Foreword

Globalization has brought about radical changes in the market environment within which businesses must operate, survive and grow. With the help of increasingly powerful information, communication and production technologies, enterprises are developing new business forms, new structures of production and new forms of work organizations. The challenge is to build the new competitive edge: flexibility and agility to be able to bring quickly to the market place new products and services that meet the constantly shifting needs of highly informed, discerning and discriminating customers. Product differentiation, innovation, organizational flexibility, speed, and maximizing customer value are the new competitive tools in addition to price and quality focus. Knowledge and its management is taking the centre stage of competitive strategies.

With the enterprise's human and social capital becoming the main source of these competitive advantages, the question that logically follows is: "How are human resource management practices adapting to these changes in business paradigms and structures?"

This working paper is an attempt to provide answers to this question. The focus is on emerging HRM practices that are integral to the competitive strategies of the enterprise and embedded in business processes and systems. Based on available literature, the paper reviews trends in HRM practices and provides a synthesis of new approaches being adopted. As the practices of enterprises in the developed market economies are those most studied and documented, they figure strongly in the practices covered in this paper.

Dr. Lanny Entrekin, Associate Professor of Management with the Management Development Programme of Murdoch University, Western Australia, is the primary author of this paper. He has long experience in HRM and has published extensively on subjects such as strategic human resource management, organizational structure and design, and performance management. His co-author is Ms. Magali Court, a researcher specializing in international business management. The authors would like to thank all the people who have assisted them in the preparation of this paper, particularly Dr. Nikolai Rogovsky, Mr. Charles Bodwell and Ms. Emily Sims for their very useful comments and suggestions, and Ms. Irina Akimova for preparing the manuscript for publication.

Arturo L. Tolentino
Head
Management and Corporate Citizenship Programme

Contents

Executive summary

This working paper discusses the adequacy of contemporary HRM practices in light of the changes brought about by globalization and a hyper-competitive global market. This environment is becoming a permanent feature of business today, and it is dramatically different from the stable conditions of the 1960s and 1970s. Many of our current HRM practices evolved in this stable context, which makes it necessary to question some of the premises and assumptions on which they are based.

The paper briefly traces the historical development of personnel management and HRM, considers the forces driving change and then looks at contemporary practices and the strategies pursued by companies to gain a competitive advantage. Finally, we look at specific HRM practices in relation to these changed conditions and suggest where human resource management may need to change.

The following points summarize the major areas covered and highlight the main issues within those areas.

Employment relationships

- Best practice suggests that companies should be pursuing high performance work practices (HPWP), which include employee participation and involvement in decision making, empowerment, commitment, above-average pay, training and development of employees, and job security.
- There is a trend towards withholding job security, without which HPWP will not work. A lack of job security encourages bidding wars, job-hopping, contractual relationships and little commitment to the organization and its objectives.
- Overwhelming evidence proves that job security and HPWPs result in higher profits and greater employment security across all industries.

Outsourcing focuses only on core competencies

- There is a trend towards outsourcing, then downsizing to cut costs as an end in itself.
- This can cause deskilling in a company.
- As a result companies frequently have to reemploy redundant staff at higher contract wages. They also become too reliant on suppliers.
- Evidence suggests that engaging in socially responsible restructuring, inclusive HR policies and investment in human resources leads to greater profitability.

Planning and forecasting

- Trends indicate that planning cycles are getting shorter.
- There is a move towards strategy planning and capacity building.

- Qualitative techniques such as unit forecasting-Delphi are being used to combine different viewpoints.
- Scenario planning is being used to develop alternative plans.

Recruitment

- There is a trend towards Internet recruiting.
- This can expose the firm to problems of security for senior managers.
- It tends to attract large numbers of under- and over- qualified applicants.
- It works best for new graduates.
- Best practice suggests hiring at entry level with career promotion based on internal development.
- Becoming a preferred employer through HPWPs helps to attract and retain top talent.

Selection

- There is a trend towards the use of multiple predictors, the use of assessment centres to increase process validity and structured interviews with interview panels.
- Psychological tests are being reintroduced, although general ability tests have the highest validity.
- Firms are using a hurdle or comprehensive approach, depending on the selection criteria.
- They tend to focus on person-organizational role fit rather than person-job fit.

Job analysis-work analysis

- There is a trend towards work analysis as work becomes team based, although job analysis is still appropriate where work is individually based.
- Firms are using competency profiling to match skills with future work requirements.
- Role analysis is used to achieve person-organizational fit rather than person – job fit.
- HRM has to focus more on jobs and teams than on individuals.

Performance management vs. performance appraisal

- There is a trend towards more frequent feedback and coaching, and a more inclusive approach to managing dynamic performance rather than measuring static tasks.
- More focus is placed on behaviours and processes than on tasks.
- Firms keep top talent through development programmes and HPWPs rather than financial rewards.

Remuneration

- There is a trend towards individual incentive pay, although this is incompatible with team-based work.
- There is a need to develop team-based and organizational rewards.
- Individual pay is appropriate where work is individually based and workers control the factors of production as in piece-rate systems.
- Skill-based pay systems are useful to multiskill the workforce and offer alternatives to promotion in flat organizations.
- Gainsharing is a means of funding improved work conditions, better pay and job security as a result of productivity improvement.
- Remuneration can be a part of an integrated package of HR practices that reinforce organizational goals and objectives. It helps to avoid competing for talent on the basis of highest pay.

1. Introduction

Human resource management (HRM) is currently being evaluated in terms of its role in the context of globalization and other trends. Although HRM has undergone quite dramatic change in the last 15 years or so, that change was associated with the long overdue recognition of HRM as an important strategic consideration. The current evaluation, while still strategic, has more immediacy and is broader in concept than the traditional focus on managing people at work.

HRM, and personnel management before it, are products of the bureaucratic age of large, self-contained entities in which their roles were fairly clearly specified and often organized by function, such as; recruitment, remuneration, industrial relations, occupational health and safety, and so on. That type of organizational structure and operating environment is fast becoming history and HRM is faced with redefining its role in a rapidly changing landscape.

This working paper discusses the adequacy of contemporary HRM practices in light of the changes brought about by globalization and a hyper-competitive global market. This environment is becoming a permanent feature of business today and it is dramatically different from the stable conditions of the 1960s and 1970s. Many of our current HRM practices evolved in this stable context, which makes it necessary to question some of the premises and assumptions on which they are based.

This paper briefly traces the historical development of personnel management and HRM, considers the forces driving change and then looks at contemporary practices and the strategies pursued by companies to gain a competitive advantage. Finally, we look at specific HRM practices in relation to these changed conditions and suggest where human resource management may need to change.

2. Historical review

During the twentieth century, growing emphasis was placed on the importance of managing people to build a flexible, competitive and productive organization. Managers learned to pay a lot more attention to the role that employees play in achieving the company's strategic goals. A focus on the workforce is emerging as one of the most important means to ensure the success of a business. In the past, a personnel administration dealt with workers' concerns. As a consequence of changes in the environment, the scope of action became broader and human resource management (HRM) appeared as an expanded function for managing employees. A brief historical review will show where the field has come from and how it has changed.

At the beginning of the twentieth century, the organizational concepts of Taylorism and Fordism prevailed. Scientific management was used to organize, utilize and manage the workforce for mass production (Downie and Coates, 1994). Assembly lines required a large number of workers with low skills to perform repetitive tasks. Workers needed to be interchangeable and expendable. Organization hierarchy was vertical with a precise definition of the different tasks to be performed and little or no possibility for workers to participate in decision making. Work was coordinated through the hierarchy, by maintaining close supervision on workers. Rules and procedures made bureaucracy a key feature of company management and the business world was relatively stable and certain.

In this environment the personnel role was administrative. Important decisions were the responsibility of line mangers. The personnel role was a maintenance function of which record keeping was a major component. Personnel officers were also involved in screening applicants, conducting orientation for new employees, planning the company picnic and circulating memos (Cascio, 1998). In other words, the role of the personnel administrator was basic and weak.

Human relations

The new concept of human relations emerged from the famous Hawthorne plants surveys carried out from 1924 to 1932. These studies explored how changes in the work environment could affect productivity through better lighting in the workplace. Elton Mayo, the father of this human relations movement, discovered that productivity increases were linked to the amount of attention paid to employees, rather than the improvement in lighting (Losey, 1998). As a result, managers were encouraged to care about their employees' attitudes, and motivation became an important feature in running a company.

The personnel department

The role of the personnel administrator began to change as the importance of the social dimension emerged and labour relations became a prominent issue. Personnel policies and programmes were developed to enhance negotiation and the implementation of collective agreements. The personnel department assumed a more important place in the organization's strategy. It began to deal with recruiting, testing, mediating and overseeing employee morale and production efficiency (Losey, 1998).

As a consequence of environmental changes and new pressures in the workplace, the role of the personnel department changed so that it was no longer an administrative and maintenance function. At this stage, the term "human resource management" appeared as a more appropriate description of this aspect of running an organization.

Human resource management

Emergence of new pressures

The population increased considerably as a result of the post-war baby boom. However, the economy deteriorated in the mid-1970s following the oil shocks, and companies were forced to downsize. Governments were then focusing on the way companies laid off their employees to protect them from discrimination. During the 1980s, temporary employment was booming. Companies saw this as a way to employ people only when they needed them, and thus as a way to reduce costs. In addition, management decisions had to be taken more and more quickly as the environment become more turbulent and the pace of business increased.

From an economic point of view, foreign competition was putting pressure on companies to boost production and become more competitive. A survey was conducted in the early 1960s by Dun's Review and Modern Industry among companies whose products were being challenged by foreign goods. Company presidents estimated that imports were taking an average of 7 per cent of their market; they believed the percentage would double by 1965 (cited by Delden, 1998). Internationalization was an important feature of this emerging environment. The opening to the world market forced innovations in marketing, and new products emerged as well as more efficient production processes. The pace of business was accelerating and bringing rapid industrial obsolescence. New technologies appeared and robots started to replace human workers. As a consequence, consumption patterns changed; workers wanted a higher quality of life and more leisure time.

In this context, managers had to become socially responsible towards their workforce, and the human dimension gained importance. Employees were beginning to ask for more interesting jobs and to act more like stakeholders in their company than like hired hands. In this quest for social consideration, there was a shift in emphasis from groups to individuals. Even though group welfare was still important, job satisfaction was shown to be a personal matter. Managers became aware of this and began to acknowledge responsibility for the personal development of their employees. They believed that employees could contribute to company success if the possibility was given to them. The greatest progress was to be made through maximum participation (Delden, 1998).

The human resource function

While government controls and labour organizations intensified their pressure, the HRM function needed to adapt constantly to the changing environment. The human resource manager had to understand this environment and its workforce expectations. Workers' rights were placed at the forefront. Emphasis started to be placed on women and their efficiency at work. As more and more women entered the workforce, gender became a social issue. Childcare also appeared as an issue. If parents worried about their children's welfare during work hours, this would affect their efficiency and productivity on the job.

Moreover, at the beginning of the 1990s, smoke-free workplaces appeared. A Strategic Human Resource Management / Bureau of National Affairs (SHRM/BNA) survey revealed that the percentage of companies which restricted smoking had jumped from 54 in 1987 to 85 per cent in 1991 and the percentage of totally smoke-free workplaces had more than tripled, from 7 to 34 per cent in the same period (HR News, September 1991). Protecting employees against unsafe jobs and discrimination, pension rights, civil rights, and health and safety in general were all emphasized in legislation at this time.

The human resource manager had become a key player in a successful organization. HRM acted like a social partner, representing management in its dealings with employees and caring for workers' personal development. HRM began to emphasize corporate contribution, proactive management and the initiation of change (Dessler and Turner, 1992).

Effectively, HRM had evolved from personnel administration to a key strategic function in the company. As the business environment became much more unstable and turbulent, HRM moved to a new role: strategic human resource management (SHRM). These are not only shifts in definition; they are also a consequence of changes in the environment and their effects on the workplace. They show the need for managers to respond and adapt to ever-changing environmental pressures.

Organizations have recognized the importance of valuable human resources and are optimizing their assets. Human resource managers have to promote gender, race, age, national origin, diversity and religious equality and they have to reward their workers to maintain their motivation. HR staff have to be generalists with an understanding of economics, politics, social and cultural trends, technological innovations, changing work values, skill shortages, labour law, health care management, privacy concerns, international trends and many other issues (Losey, 1998). The forces of change are important factors in the new human resource model that is being built up.

3. The forces of change

Executives, managers, consultants and academics spend a good deal of time thinking and talking about change. The notion of change is ubiquitous and arises in many different ways. We tend to think in terms of planned change, often incremental, within organizations where a need for change is perceived, adopted, implemented and resourced (Daft, 1998). However, deliberate, controlled change is more and more often accompanied by unplanned events and developments that require almost continuous adaptation. The idea that “change has changed” is exemplified in a statement attributed to a consultant: “I can remember when change was an event”.

In order to understand how the different forces of change will require HRM to adapt to new roles and practices, it is instructive to explore the dynamics of those forces at several levels. HRM needs to take account of:

- social and environmental change;
- technological change;
- organizational change.

Intensified competition, caused primarily by globalization, affects all these areas and will therefore be discussed where applicable.

Social and environmental change

Kraut and Korman (1999) use the expression “Five Delta Forces” to refer to five types of environmental influence that will affect HRM. These are:

- demographics;
- economics;
- legal and regulatory issues;
- technology;
- attitudes and values.

Demographics

Demographics refers to the composition of the workforce in terms of age distribution, gender, education level, participation rates, migration, immigration and birth rates in different periods. These data are important in HR planning because they can point to gaps and potential shortages in the future, and help to build a profile of the workforce.

For example, the 1930s produced a relatively small cohort of workers who entered the labour force in the 1950s and 1960s and in the United States enjoyed a long period of growth, development and stability that will probably not be repeated. Most of these workers are near retirement now, although a number still hold very senior positions in business and government.

The baby-boom generation, people born between 1946 and 1964, are the largest group of workers today, the result of the end of the Second World War, returning war veterans starting families and the rebuilding of Europe and Japan. The boomers aged from 36-54 in the year 2000, started entering the workforce in the mid-1960s. They are experiencing completely different issues from their parents, being the first cohort to face large-scale downsizing, plant closures, lack of job security and shrinking advancement opportunities. Having seen many of their parents fired or rushed into early retirement, this group feels somewhat betrayed by big business and is concerned with mid-career issues, medical benefits, retirement planning and fears about social security. The challenge to HRM is to provide a measure of job security yet retain sufficient flexibility to cope with rapidly changing markets and skill sets.

The "baby bust" cohort, born between 1965 and 1976, is considerably smaller than the boomer cohort. The shortage of entry-level workers in the early 1990s was a consequence of the lower birth rate in the 1970s (Kraut and Korman, 1999). Cascio (1998) notes that this group is clearly divided between those with knowledge skills, who have a future, and those without knowledge skills, who have little hope for the future (paraphrasing Cascio). These people, who entered the workforce in an unprecedented period of downsizing, business closures, mergers and takeovers, have little sense of loyalty to business organizations and represent a challenge to companies who profess that their greatest assets are their human resources.

The issues arising for HRM from this analysis are, broadly, how to invest wisely in human capital while still retaining flexibility in an ever-changing environment. This has serious implications for employment security, training and development, employment stability and the ability to attract and retain top talent.

The relative shortage of qualified workers, which is predicted to be a serious problem in the years ahead (Wright, Dyer and Takla, 1999), coincides with the increased labour-force participation of women and other minority groups; it puts a premium on managing diversity as another HRM challenge.

The increasing number of women in the workforce has added another dramatic demographic dimension. In the United States for example, the number of women in paid employment increased from 18 million in 1950 to 65 million in 1998 (Kraut and Korman, 1999). This trend is likely to continue as women are now employed in a variety of jobs and professions formerly dominated by men and they represent about half of university and professional school graduates (Kraut and Korman, 1999).

It is possible that as organizations move increasingly to flatter, team-based structures, the "glass ceilings" that frustrated women's mobility in traditional hierarchies will disappear. In short, women will play a more prominent role in future. The dual-career, dual-income families, which are here to stay, present a number of challenges to HRM. Among them is the need for more flexible working arrangements such as flexible scheduling, flextime, telecommuting, job sharing and so on (Cascio, 1998).

Older workers are a feature of the ageing population in many regions of the world, such as Australia, Europe, Japan, New Zealand and North America. With the removal of a mandatory retirement age in such countries as Australia and the United States, organizations will need to consider how they can best use the skills and experience of older workers. Many organizations are seeing through the myths about older workers (Cascio, 1998), and viewing them as a valuable resource. The challenge to HRM is to use their knowledge to the best advantage while minimizing the limitations of age. An important element in deploying older workers effectively is to eliminate the anti-age bias of younger managers and co-workers.

Drawing up an age/experience profile to reveal the age distribution across jobs can identify gaps and identify where older workers can best make a contribution. The predicted shortage of skilled labour in the coming years (Wright et al., 1999) will need, in part, to be filled by this group of workers.

Economic forces

Globalization

The most pronounced trend in economic terms is the intense competition brought about by globalization in the last 20 years or so. In the years following the Second World War, the United States produced about three-quarters of all the worlds' goods and services: today it produces less than one-quarter (Kraut and Korman, 1999). The period 1946 to the mid-1960s (the baby-boom era) saw unprecedented growth in the United States and the appearance of large business bureaucracies.

In the 1950s and 1960s, barriers to international trade fell substantially due to the GATT (General Agreement on Tariffs and Trade), thus accelerating the international flow of goods and services. By the 1970s the European and Japanese industrial infrastructure had been rebuilt, and globalization had begun in earnest. "Globalization" is a term that means different things to different people; it has proponents as well as opponents, as witnessed by opposition to the World Trade Organisation meetings in Seattle and Prague in recent times. Globalization is defined by Oman (OECD, 1999) as "the accelerated growth of economic activity over national and political boundaries". This has largely been driven by multinational corporations (MNCs) from Europe, Japan and the United States.

Many companies have changed from colonialist international firms expanding overseas from a domestic base, to multinational corporations duplicating themselves in other countries or becoming truly global in that products are made by global teams for global markets.

Globalization has been enabled by new organizational forms and dramatic advances in information and communication technology (ICT). For example, Ford Motor Company's design teams in the United States, Europe and Asia can work continuously on the same project by handing over electronically to colleagues in another continent as the earth rotates (Kraut and Korman, 1999). These new organizational forms and ICT applications are discussed in more detail in a later section.

Some obvious challenges for HRM arising from globalization are designing team-based work systems and associated performance management and remuneration systems that are appropriate for this organizational form.

Cost of labour

Intensified global competitiveness has led to a never-ending search for ways to cut costs by applying high technology and finding cheaper sources of labour. This is exemplified in the apparel and footwear industries where leading brand name MNCs outsource much or all of their production to developing countries in Asia and Latin America through the use of suppliers and contractors who own the sources of production.

In the 1970s the United States lost much of its competitive edge, partly because of the high cost of labour relative to Japan and Europe. By the 1990s the USA had regained labour cost competitiveness due to wage stagnation that saw weekly earnings drop by 19 per cent by 1995 (Kraut and Korman, 2000). At this time many Japanese and German companies opened major manufacturing facilities in the United States to take advantage of wages that were lower than in their own countries.

Because of globalization and the search for lower labour costs, many new players have been brought into the picture, which presents a number of challenges to HRM. These include increased interaction between staff from different countries with different cultural values and management styles, issues of equity in remuneration, the preparation of more people for international assignments and the appropriateness of Western styles of management in non-Western cultural settings.

Service economy

The nature of employment has also changed significantly in the last half century. In the United States, between 1950 and 1995, the goods producing sector fell from 41 per cent to 21 per cent of total employment, while the service sector rose to 79 per cent of all jobs (Kraut and Korman, 1999). Australia also has close to 80 per cent of all jobs in the service sector (OECD, 2000). Other advanced economies in Europe and Japan show similar trends (OECD, 2000). This shift has greatly reduced the number of lower skilled jobs and dramatically increased the number of knowledge workers with high-level technological skills. This gap, sometimes referred to as "the digital divide", is occurring within developed countries as well as between developed and developing countries. Accompanying the trend towards service sector work has been the loss of numbers and power of unionized workers.

