STRATEGIES AND POLICIES FOR HUMAN RESOURCES DEVELOPMENT

COURSE NOTES

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### SUMMARY

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INTRODUCTION

The primary role of human resources in the whole society can be found at the company, which is recognized and endorsed by many scientists from different countries. The main elements that demonstrate are:

a) Labor is the only creator of use value. In fact, the company is the basic economic cell of society that is created by people products and services;

b) is the only creative human resource, not only economically but also in terms of spiritual science. Generate new ideas embodied in products, technologies, management methods, new organizational solutions is the exclusive prerogative of man;

c) The effectiveness of resource material and information depends to a decisive extent of human resources. Practice reveals economic activity, not a few situations where companies, as technically gifted - or financial and information at very close economic performance achieved significantly different.

Emphasizing the role of human resources but does not mean an understatement of material, financial and informational. Systematic design approach involves human resources company interrelated with other resources from the fundamental objectives whose achievement compete together at essentially connections that exist between them. Overuse of human resources at the expense of other affects the dynamic equilibrium of the undertaking which determine the functioning and profitable development.
Chapter 1. International HRM

Chapter’s objectives:
● International HRM are defined;
● International organizational models is examined;

INTERNATIONAL HRM DEFINED

International human resource management is the process of employing, developing and rewarding people in international or global organizations. It involves the worldwide management of people, not just the management of expatriates. An international firm is one in which operations take place in subsidiaries overseas, which rely on the business expertise or manufacturing capacity of the parent company. International firms may be highly centralized with tight controls. A multinational firm is one in which a number of businesses in different countries are managed as a whole from the centre. The degree of autonomy they have will vary. Global firms offer products or services that are rationalized and standardized to enable production or provision to be carried out locally in a cost-efficient way. Their subsidiaries are not subject to rigid control except over the quality and presentation of the product or service. They rely on the technical know-how of the parent company, but carry out their own manufacturing, service delivery or distribution activities.

ISSUES IN INTERNATIONAL HRM

Bartlett and Goshal (1991) argue that the main issue for multinational companies is the need to manage the challenges of global efficiency and multinational flexibility – ‘the ability of an organization to manage the risks and exploit the opportunities that arise from the diversity and volatility of the global environment’. The dilemma facing all multinational corporations is that of achieving a balance between international consistency and local autonomy. Laurent (1986) commented that:

In order to build, maintain and develop the corporate identity, multinational organizations need to strive for consistency in their ways of managing people on a worldwide basis. Yet, and in order to be effective locally, they also need to adapt those ways to the specific cultural requirements of different societies. While the global nature of business may call for increased consistency, the variety of cultural environments may be calling for differentiation.
International HRM involves a number of issues not present when the activities of the firm are confined to one country. These issues comprise the variety of international organizational models that exist, the extent to which HRM policy and practice should vary in different countries (convergence or divergence), the problems of managing in different cultures and environments, and the approaches used to select, deploy, develop and reward expatriates who could be nationals of the parent company or ‘third-country nationals’ (TCNs) – nationals of countries other than the parent company who work abroad in subsidiaries of that company.

INTERNATIONAL ORGANIZATIONAL MODELS

Four international organizational models have been identified by Bartlett and Goshal (1993):

1. Decentralized federation in which each national unit is managed as a separate entity that seeks to optimize its performance in the local environment. This is the traditional multinational corporation.

2. Coordinated federation in which the centre develops sophisticated management systems enabling it to maintain overall control, although scope is given to local management to adopt practices that recognize local market conditions.

3. Centralized hub in which the focus is on the global market rather than on local markets. Such organizations are truly global rather than multinational, which is the case when adopting a federated approach.

4. Transnational in which the corporation develops multi-dimensional strategic capabilities directed towards competing globally but also allows local responsiveness to market requirements.

Perkins and Hendry (1999) argue that notwithstanding this fourfold model, international firms seem to be polarizing around two organizational approaches:

1) regionalization, where local customer service is important; and

2) global business streams, which involve setting up centrally controlled business segments that deal with a related range of products worldwide.

CONVERGENCE AND DIVERGENCE. An issue facing all international firms is the extent to which their HR policies should either ‘converge’ worldwide to be basically the same in each location, or ‘diverge’ to be differentiated in response to local requirements. There is a natural tendency for managerial traditions in the parent company to shape the nature of key decisions, but there are strong arguments for giving as much local autonomy as possible in order to ensure
that local requirements are sufficiently taken into account. As noted by Adler and Ghader (1990), organizations have to follow very different HRM policies and practices according to the relevant stage of international corporate evolution: domestic, international, multinational and global. Harris and Brewster (1999) refer to this as ‘the global/local dilemma’, the issue being the extent to which operating units across the world are to be differentiated and at the same time integrated, controlled and coordinated. They suggest that the alternative strategies are the global approach in which the company’s culture predominates and HRM is centralized and relatively standardized (an ‘ethnocentric’ policy), or the decentralized approach in which HRM responsibility is devolved to subsidiaries. They state that the factors affecting choice are:

- the extent to which there are well-defined local norms;
- the degree to which an operating unit is embedded in the local environment;
- the strength of the flow of resources – finance, information and people – between the parent and the subsidiary;
- the orientation of the parent to control;
- the nature of the industry – the extent to which it is primarily a domestic industry at local level;
- the specific organizational competences including HRM that are critical for achieving competitive advantage in a global environment.

Brewster (2004) believes that convergence may be increasing as a result of the power of the markets, the importance of cost, quality and productivity pressures, the emergence of transaction cost economies and the development of like-minded international cadres. The widespread practice of benchmarking ‘best practice’ may have contributed to convergence.

However, Brewster considers that European firms at least are so locked into their respective national institutional settings that no common model is likely to emerge in the foreseeable future. Since HR systems reflect national institutional contexts and cultures, they do not respond readily to the imperatives of technology or the market. Managers in each country operate within a national institutional context and share a set of cultural assumptions. Neither institutions nor cultures change quickly and rarely in ways that are the same as other countries. As Hofstede (1980) points out, it follows that managers in one country behave in a way that is noticeably different from managers in other countries. Brewster (2004) concludes on the basis of his research that there is some convergence in Europe in the general direction of developments (directional convergence) such as the decreasing size of the HR function, increases in training
and development and the increasing provision of information about strategy and finances. But there is little evidence of final convergence in the sense of companies becoming more alike in the way in which they manage their human resources.

Developing an international approach Laurent (1986) proposes that a truly international approach to human resource management would require the following steps: 1. An explicit recognition by the parent organization that its own peculiar ways of managing human resources reflect some of the assumptions and values of its home culture. 2. An explicit recognition by the parent organization that its peculiar ways are neither universally better nor worse than others, but are different and likely to exhibit strengths and weaknesses, particularly abroad. 3. An explicit recognition by the parent organization that its foreign subsidiaries may have other preferred ways of managing people that are neither intrinsically better nor worse, but could possibly be more effective locally. 4. Willingness from headquarters not only to acknowledge cultural differences, but also to take action in order to make them discussable and therefore useable. 5. The building of a genuine belief by all parties that more creative and effective ways of managing people could be developed as a result of cross-cultural learning.

