process of career management is illustrated in Figure 20.4.

Career management policies

The organization needs to decide on the degree to which it 'makes or buys' talented people, which means answering the questions: to what extent it should grow its own talent (a promotion from within policy); how much it should rely on external recruitment (bringing 'fresh blood' into the organization). The policy may be to recruit potentially high performers who will be good at their present job and are rewarded accordingly. If they are really good, they will be promoted and the enterprise will get what it wants. Deliberately training managers for a future that will never happen is a waste of time.

FIGURE 20.4 The process of career management



careers within an organization. It uses all the information provided by the organization's assessments of requirements, the assessments of performance and potential and management succession plans, and translates it into the form of individual career development programmes and general arrangements for management development, career counselling and mentoring.

It is possible to define career progression in terms of what people are required to know and be able to do to carry out work to progress up the 'career ladder' (the sequence of jobs at increasing levels of responsibility that constitutes a career). These levels can be described as 'competency bands'. For each band, the competencies needed to achieve a move to that level would be defined in order to produce a career map incorporating 'aiming points' for individuals, as illustrated in Figure 20.5. People would be made aware of the competency levels they must reach to achieve progress in their careers. This would help them to plan their own development, although support and guidance should be provided by their managers, HR specialists and, if they exist, management development advisers or mentors. The provision of additional experience and training could be arranged as appropriate, but it would be important to clarify what individual employees need to do for themselves if they want to progress within the organization. At Procter & Gamble, for example, 'destination jobs' are identified for rising

In contrast, and much less frequently, employers who believe in long-term career planning develop structured approaches to career management. These include elaborate reviews of performance and potential, assessment centres to identify talent or confirm that it is there, high-flyer schemes and planned job moves in line with a predetermined programme.

There may also be policies for dealing with the 'plateaued' manager who has got so far but will get no further. Some managers in this position may be reconciled to reaching that level but continue to work effectively. Others will become bored, frustrated and unproductive, especially rising stars who are on the wane. The steps that can be taken to deal with this problem include:

- lateral moves into different functional areas or specialized subsidiaries, to provide new challenges and career breadth;
- temporary assignments and secondments outside the organization;
- appointments as leaders of project teams set up to deal with performance barriers inside the organization such as the slowness of responses to customer complaints.

Career planning

Career planning involves the definition of career paths – the routes people can take to advance their

FIGURE 20.5 Competency band career progression system

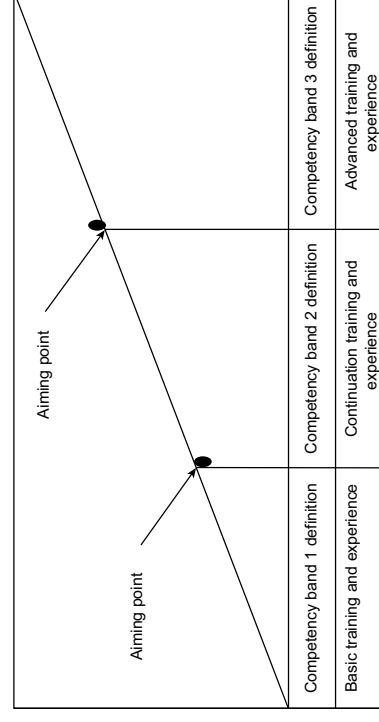
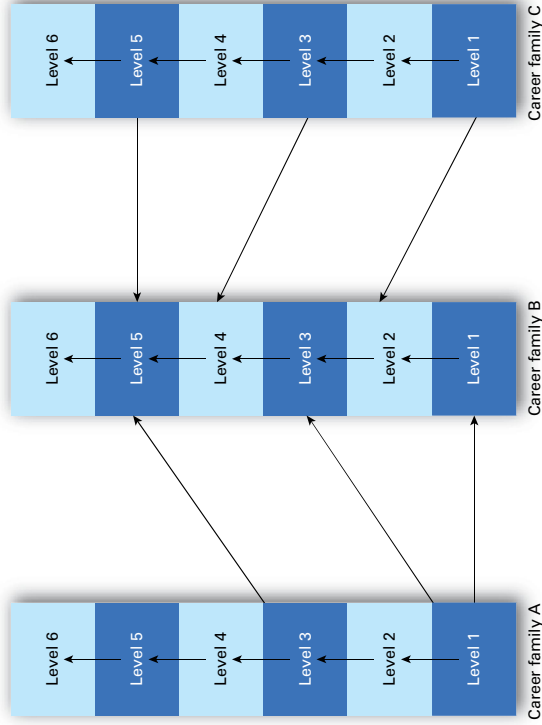


FIGURE 20.6 Career paths in a career family structure



stars, which are attainable only if the employee continues to perform, impress and demonstrate growth potential.