A major challenge for HRM will be to attract and retain highly skilled workers in light of the projected skill shortages. As the skill base of workers increases, so does their mobility. Concurrently, as organizations seek to become more flexible job security declines, changing the nature of the employment relationship from loyalty and security to a contractual one. This can be observed in the computer/information technology industry where large "sign-on bonuses" are being used instead of job security to attract talent. This in turn causes problems of wage compression from existing employees with more experience who see less experienced new hires getting a better deal than they have.

Geographical considerations

Shifts in geographical location can be significant both within and across national boundaries. Such a shift took place in the United States with the long-term decline in manufacturing. This caused a large-scale relocation of workers and industries from the "rust belts" of the Northeast and Midwest to the "sun belts" of West and South. These relocations changed the availability of skills and employment rates in different areas. For example, Silicon Valley in California has become a haven for people in the computing/information technology industry (Kraut and Korman, 1999).

Globalization has also fostered the large-scale movement of jobs across national boundaries, particularly from developed to developing countries. This is largely to do with finding cheaper sources of labour to reduce costs for labour-intensive, low skilled jobs, such as in the apparel and footwear industries mentioned previously, as well as many other industries. This movement has fuelled much debate about the exploitation of cheap labour in "sweatshop" conditions, causing many MNCs, accused of these practices, to institute "codes of conduct" and "labelling schemes" to combat the criticisms. These schemes are of some value as they focus attention on practices such as the use of child labour, but they are limited in reach and scope as they mainly apply to image companies with brand name products (Entrekin, 2000).

Generally, the choice of location and business partner has not been a decision for HRM. However, with the sometimes-devastating effects of plant closure on a one-employer town and evidence of labour exploitation in developing countries by business partners, HRM will be increasingly involved in determining what is fair.

Legal and regulatory issues

The daily practice of HRM and its strategic input are greatly influenced by a nation's laws, particularly those governing the treatment of employees. These include conditions of employment, minimum age, minimum wages, payment of overtime, hours of work, freedom of association, the right to organize and occupational health and safety (OHS). Most developed countries have such laws, although they are not uniform across countries and the degree of enforcement may vary. Developing countries vary considerably in terms of coverage and standards (Liuibic, 1998).

Legislation

Anti-discrimination laws are fairly common in developed countries and were originally intended to protect minority groups. Today, however, with the focus extending to women, people with disabilities and older workers, the legislation typically covers a broader spectrum of workers in developed countries. HRM has to ensure compliance with legislation and it has to keep a company up-to-date on new legislation and enforcement issues. These may relate to safety and health, medical benefits, retirement funding, educating employees, recommending and formulating new practices and so on. In addition to monitoring and administering these programmes HRM is responsible for keeping detailed records for company files, as well as external reporting to government agencies. Newer laws are continually being enacted on such matters as employee privacy, genetic screening and illnesses such as AIDS (Kraut and Korman, 2000).

This is the maintenance function of HRM. It is important in protecting employees' rights and ensuring that a company avoids expensive law suits. The challenges for HRM are to have in place good information systems and environmental scanning mechanisms that keep an organization well informed and ready to anticipate major changes.

Deregulation

The deregulation of protected industries and state-owned enterprises has played a significant role in the globalization of business. One of the most common examples is that of Telecom companies. Countries have been particularly reluctant in the past to deregulate their Telecoms, as they were a source of protected revenue. Following the break-up of AT&T in the United States, many countries have deregulated that industry or, as in Australia, partly privatized the company, giving rise to greater competition and much lower prices for services. Similarly, the deregulation of financial services has changed the nature of the entire industry, giving rise to new organizations offering banking, stock-broking and insurance. There are now combined full-service organizations where there were formerly separate industries.

These activities have spawned entirely new entities, many created by merger. Such mergers even transcend traditional sector boundaries, e.g. mass media and entertainment, transport and travel. The acceleration of mergers, acquisitions and strategic alliances will present some serious challenges for HRM. It will not be easy to reconcile different organizational structures, cultures and managerial styles, or to integrate them with established HRM systems and practices.

Technology

Advances in information and communication technology (ICT) have radically changed the way we work in today's digitized world. They have also enabled types of organizational structure that were not possible even five years ago. The magnitude and profundity of these changes in ICT can be illustrated by a few examples.

While it was 38 years before 50 million people listened to radio, the same number were navigating the Internet within four years. At present, traffic on the Internet doubles every 100 days, while as recently as 1997 it doubled only annually (ILO, 2001). Since the invention of the integrated circuit by Texas Instruments in 1958, and the microchip by Intel in 1971, computing power has increased dramatically, resulting in a 10,000-fold increase in computing power for every dollar invested over a twenty-year period (ILO, 2001).

During this same period, the cost of computing has fallen significantly due to competition, economies of scale in production, and the emergence of common standards in both hardware and software.

A second, concurrent development has taken place in telecommunications. With the advent of fibre-optic cable replacing copper wire, a fibre-thinner than a single hair can transmit a laser signal carrying many thousands of telephone conversations, so that the cost per voice circuit becomes infinitesimal. In addition to improvements in fixed-wire telecommunications, wireless technology is making substantial gains in capacity and the two leading manufacturers, Nokia and Motorola, predict that within two to three years more people will be accessing the Internet through mobile devices than through fixed terminals.

The convergence of these technologies has a number of implications for the way in which information is shared and who has access to it. These developments have effectively changed the economics of information; they have thus affected the way organizations are structured and managed. Until about 20 years ago it was difficult to share rich information (with high accuracy, relevance, depth and quality) with more than a few people (ILO, 2001). There was a trade-off between richness and reach of information. If you wanted to reach many people, information quality (richness) declined. If you wanted to convey high quality information, then you had to sacrifice reach. With ICT, particularly coupled with the Internet, richness and reach can go together; distance has become independent of cost. This has created new possibilities for the structure of organizations, as discussed below.

Organizational architecture

Before the advances in ICT, organizations handled information through various layers of middle managers who summarized, synthesized and otherwise filtered the information that passed up and down the hierarchy. With 10 to 15 layers between the CEO and first line supervisors in many large bureaucracies, there was considerable scope for message distortion and misinterpretation. The fact that rich information could not be widely shared imposed a departmentalized structure where function-specific information could be shared among a more limited group of people. Because people tended to hoard knowledge rather than share it, information became a source of power that sustained many departments.

With computer-based networks now doing much of this type of work, the need for middle managers has declined substantially, resulting in flatter organizations with senior management much closer to the actual work setting. The fact that rich information can now be shared quickly and widely has enabled unconventional organizational structures and the adaptation of conventional structures. Short-term or ad hoc virtual organizations are now real and frequent occurrences (Kraut and Korman, 1999).

Powerful new imperatives are now guiding the way business is conducted. In the recent past, cost and quality were the common mantras and they are still important. With increased competitive pressure and the availability of new technology, *cycle time* is an important new consideration (Kraut and Korman, 1999). Cycle time is the amount of time it takes to create and produce a new product or service. Those who are first to market with a new product or service usually have a first-mover advantage.

In order to decrease cycle time, organizations are closely examining the way they conduct business. Reengineering is basically a method of examining processes and how they fit together to accomplish the desired end result, rather than just accepting the traditional collection of jobs required to do the work (Hammer and Champy, 1993). HRM has become a key player in re-examining and revising how jobs and processes fit together to gain efficiency and reduce cycle times.

In the traditional departmentalized structures, sometimes referred to as "functional silos", departmental boundaries were obstacles to the smooth flow of information and processes. They also created barriers between people who needed to interact. As a result, reengineering has led to a much wider use of "team-based" structures such as cross-functional teams, which effectively replace rigid structures with more flexible ones. These teams cut across narrow specialities to focus on better ways to create value among the various activities (Kraut and Korman, 1999).

An obvious result of these activities is that many jobs have changed substantially. This has affected a major HRM activity called job analysis. Instead of job analysis, which defines what a worker does, work process analysis may be more appropriate for defining activities. Another variation is competency profiling, which defines the competencies that will be required of staff at future points in time and in turn influence training and development as well as staffing programmes. Thus, it can be seen that HRM itself is adapting and developing new tools.

A major challenge that organizations and their HRM functions will have to face in this changed work environment is a trade-off between achieving flexibility and investing in human capital. This trade-off is suggested in articles on HR architecture (Palpacuer, 1997; Lepak and Snell, 1999) where organizations classify employees in terms of whether to invest in their development or to purchase and discard labour as a commodity. Employment relationships are discussed in more detail in a later section.

Attitudes and values

Attitudes to work and worker–employer relationships have changed dramatically in the last two decades. We will consider several trends that involve attitudinal shifts between employees and employers. Perhaps the most striking change is in the nature of the employment relationship.

The period from 1946 to the early 1980s was characterized by long-term, stable employment relationships, where workers could expect continuous employment with one or a few employers, over the course of their working life, with gradual advancement up the corporate hierarchy. In return for this job security, the employee gave loyalty and commitment to the employer and made sacrifices if required for the good of the company. In this environment companies invested in the training and development of their employees as they expected them to stay long enough to recoup the investment.

Beginning in the early 1980s massive downsizings changed that relationship forever. As giant mainstream companies scrambled to become more flexible and agile in the face of intense competition, many sacrificed job security, and contractual relationships became the norm. Long-term employment security is no longer promised, implied or expected and mutual commitment is no longer a cornerstone of the employment relationship (Kraut and Korman, 1999).

This presents a paradox for many companies which want to shed workers when they are not needed, but at the same time retain valuable employees for as long as possible. As Kraut and Korman (1999) point out "…employees who know they have no long-term security are often busy looking for better opportunities. Instead of a long-term relationship or even a ‘marriage’, both employees and companies can wind up in a ‘dating game’ as they look for short-term, selfish advantage”.

There is a growing body of evidence that the use of high performance work practices can have a significant impact on the financial performance of a company (Huselid, 1995; Welbourne and Andrews, 1996; Pfeffer and Vega, 1999). Many practices such as comprehensive recruitment and selection procedures, incentive compensation, performance management systems and extensive involvement in training and development, are long-term investments in human resources that contradict the notion of contractual relationships. Hence, the prevailing attitudes towards employment relationships are out of alignment with what is known to be best practice. These relationships will be explored further in a later section.

Another attitudinal shift has occurred regarding family and non-work commitments. Higher divorce rates, more single parent families, more dual career and two income families and a lack of job security have focused attention on the need for more flexible work arrangements and support for families. Many companies have responded to these needs and have seen this as a way to differentiate themselves as preferred employers. This can involve teleworking, flexible hours, assistance with sick dependents and so on.

Attitudes and values are, to a certain extent, based on the underlying assumptions that people hold. If the assumptions about work and work practices made in an earlier era are no longer valid, then practices based on those assumptions are also probably invalid (Kraut and Korman, 1999). It is possible that many of the assumptions on which HRM practices are based have changed fundamentally in the last two decades. As this analysis of the forces of change has shown, many of the multiple roles of HRM need to be re-thought to ensure the correct alignment between a set of changed assumptions and current practice.

4. The current scene

The forces of change discussed above are largely beyond the control of individual companies. They represent the complex environment in which firms must operate. This section considers how organizations are responding to these forces and presents a snapshot of the situation today. The term "snapshot" is appropriate as this is an ever-evolving scenario. Below are a number of organizational responses to the competitive environment:

- rethinking the strategy-structure nexus;
- consolidating around the core processes and outsourcing;
- managing the supply chain;
- reengineering and cycle time;
- use of teams.

The strategy-structure nexus

The thinking in traditional organizations was that strategy drives structure, i.e. that the strategy of a company should determine its structure. This thinking was developed in a classic historical study by Alfred Chandler (1962) in which he traced the origins of diversification and divisionalization at DuPont and General Motors in the 1920s. These measures were followed later by other major companies. This approach worked reasonably well in relatively stable and predictable conditions where business plans are based on environmental forecasts; plans are drawn up and approved, and attention is paid to building the organizational ability to implement them.

However, this model, which takes a considerable amount of time, tends to break down in turbulent, rapidly changing environments that are increasingly unforecastable (Wright et al., 1999). Because of rapid change, intended plans become unsustainable. They have to be modified and sometimes there are major changes such as restructuring, reengineering and downsizing. These steps are undertaken in an effort to realign organizational capability with organizational strategy (Wright et al., 1999). This form of strategy and structure is known as *intentional* as opposed to *emergent strategy*, as illustrated in Figure 1 below.

Figure 1.

Source: Wright et al., 1999.

As we have seen, intentional strategies are overtaken by events and often lead to change efforts that are dysfunctional. There is a risk that they may leave companies in a constant state of flux.

With emergent strategies, top management still sets the strategic direction and domain, but the specific (emergent) business strategies emanate from the collective decisions of those close to the action as they guide the company towards its objectives. This is analogous to an airline flight where planes are off the true course about 98 per cent of the time, but they still arrive at their destination because the pilot makes frequent small corrections.

This paradigm shifts the emphasis from formal strategic planning to building organizational capability featuring people-driven systems that enhance speed, flexibility and agility (Wright et al., 1999). This also puts a different twist on the role of leaders because agile organizations are essentially self-organizing systems driven by individual initiative and self-control. Those in formal leadership positions may do very little formal planning; instead they facilitate, encourage and generally champion the new paradigm (Wright et al., 1999).

HRM plays a major role in crafting these new relationships, fitting people to roles rather than specific jobs, selecting people on the basis of organization-person fit rather than person-job fit, and providing the training and development experiences that allow staff to acquire the skills they need to function effectively in this changed environment. Essentially, HRM translates corporate strategy into human requirements that directly link corporate or business strategies with specific HR issues and programmes. This in turn allows for the more transparent measurement of the contribution of HRM to overall organization performance.

Consolidating around core processes and outsourcing

As mentioned above, companies have altered their formal strategic planning processes to increase their speed, flexibility and overall agility. A related trend is to consolidate the organization structure around core processes and to outsource the rest. The concepts of core competencies and outsourcing were preceded by the concepts of unrelated diversification and vertical integration in the 1960s. Noting the failure of numerous conglomerates in the 1960s and 1970s, many financial theorists, management academics and consultants began to support a more focused view of how widely a company should array itself, which usually translated to the phrase “stick to the knitting”(Quinn and Hilmer, 1994). In other words, stick to doing what you know how to do.

A firm’s core competencies are generally not products, but knowledge, intellectual skills, or unique systems that create a sustainable competitive advantage. The notion is to leverage something that you do very well and which is not easy to copy (Hamel and Prahalad, 1990). Thus, while an outstanding product design will usually be imitated fairly quickly, the intellectual skill that produced the design may be very difficult to copy.

Quinn and Hilmer (1994) state that intellectual input accounts for virtually all the value added in the service sector in the United States, which accounts for 79 per cent of all jobs, and 76 per cent of all value added. Therefore, core competencies represent the bulk of a company’s intellectual capital and profitability. Conventional wisdom extends this argument to suggest that if some aspect of a business is not a core competence then it should be outsourced to another firm which can do it cheaper, faster and better than you can. There are some good examples of this practice.

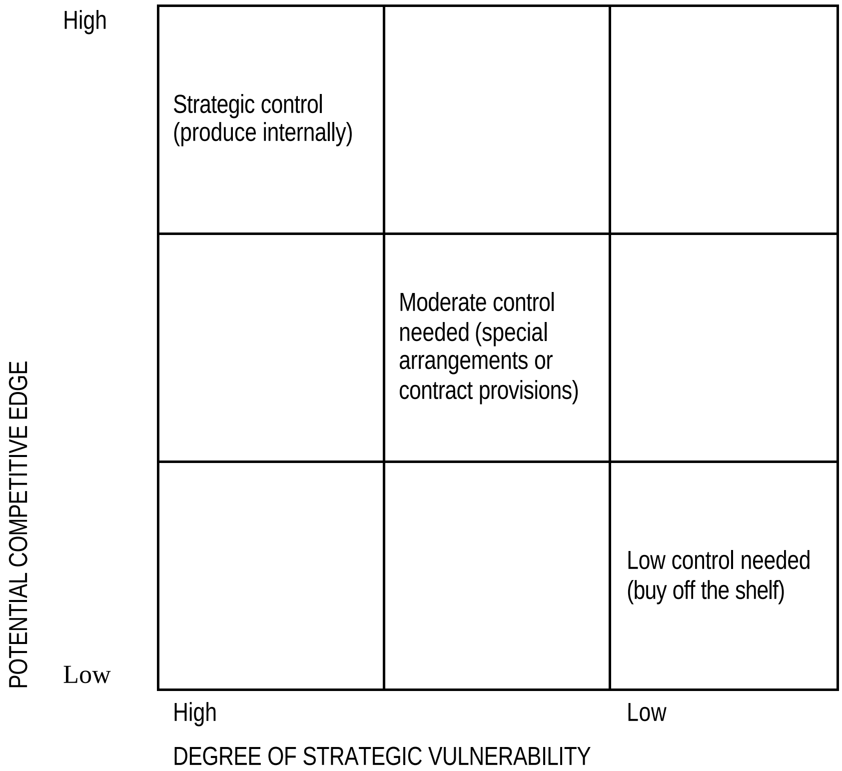
The highly successful Dell Computer Company does not manufacture anything. They excel in direct marketing to the public, real-time assembly to customer specifications and outstanding after-sales service. These are their core competencies and they invest heavily in training and development to maintain this competitive advantage. Similarly, Nike Inc. outsource 100 per cent of their bulk shoe production and only manufacture key components of their “Nike Air” system. They create maximum value by concentrating on the core competencies of product design, marketing, distribution and sales.

Quinn and Hilmer (1994), recommend that no more than three to five activities in the value chain should be targeted as core competencies because, as work becomes more complex, it is difficult to achieve excellence in a wide variety of activities.

The role of HRM is critical in identifying and maintaining core competencies. These are usually identified through benchmarking and HRM is either responsible for or involved in this activity. Because core competencies represent a heavy investment in human capital and competitive advantage, the HRM systems that support those key staff must also be of a very high standard. It is hard to imagine that anything other than high standard HRM practice could maintain high standard core competencies and the people who represent them.

Outsourcing is the other side of the coin regarding the concentration on core competencies, and it involves benefits and risks. Until an activity has been benchmarked a company may not know how well it performs. When Ford Motor Company carried out a massive benchmarking study on 400 sub-assemblies for the new Taurus-Sable line they were surprised to discover that many internal suppliers were nowhere near the standard of external suppliers (Quinn and Hilmer, 1994). Where there are a relatively large number of suppliers and mature market standards, it makes sense to outsource. Figure 2 illustrates the trade-off between competitive advantage and degree of strategic vulnerability.

Figure 2. Competitive advantage vs. strategic vulnerability



Source: Mintzberg and Quinn, 1997.

Normally, if strategic control of an activity or unique process were important it would be kept in-house. Similarly, if its strategic importance were low, it would be a candidate for outsourcing. At the intermediate level, figure 2 suggests that it would be bound by a contractual arrangement.

One of the key concerns for HRM and one that does not usually get enough attention is the de-skilling that takes place when an activity is outsourced. The skill bases which a company has built up over a lengthy period of time can be lost very rapidly. Where the skill base needed for an activity is widely distributed in an industry, this is not a serious concern. Where the skill base is not widely distributed and there are few dominant suppliers, then a company may risk suppliers taking control. In some cases, by outsourcing a key component companies may lose the strategic flexibility to introduce new designs when they want them, rather than when the supplier permits (Quinn and Hilmer, 1994).

Finally, outsourcing an activity extends the supply chain beyond a company's boundaries and thus beyond its internal control mechanisms. This can be fairly problematic when supply chains cross national boundaries, particularly into developing countries. These and other considerations about supply chains are discussed in the next section.

Supply chain development

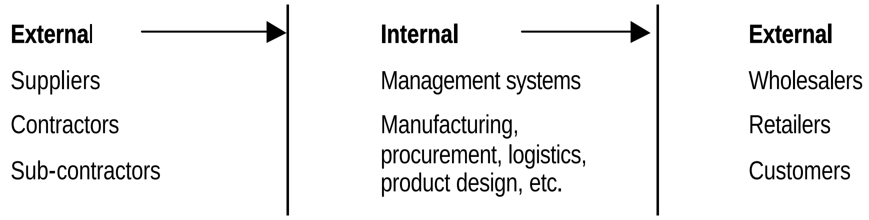
The concept of emergent strategy is based on the assumption that the business environment is too chaotic and unpredictable to be forecast accurately with conventional strategic planning methods and that it needs a more flexible structure with managers closer to the action. Focusing on a few core processes with the rest being outsourced also suggests a more flexible structure.