CULTURAL DIVERSITY

Cultural and environmental diversity is a key issue in international HRM. As Haley (1999) remarks:

In cultures where people are emphasized, it is the quality of interpersonal relationships which is important. In cultures where ideologies are emphasized, sharing common beliefs is more important than group membership. In cultures where action is emphasized, what is done is more important than what is said.

Hofstede (1980) emphasizes that there are a number of cultural dimensions that affect international operations. His framework has been adapted by Bento and Ferreira (1992) to produce the following cultural dualities:

- equality versus inequality;
- certainty versus uncertainty;
- controllability versus uncontrollability;
- individualism versus collectivism;
- materialistic versus personalization.
Sparrow and Hiltrop (1997) note the following HR areas that may be affected by national culture:

- decisions on what makes an effective manager;
- giving face-to-face feedback;
- readiness to accept international assignments;
- pay systems and different concepts of social justice;
- approaches to organizational structuring and strategic dynamics.

Harris et al (2003) provide the following instance of cultural differences:

A performance management system based on openness between manager and subordinate, each explaining plainly how they feel the other has done well or badly in the job, may work in some European countries, but is unlikely to fit with the greater hierarchical assumptions and ‘loss of face’ fears of some of the Pacific countries. Sparrow (1999a) gives examples of different approaches to managerial qualities. The Anglo-Saxon sees management as something separate and definable, based on general and transferable skills, especially interpersonal skills. In Germany, an entirely opposite view is adopted: value is placed on entrepreneurial skills, technical competence, functional expertise and creativity, and managers rely more on formal authority than in other European countries. In France, management is seen as an intellectually demanding task and management development systems are elitist. Brewster (1999) comments that the ‘universalistic’ approach to HRM prevalent in the USA is rejected in Europe where the basic functions of HRM are given different weights between countries and are carried out differently. If a convergent and therefore universalistic approach is adopted by a US international company, it might be difficult to get it accepted in Europe. Divergences to respect cultural differences may be more appropriate if the full potential of the overseas company is to be realized.

THINK GLOBALLY AND ACT LOCALLY

The cultural differences mentioned above have produced the slogan ‘think globally and act locally’. This means that an international balancing act is required, which leads to the fundamental assumption made by Bartlett and Ghoshal (1991) that: ‘Balancing the needs of coordination, control and autonomy and maintaining the appropriate balance are critical to the success of the multinational company.’ Ulrich (1998) suggests that to achieve this balancing act,
there are six capabilities that enable firms to integrate and concentrate international activities and also separate and adopt local activities:
1. being able to determine core activities and non-core activities;
2. achieving consistency while allowing flexibility;
3. building global brand equity while honouring local customs;
4. obtaining leverage (bigger is better) while achieving focus (smaller is better);
5. sharing learning and creating new knowledge;
6. engendering a global perspective while ensuring local accountability.

INTERNATIONAL HR POLICIES

International HR policies will deal with the extent to which there should be convergence or divergence in the HR practices adopted in overseas subsidiaries or units. These will have to take account of differences in employment law, the character of the labour market, different employee relations processes and any cultural differences in the ways in which people are treated.

MANAGING EXPATRIATES

The management of expatriates is a major factor determining success or failure in an international business. Expatriates are expensive; they can cost three or four times as much as the employment of the same individual at home. They are difficult to manage because of the problems associated with adapting to and working in unfamiliar environments, concerns about their development and careers, difficulties encountered when they re-enter their parent company after an overseas assignment, and how they should be remunerated. Policies to address all these issues are required, as described below.

Resourcing policies The challenge is that of resourcing international operations with people of the right calibre. As Perkins (1997) points out, it is necessary for businesses to ‘remain competitive with their employment offering in the market place, to attract and retain high quality staff with worldwide capabilities’. Policies are required on the employment of local nationals and the use of expatriates for long periods or shorter assignments. The advantages of employing local nationals are that they:
● are familiar with local markets, the local communities, the cultural setting and the local economy;
● speak the local language and are culturally assimilated;
can take a long-term view and contribute for a long period (as distinct from expatriates who are likely to take a short-term perspective);

do not take the patronizing (neo-colonial) attitude that expatriates sometimes adopt.

Expatriates (nationals of the parent company or third-country nationals) may be required to provide the experience and expertise that local nationals lack, at least for the time being. But there is much to be said for a long-term resourcing policy that states that the aim is to fill all or the great majority of posts with local people. Parent companies who staff their overseas subsidiaries with local nationals always have the scope to ‘parachute in’ specialist staff to deal with particular issues such as the startup of a new product or service.

Recruitment and selection policies Policies for recruitment and selection should deal with specifying requirements, providing realistic previews and preparation for overseas assignments.

Role specifications Role specifications should take note of the behaviours required for those who work internationally. Leblanc (2001) suggested that they should be able to:

- recognize the diversity of overseas countries;
- accept differences between countries as a fact and adjust to these differences effectively;
- tolerate and adjust to local conditions;
- cope in the long term with a large variety of foreign contexts;
- manage local operations and personnel abroad effectively;
- gain acceptance as a representative of one’s company abroad;
- obtain and interpret information about foreign national contexts (institutions, legislations, practices, market specifics, etc);
- inform and communicate effectively with a foreign environment about the home company’s policies;
- take into account the foreign environment when negotiating contracts and partnerships;
- identify and accept adjustments to basic product specifications in order to meet the needs of the foreign market;
- develop elements of a common framework for company strategies, policies and operations;
- accept that the practices that will operate best in an overseas environment will not necessarily be the same as the company’s ‘home’ practices.

Realistic previews At interviews for candidates from outside the organization, and when talking to internal staff about the possibility of an overseas assignment, it is advisable to have a
policy of providing a realistic preview of the job. The preview should provide information on the overseas operation, any special features of the work, what will need to be done to adjust to local conditions, career progression overseas, re-entry policy on completion of the assignment, pay, and special benefits such as home leave and children’s education.

Preparation policy The preparation policy for overseas assignments should include the provision of cultural familiarization for the country(ies) in which the expatriate will work (sometimes called ‘acculturization’), the preferred approach to leading and working in international teams, and the business and HR policies that will apply.

Training Tarique and Calligiri (1995) propose that the following steps should be taken to design a training programme for expatriates:
1. Identify the type of global assignment, eg technical, functional, tactical, developmental or strategic/executive.
2. Conduct a cross-cultural training needs analysis covering organizational analysis and requirements, assignment analysis of key tasks and individual analysis of skills.
3. Establish training goals and measures – cognitive (eg understanding the role of cultural values and norms) and affective (modifying perception about culture and increasing confidence in dealing with individual behaviours to form adaptive behaviours such as interpersonal skills).
4. Develop the programme – the content should cover both general and specific cultural orientation; a variety of methods should be used.
5. Evaluate training given.