Career family grade structures, as described in Chapter 27, can define levels of competency in each career family and show career paths upwards within families or between families. This is illustrated in Figure 20.6.

Formal career planning may be the ideal but, as noted by Hirsh *et al* (2000), there has been a shift from managed career moves to more open internal job markets. The process of internal job application has become the main way in which employees progress their careers.

Self-managed careers

The organization may need to manage careers as part of its talent management and management

succession programmes and can provide support and guidance to people with potential. Ultimately, however, it is up to individuals to manage their own careers within and beyond their present organization. Handy (1984) used the term 'portfolio career' to describe his forecast that people will increasingly change the direction of their careers during the course of their working life. Hall (1996) coined the phrase the 'protean career' in which individuals take responsibility for transforming their career path (the name comes from the Greek god Proteus, who could change his shape at will).

Schein (1978) originated the notion of 'career anchors'. He defined them as the self-concept of people, consisting of self-perceived talents and abilities, basic values and a sense of motives and needs relating to their careers. As people gain work experience, career anchors evolve and function as stabilizing forces, hence the metaphor of 'anchor'.

CASE STUDIES

BT

BT's approach to investing in its talent is primarily focused on responding to individual needs in line with a BT-wide 'Talent Deal'. This is a set of commitments made to individuals in BT's talent pool on the support they can expect in areas such as career planning and movement, opportunities for

networking and meeting top executives, and mentoring. It also specifies the commitments expected of BT's talent pool members, such as the contribution they make to supporting the development of other colleagues.

Cargill

The Cargill food business operates a global, corporate-level labour and talent management process. This is structured on the lines of 'food platforms' (collections of around eight business units that operate in the food businesses) and has representatives from Latin America, Europe, Asia, etc, meeting twice per year. They look at the work of the business and consider how talent might be managed and succession planned in those businesses. A workable model exists to look at talent management and succession

planning at a platform level and at a practical level. Consideration is being given to how to integrate talent management and succession planning on a global basis, and a start has been made on highlighting positive and negative aspects of talent management and succession planning. These will be discussed at corporate level by the board to ensure that Cargill values are embedded in future talent management and succession planning strategy, policies and practices.

GlaxoSmithKline

GlaxoSmithKline is identifying those positions, at both the corporate and business-unit levels, that are critical to the company's success in a rapidly changing competitive environment. As part of that initiative, the company developed a statement of its workforce philosophy and

management guidelines. One of these explicitly addresses 'workforce differentiation' and reads, in part: 'It is essential that we have key talent in critical positions and that the careers of these individuals are managed centrally.'

HSBC

As reported by Ready and Conger (2007: 72–73), HSBC has created a system of talent pools that track and manage the careers of employees with high potential. Employees in these pools are selected initially for new assignments within their region or line of business and, over time, are given positions that cross boundaries in order to demonstrate that they have the potential to reach a senior

management role. They can then be placed in the group talent pool, which means that they have the potential to reach the senior executive level in three to five years and top management in the longer term. Leaders conduct talent relationship dialogues with members of each pool in order to address their development needs and concerns.

Key learning points: Talent management

The meaning of talent management

Talented people possess special gifts, abilities and aptitudes that enable them to perform effectively. Talent management is the process of identifying, developing, recruiting, retaining and deploying those talented people.

The process of talent management

Talent management starts with the business strategy and what it signifies in terms of the talented people required by the organization. Ultimately, its aim is to develop and maintain a pool of talented people. Its elements are talent planning, resourcing strategies, retention programmes, talent development, career management and management succession planning.

Developing a talent management strategy

A talent management strategy consists of a view on how the processes should mesh together with an overall objective – to acquire and nurture talent wherever it is and wherever it is needed by using

a number of interdependent policies and practices. Talent management is the notion of ‘bundling’ in action.

Career management

Career management involves the definition of career paths – the routes people can take to advance their careers within an organization. It uses all the information provided by the organization’s assessments of requirements, the assessments of performance and potential and management succession plans, and translates it into the form of individual career development programmes and general arrangements for management development, career counselling and mentoring.

Management succession planning

Management succession planning is the process of ensuring that capable managers are available to fill vacant managerial posts. Traditionally it has been regarded as a formal process but it is increasingly that the need is to develop a pool of talented managers so that a ‘talent on demand’ approach can be adopted.

Questions

- 1 What is talent management?
- 2 What is talent?
- 3 What are the elements of a talent management programme?

- 4 What is management succession planning?
- 5 What is career management?

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