The need for flexibility, the ability to respond quickly to changing circumstances and generally do everything faster, is clearly not compatible with the traditional bureaucratic structure. In order to develop an organizational architecture corresponding to these needs many companies have redesigned their activities in relation to their supply chains. In a sense the supply chain becomes an organizing mechanism for fitting elements together and removing barriers. It is, essentially, a move away from functions towards processes.

Modern supply chain theory rejects the traditional view of an organization being comprised of distinct functional entities (Anderson, Britt and Favre, 1997). These 'functional silos', as they have been called, are seen as an impediment to the smooth flow of products, services and information across the internal supply chain of various management systems, as well as external components such as suppliers and customers.

Figure 3 presents a simplified supply chain with its internal and external components.

Figure 3. A simplified supply chain



Source: Entrekin, 2000.

The more recent view of supply chain management (SCM) is that of an integrated, process-oriented, approach to procuring, producing and delivering products and services to customers. This includes sub-suppliers, suppliers, internal operations, trade customers, retail customers and end users (Anderson et al., 1997).

Contemporary SCM is a progression in logistics management, which has gone through several stages. Initially logistics was concerned with the relationships between warehousing and transportation. These two functions were integrated by physical distribution management which resulted in the need for less inventory through the use of faster, more frequent and reliable transportation (Metz, 1998). This was enabled by more advanced communications between the various components of the supply chain, integrating production plants, regional and local distribution centres (Metz, 1998).

A second stage in the development of SCM was the inclusion of logistics, which incorporated manufacturing, procurement and order management functions. This stage was made possible by advances in information technology, worldwide communications, computer aided design (CAD), computer aided manufacturing (CAM) along with the ability to store, access, analyze and exchange large amounts of data (Metz, 1998).

The current stage is what Metz (1998) refers to as the "integrated supply chain management stage" which lengthens the supply chain to include suppliers at one end and customers at the other. This represents a progression from a two-stage supply chain in the 1960s to a seven-stage supply chain by the mid-to late 1990s.

This development has largely been made possible by dramatic advances in information technology (IT). IT provides more information, more accurately, more frequently and globally than at any time in history. This makes it possible to digest, analyze and model information in sophisticated decision-support systems in ways that allow organizations to cope with the increasing complexity of supply chains (Metz, 1998). Systems thinking, total quality management (TQM), and business process reengineering (BPR) have also contributed to the development of SCM by requiring managers to understand how various management processes interact in order to make them more efficient and productive.

Activity-based cost accounting (ABC) is another important advance supporting SCM. ABC gives process-based financial information that allows a much more specific allocation of costs than traditional function-based cost accounting. This technique provides an understanding of where the costs really lie and thus enables the improved design of integrated processes (Metz, 1998).

Disaggregated supply chains

Most manufacturers and service providers have traditionally outsourced some aspects of their production or service activities. Automobile manufacturers source components from hundreds of specialized suppliers while retaining the core processes of product development, manufacturing, assembly, marketing and sales. Similarly, banks have traditionally outsourced functions like check clearing, some data processing and other 'back room' activities to specialist service providers.

However, the outsourcing of entire production or service functions is a more recent phenomenon, resulting in the disaggregation of supply chains. Call centres are an example where companies such as banks, utilities and other service providers have outsourced customer service to a specialist provider. In his popular book, Charles Handy (1998) describes these as "doughnut organizations" which retain their strategic core functions and outsource the rest.

Most mass producers of apparel and footwear outsource production while retaining their strategic core functions of product design, marketing, procurement and logistics, together with internal management systems such as finance and HRM. As noted previously, external supply chain relationships can vary from a purely arms-length contractual arrangement to high involvement of the purchaser and supplier. The literature suggests a number of possible relationships as illustrated in table 1.

Table 1. Range of possible relationships between companies and their suppliers

	1. Contractual/arms length	**3.**	**5.**	**7.**	**9. Fully integrated**
Supply strategy	Many suppliers, contractors and sub-contractors	Many suppliers, contractors and sub-contractors	Several preferred suppliers and contractors who supply several companies	One or two suppliers who produce exclusively for one company Company-owned operations centre located in region of production e.g. Hong-Kong	Wholly owned production facilities
Factors of production emphasized	Emphasis on low cost/speed to market/low to medium quality	Emphasis on low-cost/speed to market	Emphasis on low cost/ acceptable quality	Emphasis on low cost, high quality/speed to market	Emphasis on cost and high quality
Location	Lowest cost developing country	Developing countries	Developing country	Transitional or recently developed country, e.g. Singapore/Brazil/India/ Mexico	Europe/North America/Japan/Australia/New Zealand
CSR strategy	Meet local labour standards, e.g. minimum wage/hours/child labour	Meet local labour standards No code of conduct	Meet local labour standards/code of conduct	Exceed minimum labour standards/ code of conduct/ labelling scheme	Meet or exceed developed country labour standards/invest in training and retaining staff
SPO implementation and monitoring	Meet local minimum labour standards	Meet local minimum labour standards/minimal CSR emphasis	Minimal CSR function/third- party audit	Well developed CSR function/third party audits	Part of strategic plan/HRM policies
Image and type of product	Low or no image apparel and footwear	Intermediate use products, e.g. rubber, products used in end production by others, bottles/cans etc. Little or no corporate or brand image	Medium to high quality image apparel/ footwear/toys/house ware	High quality corporate and brand image sports apparel and footwear/personal products/food products	High quality corporate and brand image products, electronics/integrated circuits/computers/ software/automobiles

Source: Entrekin, 2000.

With the constant pressure to increase productivity and lower costs to remain competitive in the global market, MNCs have looked to their supply chains for the answers. In addition to refining and improving processes in their internal supply chains, many companies have outsourced entire processes to lower-cost locations.

To achieve a comparative cost advantage over competitors, more and more MNCs have established production in developing countries which generally have much lower wage structures and mandated labour standards. As this phenomenon has dramatically increased in the past two decades, so has the concern of international agencies such as the ILO, non-governmental organizations (NGOs), national governments (particularly the United States), human rights groups and university students among others. These concerns have crystallized around the ILO’s concept of ‘decent work’, which embodies principles and standards relating to freedom of association, the right to collective bargaining, non-discrimination, and the elimination of child and forced labour. These concerns culminate in the rejection of 'sweatshops' where high priced consumer goods, destined for developed country markets, are said to be produced in unacceptable working conditions that are unsafe, unhealthy and for wages that will not support a reasonable standard of living.

The development of SCM is part of a more general movement to streamline organizations so that they can deal with complexity and turbulence in increasingly shorter timeframes. The functional approach in the bureaucratic model is simply too slow and cumbersome to allow organizations to be proactive. Companies are therefore reconfiguring processes and relationships so that they can respond in real time to an ever-evolving landscape.

Reengineering and cycle time

Reengineering has been (still is) a favoured tool in the 1990s for achieving dramatic improvements in critical measures of employment such as cost, service or speed (Hammer and Champy, 1993). The term is often misused as a euphemism for downsizing in announcements to employees and the financial markets (ILO, 1999). Reengineering, which often includes downsizing, basically refers to thinking about how things should be done now, as opposed to how they were done in the past. This almost always leads to organizing work around processes instead of functions, as mentioned previously. Reengineering advocates the radical redesign of processes and structures and it can be very painful and unsettling for both managers and employees.

Reengineering has a mixed track record, sometimes yielding spectacular results and sometimes failing to reach its objectives. For example, Ford Motor Company discovered that Mazda handled accounts payable with five people as compared with Ford's five hundred. Through reengineering, Ford implemented a totally electronic system that reduced the number to one hundred (Daft, 1998).

A large survey of 99 completed reengineering projects undertaken by Davenport (1995) showed that two-thirds were judged to have produced mediocre or failed results. The most important reasons cited for these poor outcomes related to lack of attention to the human dimension, poor communication, and the anxiety and stress that were created. Other reasons related to unrealistic expectations, a short-term perspective, inadequate resources and lack of ownership of the projects (Davenport, 1995). Because reengineering is expensive, time-consuming and almost always painful, Daft (1998) suggests that it is best suited to companies that are facing major dislocations in the nature of their competitive environment, such as in telecommunications. Hammer and Champy (1993) cite several recurring themes associated with successful reengineering projects, including:

- combining several jobs into one;
- empowering workers to make decisions;
- performing process steps in a natural order;
- replacing functional teams with process teams;
- shifting the focus on performance measures and compensation from activities to results;
- making managers act as coaches, not supervisors;
- making executives act as leaders.

There is a saying that “everything that goes around comes around again”. Very little on the above list is new. Job redesign, worker participation, cross-functional teams, at-risk compensation, mentoring and transformational leadership have all been around since the early 1970s. The probable reasons why these recycled ideas occasionally work now, although they were generally unsuccessful then, have to do with stability, structure and implementation. The 1970s was a relatively stable environment in which bureaucracies still worked reasonably well. These experiments took place in structures that had not changed and were generally tried in isolation rather than in combination, as suggested by Hammer and Champy (1993).

Cycle time as discussed previously refers to the length of time it takes to create and produce a product or service; it is a relatively new term in the lexicon of globalization. If a company’s cycle time is consistently longer than that of competitors it will never enjoy the “first-mover” advantage. For example Dell Computer Company (mentioned previously) boasts that it has no product over 11 months old (ILO, 2001). Like cost reduction and productivity improvement, cycle time is a more aggregate measure of the combination of techniques used in the attempt to achieve a competitive advantage. These include rethinking the strategy-structure nexus, consolidating around core processes, outsourcing, supply chain management and reengineering.

The use of teams

The use of teams precedes globalization and is probably the most consistently used mechanism for organizing work. With the extensive restructuring and downsizing that has taken place in the last decade, organizations have become much flatter and managers’ spans of control have widened dramatically. The rule of thumb in the “personnel management” era was that a manager’s span of control should not exceed 8 to 10 subordinates. This implied close supervision of subordinates in fairly highly structured jobs that allowed little discretion for individual initiative or decision making.

This scenario is clearly inappropriate in today’s globalized environment and companies have had little choice than to move towards team-based structures. The origins of teams can be traced back to the Tavistock studies of post-World War 1 (cited in Trist and Bamforth, 1951). This was followed by Swedish experiments with the team-based production of automobiles usually associated with Volvo (Pasmore, 1995). Interest in the United States was evident in the 1960s with the early use of teams at Proctor and Gamble and the much publicized team-work system at General Foods’ pet food plant in Topeka, Kansas (Kraut and Korman, 1999).

Generally, teams are defined as groups of individuals working interdependently to solve problems or accomplish tasks (Manz and Sims, 1993; Sundstrom, DeMeuse and Futrell, 1990). The emphasis here is on *interdependently*, which distinguishes teams from groups of people who happen to work in the same location on similar jobs.

The main types of team and their distinguishing features are shown in table 2, adapted from Kraut and Korman (1999).

Table 2. Types of team

Rating	Team type	Typical work performed/typical members	Task design	Duration
1	Self-managing work teams	Day-to-day work activities, including some managerial duties	High autonomy, high task interdependence, teamwork is the job	Permanent
2	Work team	Day-to-day work activities	Varies	Permanent
3	Management teams	Strategic decision making carried out by top managers	High autonomy, high task interdependence, teamwork is the job	Permanent
4	Cross-functional teams	Members of different functional areas assigned to carry out work	Some autonomy, moderate task interdependence, functional responsibility is retained	Until project or assignment is complete
5	Problem-solving project teams	Specific tasks designed to improve work processes or meet specific customer needs	Some autonomy, moderate task interdependence, functional responsibility is retained	Until project is complete or problem is solved
6	Virtual teams	Members geographically dispersed; they seldom meet face-to-face	Extreme autonomy, low to moderate interdependence, functional responsibility is retained	Until project is complete

Note: The team rating (from 1 to 6) indicates the degree to which a team member's time is spent in the team and the life span of the team (for example, 1 = all of the member's time is spent in the team and the team is permanent; 6 = only some of the member's time is spent in the team and the team is temporary).

Source: Kraut and Korman, 1999, p. 92.

One of the important differences between the teams described in table 2 is their permanent or temporary nature. Self-managing work teams, work teams and management teams tend to be permanent arrangements, whereas cross-functional teams, problem-solving project teams and virtual teams tend to be temporary. Perhaps the most important types to date are self-managing teams, which are permanent, and cross-functional teams, which are temporary.

Self-managing teams are important because they represent a realization by management that if people are properly selected, trained and resourced, they can effectively manage themselves, take the initiative and make decisions. This has two important effects. First, people are empowered to use their own abilities, which enhances motivation and group cohesiveness. The second important effect is that these teams release managers from close supervision so that they can pay more attention to strategic issues. This, then, is one of the main mechanisms that allow companies to alter their structures from tall hierarchies of authority to self-organizing forms that are more flexible and agile. The manager's role involves less command and control and more resourcing, training and facilitating.

Cross-functional teams are equally important as, by definition, they function across boundaries. One of the major drawbacks to the traditional function-based bureaucracy is the difficulty in communicating across departmental boundaries to find joint solutions to common problems. Disputed issues would often need to refer several levels up the hierarchy to a common boss for resolution. Cross-functional teams are usually established with the necessary expertise from two or more functional areas to accomplish a specific task or solve a mutual problem. Cross-functional teams are used to design new products, services and processes, and are extensively used in reengineering. Members retain their functional responsibilities and disband when the project is complete. Assignment to cross-functional teams is also an excellent developmental experience for young talent.

Team-based work arrangements are not a panacea nor are they appropriate for all situations. Geographically dispersed sales representatives working on commission, or people stitching clothes on a piece-rate basis will probably gain little from being called a team. Work teams are most effective when there is a high degree of interdependence requiring a high degree of collaboration and cooperation to accomplish tasks (Shea and Guzzo, 1987). Work teams are not created by simply calling a group of workers a team. They will be most effective where the tasks are complex and well designed (Cordery, Wall and Wright, 1997). If a group's work is routine and unchallenging, highly programmed with little opportunity for initiative and feedback, teams will probably have little impact on productivity (Hackman, 1987).

The major challenge for HR practitioners in introducing team-based work is to adjust their approach from individual HR practices to those appropriate to teams. These are summarized by Kraut and Korman (1999) in table 3 below.

Table 3. Adapting our assumptions

Domain	Previous assumptions	New assumptions
Motivation	■ Individual motivation ■ Individualistic values ■ Competition ■ Short-term focus	■ Group motivation ■ Collectivistic values ■ Collaboration ■ Longer-term focus
Structure	■ Independent work ■ Quality is important ■ Narrow job definitions ■ Strong organizational boundaries	■ Independent work ■ Processes are important ■ Multiskilling ■ Permeable boundaries
Accountability	■ Individual responsibility ■ Functional specialization ■ Vertical reporting structures ■ Command and control	■ Mutual responsibility ■ Lateral thinking ■ Horizontal reporting ■ Self-management

Source: Kraut and Kormann, 1999, p. 96.

The main considerations to bear in mind concern individual versus group factors regarding motivation and accountability, and structural factors related to independent versus interdependent work. Historically, HRM practices have been oriented towards individuals and their needs. Recruitment and selection have been based on some form of job analysis, which focused on a fit between the individual and a particular job. Similarly, training has focused on specific jobs, with performance appraisal and the allocation of rewards based on individual performance. These and other specific considerations for HR practice will be the subject of the next section.

5. HRM practices in a changed environment

This chapter describes the major HR practices that should be operative in companies, and suggests how they may need to change in a globalized environment. It is important to put this into perspective, as there is a danger that the "hype" surrounding globalization may overtake the reality for most companies in both developed and developing countries. Although virtual companies and virtual teams do exist, they do not represent common practice as yet. For many companies, the changes to HR practices will be incremental and evolutionary rather than radical. This perspective is consistent with the "emergent" approach to strategy discussed previously, which is more about building capability and continuously realigning the company and its practices in relation to changes in the business and global environment.

The following topics are discussed in this section:

- the employment relationship;
- motivation and commitment;
- job security;
- the make-or-buy decision in HRM;
- HR planning and forecasting;
- recruitment and selection;
- work analysis versus job analysis;
- competency profiling;
- performance management;
- remuneration.

The employment relationship: Motivation, commitment and job security

In the era preceding globalization, the employment relationship was characterized by stability, the prospect of long tenure and a reasonable degree of job security in return for adequate performance, conformance to company norms, and loyalty and commitment to the company. During that era, which lasted from the late 1950s to the early 1980s, the dominant personnel/HRM philosophy was what Kraut and Korman (1999) refer to as *self-enhancing motivation.* This motivational philosophy, as reflected in recommended HRM practices of that time, focused on an individual's need for personal growth and development, achievement and self-enhancement. These motivational theories were accompanied by the notion of goal-alignment, which suggested that if employees could align their personal goals with those of the organization, they could move together to accomplish mutual objectives. Such ideas were advocated by many of the important management writers of that period including: Argyris (1957); Herzberg, Mausner, and Snyderman (1959); McGregor (1960); Vroom (1964); and Hackman and Oldham (1976).

The second theory, perceived as less important, is based on the idea of *self-protective motivation* (Kraut and Korman, 1999). This is essentially concerned with protecting oneself from forces in the environment that threaten one's sense of identity. Korman (Kraut and Korman, 1999) suggests that self-protection motivation is the force that underpins the need for personal and job security.

In an era of relative stability and prosperity, this was not an issue that created a lot of anxiety and it was generally perceived to be of greater concern to unions at a time when their membership and influence were declining. In this environment, HR policies and practices placed more emphasis on the self-enhancing approach to motivation and, although self-protection was seen as important, it received less attention from practitioners and theorists. Thus, there was an assumption that HR practices with this focus could serve the needs of both the company and the individual (Kraut and Korman, 1999). In effect this corresponds to the above-mentioned notion of goal-alignment.

The belief in continued relative stability ended in the mid-1980s with the start of an endless round of restructuring, reengineering and downsizing, among large corporate bureaucracies in particular. Many corporations underwent massive downsizing in the 1990s, some of them several times. For example, IBM has gone from 410,000 employees in recent years to approximately 225,000 at present (Kraut and Korman, 1999). Table 4 gives further examples of downsizing in the 1990s.

Table 4. Examples of downsizing by major corporations in the 1990s

Company	Number of lay-offs
Bell South	11,300
Boeing	12,000
Chemical/Chase	12,000
Citicorp	9,000
CAN Financial	6,000
International Paper	9,000
Kimberly-Clark	6,000
Kmart	6,449
Lockheed-Martin	15,000
Woolworth	9,200

Sources: New York Times, Mar. 22, 1994, p. 19; New York Post, Dec. 14, 1995, p. 44; New York Post, Nov. 18, 1997.

As companies transformed themselves from tall hierarchies of authority to flatter, more flexible structures, a certain degree of downsizing was inevitable. However, downsizing per se has never been a viable strategy for repositioning a company, although many corporations acted as if it was. Downsizing does serve the purpose of rebalancing the employment mix (sometimes referred to as "rightsizing") and it does reduce costs. However, this should be part of a larger revitalization plan to reposition a company rather than a stand-alone measure. Because downsizing has such an impact on defining the new employment relationship, and because HRM has to work with what is left after downsizing, it is worth exploring in detail some of the hidden costs and effects involved. These should be understood before this course of action is implemented.

The hidden costs of downsizing

Downsizing is usually undertaken to improve productivity and reduce costs. Yet surveys continue to show that the expected benefits are not realized in over half the cases studied. The source of hidden costs is the poor morale of survivors, caused by increased stress and its effect on work behaviour and attitudes. The resulting job insecurity, increased resistance to change, misplaced energy and erosion of trust can have a staggering effect on overall profitability. Some of the hidden costs which have emerged from studies on this issue are presented briefly below.

Reduced productivity: More than half of 1,468 downsized companies surveyed by the Society for Human Resource Management reported that employee productivity either stayed the same or deteriorated after the layoffs. In another poll, 74 per cent of senior managers at recently downsized companies said their workers had lower morale, feared future cutbacks and distrusted management.