Assimilation and review policies. Assimilation policies will provide for the adaptation of expatriates to overseas posts and their progress in them to be monitored and reviewed. This may take the form of conventional performance management processes, but additional information may be provided on potential and the ability of individuals to cope with overseas conditions. Where a number of expatriates are employed it is customary for someone at headquarters to have the responsibility of looking after them.

Re-entry policies. Re-entry policies should be designed to minimize the problems that can arise when expatriates return to their parent company after an overseas posting. They want to be assured that they will be given a position appropriate to their qualifications, and they will be concerned about their careers, suspecting that their overseas experience will not be taken into
account. Policies should allow time for expatriates to adjust. The provision of mentors or counsellors is desirable.

Pay and allowances policies. The factors that are likely to impact on the design of reward systems as suggested by Bradley et al (1999) are the corporate culture of the multinational enterprise, expatriate and local labour markets, local cultural sensitivities and legal and institutional factors. They refer to the choice that has to be made between seeking internal consistency by developing common reward policies in order to facilitate the movement of employees across borders and preserve internal equity, and responding to pressures to conform to local practices. But they point out that: ‘Studies of cultural differences suggest that reward system design and management need to be tailored to local values to enhance the performance of overseas operations.’ As Sparrow (1999b) asserts: ‘Differences in international reward are not just a consequence of cultural differences, but also of differences in international influences, national business systems and the role and competence of managers in the sphere of HRM.’ The policy of most organizations is to ensure that expatriates are no worse off because they have been posted abroad. In practice, various additional allowances or payments, such as hardship allowances, mean that they are usually better off financially than if they had stayed at home. The basic choice is whether to adopt a home-based or host-based policy for expatriates.

Home-based pay. The home-based pay approach aims to ensure that the value of the salary of expatriates is the same as in their home country. The home-base salary may be a notional one for long-term assignments (ie the salary which it is assumed would be paid to expatriates were they employed in a job of equivalent level at the parent company). For shorter-term assignments it may be the actual salary of the individual. The notional or actual home-base salary is used as the foundation upon which the total remuneration package is built. This is sometimes called the ‘build-up’ or ‘balance sheet’ approach. The salary ‘build-up’ starts with the actual or notional home-base salary. To it is added a cost of living adjustment, which is applied to ‘spendable income’ – the portion of salary that would be used at home for everyday living. It usually excludes income tax, social security, pensions and insurance and can exclude discretionary expenditure on major purchases or holidays on the grounds that these do not constitute day-to-day living expenses. The expatriate’s salary would then consist of the actual or notional home-base salary plus the cost of living adjustment. In addition, it may be necessary to adjust salaries to take account of the host country’s tax regime in order to achieve tax
equalization. Moves of less than a year that might give rise to double taxation require particular attention. Some or all of the following allowances may be added to this salary:

- ‘incentive to work abroad’ premium;
- hardship and location;
- housing and utilities;
- school fees;
- ‘rest and recuperation’ leave.

Host-based pay. The host-based pay approach provides expatriates with salaries and benefits such as company cars and holidays that are in line with those given to nationals of the host country in similar jobs. This method ensures equity between expatriates and host country nationals. It is adopted by companies using the so-called ‘market rate’ system, which ensures that the salaries of expatriates match the market levels of pay in the host country. Companies using the host-based approach commonly pay additional allowances such as school fees, accommodation and medical insurance. They may also fund long-term benefits like social security, life assurance and pensions from home. The host-based method is certainly equitable from the viewpoint of local nationals, and it can be less expensive than home-based pay. But it may be much less attractive as an inducement for employees to work abroad, especially in unpleasant locations, and it can be difficult to collect market rate data locally to provide a basis for setting pay levels.

**Chapter 2. Strategic HRM**

**Chapter’s objectives:**

- Strategy concept are define
- Strategic HRM are define
- Aims of strategic HRM is given

An important defining characteristic of human resource management is that it is strategic. This characteristic is expressed by the concept of strategic HRM – an integrated approach to the development of HR strategies that enable the organization to achieve its goals. To understand the notion of strategic HRM it is necessary to appreciate the concept of strategy upon which it is
based, and this is considered in the first section of the chapter. This leads into a definition of the concept of strategic HRM followed by expositions of its aims and approaches.

THE CONCEPT OF STRATEGY

Strategy has been defined by Johnson and Scholes (1993) as: 'The direction and scope of an organization over the longer term, which ideally matches its resources to its changing environment, and in particular, to its markets, customers and clients to meet stakeholder expectations.' Strategy determines the direction in which the organization is going in relation to its environment. It is the process of defining intentions (strategic intent) and allocating or matching resources to opportunities and needs (resource-based strategy). Business strategy is concerned with achieving competitive advantage. The effective development and implementation of strategy depends on the strategic capability of the organization’s managers. As expressed in the Professional Standards of the CIPD, this means the capacity to create an achievable vision for the future, to foresee longer-term developments, to envisage options (and their probable consequences), to select sound courses of action, to rise above the day-to-day detail, to challenge the status quo. Strategy is expressed in strategic goals and developed and implemented in strategic plans through the process of strategic management. Strategy is about implementation, which includes the management of change, as well as planning. An important aspect of strategy is the need to achieve strategic fit. This is used in three senses:

1. matching the organization’s capabilities and resources to the opportunities available in the external environment;

2. matching one area of strategy, eg human resource management, to the business strategy; and

3. ensuring that different aspects of a strategy area cohere and are mutually supportive.

The concept of strategy is not a straightforward one. There are many different theories about what it is and how it works. Mintzberget al(1988) suggest that strategy can have a number of meanings, namely:

- A plan, or something equivalent – a direction, a guide, a course of action.
- A pattern, that is, consistency in behaviour over time.
- A perspective, an organization’s fundamental way of doing things.
- Aploy, a specific ’manoeuvre’ intended to outwit an opponent or a competitor.
The formulation of corporate strategy can be defined as a process for developing and defining a sense of direction. It has often been described as a logical, step-by-step affair, the outcome of which is a formal written statement that provides a definitive guide to the organization’s long-term intentions. Many people still believe that this is the case, but it is a misrepresentation of reality. In practice the formulation of strategy is never as rational and linear a process as some writers describe it or as some managers attempt to make it. Mintzberg (1987) believes that strategy formulation is not necessarily rational and continuous. In theory, he says, strategy is a systematic process: first we think, then we act; we formulate then we implement. But we also ’act in order to think’. In practice, ’a realized strategy can emerge in response to an evolving situation’ and the strategic planner is often ’a pattern organizer, a learner if you like, who manages a process in which strategies and visions can emerge as well as be deliberately conceived’. He has emphasized the concept of ’emergent strategies’, and a key aspect of this process is the production of something that is new to the organization even if it is not developed as logically as the traditional corporate planners believed to be appropriate. Tyson (1997) confirms that:

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

STRATEGIC HRM DEFINED

Strategic HRM is an approach to making decisions on the intentions and plans of the organization in the shape of the policies, programmes and practices concerning the employment relationship, resourcing, learning and development, performance management, reward, and employee relations. The concept of strategic HRM is derived from the concepts of HRM and strategy. It takes the HRM model with its focus on strategy, integration and coherence and adds to that the key notions of strategy, namely, strategic intent, resource-based strategy, competitive advantage, strategic capability and strategic fit.
Strategic HRM and HR strategies

Strategic HRM is an approach to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. What emerges from this process is a stream of decisions over time that form the pattern adopted by the organization for managing its human resources and which define the areas in which specific HR strategies need to be developed. These focus on the decisions of the organization on what needs to be done and what needs to be changed in particular areas of people management.

The meaning of strategic HRM

According to Hendry and Pettigrew (1986), strategic HRM has four meanings:

1. the use of planning;
2. a coherent approach to the design and management of personnel systems based on an employment policy and manpower strategy and often underpinned by a ‘philosophy’;
3. matching HRM activities and policies to some explicit business strategy;
4. seeing the people of the organization as a ‘strategic resource’ for the achievement of ‘competitive advantage’.

Purcell (2001) draws attention to the implications for strategic HRM of the concept of strategy as an emerging rather than a deliberate process:

Big strategies in HRM are most unlikely to come, ex cathedra, from the board as a fully formed, written strategy or planning paper. Strategy is much more intuitive and often only ‘visible’ after the event, seen as ‘emerging patterns of action’. This is especially the case when most of the strategy, as in HRM, is to do with internal implementation and performance strategies, not exclusively to do with external market ploys.

Strategic HRM as an integrated process

Strategic HRM is essentially an integrated process that aims to achieve ‘strategic fit’. A strategic HRM approach produces HR strategies that are integrated vertically with the business strategy and are ideally an integral part of that strategy, contributing to the business planning process as it happens. Walker (1992) defines strategic HRM as ‘the means of aligning the management of human resources with the strategic content of the business’. Vertical integration is necessary to provide congruence between business and human resource strategy so that the latter supports the accomplishment of the former and, indeed, helps to define it. Strategic HRM is also about horizontal integration, which aims to ensure that the different elements of the HR strategy fit together and are mutually supportive.
AIMS OF STRATEGIC HRM

The fundamental aim of strategic HRM is to generate a perspective on the way in which critical issues relating to people can be addressed. It enables strategic decisions to be made that have a major and long-term impact on the behavior and success of the organization by ensuring that the organization has the skilled, committed and well-motivated employees it needs to achieve sustained competitive advantage. Its rationale is the advantage of having an agreed and understood basis for developing approaches to people management in the longer term by providing a sense of direction in an often turbulent environment. As Dyer and Holder (1998) remark, strategic HRM should provide 'unifying frameworks which are at once broad, contingency based and integrative’. When examining the aims of strategic HRM it is necessary to consider the need for HR strategy to take into account the interests of all the stakeholders in the organization, employees in general as well as owners and management. In Storey’s (1989) terms, 'soft strategic HRM’ will place greater emphasis on the human relations aspect of people management, stressing continuous development, communication, involvement, security of employment, the quality of working life and work-life balance. Ethical considerations will be important. 'Hard strategic HRM’ on the other hand will emphasize the yield to be obtained by investing in human resources in the interests of the business. This is also the philosophy of human capital management. Strategic HRM should attempt to achieve a proper balance between the hard and soft elements. All organizations exist to achieve a purpose and they must ensure that they have the resources required to do so, and that they use them effectively. But they should also take into account the human considerations contained in the concept of soft strategic HRM. In the words of Quinn Mills (1983) they should plan with people in mind, taking into account the needs and aspirations of all the members of the organization. The problem is that hard considerations in many businesses will come first, leaving soft ones some way behind.

APPROACHES TO STRATEGIC HRM

Strategic HRM adopts an overall resource-based philosophy, as described below. Within this framework there are three possible approaches, namely, high-performance management (high-performance working), high-commitment management and high-involvement management.
Resource-based strategic HRM is a resource-based approach to strategic HRM that focuses on satisfying the human capital requirements of the organization. The notion of resource-based strategic HRM is based on the ideas of Penrose (1959), who wrote that the firm is ‘an administrative organization and a collection of productive resources’. It was developed by Hamel and Prahalad (1989), who declared that competitive advantage is obtained if a firm can obtain and develop human resources that enable it to learn faster and apply its learning more effectively than its rivals. Barney (1991) states that sustained competitive advantage stems from the acquisition and effective use of bundles of distinctive resources that competitors cannot imitate. As Purcell et al (2003) suggest, the values and HR policies of an organization constitute an important non-imitable resource. This is achieved by ensuring that:

- the firm has higher quality people than its competitors;
- the unique intellectual capital possessed by the business is developed and nurtured;
- organizational learning is encouraged;
- organization-specific values and a culture exist which ‘bind the organization together (and) gives it focus’.

The aim of a resource-based approach is to improve resource capability – achieving strategic fit between resources and opportunities and obtaining added value from the effective deployment of resources. In line with human capital theory, resource-based theory emphasizes that investment in people adds to their value to the firm. Resource-based strategy, as Barney (1991) indicates, can develop strategic capability and produce what Boxall and Purcell (2003) refer to as ‘human resource advantage’.

The high-performance management approach to high-performance working involves the development of a number of interrelated processes which together make an impact on the performance of the firm through its people in such areas as productivity, quality, levels of customer service, growth, profits and, ultimately, the delivery of increased shareholder value. This is achieved by ‘enhancing the skills and engaging the enthusiasm of employees’ (Stevens, 1998). According to Stevens, the starting point is leadership, vision and benchmarking to create a sense of momentum and direction. Progress must be measured constantly. He suggests that the main drivers, support systems and culture are:

- decentralized, devolved decision-making made by those closest to the customer – so as constantly to renew and improve the offer to customers;
● development of people capacities through learning at all levels, with particular
emphasis on self-management and team capabilities – to enable and support performance
improvement and organizational potential;

● performance, operational and people management processes aligned to organizational
objectives – to build trust, enthusiasm and commitment to the direction taken by the
organization;

● fair treatment for those who leave the organization as it changes, and engagement with
the needs of the community outside the organization – this is an important component of trust
and commitment-based relationships both within and outside the organization.

High-performance management practices include rigorous recruitment and selection
procedures, extensive and relevant learning and development activities, incentive pay systems
and performance management processes.

The high-commitment management model One of the underpinning characteristics of
HRM is its emphasis on the importance of enhancing mutual commitment (Walton, 1985b).
High-commitment management has been described by Wood (1996) as:

A form of management which is aimed at eliciting a commitment so that behavior is
primarily self-regulated rather than controlled by sanctions and pressures external to the
individual, and relations within the organization are based on high levels of trust.