Higher turnover, absenteeism and more sick leave: These are all direct consequences of a drop in morale, lower commitment, and lack of trust and loyalty. Such costs are very high. One study estimated the cost of turnover at 1½ and 2½ times the annual salary and benefits cost for each employee leaving. Several studies have affirmed that employee loyalty engenders customer loyalty and that loyal customers are the most profitable.

Decline in quality: When layoffs take place without work redesign, quality often suffers. As "survivors" try to learn the jobs of the displaced employees while continuing to do their own work, they become stressed and overworked. Quality and service inevitably suffer.

Decreased creativity, entrepreneurship and risk taking: A 1995 study by McGill University and the Wharton School of Economics found that downsizing seems to interfere with the webs of informal relationships that innovators use to win support and resources for new products and which help combine innovative activities with those of the firm.

Loss of key talent: Companies often find that key employees and top performers leave during downsizing, stripping the firm of valuable human capital, critical skills and institutional memory. For example, *The Economist* (April 1996) reported on an insurance company whose cost of claim settlements rose sharply (and profits fell) following staff cuts in the claims department. An investigation found that long-serving employees who had been made redundant had created an informal but effective way to screen claims, but this was forgotten during the downsizing effort. Another case involved an automobile company worker in charge of ordering steel who accepted a generous early retirement package. After he left, an order was placed for the wrong kind of steel. This produced a $2 million loss for the company in downtime, rework and repair. Organizational memory and expertise were lost when the purchasing agent left because no one was trained to replace him.

Poor external image: Many companies show little concern for the impact of downsizing on consumers and potential recruits. Experience has shown that it takes a lot of time and money to rebuild a tainted public reputation and brand image. Badly planned downsizing can hit minority groups, reducing the diversity that companies may have built up over time.

Increased legal and administrative costs: Not infrequently, workers who have been made redundant sue their former employers and commit sabotage to express their discontent.

High social costs: Society at large must bear significant costs when a company moves into or out of a community. Costs may include lost tax revenue, welfare payments due to job loss, retraining, drug abuse or alcoholism and outplacement services. The question is: "Who pays these social costs?" The answer depends on the company's social concern and community resources. Mass layoffs may also lead to social unrest, especially in countries with no safety net for displaced workers.

Having recognized the risks and hidden costs of downsizing, companies are discovering that better results can be achieved through more responsible approaches. A number of countries, including most member States of the European Union, have legislation on employee dismissals. Moreover, an increasing number of multinational companies with a social corporate culture have responsible global policies on laying off employees, even in countries without such legislation (ILO and Bahài, 1999). International labour standards also exist which provide guidelines for socially responsible enterprise restructuring, mainly pertaining to procedural fairness. The most relevant instruments are the Termination of Employment Convention, 1982 (No. 158) and Recommendation (No. 166).

Given the potential and actual costs associated with downsizing and other forms of restructuring, the evolving model for the employment relationship may take one of several forms. Kraut and Korman (1999) state that the assumptions underpinning the self-enhancement model of HR practice are no longer valid and need to be changed. They believe that the individual and the organization should be viewed as separate entities that can integrate their interests and cooperate under certain conditions, but not under others. This is essentially a contractual model where monetary rewards are generally more important than organizational rewards such as promotion opportunities and enriched jobs.

Another view expressed by Lepak and Snell (1999) is that of “organizational architecture” which places employees in different quadrants according to the value and uniqueness of their skills. Value refers to whether an employee’s skills can add value by lowering costs or providing increased benefits to customers. Uniqueness is the degree to which skills are specific to a company and may be based on tacit knowledge. Lepak and Snell (1999) suggest that HR can use this four-quadrant model to decide whether to internalize or externalize employment and development decisions. Table 5 depicts the four quadrants according to their value and uniqueness.

Table 5. Four different employment modes of HR architecture

Quadrant 1: Internal development High value, high uniqueness workers are ‘core’ employees and a source of competitive value. Their value and uniqueness may be based on tacit knowledge that would be valuable to a competitor. These employees would be developed internally and the organization would invest in their training and development.	**Quadrant 2: Acquisitions** High value, low uniqueness employees are those whose skills are valued but are widely available in the market, for example, accountants. These employees are likely to be career-focused and have a conditional loyalty to a specific organization. HR strategy is to buy from the market, emphasizing recruitment and immediate deployment of skills. Little investment in training and development.
Quadrant 3: Contracting Low value, low uniqueness employees are those with low-level skills that are widely available in the market. In this case labour is treated as a commodity to be acquired when needed. There is no long-term relationship, rather a short-term economic exchange. No investment in training and development.	**Quadrant 4: Alliance** Low value, high uniqueness workers are not essential to creating value and are therefore not ‘core employees’ although they have skills that the organization needs from time to time, such as lawyers. This is an alliance relationship, e.g. a law firm looking after a company’s legal affairs. Little or no training and development would be provided by the company.

Adapted from: Lepak and Snell, 1999.

Essentially this model recognizes that employees possess knowledge and skills that are not of equal strategic importance to an organization. Distinguishing between different types of employee makes it possible to focus on the strategic allocation of resources for training and development. It also provides a framework for "make-or-buy" decisions in HR. This refers to the management decision to develop skills and knowledge internally through training and development or to buy them on the market. To a considerable extent, this depends on the strategic importance of those skills and knowledge and their availability in the open market. Generally, the types of competence that are related to core processes will be developed internally and may involve "tacit knowledge" that has built up over time. This knowledge resides in individuals and is usually not codified or publicly available. It may or may not reside in the collective memory of an organization.

Therefore Quadrant 1 represents core employees. A company will invest in these workers, in terms of training and development, remuneration and benefits and other self-enhancement programmes that will protect their investment.

Quadrant 2 represents, to a considerable extent, autonomous professionals such as accountants, lawyers, academics, software engineers and so on. These people have valuable skills that are usually not unique to a specific organization and are fairly widely distributed. Therefore, these skills can be obtained from the labour market and do not require investment in further professional development. These employees are generally committed to their career and profession rather than a specific company and have a conditional loyalty at best.

Quadrant 3 represents employees whose skills are low in value and uniqueness. They represent labour as a commodity which is widely available and can be purchased and disposed of as required. This is a contractual arrangement, which is becoming increasingly common as companies, particularly MNCs, outsource many lower skilled jobs. These are not necessarily unskilled jobs but rather lower skilled jobs that do not directly help create a competitive advantage. Temporary relief staff in offices, call centres, cleaning and maintenance are occupations that fall into this category. Although these people may not be considered core process staff in a strategic sense, they may well be core process staff to a service provider. In other words, it is not a question of whether these staff have value, but rather to whom they have value. The organization architecture model does not make this point sufficiently clear.

Quadrant 4 represents low value high uniqueness staff that a company need not employ directly. They are low value in the sense that they do not directly add value to core processes or contribute to a competitive advantage. Their skills are unique in that a company does not need them often enough to justify their full-time employment. An example might be an alliance between a company and a university to carry out certain types of research on a continuing basis. In such a case the synergistic value of the relationship exceeds the value each institution could generate on its own.

The HR architecture model clearly advocates a differential investment strategy for various categories of staff depending on their capacity to contribute to strategic core processes and/or create value for customers. Lepak and Snell (1999) state that HRM researchers have tended to present a holistic view of HR practice which suggests that high performance management practices should apply across the board to all employees. They have not differentiated sufficiently between the various types of employee.

Jeffrey Pfeffer (1998) argues very convincingly for a more inclusive approach, while not commenting directly on the use of segmenting architecture. His book "The human equation"(1998) and articles (Pfeffer and Veiga, 1999; Pfeffer and Sutton, 1999) present empirical evidence that strongly supports a direct relationship between a company's financial success and its commitment to management practices that treat employees as assets. Several studies cited by Pfeffer (1998), covering multiple industries such as auto manufacturing, apparel, semiconductors, steel manufacturing, oil refining and service industries, demonstrated that gains in the order of 40 per cent were obtained by companies that implemented high performance work practices.

Another study of 702 companies, cited by Pfeffer (1998b), found that a one standard deviation improvement in HRM practices was associated with an increase in shareholder wealth of $41,000 per employee or about a 14 per cent market value premium. These are indeed impressive results and they are by no means isolated. Reviewing a large number of studies, Kling (1995), reports impressive gains for companies employing high performance work practices. The results are summarized in table 6 below. High performance work practices are also referred to as high involvement and high commitment practices.

Table 6. A summary of studies reviewed

Author / Date	Work practices	Performance measure	Results
Bartel (1994) All industries	Training	Net sales per worker	Productivity up 19 per cent over 3 years in firm with training
Holzer et al., (1993) Michigan manufacturing	Training	Scrap rate	Doubling training associated with 7 per cent decrease in scrap
Bishop (1994) Literature review	Training	Wage	Wages of trainees up 0 to 12 per cent in eight studies
Kruse (1993)	Profit sharing	Various	Profit sharing associated with 3 to 5 per cent increase in productivity
Kaufman (1992) Manufacturing	Gain sharing	Relative labour	IMPROSHARE associated with 15 per cent increase in productivity over 3 years
Cooke (1994) Michigan manufacturing	Profit sharing, gain sharing, teams	Value-added per employee	A 5 to 25 per cent increase in value-added in establishments with incentive pay
Levine and Tyson (1990) Literature review	Participation in decision making	Various	Majority of studies found that participation positively correlated with productivity
Macy and Izumi (1993) Meta-analysis	Various: job design, teamwork, training, communication, others	Various	Changes in work practices associated with productivity improvements of up to 40 per cent
Kelly and Emison (1995) Metalworking and machinery	Decentralized responsibility, problem-solving teams	Machining time per unit output	Production time decrease with worker participation
Ichniowski, Shaw and Prennushi (1994) Steel	Teams, incentives, training, communication, others	Uptime, prime yield	Lines with most progressive system of practices had 7 per cent higher uptime
Arthur (1994) Steel	Employee involvement, teams, others	Labour hours per ton	"Commitment" system had 12 per cent higher productivity
MacDuffie (1994) Automobiles	System: teams, training, job rotation, others	Standardized production time per vehicle	Work systems associated with significant increase in productivity
Cutcher-Gershenfeld (1991)	System problem-solving,	Labour hours per	Non-traditional work groups had 17 per

Author / Date	Work practices	Performance measure	Results
Components-manufacturing	worker autonomy, others	standardized task	cent higher productivity
Huselid (1994) All industries	System: employee, skills motivation, others	Sales per worker	System indexes associated with 16 per cent greater productivity
Ichiowski (1990) Manufacturing	System: job design, training, others	Sales per worker	System indexes associated with higher productivity
Hendricks and Singhal (1994)	Quality Award recipient	Daily stock price	Quality Award announcement coincides with 0.6 per cent stock jump
Easton and Jarrell (1994) All industries	System: training, teamwork, organizational structures, others	Stock price, accounting profit	Firm implementing system had 20 per cent higher stock price after 6 years

Source: Kling, 1995.

If there is so much evidence of the success of high performance work practices, why isn't every one using them? The answer would appear to lie in the types of employment relationship that very prominent companies are developing. Pfeffer (1999) describes it as "a disturbing disconnect in organizational management" when significant amounts of evidence point in one direction while companies continue to ignore this and move in another direction.

High quality employment relationships require an investment on the part of both employers and employees. This mutual commitment leads to a form of psychological contract that satisfies the needs of both parties. The investment on the part of the employer would include a reasonable degree of employment security, relatively high compensation, and opportunities for training, development and personal growth. These are the self-enhancement motivators mentioned by Kraut and Korman (1999) and Pfeffer and Veiga (1999). The investment on the part of the employee would involve commitment to the company and its values, a certain level of loyalty, willingness to be a team player and a high level of job performance.

These mutual commitments, accompanied by other high quality HR practices go a considerable way towards establishing high performance work systems. Job security is particularly important because it stabilizes the relationship and people generally want stability in their lives. Take away job security and the relationship becomes destabilized and the psychological contract is nullified. Without a certain level of job security, commitment and loyalty are unlikely and the relationship becomes, essentially, contractual in nature. Self-interest on both sides has replaced mutual interest. Locke (1995) has noted a general acceptance of the proposition that innovations in work practices will not occur or be sustained over time if workers feel insecure.

The flexibility that is gained by reducing the workforce (downsizing) carries potentially high costs. As Pfeffer (1998) has noted, companies that have invested in recruiting, selecting, training and developing their employees not only risk losing that investment, but also put important strategic assets on the market for competitors to employ. Pfeffer (1998) cites a number of examples, which are fairly common practice, of companies which tell new employees that they are not offering job security, but good training and external assistance to prepare for the next job. Pfeffer wonders why they are surprised when good people take up the offer and leave.

This section has considered the employment relationship and important related variables. These included the make or buy decision in HRM, motivation, commitment and job security. Four somewhat different approaches were considered about what the employment relationship might look like, although none of those are mutually exclusive.

Kraut and Korman (1999) take the view that individual and organizational interests are no longer totally compatible and should be viewed as separate entities. They do not view this as a hopeless situation, but rather as a reality of organizational life in a global environment. Their views seem to most closely equate to contractual relationship as being the norm in the future.

Lepak and Snell (1999) present a theoretical model of HR architecture that segments employees into four quadrants according to the value and uniqueness of their skills in relation to the "core processes" of the organization. This suggests different levels of, or no investment in different categories of employees. In this scenario core employees are viewed as assets to be invested in and protected, while the others are largely of a contractual or alliance nature.

Pfeffer (1998), Pfeffer and Veiga (1999), Pfeffer and Sutton (1999), Kling (1995), and Locke (1995), present a more inclusive view that employees generally should be considered as assets, while not commenting directly on segmentation architecture. They present a great deal of high quality empirical evidence that show strong relationships between high performance work practices and superior organizational and financial performance.

The final view presented in this paper is that of a psychological contract between employers and employees where a mutuality of interests can be achieved. It is our view that this psychological contract must be underpinned by a certain level of job security to be sustainable as this stabilises the relationship and people want a certain amount of stability in this aspect of their lives. When job security is removed, as is common now, the relationship becomes destabilized and the mutuality of interests becomes separated. Under these conditions the relationship becomes contractual in nature and self-interest on both sides part becomes dominant. Under this condition it is difficult to see how a collective set of high performance work practices can achieve the dual objectives of high performance and the protection of a considerable investment in human resources. The final section will address more specific HR practices that HR specialists and managers generally may need to adapt or rethink in terms their applicability in the global environment.

Job analysis versus work analysis

Job analysis is one of HRM's oldest tools, dating back to the 1930s. The role of job analysis has been to underpin other HRM activities and systems by providing a description of the jobs in an organization as a starting point for other HR functions. A job analysis yields a *job description*, which describes the duties and responsibilities of the jobholder, and a *job specification*, which describes the knowledge, skills and abilities that are necessary to perform the job. The level of analysis is a particular job or family of jobs that share similar performance characteristics. Job analysis is an input for the following HR systems:

- human resource planning-where jobs are the basis for predicting future human resource needs;
- recruitment-where job descriptions and specifications are the basis of the recruitment message;
- selection-where job analysis provides the selection criteria;

- performance appraisal-where job analysis provides the criteria for evaluating performance;

- job evaluation-where job analysis provides the basis for ranking and classifying jobs for remuneration purposes.

Because of the multiple purposes they serve job analyses have been called the building blocks of HRM systems. Basically, job analysis is a procedure for collecting information about jobs. In generally uses one or more of the following methods to collect the data:

- **Observation** – is a method that dates back to the earlier part of the twentieth century, when it was used in time and motion studies and industrial engineering. It is useful for occupations where physical movement is involved, but not for studying knowledge-based occupations.

- **Individual interviews –** are used to collect information from a sample of workers holding the same or similar jobs; usually five or six interviews will yield consensus. The interview schedule probes various aspects of the job and ensures consistency from one interview to the next.

- **Group interviews –** are used for lower level jobs involving large numbers of jobholders who might be reticent in an individual interview.

- **Structured interviews** – use questionnaires to collect data from a large number of jobholders. They are usually self-administered so that they do not require a skilled job analyst and can be machine scored. The disadvantage is that workers simply respond to what is on the questionnaire and cannot offer opinions or insights about the work.

- **Technical conference –** uses a panel of experts to describe the job and its requirements. These are usually supervisors who may or may not be former jobholders. The perceived weakness is that the conference does not involve the actual jobholders.

- **Diary –** refers to a jobholder keeping a written record of work activities. This has been used to study executive jobs, but has a number of drawbacks, notably the question of accurate recall.

Criticisms of traditional job analysis

Criticisms of job analysis are not new. Some managers and writers on management have criticized job analysis for “putting people in little boxes” and fostering a “that’s not my job” attitude. Strict adherence to tightly written job descriptions has often been the cause of demarcation disputes in heavily unionized areas. Some of the more serious criticisms are that job analysis:

- has a static focus on existing single jobs;

- establishes rigid boundaries;

- tends to be task oriented and ignores behavioural considerations;

- limits innovation and creativity;

- focuses on a person-job fit.

Are these criticisms warranted? The answer is a qualified “it depends on how you do it”. There are, in fact, some serious concerns from the above list. As noted previously, job analysis is an old HR tool that came into wide use in an era of big, bureaucratically structured organizations (1940s-1970s). This era was characterized by stability, long tenure in jobs that did not change rapidly, and jobs that were primarily individually based in functional departments.

This contrasts with the environment of the 1980s and 1990s, which has been characterized by continuous, unrelenting change, massive downsizing which has created much flatter organizational structures, a much increased use of teams as a primary method of work organization and a process-versus a functional-orientation. We believe it would be precipitous to abandon the analysis of jobs and work altogether. Clearly, data are still needed for planning and forecasting, and to help workers understand what is required of them. Here again, we need to be cautious about the effects of globalization on “old economy” companies and the pace at which they will need to change.

Not all companies are going to use teams as the basis for structuring work, particularly in developing countries. Piece rates are still common in many industries and in some of the most successful companies, such as Lincoln Electric Company, the world’s leading manufacturer of arc-welding equipment. Firms whose products require sewing and stitching, such as apparel and footwear, still pay their workers on individual, piece-rate systems. The argument here is not that companies will not have to change, most will, but that traditional methods may need modification rather than elimination.

Work analysis

Some writers argue that job analysis should progress to work analysis. Traditional forms of job analysis concentrated on describing the “within-job tasks” that a worker would perform, thus establishing the boundaries between jobs and identifying the duties and responsibilities of a single job. This approach tends to ignore the “between-job” relationships and skills that are critical in team-based work structures characterized by continuously evolving activities and conditions of employment, such as the increasing use of temporary workers. The following table from Kraut and Korman (1999) contrasts traditional factors in job analysis with emerging factors that suggest where conventional job analysis will need to change.

Table 7. Contrasting factors in job analysis

Traditional factor	Consequence	Emerging factor	Consequence
Division of labour and clear-cut labour-management distinction	Preoccupation with job boundary definition and job worth	Cross-functional responsibilities and blurring of labour-management distinction	Diffuse job boundaries and responsibilities
Static jobs	Fixed and long-lasting job requirements	Dynamic work assignments	Work requirements in continuous flux
Minimal interaction with co-workers	Analysis of within-job activities	Maximal interaction with co-workers	Analysis of interactive activities
Accountability to superiors	Importance of incumbent-supervisor interaction	Accountability to internal and external customers	Importance of incumbent-customer interaction
One-way relation to technology	Prescribed job responsibilities	Two-way relation to technology	Self-determined responsibilities
Long-term employment	Static work activities and conditions of employment	Short-term employment	Continuously evolving sets of work activities and conditions

Traditional factor	Consequence	Emerging factor	Consequence
			of employment
Cultural homogeneity	Emphasis on technical tasks	Cultural diversity	Emphasis on emotional and interpersonal tasks
Tolerance for budgetary slack	Time-consuming analytical procedures	Cost containment	Streamlined analytical procedures

Source: Kraut and Korman, 1999, p. 46.

The major contrasts that stand out in table 7 are the static versus dynamic nature of jobs and the work environment, the disappearance of rigid boundaries within and between work groups and the cross-functional nature of relationships. Therefore, work analysis will need to encompass a broader base of work relationships and configurations than traditional job analysis that focused on individual jobs in a fairly static environment.

Sanchez (1994) suggests a number of changes to work analysis as follows:

- sources of data;
- methods of data collection;
- types of data;
- level of analysis.

Sources of data

The traditional source of data has been the jobholder, referred to as the “subject matter expert” or SME. The views of individual jobholders or team members should be included in any work analysis as they have a unique perspective from which to view the job or team environment. However, instead of a narrow focus on the individual and tasks and because of the increased cross-functional nature of responsibilities and accountability to people other than a direct supervisor, this should be expanded to include other parties as legitimate sources of information (Bernardin, 1992).

These could include internal and external customers, focus groups and mystery shoppers in the case of retail operations. Expert groups of managers or supervisors, whose functions and processes need to interact, are another legitimate source of information for work analysis. This is not a huge adaptation from traditional job analysis, the major difference being the focus on roles rather than tasks, and on types of behaviour needed to facilitate cross-functional relationships.

Methods of data collection

Methods of data collection may not need to vary radically from the methods used for traditional job analysis. Interviews are still a valuable way of collecting work-related data, the biggest drawbacks being the time and expertise required to conduct them properly. The first author of the present paper has developed a method that helps to overcome the cost and time issues. This method has been used successfully with universities, a national telephone company, a state agriculture department, libraries, various government departments and businesses.

The method involves breaking the organization down into job families, which are groups of jobs with similar performance characteristics. Within a job family structured interviews are conducted with a small sample of jobholders or work teams to collect data.

The data are then summarized and given to other jobholders or work teams, who were not interviewed, to validate the findings. This may include groups of supervisors or managers of the jobholders or teams, all of whom can suggest changes or additions. Experience with over five hundred such interviews, in dozens of organizations, has shown that as few as five or six interviews can capture the essence of job and team roles in job families that may contain hundreds of jobs, as for example, in customer service operations. The main difference between this method and traditional job analysis is the focus on teams rather than individuals and on roles and behaviours rather than tasks. The actual methodology is quite similar.

Advanced forms of information and communication technology may also facilitate work analysis. Teleconferencing and on-line surveys could make it possible to cut down on some of the more expensive and time consuming face-to-face meetings with SMEs. It is also possible to monitor workers' telephone conversations with customers or record the number of keystrokes made in a data entry job. Although this type of performance monitoring is possible, the ethics are questionable from a privacy standpoint and such detailed monitoring may undermine trusting relationships.

Types of data

In traditional job analysis, the focus has typically been on tasks and the human attributes necessary to perform those tasks. To prevent the rapid obsolescence of job descriptions that result from what Sanchez (1994) refers to "as excessively detailed, molecular job analyses", he suggests the use of broader descriptors of both work behaviours and human attributes.

Cascio (1998) suggests the use of sets of broadly defined tasks or processes that are more characteristic of today's work assignments. Detailed "laundry lists" of tasks tend to detract from the broader picture of what needs to be accomplished. Similarly, Klimoski and Jones (1995), recommend broader sets of worker attributes that incorporate strategic and team-oriented aspects of work. This fits fairly well with what Jackson and Schuler (1990) suggest as describing roles rather than simply jobs. A well-publicized example of this is the use made by Disney Corporation of behaviour modelling with its theme park employees to describe their role as actors and their customers as "guests" to convey the desired message (Morris and Feldman, 1996).

A new term that has entered the management lexicon is "competency modelling". Sanchez (1994) points out that the terms competency and competence are sometimes used to mean the same thing, whereas in fact competence refers to mastery of a skill and competency refers to a personal attribute or human capability. Using this definition, competence refers to the assessment of worker performance in relation to specific tasks whereas competency refers to human capability.

It is this latter, broader definition of competency that is useful for work analysis. We will use the term "competency profiling" to refer to the skill requirements and capabilities that an organization will require at a future point in time. This is a more strategic, future-oriented use of work analysis that is consistent with the notion of "emergent strategy" and building organizational capability. For example, if a company outsources a major activity that used to be carried out in house, it may need to acquire capabilities in managing external relations and monitoring suppliers that it did not previously require.

Traditional job analysis most often focused on tasks at the expense of relationships between groups and individuals, on dynamic processes rather than on static activities involving a single job title (Levine and Baker, 1991). Contemporary work analysis will need to concentrate on data that reflect a broader context, paying special attention to the qualities that fit people to an organization rather than to a specific job.

Level of analysis

Traditional job analysis has focused on tasks and the knowledge, skills and abilities (KSAs) necessary to perform them. Because a great many small (sometimes called molecular) tasks are likely to be required in today's work assignments, it becomes increasingly difficult to keep up with every minor change. It is not certain that this level of detail is useful anyway, given the change in focus from individual jobs to teams and processes.

The study of behaviour tends to get lost in an analysis of detailed tasks. However, a behavioural focus is critical in work analysis because it provides information about what is done, how it is done and when it is done. In other words it focuses on the larger domain of work (Harvey, 1991).

Ideally, work analysis should consider a blend of both behavioural and job focused criteria when describing work roles. Below are some suggestions for each type:

Person-focused criteria

- adaptability;
- decisiveness;
- dependability;
- initiative;
- analytical skills;
- communication skills;
- interpersonal skills;
- job knowledge.

Job/performance-focused criteria

- work planning;
- cooperation;
- controlling;
- organizing;
- motivating and developing;
- quality of work;
- objectives.

Neither is sufficient in itself. One focuses on the personal attributes that are important in fitting people into roles in the work environment, while the other focuses on the activities that constitute the roles. Any item on either list must be defined within the role context, as these criteria are the basis of performance appraisal at a later stage. The above lists are simply illustrative and may or may not be appropriate for a particular work setting.

This section has argued that job analysis needs to evolve to the broader concept of work analysis to be able to capture the essence of work and work relationships in today's work environment. To do this HR must challenge traditional assumptions and practices relating to sources of data, methods of data collection, types of data and the level of analysis. We have also challenged the notion that job analysis is dead. Where traditional work arrangements continue to exist, as in individually based work systems, traditional job analysis may still be appropriate. In other cases, job analytic techniques may need to be adapted rather than discarded. Overall, we believe that the term "work analysis" is more appropriate for today's work environment.

Human resource planning and forecasting

Human resource planning is a process comprising a series of activities. Planning is designed to help an organization evaluate its current stock of human resources and anticipate and prepare for future requirements. Human resource planning (HRP) is responsible for and encompasses many of the topics discussed previously. These include monitoring the forces of change (the DELTA forces), to see how changes may affect an organization. For example, an age profile of the workforce may reveal gaps that correspond to predicted shortages in national and international labour markets.

Similarly, HRP has to fit with the corporate strategic planning model being used in an organization. We have discussed the nexus of strategy and structure and the tendency of companies to move towards an emergent model of strategic planning, based on the assumption that the environment is chaotic and unpredictable. In this scenario, planning leans towards building organizational capability to respond to change rather than trying to predict the future. Therefore, if HRP is based on a traditional model, with a long cycle time, it could be seriously out of sync with the requirements of an emergent model approach.

Human resource planning includes job analysis, work analysis, role analysis and competency profiling as tools that provide the starting point for HRP and many other HR practices. If a company has downsized and reorganized around core competencies, teams and processes, it may be inappropriate to use job analysis instead of role or work analysis. These examples illustrate the need for HRP to be integrated into the framework of corporate planning activities and to adapt older methods and acquire new ones as necessary.

HRP is usually portrayed as a five-or six-step process that is broadly defined "as an effort to anticipate future business and environmental demands on an organization, and to provide qualified people to fulfil that business and satisfy those demands"(Cascio, 1998). Figure 4 illustrates the interrelated activities that comprise the HRP process.

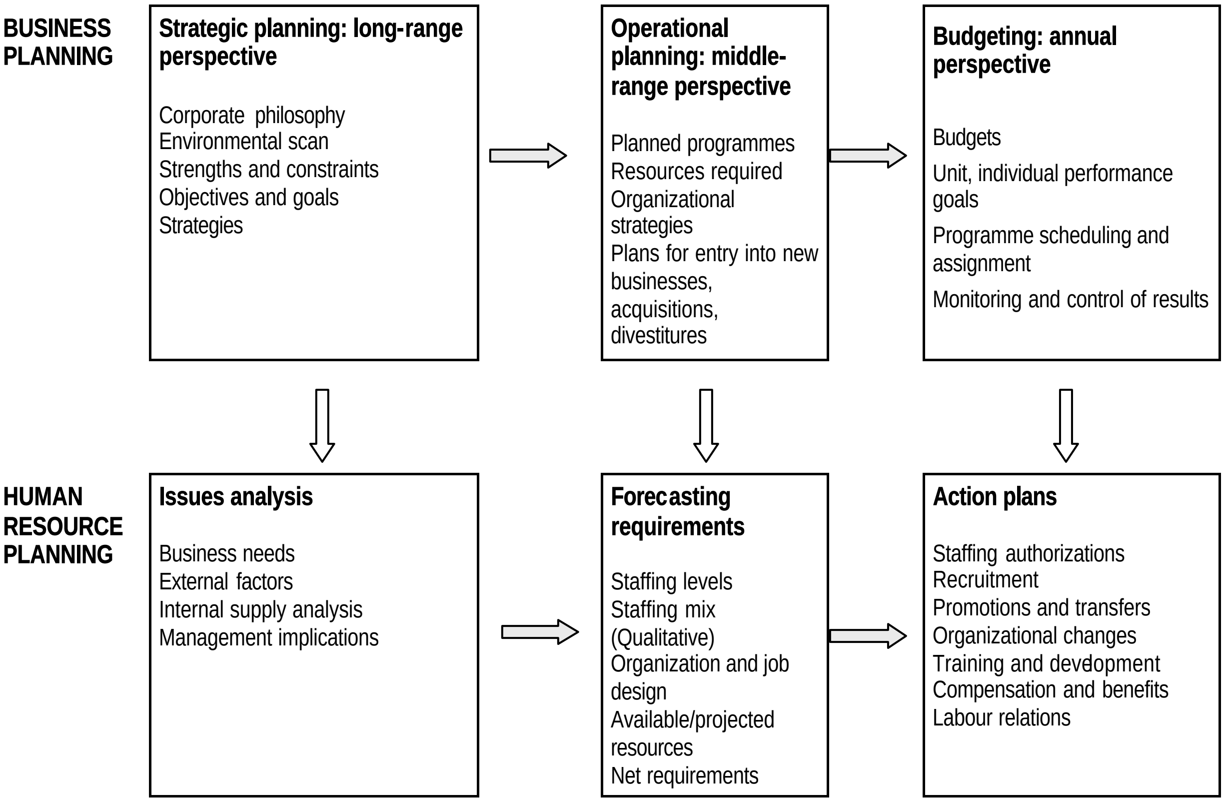
Figure 4. A sequential model of the human resource planning process

INPUTS **into human resource planning process**	**ANALYSIS** **of current human resources**	**FORECAST** **of future human resource needs**	**IMPLEMENT-ATION** **of the human resource plan**	**EVALUATION/ REDESIGN** **of the human resource plan**
Organizational goals and objectives Short- and long-range plans Labour supply and composition Economic conditions Political and legal environment Social and cultural values and norms	Skill inventories Current performance levels Ages Potential Salaries Productivity The number of workers at various levels, departments, locations	Objectives for the programme Budgets for implementing plans The number of workers required at various levels, department, and locations Characteristics or required workers Policies governing selection of future workers	Research to gather necessary data Identification of replacements Training and development for “grooming” replacements Recruit, select and place from external sources Transfer, demote, promote, terminate present employees	Cost/benefit analyses Assessing degree to which objectives met Redesign based on changes in inputs, analysis, and forecast with implementation

The HRP process starts with organizational goals and plans, as well as pertinent environmental factors and the analyses discussed previously as the forces of change. This feeds into an analysis of current human resources, which typically includes a talent inventory and various sub-analyses that complete the picture of current human resources. This is followed by various methods of forecasting human resource needs for the planning period. The gap between current and forecast needs becomes the target for the action plans that follow in the implementation phase. These plans relate to recruitment and selection, training and development to groom internal replacements, and the transfer, promotion, and termination of internal staff. The final step is to evaluate the effectiveness of the process, with a feedback loop to the first step. If necessary, the process is redesigned.

Strategic planning typically takes place at three levels, long range, middle range and short range. Long-range strategic planning is undertaken by top management; it sets the strategic direction of a company and reflects the philosophy, the goals and objectives of that company. Middle-range planning involves developing programmes and business plans that operationalize strategic plans for business units and departments. Short-range planning is concerned with budgeting, programme scheduling, monitoring and controlling the results. The relationship of strategic planning to HRP is illustrated in figure 5.

Figure 5. Impact of three levels of business planning on human resource planning



Source: Cascio, 1998.

It is important for the cycle time of the HRP process to match the cycle time of the strategic planning process. In a globalized environment, cycle times have been reduced dramatically to increase the speed to market for new products and innovations. Product development cycles have primarily driven this process and have become a key competitive strategy for many, if not most, companies. For example, Dell Computer Company reports that is has no product older than 11 months. It follows that the strategic planning cycle has to work within this timeframe. Figure 5 shows that HRP also has to fit within the same timeframe. In short, HRP has to operate in the same 'real-time' planning framework as other planning systems.

HRM forecasting

HRM forecasting starts with a consideration of the goals and objectives an organization wants to achieve by a specific point in time. Typically, top management sets goals in terms of profitability, growth, production and service levels. The following points are examples of these:

- to increase profitability by 15 per cent in the following year (profitability);
- to open 20 new retail outlets in the next two years (growth);
- to bottle 20 per cent more cola in the next year (production level);
- to guarantee one-day delivery of all first-class mail within the state by 2003 (service level).

Note that the goals shown in the above examples are expressed in such a way as to provide planners with targets. For example:

- Will there be enough qualified managers to staff 20 new retail outlets in the next two years? This question has implications for training and internal development and recruitment programmes.

- How many people will be required to bottle 20 per cent more cola in the following year?

- How many people will be required to guarantee one-day delivery of all first-class mail by the year 2003?

By relating goals to HR requirements, planners can indicate whether such goals are achievable within a given timeframe and whether they are cost efficient. Basically, all plans with human components have to be translated into HR requirements.

Methods of forecasting

There are numerous methods of forecasting; they vary from fairly static approaches to quite sophisticated computer modelling. This section will consider several broad approaches, and then look at the internal process of replacement and succession planning. Broadly, the demand for labour derives from the demand for a company's goods and services. If other factors are constant (and they seldom are) increased demand for goods and services leads to increased demand for labour. The inverse of this relationship holds as well, that is, if the demand for goods and services declines, the demand for labour declines as well.

Historically, HR forecasts were frequently made for short-, medium- and long-range periods. Short-range forecasts were usually for a period of 6 months to 1 year and covered fairly immediate needs. Medium-term forecasts were of the order of 1 to 5 years with long-range forecasts being of the order of 6 to10 years. These timeframes may have been feasible in a stable environment, but they are clearly inappropriate for a globalized environment where an entire industry can change quite dramatically in the space of one or two years. An example is in the world of finance, where banking, stock broking and insurance have come together in a full-service industry, instead of being distinct and separate activities as previously. Short and intermediate forecasts are more likely to be the norm in future, with continuous updates replacing discrete, fixed periods.

1. Status quo forecasting is a simple approach which assumes that the current supply and mix of employees is adequate for the forecast period. Planning simply involves replacing employees who are promoted or leave. This approach would only be appropriate in a stable technological environment in the short term, for example, a retail business in an area with little population growth.

2. Rule-of-thumb forecasting methods are based on extrapolating from previous experience. For example, a ten per cent growth trend over several years would be used to estimate the number of employees required for the next year. A similar rule of thumb might indicate that if a company maintains a ratio of one supervisor to 12 production workers, a forecast need for 144 additional production workers would require an additional 12 supervisors. Again, although this approach is fairly common, it is unlikely to be reliable and accurate in a volatile, unstable environment.

3. Unit forecasting is a "bottom–up" approach to estimating the demand for labour. In its simplest form, it only requires managers to estimate their expected HR requirements for the forecast period. The estimates are totalled and become the overall forecast. This method, which is quite common, has some obvious weaknesses, but it can be adapted to be quite a useful tool. Line managers should be involved in forecasting, as they are closest to the production environment. However, simply asking people to provide an estimate invites

"padding", the tendency to overestimate requirements to build in a safety factor, e.g. "I know I need two people, but I'll ask for three just to be safe".

A more formal version of this method is to use a structured questionnaire, which is required of each manager participating in the forecast. The advantage of the questionnaire is that it is standardized and asks managers to answer the questions that HRM wants answered, rather than what managers choose to tell. The structured questionnaire also makes it possible to compare results from year to year to reveal how accurate forecasts were and why they may have varied on such items as, say, the use of overtime. Exhibit 1 is an example of a unit forecasting questionnaire.

Exhibit 1. Unit forecasting questionnaire

1. List any jobs that have changed since the last forecasting period, and any that will change in the next forecasting period.
2. List any jobs that have been added or eliminated in the last forecasting period, and any that will be added or eliminated in the next forecasting period.
3. List the job requirements (skills, knowledge, abilities) for each job listed in 1 and 2 above.
4. List expected vacancies for each job category for the next forecasting period.
5. For each job vacancy, note whether the vacancy can be filled with present employees or whether additional employees will have to be hired.
6. If the vacancy can be filled with present employees, note whether training will be required. Specify the nature of training needs.
7. What percentages of employees are performing their jobs up to standard?
8. How many employees in the next forecasting period will require training to perform their job satisfactorily?
9. How many employees in the next forecasting period will be absent due to military, disability, education or other leaves?
10. How much overtime was needed in the last forecasting period and how much will be needed in the next forecasting period?
11. Any other organizational or work environment questions that are pertinent to forecasting demand.

The above example is not too detailed but could easily be expanded to include additional questions that might be pertinent. For example, information might be needed in connection with a change in production methods. Note also, the implications for training and overtime.

The unit forecasting method is not itself a complete forecasting approach. Line managers' views should be included because they are closest to the actual work environment, but the internal environment is not the whole picture. It is also necessary to consider the external environment in which a company is operating. Here we need a broader overview of how the forces of change may affect a company, and line managers by way of experience, education and background may not be the best people to make those judgements.

4. The Delphi method is well suited to the task of gaining such an overview. The Delphi method is a consensus-seeking activity that relies on the independent judgement of various experts on matters affecting the demand for products or services in the forecast period. This estimate of level of demand then helps to estimate the demand for labour. Delphi has the advantage of combining the expert opinion of people with knowledge of areas likely to affect a company, such as economics, the legal environment, international management and so on.

Delphi is a five-step process that avoids face-to-face meetings. The method proceeds as follows:

- an issue or a problem is identified (in this case forecasting demand);
- a small group of experts is selected;
- independent judgements are obtained from each expert through a questionnaire or structured interview;
- an intermediary or facilitator collects, analyses and feeds back information on the question or issue to each expert;
- steps 3 and 4 are repeated until a reasonable consensus is reached.

Delphi avoids face-face contact in order to eliminate factors that can contaminate meetings such as dominant personalities, status differences and so forth. Delphi has been shown to give quite accurate demand forecasts (Cascio, 1998). The strength of Delphi is that it provides an external overview of the bigger picture. However, it is, in the author's view, more powerful when combined with unit forecasting. The combination of the two approaches draws on both internal and external expertise to provide a more complete picture than either approach on its own. The combination is also fairly easy to use and is relatively inexpensive. Delphi has been improved recently by advances in ICT, which can provide quick turnaround times and eliminate problems of distance.

5. Scenarios are another qualitative approach that can provide useful insights for the forecasting process. Scenarios are descriptive scenes that allow planners to consider several factors in combinations in order to forecast human resource needs for each set of circumstances.

For example, a scenario might assume environmental conditions for the next 3 years that would include a recession, the entrance of a new competitor and technological changes that require some modification to the production process.

Another scenario for the same period might assume the entrance of a new competitor, modification to the production system but no recession, and so on. Using this method, forecasts and contingency plans could be developed for each set of scenarios and judgements made as to the likelihood of each scenario occurring. If the Delphi method is used, the results could help in constructing the scenarios.

It is likely, in light of the compressed time cycles in the current global environment, that scenarios will be increasingly used to give a quick reading of the competitive situation facing a company. Again, this method, like the previous two, is relatively easy to use, is inexpensive and can be used in combinations. These methods are, essentially, aids to collective judgement.