The approaches to creating a high-commitment organization as defined by Beer et al
(1984) and Walton (1985b) are:

The fundamental business need the strategy should meet is to develop and maintain a
high performance culture. The characteristics of such a culture are:

● a clear line of sight exists between the strategic aims of the authority and those of its
departments and its staff at all levels;

● management defines what it requires in the shape of performance improvements, sets
goals for success and monitors performance to ensure that the goals are achieved;

● leadership from the top, which engenders a shared belief in the importance of
continuing improvement;

● focus on promoting positive attitudes that result in a committed and motivated
workforce;
● performance management processes aligned to the authority’s objectives to ensure that people are engaged in achieving agreed goals and standards;
  ● capacities of people developed through learning at all levels to support performance improvement;
  ● people provided with opportunities to make full use of their skills and abilities;
  ● people valued and rewarded according to their contribution.
● the development of career ladders and emphasis on trainability and commitment as highly valued characteristics of employees at all levels in the organization;
● a high level of functional flexibility with the abandonment of potentially rigid job descriptions;
● the reduction of hierarchies and the ending of status differentials;
● a heavy reliance on team structure for disseminating information (team briefing), structuring work (team working) and problem solving (quality circles).

Wood and Albanese (1995) added to this list:
● job design as something management consciously does in order to provide jobs that have a considerable level of intrinsic satisfaction;
  ● a policy of no compulsory lay-offs or redundancies and permanent employment guarantees, with the possible use of temporary workers to cushion fluctuations in the demand for labour;
  ● new forms of assessment and payment systems and, more specifically, merit pay and profit sharing;
  ● a high involvement of employees in the management of quality.

High-involvement management This approach involves treating employees as partners in the enterprise whose interests are respected and who have a voice on matters that concern them. It is concerned with communication and involvement. The aim is to create a climate in which a continuing dialogue between managers and the members of their teams take place to define expectations and share information on the organization’s mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved. The following high-involvement work practices have been identified by Pil and McDuffie (1999):
  ● ‘on-line’ work teams;
● ‘off-line’ employee involvement activities and problem-solving groups;
● job rotation;
● suggestion programmes;
● decentralization of quality efforts.

IMPLEMENTING STRATEGIC HRM

The implementation of strategic HRM is carried out within the framework of the approaches described above. The overarching imperative will be to achieve human resource advantage. A high-performance approach will emphasize the importance of creating and maintaining a performance culture, and both high-commitment and high-involvement management will contribute to the development of a committed and engaged workforce.

Chapter 3. HR strategies

Chapter’s objectives:

● HR strategies are defined;
● the purpose of HR strategies is examined;
● the distinction is made between strategic HRM and HR strategies;
● types of HR strategies are described with examples;
● criteria for an effective HR strategy are given.

HR STRATEGIES DEFINED

HR strategies set out what the organization intends to do about the different aspects of its human resource management policies and practices. They will be integrated with the business strategy and each other. HR strategies are described by Dyer and Reeves (1995) as ‘internally consistent bundles of human resource practices’, and in the words of Boxall (1996), they provide ‘a framework of critical ends and means’. Richardson and Thompson (1999) suggest that:

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

PURPOSE
The purpose of HR strategies is to guide HRM development and implementation programmes. They provide a means of communicating to all concerned the intentions of the organization about how its human resources will be managed. They provide the basis for strategic plans and enable the organization to measure progress and evaluate outcomes against objectives. HR strategies provide visions for the future but they are also vehicles that define the actions required and how the vision should be realized. As Gratton (2000) commented: ‘There is no great strategy, only great execution.’

THE DISTINCTION BETWEEN STRATEGIC HRM AND HR STRATEGIES

Strategic HRM as described in the last chapter is the process that results in the formulation of HR strategies. The terms ‘strategic HRM’ and ‘HR strategy’ are often used interchangeably, but a distinction can be made between them. Strategic HRM can be regarded as a general approach underpinned by a philosophy to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. What emerges from this process is a stream of decisions over time that form the pattern adopted by the organization for managing its human resources and define the areas in which specific HR strategies need to be developed. HR strategies will focus on the intentions of the organization on what needs to be done and what needs to be changed.

TYPES OF HR STRATEGIES

Because all organizations are different, all HR strategies are different. Research into HR strategy conducted by Armstrong and Long (1994) and Armstrong and Baron (2002) revealed many variations. Some strategies are simply very general declarations of intent; others go into much more detail. But two basic types of HR strategies can be identified: 1) overarching strategies; and 2) specific strategies relating to the different aspects of human resource management.

Overarching HR strategies Overarching strategies describe the general intentions of the organization about how people should be managed and developed, what steps should be taken to ensure that the organization can attract and retain the people it needs, and ensure so far as possible that employees are committed, motivated and engaged. They are likely to be expressed as broad-brush statements of aims and purpose that set the scene for more specific strategies. They are concerned with overall organizational effectiveness – achieving human resource advantage by, as Boxall and Purcell (2003) explain, employing ‘better people in organizations
with better process’, developing high-performance work systems and generally creating a great place to work. The following are some examples of overarching HR strategy statements.

Aegon ‘The Human Resources Integrated Approach aims to ensure that from whatever angle staff now look at the elements of pay management, performance, career development and reward, they are consistent and linked.’

B&Q ‘Enhance employee commitment and minimize the loss of B&Q’s best people. Position B&Q as one of the best employers in the UK.’

Egg ‘The major factor influencing HR strategy was the need to attract, maintain and retain the right people to deliver it. The aim was to introduce a system that complemented the business that reflected the way we wanted to treat our customers – treating our people the same. What we would do for our customers we would also do for our people. We wanted to make an impact on the culture – the way people do business.’ (HR Director)

GlaxoSmithKline ‘We want GSK to be a place where the best people do their best work.’

An insurance company ‘Without the people in this business we don’t have anything to deliver. We are driven to getting the people issues right in order to deliver the strategy. To a great extent it’s the people that create and implement the strategy on behalf of the organization. We put people very much at the front of our strategic thought process. If we have the right people, the right training, the right qualifications and the right sort of culture then we can deliver our strategy. We cannot do it otherwise.’ (Chief Executive)

Lands’End. ‘Based on the principle that staff who are enjoying themselves, are being supported and developed, and who feel fulfilled and respected at work, will provide the best service to customers.’

Pilkington Optronics. ‘The business strategy defines what has to be done to achieve success and that HR strategy must complement it, bearing in mind that one of the critical success factors for the company is its ability to attract and retain the best people. HR strategy must be in line with what is best in industry.’

A public utility. ‘The only HR strategy you really need is the tangible expression of values and the implementation of values... unless you get the human resource values right you can forget all the rest’. (Managing Director)
A manufacturing company. ‘The HR strategy is to stimulate changes on a broad front aimed ultimately at achieving competitive advantage through the efforts of our people. In an industry of fast followers, those who learn quickest will be the winners.’ (HR Director)

A retail stores group. ‘The biggest challenge will be to maintain (our) competitive advantage and to do that we need to maintain and continue to attract very high calibre people. The key differentiator on anything any company does is fundamentally the people, and I think that people tend to forget that they are the most important asset. Money is easy to get hold of, good people are not. All we do in terms of training and manpower planning is directly linked to business improvement.’ (Managing Director)

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

- Talent management – how the organization intends to ‘win the war for talent’.
- Continuous improvement – providing for focused and continuous incremental innovation sustained over a period of time.
- Knowledge management – creating, acquiring, capturing, sharing and using knowledge to enhance learning and performance.
- Resourcing – attracting and retaining high quality people.
- Learning and developing – providing an environment in which employees are encouraged to learn and develop.
- Reward – defining what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of its stakeholders.
- Employee relations – defining the intentions of the organization about what needs to be done and what needs to be changed in the ways in which the organization manages its relationships with employees and their trade unions.