6. Computer simulation is one of the most sophisticated methods of forecasting HR needs. It is basically a mathematical simulation of an organization's policies, processes and human movement through an organization over time. Computer simulations typically include the topics that are included in scenarios but they can handle additional factors that would be difficult in a scenario approach. Examples include the:

- minimum and maximum number of people in each job;
- minimum length of time before promotion can occur;
- average rates of hiring for new employees;
- turnover and termination data;

- data concerning costs and productivity rates.

Computer simulations can provide infinitely detailed scenarios based on an infinite number of assumptions. Thus, human resource needs can be pinpointed for any combination of organizational and environmental variables. The downside to computer simulations, for many companies, is the level of expertise, cost and time required by this method.

Replacement and succession planning

Replacement and succession planning are internal activities that feed into the planning process. They take the form of internal status reports on the availability and capability of the managerial stock of human resources in an organization. Table 8 contrasts the two methods (a team is different).

Table 8. Contrasts between replacement and succession planning

Variable	Replacement planning	Succession planning
Timeframe	0 – 12 months	12 – 36 months
Focus of planning	Vertical lines of succession within units or functions	A pool of candidates with capability for any of several assignments.
Development planning	Usually informal, a status report on strengths and weaknesses	Specific plans and goals for the individual
Flexibility	Limited by the structure of the plans, but in practice a great deal of flexibility	Plans conceived as flexible, intended to promote development and thinking about alternatives
Basis of plans	Each manager's best judgment based on observation and experience	Result of inputs and discussion between several managers
Evaluation	Observation of performance on the job over time; demonstrated competence; progress through unit	Multiple evaluations by different managers on different assignments; testing and broadening early in careers. Managers who are initially stretched go farther

Replacement planning is basically a static process that is designed to identify the most likely replacement(s) for key managerial positions should the incumbents leave for any reason. In contrast, succession planning is a dynamic process that identifies possible successors, and is also concerned with the identification and future development of a pool of managerial talent within an organization. This includes preparing managers for higher level assignments as well as future development plans.

Therefore, succession planning has a direct link to management training and career planning for an organization's development of its managerial talent pool. This helps the company to focus on the developmental needs of key managerial talent and to plan accordingly. This type of succession planning obviates the need for replacement planning as it effectively encompasses the latter. The error that many companies commit is to assume that simple replacement planning is the same as succession planning. It isn't.

Recruitment and selection

Historically, although HRM and personnel were middle-level functions, they still had responsibility for staffing companies. This reflected the lack of importance that was attached to this critical function between the 1940s and the 1970s.

Essentially, recruitment and selection are the opposite extremes of the same process. It follows therefore, that the quality of selected applicants can be no better than the quality of the pool of candidates who are presented for the selection process. The purpose and importance of recruitment are reflected in the following points. Recruitment makes it possible for the firm to:

- determine its present and future staff needs in conjunction with HR planning and work/job analysis;
- increase the pool of job applicants at minimum cost;
- increase the success rate of the selection process by reducing the number of obviously under-qualified or over-qualified job applicants;
- reduce the probability that new hires will leave the organization after only a short period of time;
- meet its responsibility for equal opportunity programmes and other social obligations regarding the composition of the workforce;
- evaluate the effectiveness of various techniques and services for sourcing job applicants.

Unlike the previous era, current labour conditions are varied and volatile. Wright et al., (1999), have predicted a serious shortage of skilled labour in the foreseeable future, while the number of unskilled workers far exceeds demand in many parts of the world. At the same time, the cost of turnover due to poor selection match has escalated enormously (Rothstein, 1999). Employee turnover, whether voluntary or company initiated, is frequently the result of a poor recruitment/selection match. It is worth considering examples of these costs to illustrate the importance of getting it right.

Baron and Kreps (1999), report on a study at Merck & Co., a pharmaceutical company, where they estimate that costs associated with turnover are between 150 and 250 per cent of an employee's annual income. Similarly, the costs of replacing a new sales associate at Sears, Roebuck Co. are estimated at $900. Based on a turnover of 119,000 staff, these costs amounted to nearly $110 million in 1989 or 17 per cent of the group's income that year. Given the significance of these costs it is worth taking a closer look at them. The following example, based on the first author's Australian experience, represents the potential cost of a poor selection decision at middle manager level.

Potential costs of a poor selection decision at middle management level

1. **Costs of initial recruitment**
   - advertising;
   - employment agency/executive search;
   - screening applicants/correspondence;
   - travel expenses to attend interview(s);
   - executive time.

2. On-the-job costs

- induction, learning the ropes;
- low productivity of function/group managed due to poor job match;
- low morale, stress of staff managed;
- other costs, i.e. absenteeism, disputes, turnover.

3. Correcting the mistake

- buying out remaining contract;
- severance costs;
- costs of relocating into an appropriate position;
- morale of remaining staff.

4. Replacement recruitment costs

- as for (1) above;
- period of lower productivity/effectiveness while settling in.

At middle management level, these costs would amount to A$ 75,000 to A$ 100,000 per mismatch. Although the costs themselves are highly significant, particularly if they occur quite frequently, the insidious fact is that most companies are not aware of them. They do not appear on the financial statements in a form that would highlight the costs.

The discussion of organizational architecture by Lepak and Snell (1999) suggested that companies are moving towards a two-tier workforce, employees in the top tier being the “core” employees, with extra workers being employed on a temporary or ad hoc basis. The company depends on the effective recruitment, selection and maintenance of core staff as there is already strong competition for people talented enough to be part of the core and this is likely to intensify (Rothstein, 1999).

In order to attract and retain core people, firms will need to be seen as high performance work practice organizations. This means that they have to offer job security, scope for personal and professional development, and above-average compensation.

According to Rothstein (1999), there is growing consensus about the abilities that core staff will need to possess in the new work environment. They should be able to:

- acquire new knowledge and skills continuously;
- adapt to a series of temporary assignments with varying demands;
- commit to high performance on each assignment;
- function effectively as a team member;
- work well with a variety of other people, including customers.

These are more like the broad attributes identified through work analysis job role descriptions and competency profiling, rather than the more specific knowledge, skills and abilities derived through job analysis. Although a detailed discussion of how the above attributes are measured is beyond the scope of this study some observations are offered below.

In a review of thousands of validity studies, Schmidt and Hunter (1997) concluded that cognitive ability is the single best predictor of job performance, performance in training programmes, and the acquisition of job-related knowledge for virtually all jobs. There are valid and reliable tests for this, known as “mental ability tests”. The following table from Cascio (1998) illustrates the predictive accuracy of various procedures used to assess management potential.

Table 9. Accuracy of various procedures used to assess potential for management

Procedure	Accuracy
Mental ability tests	5
Objective personality and interest inventories	4
Projective techniques	3
Measures of leadership ability	1
Interviews	2
Personal history data	4
Peer assessment	4
Situational tests (when used in combination, as in an assessment centre)	5

Procedures are rated on a 1-to-5 scale, where 1 = poor prediction and 5 = accurate prediction. It is important to stress, however, that no single procedure or combination of procedures is perfectly accurate. Even the most accurate procedures available account for only about 25 per cent of the variability in actual job performance among managers. The following rating scheme was therefore used for each procedure, based on the average correlation between scores on the procedure and measures of actual job performance:

Average correlation	Accuracy score
.00 to .10	1
.11 to .20	2
.21 to .30	3
.31 to .40	4
.41 to .50	5

Source: Cascio, 1998.

The use of multiple predictors, rather than a single measure, is recommended to increase the accuracy of procedures used for selection purposes. Other selection devices are discussed below. The purpose of the discussion here, in reference to recruitment, is to illustrate the importance of identifying the attributes that best describe the job role or competency profile to be included in the recruitment message. This targeting of the audience will help reduce the recruitment workload by allowing for the self-elimination of under- and over-qualified applicants.

On-line recruiting

A rapidly expanding and changing aspect of staffing is the accelerated use of on-line recruiting. Thousands of companies, small and large, are using this medium to access more potential recruits more quickly than ever before. In the United Kingdom, Freeman (2000), reports that nine out of ten college leavers use the Internet to find their first job and the number of employers recruiting graduates on-line has doubled in the last year, with 75 per cent of graduate employers using the Internet to describe job vacancies and 46 per cent receiving applications on-line.

Similarly, in the United States, on-line recruiting accounted for one out of eight hires in 2000, according to k-force.com's poll of 300 US companies (Wright and Dyer, 2000). Although the numbers are impressive and will continue to grow, this method of recruiting has some limitations and problems. It seems most suited to new graduates from institutions of higher education who can post their own CV on bulletin boards such as Monster Board (www.monster.com) or Career Mosaic (www.careermosaic.com). These are primarily on-line posting and résumé listing services whose main objective is to bring employers and job seekers together; they do not generally participate further in making matches (Rothstein, 1999).

On-line recruiting is less suitable for locating executive talent as applicants run the risk of being recognized as being in the job market. In a United Kingdom poll conducted by FirstPersonGlobal.com (2000), 800 out of 1000 technology executives who took part reported that they would be recognizable even if their contact details were removed. Furthermore, executives job-hunting on the Internet run the risk of sending their CV to their own employer due to the growing trade in the sale and purchase of data among websites.

Some of the problems related to Internet recruiting have to do with the relevance and volume of CVs retrieved via the net and an organization's ability to process that information in time to make competitive offers to top candidates. A British survey by Reed Executive (2000), found that 68 per cent of respondents were concerned with irrelevant applicants and 38 per cent reported low quality applicants.

Companies which use the net for recruiting need to build in screening devices and to adapt their internal processes to the real-time environment of the cyber world. There is very little advantage to be gained from the speed and reach of Internet if the recruitment message is not targeted sufficiently to eliminate under- and over-qualified people or to emphasize the attributes that fit the organizational and job roles on offer.

The other side of the coin is the capacity of companies' internal processes to deal with applications and CVs quickly enough to be first in offering employment to the best candidates. Some companies are putting ability tests on the net for use as a screening device. This practice also avoids the need to go through the same exercise at a later stage in the selection process (Davis, 2000). Other problems relate to the currency of information and the availability of applicants, particularly where on-line recruiters are trading information among themselves. Finally, companies need to be cautious about the accuracy of information received via the net. For example, there is still a need for validation of information, such as, whether the person taking an on-line test is in fact the applicant; it is also necessary to check that qualifications and experience are genuine.

Workspan (2000), cited in ILO (2001), suggests that companies recruiting on the net consider the "FUD factor"- fear, uncertainty and doubt. Possible questions include the following:

- What commercial job boards and Usenets cater to which jobs and candidates?
- Which résumé databases are best?
- What sources are working and where are the advertising dollars best spent?
- How does one manage arrangements with individual job boards?

- How does one get past the same candidate pool that everyone else is using?
- How can a résumé be processed quickly to avoid bottlenecks?

Selection processes and alternative procedures

Most companies use selection procedures that follow on from recruitment. The process has various steps between initial screening and final placement. Although the process is not standardized among companies, it typically covers the eight steps shown in figure 6 below:

Figure 6. Decision flow in a typical selection process

RECEPTION OF APPLICANTS

Step 1: Initial screening	No	Reject	Inadequate essential minimum requirements
Yes			
Step 2: Application form	No	Reject	Unfavourable personal data
Yes			
Step 3: Preliminary interview	No	Reject	Unfavourable personality factors and/or unfavourable general impression
Yes			
Step 4: Employment tests	No	Reject	Unfavourable test score
Yes			
Step 5: Second interview	No	Reject	Unfavourable second impressioni
Yes			
Step 6: Reference checks	No	Reject	Unfavourable previous work history
Yes			
Step 7: Final selection decisions	No	Reject	Unsuitable applicant
Yes			
Step 8: Medical examination	No	Reject	Medically unfit
Yes			

PLACEMENT

Certain aspects of the process depicted in figure 6 may be more or less automated, particularly where a company uses on-line recruitment. Initial screening, an application form and possibly, employment tests could be done with information obtained on-line. Although teleconferencing could replace a face-to-face interview and would be feasible and cost effective for preliminary interviews, most companies insist on interviewing in person for core positions. Despite the low predictive validity of interviews shown in table 9, (more about this later), most organizations still see the interview as central to the selection process.

Steps 3, 4, 6, and 8 may even be eliminated for non-core, short-term contract employees. There are two broad approaches to selection that may be used according to the type of employee sought.

The first and most common is the “hurdle approach”. The steps in the selection process are the hurdles to be cleared: when a hurdle is not cleared the process ends. The hurdle approach is essentially a screening device that would be employed when many candidates are likely to meet the selection criteria and there is a large pool of applicants. This would generally apply to lower level, lower skilled jobs.

The second method is the “comprehensive approach” and it takes all, or most of the applicants through the entire selection process. This approach is used if there are few candidates who meet all the selection criteria and there is a small applicant pool. This would generally apply to higher level managerial, technical and professional jobs or the core positions in a company. The comprehensive approach serves two important purposes. First, it preserves a sufficiently large applicant pool for the company to choose from a number of people with different strengths and weaknesses. Second, it allows the company to trade off strengths and weaknesses as, for example, accepting less experience than may be desired because of excellent technical and interpersonal skills.

Alternative selection procedures

Selection should encompass multiple predictors to increase the validity of the process and therefore, the likelihood of choosing a candidate who will succeed on the job when appointed. A combination of procedures is generally used to increase the overall accuracy of the process. For example, we know from table 9 that the interview by itself has fairly low predictive validity. However, used in combination, the interview can be an effective part of the selection process. Table 10 lists a number of commonly used procedures, which will be discussed in turn.

Table 10. Alternative selection procedures

1. Application forms
2. Pencil & paper tests
   Aptitude tests
   Personality tests
3. Bio data
   Education
   Experience
   Other
4. Reference reports
5. On-the-job tests
6. Interviews

Application forms

Application forms and interviews are probably the most commonly used selection procedures. The application form obtains basic data and also screens applicants on variables such as education, experience, previous employment and so on. An important requirement of application forms is that they should ask only for information that is valid and fair with respect to the job.

Cascio (1998), suggests some questions that should not be asked:

- any question that might adversely affect the employment of members of groups protected under civil rights law;

- any question that does not relate to the job or that does not concern an occupational qualification;

- any question that might constitute an invasion of privacy, for example, marital status.

Some questions may be asked after appointment. For example, the number of family members would have to be declared for medical insurance. Application blanks may be used to assign different weights to different items. These items can be used to establish cut-off scores for the purpose of screening.

Application blanks give companies a standardized set of data on all applicants including information they wish to have before making an appointment. This contrasts with a curriculum vitae, which may be highly selective in terms of the information that the applicant wishes to convey. Application forms have followed the trend of computerization, particularly for companies recruiting on-line. Not only are there electronic formats, but they are frequently accompanied by a screening test so that applicants can eliminate themselves. These on-line procedures can speed up processing and cut down quite substantially on the amount of paper that must be handled.

Tests

Before the 1970s, testing was commonly used for selection purposes. After a number of legal rulings that they were either discriminatory or misleading, companies largely abandoned tests with psychometric properties. Tests are once again being used for selection purposes, but more selectively and in combination with other procedures. Table 11 below shows the average validity (does the test measure what it purports to measure?) for various alternative predictors of job performance.

Table 11. Average validity of alternative predictors of job performance

Entry-level + training		**Current performance used to predict future performance**	
Cognitive ability tests	.53	Work-sample tests	.54
Job tryout	.44	Cognitive ability tests	.53
Biographical inventories	.37	Peer ratings	.49
Reference checks	.26	Job knowledge tests	.48
Experience	.18	Assessment centres	.43
Interview	.14		
Ratings of training and experience	.13		
Academic achievement	.11		
Amount of education	.10		
Interest	.10		
Age	-.01		

Source: Hunter and Hunter, 1984.

The major question in deciding whether a test should be used for selection purposes is the concept of job relatedness. One of the legal issues with the use of psychological tests was not the question of whether they measured something, but whether that something was job-related or might discriminate against protected groups. As shown in table 9, mental ability tests and work-sample tests have the highest predictive validity. Generally, tests with psychometric properties should be administered and evaluated by qualified industrial or organizational psychologists.

Reference checks

Reference checks have a mixed track record and a reputation for not being trustworthy. This is based on the belief that applicants would only nominate referees whom they expected to make positive statements. Therefore, there is more than a “grain of salt” attached to personal references. As the result of several well-publicized lawsuits for slander in the United States, with some huge awards to plaintiffs, companies are reluctant to provide detailed information about former employees. Frequently, they will only provide the dates of employment and indicate whether the person left voluntarily or was asked to leave.

Despite the doubtful reliability of information from some reference sources, it is still necessary to check references as some items on a résumé may be validated through this procedure. Exaggeration of résumés and work histories is fairly common. It has been found that 20-25 per cent of all résumés and job applications include at least one major fabrication! (Cascio, 1998) In addition, in countries such as the United States, employers can be held liable for negligence if they failed to check closely enough on an employee who subsequently commits a crime while on the job. The following points show the kind of information most often checked:

- inclusive dates of employment in most recent job;
- reason for leaving most recent job;
- information about prior jobs;
- salary and position of most recent job;
- professional references;
- current supervisor’s evaluation (if applicant permits);
- worker’s compensation record (if the company will release).

Employment interviews

The employment interview is a problematic issue for managers and HR professionals. As shown in table 9, the interview has a low average validity of .14 among the various predictors of job performance. Then why do we insist on using it? Probably because almost all managers, HR professionals and applicants feel the selection process is not complete without a face-to-face meeting, at least for core employees. The interview can be useful when it is part of a larger set of selection procedures and when it is carried out in a manner that overcomes some of its weaknesses. Some of the disadvantages and remedies are discussed below.

Weaknesses in common interviewing practice

Serial interviews. This is where an applicant goes through a series of one-on-one interviews with managers, HR staff or future workmates. Weaknesses and biases can arise when the different interviewers ask different questions and may focus on different aspects such as personality, job history and so on. This makes a discussion among the interviewers quite difficult, as they may not be talking about the same things. The lack of consistency is referred to as a lack of reliability.

Solution. Work from a common script, that is, an interview schedule that asks the same questions in the same order for each candidate. Base the questions on a job or work analysis of the position to be filled to ensure work relatedness. This isn't a straightjacket for interviewers, as behavioural data such as ability to work in a team can be incorporated into the interview schedule and things that are unique to an individual can be followed up at the end of the interview.

A better solution. Consider using a panel of interviewers rather than serial interviews. The strength of a panel lies mainly in the common understanding of process, the ability to debrief directly after the interview and the capacity to question widely divergent views. As above, the interview questions are derived through job or work analysis. Interviews are most useful for evaluating communication and interpersonal skills and the ability to project oneself in a clear, confident manner in a sometimes stressful situation. These qualities would be required in most managerial positions.

Performance management – Performance appraisal

Performance appraisal

The literature on performance appraisal and performance management is, perhaps, the most extensive in HRM research. It is also the most problematic, with organizations continually adapting, modifying and re-inventing schemes to try and find one that works. The measurement and/or judgement of performance is inevitable in any organization. There are certain decisions which must be made, and which require an assessment of performance, whether on a subjective or objective basis. The following decisions are usually based on a perception about performance. Managers have to decide whether an employee:

- should gain permanency after a trial period;
- should be promoted;
- should be given a merit raise in pay or a bonus;
- should be made redundant;
- should receive training and development towards further advancement.

These are all decisions that are personally important to individuals and affect their motivation, self-worth, security and livelihood. It is a "truism" that a decision can be no better than the quality of the information on which it is based. It follows that if the quality of information about performance is poor, then the decisions made about performance will be poor and will engender resentment, lowered morale and a sense of injustice, all of which are dysfunctional.

It also follows that in poorly designed systems or informal systems, where dysfunctional consequences are most likely to occur, there will be no useful feedback to help employees improve their performance, because no useful performance information is generated. This is a classic "Catch-22" situation!

Because performance appraisal has a long history, most of the theory and practice underpinning it was developed in a period of relative stability, when employees expected long, secure tenure and regular promotion. In this era, the primary means of organizing work was through functional departments with strong boundaries and individual task assignments based on job analysis.