The following are some examples of specific HR strategies.

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

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

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

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

A government agency. The key components of the HR strategy are:

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

**HR strategies for higher education institutions (The Higher Education Funding Council)**

1. **Address recruitment and retention difficulties in a targeted and cost-effective manner.**
2. **Meet specific staff development and training objectives that not only equip staff to meet their current needs but also prepare them for future changes, such as using new technologies for learning and teaching.** This would include management development.
3. **Develop equal opportunity targets with programmes to implement good practice throughout an institution.** This would include ensuring equal pay for work of equal value, using institution-wide systems of job evaluation. This could involve institutions working collectively – regionally or nationally.
4. **Carry out regular reviews of staffing needs, reflecting changes in market demands and technology.** The reviews would consider overall numbers and the balance of different categories of staff.
5. **Conduct annual performance reviews of all staff, based on open and objective criteria,** with
reward connected to the performance of individuals including, where appropriate, their contribution to teams. 6. Take action to tackle poor performance.

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

CRITERIA FOR AN EFFECTIVE HR STRATEGY

An effective HR strategy is one that works in the sense that it achieves what it sets out to achieve. In particular, it:

● will satisfy business needs;
● is founded on detailed analysis and study, not just wishful thinking;
● can be turned into actionable programmes that anticipate implementation requirements and problems;
● is coherent and integrated, being composed of components that fit with and support each other;
● takes account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders. As Boxall and Purcell (2003) emphasize: ‘HR planning should aim to meet the needs of the key stakeholder groups involved in people management in the firm.’

Here is a comment from a chief executive (Peabody Trust) on what makes a good HR strategy:

A good strategy is one which actually makes people feel valued. It makes them knowledgeable about the organization and makes them feel clear about where they sit as a group, or team, or individual. It must show them how what they do either together or individually fits into that strategy. Importantly, it should indicate how people are going to be rewarded for their contribution and how they might be developed and grow in the organization.

Chapter 4. Developing and implementing HR strategies

Chapter’s objectives:

● proposition about the development process are defined;
● levels of strategic decision-making are examined;
There is an ever-present risk that the concept of strategic HRM can become somewhat nebulous – nice to have but hard to realize. The danger of creating a rhetoric/reality gap is acute. Broad and often bland statements of strategic intent can be readily produced. What is much more difficult is to turn them into realistic plans that are then implemented effectively. Strategic HRM is more about getting things done than thinking about them. It leads to the formulation of HR strategies that first define what an organization intends to do in order to attain defined goals in overall human resource management policy and in particular areas of HR process and practice, and secondly set out how they will be implemented. Difficult though it may be, a strategic approach is desirable in order to give a sense of direction and purpose and as a basis for the development of relevant and coherent HR policies and practices. This chapter starts by giving general consideration to the development process, setting out various propositions and describing the levels of strategic decision-making. Reference is also made to the existence of strategic options and choices. This provides the background against which the approaches to formulating and implementing HR strategies are described.

PROPOSITIONS ABOUT THE DEVELOPMENT PROCESS

The following propositions about the formulation of HR strategy have been drawn up by Boxall (1993) from the literature:

- the strategy formation process is complex, and excessively rationalistic models that advocate formalistic linkages between strategic planning and HR planning are not particularly helpful to our understanding of it;
- business strategy may be an important influence on HR strategy but it is only one of several factors;
- implicit (if not explicit) in the mix of factors that influence the shape of HR strategies is a set of historical compromises and trade-offs from stakeholders.

It is also necessary to stress that coherent and integrated HR strategies are only likely to be developed if the top team understands and acts upon the strategic imperatives associated with the employment, development and motivation of people. This will be achieved more effectively if there is an HR director who is playing an active and respected role as a business partner. A further consideration is that the effective implementation of HR strategies depends on the involvement, commitment and cooperation of line managers and staff generally. Finally, there is
too often a wide gap between the rhetoric of strategic HRM and the reality of its impact, as Gratton et al (1999) emphasize. Good intentions can too easily be subverted by the harsh realities of organizational life. For example, strategic objectives such as increasing commitment by providing more security and offering training to increase employability may have to be abandoned or at least modified because of the short-term demands made on the business to increase shareholder value. The development process as described below takes place at different levels and involves analysing options and making choices. A methodology is required for the process that can be conducted by means of a strategic review. The methodology can be applied in three different ways. One of the most important aims in the development programme will be to align the HR strategy to the organizational culture and the business strategy by achieving vertical integration or fit.

LEVELS OF STRATEGIC DECISION-MAKING

Ideally, the formulation of HR strategies is conceived as a process, which is closely aligned to the formulation of business strategies. HR strategy can influence as well as be influenced by business strategy. In reality, however, HR strategies are more likely to flow from business strategies, which will be dominated by product/market and financial considerations. But there is still room for HR to make a useful, even essential contribution at the stage when business strategies are conceived, for example by focusing on resource issues. This contribution may be more significant if strategy formulation is an emergent or evolutionary process – HR strategic issues will then be dealt with as they arise during the course of formulating and implementing the corporate strategy. A distinction is made by Purcell (1989) between:

- ‘upstream’ first-order decisions, which are concerned with the long-term direction of the enterprise or the scope of its activities;
- ‘downstream’ second-order decisions, which are concerned with internal operating procedures and how the firm is organized to achieve its goals;
- ‘downstream’ third-order decisions, which are concerned with choices on human resource structures and approaches and are strategic in the sense that they establish the basic parameters of employee relations management in the firm.

It can indeed be argued that HR strategies, like other functional strategies such as product development, manufacturing and the introduction of new technology, will be developed within the context of the overall business strategy, but this need not imply that HR strategies come third
in the pecking order. Observations made by Armstrong and Long (1994) during research into the strategy formulation processes of 10 large UK organizations suggested that there were only two levels of strategy formulation: 1) the corporate strategy relating to the vision and mission of the organization but often expressed in terms of marketing and financial objectives; 2) the specific strategies within the corporate strategy concerning product-market development, acquisitions and divestments, human resources, finance, new technology, organization, and such overall aspects of management as quality, flexibility, productivity, innovation and cost reduction.

**STRATEGIC OPTIONS AND CHOICES**

The process of developing HR strategies involves generating strategic HRM options and then making appropriate strategic choices. It has been noted by Cappelli (1999) that: ‘The choice of practices that an employer pursues is heavily contingent on a number of factors at the organizational level, including their own business and production strategies, support of HR policies, and co-operative labour relations.’ The process of developing HR strategies involves the adoption of a contingent approach in generating strategic HRM options and then making appropriate strategic choices. There is seldom if ever one right way forward. Choices should relate to but also anticipate the critical needs of the business. They should be founded on detailed analysis and study, not just wishful thinking, and should incorporate the experienced and collective judgement of top management about the organizational requirements while also taking into account the needs of line managers and employees generally. The emerging strategies should anticipate the problems of implementation that may arise if line managers are not committed to the strategy and/or lack the skills and time to play their part, and the strategies should be capable of being turned into actionable programmes.

**APPROACHES TO HR STRATEGY DEVELOPMENT**

The starting point of HR strategy development is the alignment of HR strategy to the business strategy and the organizational culture – the achievement of vertical integration. This provides the necessary framework for the three approaches to the development of HR strategies that have been identified by Delery and Doty (1996) as the ‘universalistic’, the ‘contingency’ and the ‘configurational’. Richardson and Thompson (1999) redefined the first two approaches as best practice and best fit, and retained the word ‘configurational’, meaning the use of ‘bundles’, as the third approach.
Aligning HR strategy A fundamental requirement in developing HR strategy is that it should be aligned to the business strategy (vertical integration) and should fit the organizational culture. Everything else flows from this process of alignment.

Integration with the business strategy. The key business issues that may impact on HR strategies include:

- intentions concerning growth or retrenchment, acquisitions, mergers, divestments, diversification, product/market development;
- proposals on increasing competitive advantage through innovation leading to product/service differentiation, productivity gains, improved quality/customer service, cost reduction (downsizing);
- the felt need to develop a more positive, performance-oriented culture and any other culture management imperatives associated with changes in the philosophies of the organization in such areas as gaining commitment, mutuality, communications, involvement, devolution and team working.

Business strategies may be influenced by HR factors, although not excessively so. HR strategies are concerned with making business strategies work. But the business strategy must take into account key HR opportunities and constraints. Wright and Snell (1998) suggest that seeking fit requires knowledge of the skills and behaviour needed to implement the strategy, knowledge of the HRM practices necessary to elicit those skills and behaviours, and the ability quickly to implement the desired system of HRM practices. A framework for aligning HR and business strategies is provided by a competitive strategy approach that relates the different HR strategies to the firm’s competitive strategies, including those listed by Porter (1985).

Culture fit HR strategies need to be congruent with the existing culture of the organization, or designed to produce cultural change in specified directions. This will be a necessary factor in the formulation stage but could be a vital factor when it comes to implementation. In effect, if what is proposed is in line with ‘the way we do things around here’, then it will be more readily accepted. However, in the more likely event that it changes ‘the way we do things around here’, then careful attention has to be given to the real problems that may occur in the process of trying to embed the new initiative in the organization.

The best practice approach. This approach is based on the assumption that there is a set of best HRM practices and that adopting them will inevitably lead to superior organizational
Four definitions of best practice are given in Table 9.2. The ‘best practice’ rubric has been attacked by a number of commentators. Cappelli and Crocker-Heftre (1996) comment that the notion of a single set of best practices has been overstated: ‘There are examples in virtually every industry of firms that have very distinctive management practices… Distinctive human resource practices shape the core competencies that determine how firms compete.’ Purcell (1999) has also criticized the best practice or universalist view by pointing out the inconsistency between a belief in best practice and the resource-based view which focuses on the intangible assets, including HR, that allow the firm to do better than its competitors. He asks how can ‘the universalism of best practice be squared with the view that only some resources and routines are important and valuable by being rare and imperfectly imitable?’ The danger, as Legge (1995) points out, is that of ‘mechanistically matching strategy with HRM policies and practices’. In accordance with contingency theory, which emphasizes the importance of interactions between organizations and their environments so that what organizations do is dependent on the context in which they operate, it is difficult to accept that there is any such thing as universal best practice. What works well in one organization will not necessarily work well in another because it may not fit its strategy, culture, management style, technology or working practices. As Becker et al (1997) remark, ‘Organizational high-performance work systems are highly idiosyncratic and must be tailored carefully to each firm’s individual situation to achieve optimum results.’ But knowledge of best practice can inform decisions on what practices are most likely to fit the needs of the organization as long as it is understood why it is best practice. And Becker and Gerhart (1996) argue that the idea of best practice might be more appropriate for identifying the principles underlying the choice of practices, as opposed to the practices themselves.

The best fit approach. The best fit approach emphasizes the importance of ensuring that HR strategies are appropriate to the circumstances of the organization, including its culture, operational processes and external environment. HR strategies have to take account of the particular needs of both the organization and its people. For the reasons given above, it is accepted by most commentators that ‘best fit’ is more important than ‘best practice’. There can be no universal prescriptions for HRM policies and practices. It all depends. This is not to say that ‘good practice’, or ‘leading edge practice’ ie practice that does well in one successful environment, should be ignored. ‘Benchmarking’ (comparing what the organization does with
what is done elsewhere) is a valuable way of identifying areas for innovation or development that are practised to good effect elsewhere by leading companies. But having learnt about what works and, ideally, what does not work in comparable organizations, it is up to the firm to decide what may be relevant in general terms and what lessons can be learnt that can be adapted to fit its particular strategic and operational requirements. The starting point should be an analysis of the business needs of the firm within its context (culture, structure, technology and processes). This may indicate clearly what has to be done. Thereafter, it may be useful to pick and mix various ‘best practice’ ingredients, and develop an approach that applies those that are appropriate in a way that is aligned to the identified business needs.

But there are problems with the best fit approach, as stated by Purcell (1999):

Meanwhile, the search for a contingency or matching model of HRM is also limited by the impossibility of modelling all the contingent variables, the difficulty of showing their interconnection, and the way in which changes in one variable have an impact on others.

In Purcell’s view, organizations should be less concerned with best fit and best practice and much more sensitive to processes of organizational change so that they can ‘avoid being trapped in the logic of rational choice’.

The configurational approach (bundling) As Richardson and Thompson (1999) comment, ‘A strategy’s success turns on combining “vertical” or external fit and “horizontal” or internal fit.’ They conclude that a firm with bundles of HR practices should have a higher level of performance, provided it also achieves high levels of fit with its competitive strategy. Emphasis is given to the importance of ‘bundling’ – the development and implementation of several HR practices together so that they are interrelated and therefore complement and reinforce each other. This is the process of horizontal integration, which is also referred to as the adoption of a ‘configurational mode’ (Delery and Doty, 1996) or the use of ‘complementarities’ (MacDuffie, 1995), who explained the concept of bundling as follows:

Implicit in the notion of a ‘bundle’ is the idea that practices within bundles are interrelated and internally consistent, and that ‘more is better’ with respect to the impact on performance, because of the overlapping and mutually reinforcing effect of multiple practices.