The goals of performance appraisal were mostly related to the individual and they may still be relevant for many organizations. These goals were either concerned with evaluation and judgement or with coaching and developing individuals. Even in companies where teams were featured, performance appraisal still focused mainly on individual evaluation.

The following points summarize the two types of goals:

Evaluation goals (judgemental)

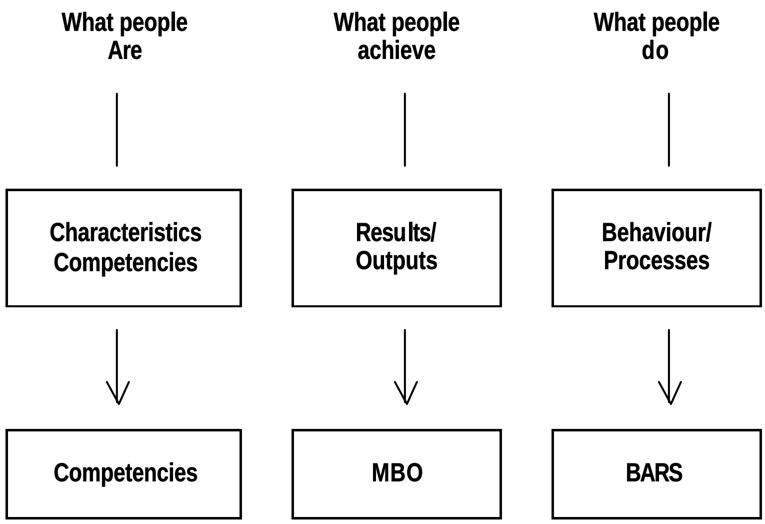
- validating selection techniques;
- giving feedback so that people know where they stand;
- developing valid data for pay and promotion decisions and communicating these;
- assessing individual productivity and contribution;
- guiding the managers in discharge and retention decisions and warning subordinates about unsatisfactory performance.

Coaching and developmental goals

- counselling and coaching subordinates so they will improve performance and develop future potential;
- developing commitment to the organization through career opportunities and career planning;
- motivating subordinates through recognition and support;
- strengthening supervisor-subordinate relations;
- diagnosing individual and organizational problems;
- identifying training needs.

Although there were, and still are, many variations of performance system measures, figure 7 outlines the three main approaches to performance measurement.

Figure 7. Choices in system measures



What people are describes the oldest approach to performance evaluation, which was based on personal characteristics (traits) and perceived competencies. Terms like initiative, energy and drive, adaptability, responsibility, leadership and productivity were common on forms known as "trait rating scales". Managers and supervisors were required to rate employees on a numeric (there are other types of scales) scale from low to high or on broad descriptors, such as unsatisfactory to excellent. There were a number of problems with this approach.

First, none of the descriptors of the traits were defined, and hence there was no common understanding of what they meant. This resulted in highly subjective reviews which were neither reliable nor valid. Second, because of the subjectivity and lack of descriptors that defined meaning, raters could not provide meaningful feedback to employees to help them improve perceived deficiencies in performance. This made both supervisors and subordinates distrust and basically resent the process.

What people achieve was popularized by the term "management by objectives" (MBO), coined by Peter Drucker in 1954. MBO is a results-oriented system that measures employees' performance by what they achieve. This system is used extensively with sales representatives, workers on piece-rate systems and others whose output can be measured individually. This includes managers if they have specific goals.

A results-oriented system is probably the most objective form of performance measurement where it is appropriate. However, a results – only performance measurement system has a number of potential problems. First, and most important, is that many jobs do not have discrete, measurable outcomes. They have a high level of task interdependency, which means that more than one individual is responsible for an outcome. This is also true for groups and teams.

Second, results-focused performance measurement tends to recognize and reward outcomes at the expense of process. In many cases, the way that a job is done is just as important as the outcome. For instance, after-sales service may be just as important as selling in terms of building and retaining a customer base, but service may be ignored in a system that only rewards sales.

A third potential weakness is that results-focused performance measurement does not always provide useful feedback if results are not good. Processes, how things get done, are better described by behaviours than by results. For these reasons, if a results-based system is to be used, it is wise to build in behavioural measures as well, which is always possible.

What people do refers to performance appraisal systems that are based mainly on behavioural criteria. These are derived through some form of job-, work-, or role analysis that describes and defines desirable behaviours for how work is performed. As such, in its pure form, performance measurement based on behaviour is concerned with processes rather than end results. However, the two concepts are not mutually exclusive and should be combined in an appraisal system where results can be clearly identified and measured.

The strength of behavioural measures is that they are defined in sufficient detail to provide a common understanding to both raters and ratees as to what is meant by a measure and what represents poor or good performance. On this basis, feedback can recognize good performance and help to correct inadequacies. In essence, behaviours are anchored by descriptions of behaviour.

For example, the job of a university professor is usually assessed on the criteria of teaching, research, university and community service. One important aspect of teaching is classroom presentation. The following points could be used to evaluate classroom presentation:

- speaks in a clear expressive manner that avoids a dull monotone;
- delivers lectures at a pace students can follow;

- explains complex ideas clearly with appropriate illustrations;
- invites questions and feedback from the audience;
- maintains eye contact with the audience;
- uses attractive audio-visuals to introduce subject matter;
- provides class notes/ handouts to supplement lectures.

All the above points are measurable by student evaluations, observation and examination of materials.

Some form of performance measurement is inevitable in all organizations because decisions have to be made that require some judgement about performance. In the absence of a formal system, subjective judgements will be made because there is no common understanding about what constitutes performance. This practice will not only produce unjust and inequitable decisions, but is also wide open to legal challenge.

We have discussed three broad approaches to current and past practice. Trait-based systems with undefined criteria have largely disappeared, partly because of their dismal record in courts of law on questions of unfair dismissal and other forms of disciplinary action. The other two approaches represent a wide variety of current practice. Table 12 (Banks and May, 1999) summarizes typical practice.

Table 12. The typical approach to assessment

Element	Description
Structure	A set of performance dimensions derives from a job analysis
Unit of analysis	Tasks and activities defined in behavioural terms
Content	Important and critical aspects of the job as defined through job analysis
Measurement method	A rating scale calibrated from “low” to “high” effectiveness
Evaluation criteria	Descriptors that anchor different points along the rating continuum
Specificity of criteria	Ranges from general (for example, “excellent”) to specific (for example, “constructs an expert presentation with all relevant facts in appropriate order”)
Evaluation frequency	Formal evaluation conducted once per year
Who evaluates	One appraiser, usually a direct supervisor
Focus of evaluation	Comparison between performance expectations (for example, personal goals, performance standards) and actual job performance (for example, typical job behaviours, performance outcomes)
Feedback process	Feedback interview between appraiser and appraisee in which evaluator shares his or her evaluation of the appraisee
Appraiser’s role	To reach a mutual understanding of the appraisee’s performance effectiveness and areas for further improvement
Appraisee’s role	To accept or rebut the appraiser’s assessment and to learn in what areas he or she needs to improve
Follow up	Development of a performance improvement plan that includes recommended training and motivational intervention (for example, financial incentives)

Source: Kraut and Korman, 1999, p. 123.

Table 12 highlights a number of factors that may not be compatible with the changed circumstances brought about by globalization. Because of its focus on the individual through job analysis, traditional performance measurement rarely included broader organizational criteria (Banks and May, 2000). In theory, this was believed to occur through a cascade flowing downward from strategic plans at the corporate level to operating units, sub-units and the individual. There are two reasons why this generally did not happen.

First, performance measurement was usually static rather than dynamic, that is, it captured, at one point in time, a summary of a whole year's work in terms of behaviours and outcomes. Second, because of their focus on the individual rather than the organization, performance interviews tend to concentrate on reaching agreement about individual performance and where improvement may be needed (Banks and May, 2000). This may be exacerbated by strong departmental boundaries, in which departmental goals predominate over organizational goals.

Table 12 highlights several variables that have changed from the 1960s-1970s to the 1980s-2000. These changes bring into question the effectiveness of current practice outlined in the table.

- Stable and independent work practices were mainly procedural and observable. Stable work relationships underpinned many performance appraisal practices. Jobs were fairly well defined. Managers' spans of control were relatively small, enabling them to delegate work and oversee outcomes. These conditions no longer prevail.
- Organizations have changed from tall hierarchies of authority to flatter, decentralized structures where managers have much wider spans of control, employees may be geographically dispersed and work practice may not be easily overseen.
- The nature of work has changed from individual, function-based jobs, to team-based, process-oriented jobs, and other non-traditional work arrangements such as home-workers, contract workers and alliance workers. These contingent workers are less familiar to management, they may have little or no commitment to the organization and may not care about performance improvement (Banks and May, 2000).
- The traditional ways of motivating and rewarding performance, such as promotion and job security, are less available than in previous eras and new ways must be found to realign employees' focus to the factors that produce business success in the new era.

Performance management

The performance appraisal practices listed in table 12 and the changes to that environment clearly demand a re-think and adaptation of the traditional approaches to performance assessment. The demands on HRM to do this are both challenging and paradoxical. On the one hand we ask fewer employees to do more with fewer resources, to do it faster and at a higher level of quality. On the other hand, we ask them to accept less job security, to manage their own career and be principally responsible for their own professional development.

One of the main strategies to accomplish this transition is to move from performance measurement to performance management. Performance management includes a broader set of management practices than traditional performance appraisal. It moves from the individual management of an employee's performance over the last year, to an approach which connects individual performance with organizational performance.

Performance measurement thus becomes something more than just a personal report card made once or twice a year. Rather it becomes a continuous dialogue that provides feedback about performance issues, accomplishments and how the individual contributes to organizational goals. Two things differentiate performance management from performance measurement. The focus shifts from static, individual tasks that are measured at fixed points in time, to a fairly continuous assessment of individual employees' roles and how they relate to goal accomplishment. Thus, performance assessment is transformed from a tool of evaluation and review to one that moulds performance through continuous feedback.

Table 13 highlights the major elements of performance management and provides a useful contrast to the traditional approach shown in table 12.

Table 13. Major elements of performance management

Element	Description
Structure	A set of performance dimensions derived from an *organizational* analysis as well as a *job* analysis
Unit of analysis	Tasks and activities defined in behavioural terms
Content	Important and critical aspects of the job as identified through the organizational and job analyses
Measurement method	A rating scale calibrated from "low" to "high" effectiveness
Evaluation criteria	Descriptors that anchor different points along the rating continuum
Specificity of criteria	Specific (for example, "constructs an expert presentation with all relevant facts in their appropriate order")
Evaluation frequency	A formal evaluation conducted several times a year (e.g. monthly, quarterly, or at the conclusion of assignments or projects); informal evaluation perhaps almost daily
Who evaluates	Everyone who had an opportunity to observe and evaluate performance; can incorporate multiple sources of feedback
Focus of evaluation	Comparison between performance expectations (e.g. personal goals, performance standards) and actual job performance (e.g. typical job behaviours, performance outcomes)
Feedback process	Feedback meeting between appraiser and appraisee whenever either party desires; appraiser shares observations and relates them to performance criteria, appraisee seeks clarification on the observations or on the criteria
Appraiser's role	To understand the performance criteria and to help the appraisee understand how his or her performance fits within the criteria; also to look for ways appraisee can improve performance
Appraisee's role	To understand the performance criteria and to help the appraiser understand how his or her performance fits within the criteria; also to look for ways he or she can improve performance
Follow up	Further observation and feedback on performance; development of plans for further improvement, including training and motivational intervention

Source: Kraut and Korman, 1999, p. 135

The essence of performance management is that it is a broader approach to managing performance in a dynamic environment towards the accomplishment of organizational goals. The idea is to help employees see the connection between their personal performance and organizational success. This concept is an integral part of the notion of "goal alignment" and MBO. The concept behind those approaches was a cascade effect where strategic goals were translated into more specific operational goals for units, sub-units and individuals. This was supposed to connect individuals with the strategic goals of the organization so that they could see the impact of their own behaviours. This generally did not work for the reasons discussed above.

In this era organizations were fairly tall and work was largely organized by functions. The translation through several levels of hierarchy tended to lose any real meaning for individuals who could only remotely relate to distant goals. The functional unit in this instance was the more immediate focus. Within the functional unit individuals pursued static tasks, defined through job analysis that had more immediacy for individuals, as this was the basis of their rewards. The lack of frequent feedback also contributed to this disconnectedness, with one or two meetings a year being more like a ritual to be endured, rather than a continuous dialogue focused on performance.

The actual goals were very much the same, that is, to connect individual performance with organizational performance in such a way that individuals could understand the impact of their actions.

How does performance management connect individual performance with organizational performance so that individuals can understand the impact of their actions? The following points summarize the discussion:

- organization structures have become flatter, bringing the top and bottom much closer together;
- organizational goals are now much more visible to individuals;
- work is organized around interacting processes where the consequences of an individual's actions are more visible;
- work is defined dynamically in terms of processes rather than discrete, static tasks;
- rewards are more of a by-product of effective work than the focus of appraisal;
- managers see performance management as the focal point of their job rather than an administrative add-on that interrupts their work.

Remuneration and rewards

Remuneration is a complex area of HRM that is constantly shifting as business conditions change and companies strive to create a competitive advantage through their remuneration systems. A detailed consideration of the wide variety of alternatives available is beyond the scope of this paper. We will therefore examine the reasoning behind the different approaches and look at some of the broader alternatives in current practice. We will consider how they complement or undermine the emerging organizational forms in a global environment.

Different types of reward can be grouped as financial or non-financial and contingent or non-contingent. Non-contingent rewards are attached to the job or position, and do not depend on performance within that job.

As shown in table 14, non-contingent financial rewards have a specific monetary value, while non-contingent, non-financial rewards have intrinsic value, such as job security. Both types of financial reward are important in attracting and retaining people. Both types of non-contingent reward are a permanent cost to the organization.

Table 14. Types of reward

	Non-contingent	Contingent
Financial	Health care benefits Retirement benefits Employee stock ownership Base salary	Merit pay Incentives/bonuses Achievement awards Profit sharing (contingent on profitability)
Non -financial	Perquisites Vacation Job security Sense of family, belonging Vacation Titles	Advancement Responsibility Challenging work, autonomy, authority to act Recognition of achievements Personal growth
	Permanent cost to the organization	Not permanent, have to be earned every time

The contingent rewards shown in table 14 depend on performance and are therefore not a permanent cost to the organization. Contingent financial rewards have a monetary value that is said to be variable and can range from zero to a limit fixed by the scheme and the level of performance. Contingent non-financial rewards generally have some intrinsic value but they could have monetary value in the case of promotion. The contingent rewards are described as being "at risk" because they are only realized when specified levels of performance are achieved.

Table 15 presents the results of a study on the reasons why companies adopt variable pay practices. Recently there has been a trend towards putting more compensation packages "at risk" to reduce the fixed components of compensation and therefore to reduce overall compensation costs and control salary and wage creep. The rationale is to link performance with reward. This allows organizations to pay employees according to their level of performance.

Table 15. Reasons for adopting variable pay

Reason	Prevalence among all non-executive employees
Increase motivation to perform at a high level	79%
Share organization success with employees	68%
Focus efforts on attaining specific goals and priorities	62%
Improve pay competitiveness	27%
Reduce fixed compensation cost	22%

Source: Princeton, 1990

There are various ways of paying for performance: table 14 lists a number of common schemes. The broadest distinction is between plans that distinguish between individuals, groups and teams and the organization as a whole. Individual plans, such as merit pay and individual incentives, are contingent on individual performance and are generally short-term, at risk type plans. They are appropriate where work is individually based, has discrete, measurable outcomes and the individual has enough control over the factors of production. They are less appropriate where team-based, interdependent outcomes, are the norm. When used in a team setting, individually targeted plans can foster dysfunctional competition and discourage necessary cooperation as employees strive to outdo one another.

Team and unit incentive plans are targeted at interdependent groups of employees who can identify with each other and have common goals and objectives. The incentives are structured so that they can only be achieved through coordination and cooperative effort. Peer pressure can be a powerful means of ensuring that everyone contributes to achieving team targets and thus, extra rewards. Again, teams need enough control over the factors of production to achieve positive outcomes. Team and unit incentive plans are useful for distinguishing between performance levels in different parts of the same organization, where a high performing team or unit can be differentially rewarded from a poor one.

Profit sharing, stock ownership and other organization-wide plans have a somewhat different purpose. They encourage employees to identify with the organization as a whole and they give them a share in the success of the organization. Well-designed plans that consistently produce positive results for employees can increase commitment and loyalty to an organization over time.

However, the more remote a plan is from individual performance the less likely it is to affect personal motivation. As noted, different types of plan have different objectives and organization-wide plans can be quite powerful in attracting and keeping top talent. Nor are different plans mutually exclusive. Many companies run multiple plans to achieve multiple objectives, which can have overall synergistic effects.

Table 16. Pay for performance alternatives

Vehicle	Results	Employees covered
Merit pay	Achievement of specific performance criteria	Individual salaried employees
Individual incentives	Specific short-term performance objectives	Individual salaried employees
Team incentives	Achievement of targeted performance	Employees, supervisors in a work group/unit
Unit incentives	Achievement of unit financial and other objectives	Unit managers, salaried employees across business unit/division
Profit sharing	Identification with company's annual financial results	All employees company wide
Stock ownership	Identification with company's long-term stock appreciation	All employees (stock purchase), executives for stock options

Features of different plans

Each type of plan is more or less appropriate in a particular context. A list of the most significant features is provided in table 17.

Piece-work systems are one of the oldest forms of remuneration stemming from the era of "scientific management". Piece-work is still appropriate where individual tasks with tangible outputs are the norm. Payment is made close to the time output is completed, usually on a daily or weekly basis. These systems are less common today, but they are still fairly prevalent in industries such as apparel where a significant amount of subcontracting occurs. This is particularly true where supply chains extend into developing countries and become disaggregated into suppliers, subcontractors and private homes.

Commissions are another traditional form of remuneration, usually associated with sales work. They may be the sole basis of payment as in insurance, or more generally, a combination of base salary and commission, with the base salary representing a living wage and the commission representing the incentive. As with piece-rates commissions are largely at risk as they depend on measurable output as the basis for payment.

Merit pay is an individual plan where past performance is rewarded in future pay. Individuals usually have to requalify periodically to continue to receive the reward, which is over and above the base remuneration, thus placing this portion of pay at risk.

Divisional or unit pay is a means of differentiating between units in relation to the allocation of rewards. This is appropriate where the performance of one unit is unrelated to another unit.

Bonus schemes differ from profit sharing, gainsharing and company share plans, in that they are generally not permanent ongoing plans and they operate at the discretion of management. They are designed to reward corporate performance and share good results with employees.

Profit sharing is an ongoing programme that is also designed to spread the benefits of good results by sharing a predetermined portion of profits. It is usually based on corporate or divisional performance and reflects the organization’s capacity to pay. In other words, a predetermined profit has to be achieved in order for profit sharing to occur.

Gainsharing is not based on a final outcome, but on an agreed measure of productivity that produces savings which can be shared. Such plans have existed for a long time and they have the advantage of directly rewarding something that employees directly cause to happen. In other words, employees have control, which is not the case with the more remote company-wide plans. Gainsharing has the capacity to work well in developing countries, where improvements in working conditions and wages can be funded by gains in productivity as they occur. This is particularly useful in developing country enterprises that are frequently short of cash to invest in improvements.

Company share schemes frequently operate at two levels. One level is stock options given to executives at a discounted rate to be exercised at some future date when the stock has appreciated. These can operate as a “golden handcuff” for top people who realize the greatest rewards by remaining in the company. Ordinary employees are usually allowed to buy stock at a discounted rate through payroll deductions. More recently, a number of Internet start-up companies were trying to attract top talent by the allocation of shares as a sign-on bonus in lieu of cash, which in most cases, was in short supply.

Table 17. Significant features of each plan type

Piece-work	**Bonus**
■ Simple to administer ■ Simple to communicate ■ Appropriate to single tasks with tangible outputs ■ Rewards directly commensurate with individual performance ■ Payment on daily/weekly basis	■ Reward based on corporate performance ■ Payment on quarterly, six monthly or annual basis ■ Discretion required on eligibility and amount to be paid

Commission ■ Simple to administer ■ Reward directly commensurate with individual or team performance above target ■ Motivates achievement beyond target ■ Requires flexible target setting to accommodate seasonal fluctuations ■ Payment on weekly/monthly basis	**Profit share** ■ Payment on six monthly or annual basis ■ Eligibility and payment criteria established in advance ■ Reward based on corporate/divisional performance ■ Reflects corporate/divisional teamwork ■ Reward directly related to organization's capacity to pay.
Divisional performance pay ■ Payment on six monthly or annual basis ■ Targets and payment criteria established in advance ■ Reward reflects local business unit performance and teamwork ■ Good/poor performance and reward is not affected by performance of other (unrelated) units.	**Gainsharing** ■ Payment on monthly basis ■ Requires developed industrial democracy and participative management ■ Reward based on universal measure of group performance ■ Increase in individual income for all workers is closely linked to the organization's capacity to pay.
Merit ■ Past performance rewarded in future pay ■ Provides opportunity to undertake a general performance appraisal of achievements and possibly behaviour ■ Individual merit is reflected in reward	**Share scheme** ■ Reward either through capital gain dividends or preferential pricing of shares ■ Discount 10-20% ■ Can be used as a golden handcuff ■ Often aimed at generating corporate pride and kinship

Plan design

There are a number of points to consider before implementing variable pay plans. The most important factors are discussed below.

Plan objectives are concerned with what the plan is designed to accomplish. Too frequently companies implement plans because they are fashionable or because competitors have them; they fail to think about what they wish to achieve with a plan. Some common objectives are to:

- facilitate the achievement of business objectives;
- motivate employees;
- attract and retain top talent;
- increase competitiveness;
- reinforce management/team culture.

Eligibility is concerned with who should participate in the plan. The points to consider include:

- the measurability of each participant's contribution;
- the impact of job/role on results;
- competitive market practice.

Performance criteria are concerned with measures that should:

- relate to important business objectives;
- be quantifiable in advance and be measurable;
- be consistent with the overall plan direction.

Reward determination is concerned with the reward formula and the extent of discretion to ensure:

- the threshold;
- cost effectiveness;
- fair reward for achievement.

Reward level should ensure that the:

- level of reward is appropriate at different levels of performance;
- performance criteria are linked to reward levels;
- mix of reward and fixed pay is fair;
- incentive payment is competitive.

Payment methods need to consider:

- cash/non-cash mix;
- frequency of payment;
- lump sum or regular pay;
- deferment strategy- mandatory/voluntary;
- separations.

Managers need to think seriously about their choice of incentive plan. They need to be clear about what they hope to accomplish through that plan. If they cannot answer the questions posed above, they probably shouldn't proceed until they can. Table 18 considers what Pfeffer (1998a) describes as myths about compensation that lead managers astray when they consider the role of pay. Pfeffer's main contention is that managers mistakenly equate labour rates with labour costs, although they are not the same thing.

His basic point is that labour costs include productivity while labour rates do not. Therefore, the higher pay rates of a very proficient workforce could lead to lower labour costs through greater productivity. A lower paid workforce that was less productive would mean higher labour costs. Pfeffer's point 5 is debatable as it suggests that individual incentive schemes are always inappropriate. Again it depends on how work is organized. Independent work such as sales or piece-rate production that is measurable and does not affect other people or groups may be perfectly appropriate. Where cooperating groups or teams are involved the evidence he cites is appropriate.

Table 18. Six dangerous myths about compensation

Myth	Reality
1. Labour rates and labour costs are the same thing.	1. They are not, and confusing them leads to a host of managerial missteps. For the record, labour rates are straight wages divided by time – a Wal-Mart cashier earns $5.15 an hour, a Wall Street attorney $2,000 a day. Labour costs are a calculation of how much a company pays its people and how much they produce. Thus German factory workers may be paid at a rate of $30 an hour and Indonesians $3, but the workers' relative costs will reflect how many widgets are produced in the same period of time.
2. You can lower your labour costs by cutting labour rates.	2. When managers buy into the myth that labour rates and labour costs are the same thing, they usually fall for this myth as well. Once again, then, labour costs are a function of labour rates and productivity. To lower labour costs, you need to address *both.* Indeed, sometimes lowering labour rates increases labour costs.
3. Labour costs constitute a significant proportion of total costs.	3. This is true – but only sometimes. Labour costs as a proportion of total costs vary widely by industry and company. Yet, many executives assume labour costs are the biggest expense on their income statement. In fact, labour costs are only the most immediately malleable expense.
4. Low labour costs are a potent and sustainable competitive weapon.	4. In fact, labour costs are perhaps the most slippery and least sustainable way to compete. Better to achieve competitive advantage through quality; through customer service; through product, process, or service innovation; or through technology leadership. It is much more difficult to imitate these sources of competitive advantage than to merely cut costs.
5. Individual incentive pay improves performance.	5. Individual incentive pay, in reality, undermines performance – of both the individual and the organization. Many studies strongly suggest that this form of reward undermines teamwork, encourages a short-term focus. And leads people to believe that pay is not related to performance at all but to having the "right" relationships and an ingratiating personality.
6. People work for money.	People do work for money– but they work even more for meaning in their lives. In fact, they work to have fun. Companies that ignore this fact are essentially bribing their employees and will pay the price in a lack of loyalty and commitment.

Source: Pfeffer, 1998a.

6. Conclusion

This paper has explored where HRM has come from the forces that are shaping a new business environment, the adequacy of current HRM practices and how they may need to be adapted or changed in that altered landscape. Much has been published recently about the changed environment of business, driven by the Internet, and advances in information and communication technology. Technology has transformed organizational structures so that they scarcely resemble structures from the not-too-distant past.

We talk in terms of B2C (business to consumer), B2B (business to business) transactions, virtual teams and businesses, process-based supply chains and so on. These do exist and will increasingly become a reality for many organizations. However, there is a danger that the “hype” surrounding technology and globalization may outpace reality. Perhaps the majority of companies will make incremental, rather than radical, changes to adjust to the new environment.

The track record of many radical approaches, such as reengineering, delayering, outsourcing and downsizing, has not been particularly successful, with firms reporting failure or little improvement more often than success. Indeed the industry that has probably benefited most has been the management consulting industry.

The companies most affected by radical change, either self-inflicted or forced upon them by the environment, are large companies involved in the global economy. But most companies are not directly involved in global trade; they tend to be small- to medium-sized businesses in the service sectors (Schneider, 2000, cited in ILO, 2001). We have followed this caution throughout this paper, so as to err on the side of contemporary practice rather than radical change, because we believe this is the reality for most businesses and managers.

Several trends are likely to require HRM attention in the near future:

- The DELTA forces of change (demographic, economic, legal, technological and attitudinal) are largely outside company control, but they require careful monitoring from HRM because they predict critical skill shortages in the present and future, shorter periods for adjustment and changes in employment relationships. In this sense, globalization is redefining the way business will be conducted in the future even if a business is not directly affected by global trade.

- The trend towards outsourcing all but core activities has major implications for HRM as it is usually accompanied by major restructuring, which has profound effects on those who lose their jobs and those who remain. Socially responsible restructuring has not been a hallmark of this trend, and this in turn has an attitudinal effect on employment relationships.

- The HR practice of planning and forecasting has to adjust to much shorter cycle times to integrate with strategic planning. Strategic planning has moved towards an emergent/capacity building model to fit with a rapidly changing environment. Traditionally, cycle times for HR programmes have been longer term and will have to adjust to shorter timeframes to keep up with strategic planning cycles.

- Recruitment and selection programmes need to adjust their methods to the greater number of applications generated by the Internet. At the same time they have to speed up the review process to screen out unwanted applicants and make offers before others do. The use of better and multiple predictors is a major challenge.

As companies move to flatter, team-based structures, job analysis may need to focus more on work and role analysis to match people to broader roles rather than specific tasks. The focus here is on person-organization fit rather than person-job fit.

- The broader concept of performance management seems more appropriate than the traditional practice of performance appraisal, which has concentrated on the measurement of static tasks rather than the behaviours needed in a team environment. This also demands changes on the part of managers whose new role requires more feedback and coaching, and less control.

- The trend towards individually based incentive systems is inappropriate for team-based work arrangements that need to maximize cooperation and coordination. Developing team-based, unit and organization-wide incentive systems that are appropriate to work arrangements will be a major challenge in this complex field.

Overall, the above trends and numerous others discussed throughout this paper suggest that managers and HRM professionals will face considerable challenges in adapting their HR practices to the changing circumstances of a business environment increasingly influenced by globalization. We have suggested that continuous adaptation, rather than radical change, will be the most prudent path for the majority of companies to follow. We have also presented considerable evidence that introducing high performance work practices produces far better bottom-line results than radical restructuring approaches to a changed environment.

International labour standards also reflect many of these changes in management practice and they capture many of the best practices on a wide range of topics. Although addressed mainly to governments rather than enterprises, they can still be helpful for human resource managers seeking to understand international legal and attitudinal changes, which influence what constitutes an appropriate business strategy. The texts of ILO Conventions and Recommendations are available through the ILO website http://www.ilo.org.

Finally, it is important to recognize that HRM programmes and processes need to be designed and implemented as an integrated package rather than isolated functions. For the purposes of this paper, we have presented the topics in a logical sequence. In reality, HRM practices need to be integrated into larger processes that interact with other processes to achieve the speed and adaptation that is increasingly necessary in a rapidly evolving business environment.

References

Anderson, D.L.; Britt, F.E.; Favre, D.J.: *The seven principles of supply chain management* (1997, http://www.manufacturing.net/magazine/logistic/archives/1997/scmr/11princ.htm).

Argyris, C.: *Personality and organization* (New York, HarperCollins, 1957).

Banks, C.G.; May, K.E.: “Performance management: The real glue in organizations”, in Kraut, A.I; Korman, A.K.: *Evolving practices in human resource management: Responses to a changing world of work* (1999), pp. 118-145.

Baron, J.N; Kreps, D.M.: *Strategic human resources: Framework for general managers* (New York, Wiley, 1999).

Bernadin, H.J.: “Analytic framework for customer-based performance content development and appraisal”, in *Human Resource Management Review*, 1992, Vol. 2, pp. 81-102.

Cascio, W.F.: *Managing human resources: Productivity, quality of work life, profits* (Boston, Massachusetts, McGraw-Hill, 1998).

Chandler, A.: *Strategy and structure: Chapters in the history of the industrial enterprise* (Cambridge, Massachusetts, MIT Press, 1962).

Cordery, J.L.; Wall, T.D.; Wright, B.M.: *Towards a more comprehensive and integrated approach to work design: Production uncertainty and self-managing work team performance*, Paper presented at the Twelfth Annual Conference of the Society for Industrial and Organizational Psychology, St. Louis, Missouri, Apr. 1997.

Daft, R.L.: *Organization theory and design* (Cincinnati, Ohio, South Western College Publishing , 1998).

Davenport, T.H.: *Process innovation: Reengineering work through information technology* (Boston, Massachusetts, Harvard Business School Press, 1995).

Davis, R.: “New tests help to find the perfect match: Graduate recruitment is improving all the time”, in *The Guardian*, 21 Oct. 2000.

Delden, E.V.: “A clear vision: The task of the personnel administrator in the 1960s”, in *HRMagazine*, 1998, pp. 161-170.

Dessler, G.; Turner, A.: *Human resource management in Canada* (Scarborough, Ontario, Prentice-Hall Canada, 1992).

Downie, B.; Coates, M.L.: *Traditional and new approaches to human resource management*, HRM Project Series (Kingston, IRC Press, Queen’s University, 1994).

The Economist: “Financial indicators: Catastrophic insurance”, 20 Apr. 1996, p. 97.

Entrekin, L.: *An exploration of how social performance objectives are achieved in supply chain driven MNCs*, ILO Working Paper (Geneva, ILO, 2000, Firstpersonalglobal.com).

Financial Times: “Job recruitment on the web up by 50 per cent in six months”, 26 Oct. 2000.

Freeman, M.: “When hiring the cream of the crop”, in *Printing World*, 16 Oct. 2000, p. 47.

Hackman, J.R.: "The design of work teams", in Lorsch, J.W. (ed.): *Handbook of organizational behaviour* (Englewood Cliffs, New Jersey, Prentice-Hall, 1987), pp. 315-342.

–; Oldham, G.: "Motivation through the design of work: Test of a theory", in *Organizational Behaviour and Human Performance*, 1976, Vol. 16, pp. 250-279.

Hamel, G.; Prahalad, C.K.: "The core competence of the corporation", in *Harvard Business Review*, May-June 1990, pp. 79-91.

Hammer, M.; Champy, J.: *Reengineering the corporation: A manifesto for business revolution* (London, Brealey, 1993).

Handy, C.*: The hungry spirit* (UK, Random House, 1998).

Harvey, R.J.: "Job analysis", in Dunnette, M.D.; Hough, L.M. (eds.): *Handbook of industrial and organizational psychology*, 2nd ed. (Palo Alto, California, 1991), pp. 71-163.

Herzberg, F.; Mausner, F.; Snyderman, B.: *The motivation to work*, 2nd ed. (New York, Wiley, 1959).

HR Magazine: "HR News, September 1991, in flashback … From the pages of SHRM publications", 1998.

Hunter, J.E.; Hunter, R.E.: "Validity and utility of alternative predictors of job performance", in *Psychological Bulletin*, 1984, Vol. 96, pp. 72-98.

Huselid, M.A.: "The impact of human resource management practices on turnover, productivity, and corporate financial performance", in *Academy of Management Journal*, 1995, Vol. 38, pp. 635-672.

ILO: *World employment report, 2001* (Geneva, 2001).

–. European Baha'i Business Forum: *Socially responsible enterprise restructuring*, Joint working paper (Geneva, 1999).

Jackson, S.E.; Schuler, R.S.: "Human resource planning: Challenges for I/O psychologists", in *American Psychologist*, 1990, Vol. 45, pp. 223-239.

Klimoski, R.; Jones, R.G.: "Staffing for effective group decision making: Key issues in matching people and teams", in Guzzo, R.A.; Salas, E. et al. (eds.): *Team effectiveness and decision making in organizations* (San Francisco, California, Jossey-Bass, 1995), pp. 330-380.

Kling, J. "High performance work systems and firm performance", in *Monthly Labour Review*, May 1995.

Korman, A.: "Self-enhancement and self-protection: Toward a theory of motivation", in Thierry, H.; Erez, M.; Kleinbec, U. (eds.): *Individual, group, and cultural perspectives on work motivation*.

Kraut, A.I.; Korman, A.K. (eds.): *Evolving practices in human resource management: Responses to a changing world of work* (San Francisco, California, Jossey-Bass, 1999).

Lepak, D.P.; Snell S.A.: "The human resource architecture: Toward a theory of human capital allocation and development", in *Academy of Management Review*, 1999, Vol. 24, pp. 31-48.

Levine, E.L.; Baker, C.V.: *Team task analysis: A procedural guide and test of the methodology*, Paper presented at the Sixth Annual Conference of the Society for Industrial and Organizational Psychology, St. Louis, Missouri, Apr. 1991.

Liuibic, R.J.: "Corporate codes of conduct and product labelling schemes: The limits and possibilities of promoting international labour rights through private initiatives", in *Law and Policy in International Business*, 1998, Vol. 30, pp. 112-158.

Locke, R.M.: "The transformation of industrial relations? A cross-national review", in Wever, K.; Turner, L. (eds.): *The comparative political economy of industrial relations* (Madison, IRRA, 1995), pp. 18-19.

Losey, M.: "HR comes of age", in *HRMagazine*, 1998, pp. 40-53.

Manz, C.C.; Sims, H.P.: *Business without bosses: How self-managing teams are building high-performance companies* (New York, Wiley, 1993).

McGregor, D.: *The human side of enterprise* (New York, McGraw Hill, 1960).

Metz, P.J.: "Demystifying supply chain management", in *Supply Chain Management Review*, Winter 1998 (http://www.manufacturing.net/scl/scmr/archives/1998/04.myst.htm).

Mintzberg, H.; Quinn, J.B.: *Readings in the strategy process* (Upper Saddle River, New Jersey, Prentice-Hall, 1997).

Monthly Labour Review, May 1995, Exhibit 1.

Morris, J.A.; Feldman, D.C.: "The dimensions, antecedents and consequences of emotional labour", in *Academy of Management Review*, 1996, Vol. 21, pp. 986-1010.

New York Post, 14 Dec.1995, p. 44.

–. 18 Nov. 1997.

New York Times, 22 Mar. 1994.

OECD: *Codes of corporate conduct: An expanded review of their contents*, Working Party of the Trade Committee, TD/TC/WP (99) 56/FINAL, June 2000.

Olsen, R.: "Harnessing the internet with human capital management", in *Workspan*, Nov.-Dec. 2000, pp. 24-27.

Oman, C.: *Globalization and regionalization: The challenge for developing countries* (Paris, OECD Development Center, 1999).

Palpacuer, F.: *Development of core-periphery forms of organization: Some lessons from the New York garment industry* (Geneva, ILO, International Institute for Labour Studies, 1997).

Pasmore, W.A.: "Social science transformed: The social-technical perspective", in *Human Relations*, 1995, Vol. 48, pp. 1-21.

Pfeffer, J.: "Six dangerous myths about pay", in *Harvard Business Review*, May-June 1998a, pp. 109-119.

–. *The human equation: Building profits by putting people first* (Cambridge, Massachusetts, Harvard Business School Press, 1998b).

–; Sutton, R.I.: “Knowing ‘what’ to do is not enough: Turning knowledge into action”, in *California Management Review*, 1999, Vol. 42, No. 1, pp. 83-108.

–; Veiga, J.F.: “Putting people first for organizational success”, in *Academy of Management Executive*, 1999, Vol. 13, No. 2, pp. 37-48.

Princeton compensation planning survey (Princeton, NJ, Sibson, 1990).

Quinn, J.B.; Hilmer, F.G.: “Strategic outsourcing”, in *Sloan Management Review*, Summer 1994, pp. 43-55.

Rothstein, H.R.: “Recruitment and selection: Benchmarking at the millennium, in Kraut, A.I.;

Korman, A.K. (eds.): *Evolving practices in human resource management: Responses to a changing world of work* (San Francisco, California, Jossey-Bass, 1999), pp. 69-89.

Sanchez, J.I.: “From documentation to innovation: Reshaping job analysis to meet emerging business needs”, in *Human Resource Management Review*, 1994, Vol. 4, pp. 51-74.

Schmidt, F.L.; Hunter, J.E.: *The validity and utility of selection methods in personnel psychology: Implications of eighty-five years of research findings*, Unpublished paper (Iowa City, University of Iowa, 1997).

Shea, G.P.; Guzzo, R.A.: “Group effectiveness: What really matters?” in *Sloan Management Review*, 1987, Vol. 3, pp. 25-31.

Sundstrom, E.; DeMeuse, K.P.; Futrell, D.: “Work teams: Applications and effectiveness”, in *American Psychologist*, 1990, Vol. 45, pp. 120-133.

Trist, E.L.; Bamforth, K.W.: “Some social and psychological consequences of the long wall method of coal getting”, in *Human Relations*, 1951, Vol. 30, pp. 201-236.

Van Delden, E.: “A clear vision: The task of the personnel administrator in the 1960s”, in *HRMagazine*, 1998, pp. 161-166.

Vroom, V.: *Work and motivation* (Malabar, Florida, Krieger, 1964).

Welbourne, T.; Andrews, A.: “Predicting performance of initial public offering firms: Should HRM be in the equation?”, in *Academy of Management Journal*, 1996, Vol. 39, pp. 891-919.

Wright, P.M.; Dyer, L.: “People in the e-business: New challenges, new solutions”, in *SHRM* (Cornell University, Center for Advanced Human Resource Studies), Nov. 2000 (www.ilr.cornell.edu/depts/CAHRS).

–; –; Takla, M.G.: “Execution: The critical ‘What’s next?’”, in *SHRM* (Cornell University, Center for Advanced Human Resource Studies), Nov. 1999 (www.ilr.cornell.edu/depts/CAHRS).

MCC Working Paper No. 2

Series on Human Resource Management

Human resource management practice: Adaptation and change in an age of globalization

by

Lanny Entrekin and Magali Court

Management and Corporate Citizenship Programme
Job Creation and Enterprise Development Department

International Labour Office
Geneva