Dyer and Reeves (1995) note that: ‘The logic in favour of bundling is straightforward… Since employee performance is a function of both ability and motivation, it makes sense to have practices aimed at enhancing both.’ Thus there are several ways in which employees can acquire
needed skills (such as careful selection and training) and multiple incentives to enhance motivation (different forms of financial and nonfinancial rewards). A study by Dyer and Reeves (1995) of various models listing HR practices which create a link between HRM and business performance found that the activities appearing in most of the models were involvement, careful selection, extensive training and contingent compensation. The aim of bundling is to achieve coherence, which is one of the four ‘meanings’ of strategic HRM defined by Hendry and Pettigrew (1986). Coherence exists when a mutually reinforcing set of HR policies and practices have been developed that jointly contribute to the attainment of the organization’s strategies for matching resources to organizational needs, improving performance and quality and, in commercial enterprises, achieving competitive advantage. The process of bundling HR strategies (horizontal integration or fit) is an important aspect of the concept of strategic HRM. In a sense, strategic HRM is holistic; it is concerned with the organization as a total entity and addresses what needs to be done across the organization as a whole in order to enable it to achieve its corporate strategic objectives. It is not interested in isolated programmes and techniques, or in the ad hoc development of HR practices. In their discussion of the four policy areas of HRM (employee influence, human resource management flow, reward systems and work systems) Beer et al (1984) suggested that this framework can stimulate managers to plan how to accomplish the major HRM tasks ‘in a unified, coherent manner rather than in a disjointed approach based on some combination of past practice, accident and ad hoc response to outside pressures’. The problem with the bundling approach is that of deciding which the best way to relate different practices together is. There is no evidence that one bundle is generally better than another, although the use of performance management practices and competence frameworks are two ways that are typically adopted to provide for coherence across a range of HR activities. Pace the findings of MacDuffie, there is no conclusive proof that in the UK bundling has actually improved performance.

**METHODOLOGY FOR STRATEGY DEVELOPMENT**

A methodology for formulating HR strategies was developed by Dyer and Holder (1998) as follows:

1. Assess feasibility – from an HR point of view, feasibility depends on whether the numbers and types of key people required to make the proposal succeed can be obtained on a
timely basis and at a reasonable cost, and whether the behavioural expectations assumed by the strategy are realistic (e.g., retention rates and productivity levels).

2. Determine desirability – examine the implications of strategy in terms of sacrosanct HR policies (e.g., a strategy of rapid retrenchment would have to be called into question by a company with a full employment policy).

3. Determine goals – these indicate the main issues to be worked on and they derive primarily from the content of the business strategy. For example, a strategy to become a lower-cost producer would require the reduction of labour costs. This in turn translates into two types of HR goals: higher performance standards (contribution) and reduced headcounts (composition).

4. Decide means of achieving goals – the general rule is that the closer the external and internal fit, the better the strategy, consistent with the need to adapt flexibly to change. External fit refers to the degree of consistency between HR goals on the one hand and the exigencies of the underlying business strategy and relevant environmental conditions on the other. Internal fit measures the extent to which HR means follow from the HR goals and other relevant environmental conditions, as well as the degree of coherence or synergy among the various HR means.

But many different routes may be followed when formulating HR strategies – there is no one right way. On the basis of their research in 30 well-known companies, Tyson and Witcher (1994) commented that: ‘The different approaches to strategy formation reflect different ways to manage change and different ways to bring the people part of the business into line with business goals.’ In developing HR strategies, process may be as important as content. Tyson and Witcher (1994) also noted from their research that: ‘The process of formulating HR strategy was often as important as the content of the strategy ultimately agreed. It was argued that by working through strategic issues and highlighting points of tension, new ideas emerged and a consensus over goals was found.’ Although HR strategies can and will emerge over a period of time, there is much to be said for adopting a systematic approach by conducting a strategic review.

**CONDUCTING A STRATEGIC REVIEW**

A strategic review systematically assesses strategy requirements in the light of an analysis of present and future business and people needs. Such a review provides answers to three basic questions:

1. Where are we now?
2. Where do we want to be in one, two or three years’ time?
3. How are we going to get there?

SETTING OUT THE STRATEGY

A strategic review can provide the basis for setting out the strategy. There is no standard model for doing this, but the following headings are typical.

1. **Basis** – business needs in terms of the key elements of the business strategy; –analysis of business and environmental factors (SWOT/PESTLE); –cultural factors – possible helps or hindrances to implementation.

2. **Content** – details of the proposed HR strategy.

3. **Rationale** – the business case for the strategy against the background of business needs and environmental/cultural factors.

4. **Implementation plan** – action programme; –responsibility for each stage; –resources required; –proposed arrangements for communication, consultation, involvement and training; –project management arrangements.

5. **Costs and benefits analysis** – an assessment of the resource implications of the plan (costs, people and facilities) and the benefits that will accrue, for the organization as a whole, for line managers and for individual employees (so far as possible these benefits should be quantified in value-added terms).

IMPLEMENTING HR STRATEGIES

Getting HR strategies into action is not easy even if they have been developed by means of a systematic review and set out within a clear framework. Because strategies tend to be expressed as abstractions, they must be translated into programmes with clearly stated objectives and deliverables. The term ‘strategic HRM’ has been devalued in some quarters, sometimes to mean no more than a few generalized ideas about HR policies, at other times to describe a short-term plan, for example, to increase the retention rate of graduates. It must be emphasized that HR strategies are not just ad hoc programmes, policies, or plans concerning HR issues that the HR department happens to feel are important. Piecemeal initiatives do not constitute strategy. The problem, as noted by Gratton et al (1999), is that too often there is a gap between what the strategy states will be achieved and what actually happens to it. As they put it:

One principal strand that has run through this entire book is the disjunction between rhetoric and reality in the area of human resource management, between HRM theory and HRM
practice, between what the HR function says it is doing and how that practice is perceived by employees, and between what senior management believes to be the role of the HR function, and the role it actually plays.

The factors identified by Gratton et al that contributed to creating this gap include:

- the tendency of employees in diverse organizations only to accept initiatives they perceive to be relevant to their own areas;
- the tendency of long-serving employees to cling to the status quo;
- complex or ambiguous initiatives may not be understood by employees or will be perceived differently by them, especially in large, diverse organizations;
- it is more difficult to gain acceptance of non-routine initiatives;
- employees will be hostile to initiatives if they are believed to be in conflict with the organization’s identity, eg downsizing in a culture of ‘job-for-life’;
- the initiative is seen as a threat;
- inconsistencies between corporate strategies and values;
- the extent to which senior management is trusted;
- the perceived fairness of the initiative;
- the extent to which existing processes could help to embed the initiative;
- a bureaucratic culture that leads to inertia.

Barriers to the implementation of HR strategies Each of the factors listed by Gratton et al can create barriers to the successful implementation of HR strategies. Other major barriers include failure to understand the strategic needs of the business, inadequate assessment of the environmental and cultural factors that affect the content of the strategies, and the development of illconceived and irrelevant initiatives, possibly because they are current fads or because there has been a poorly digested analysis of best practice that does not fit the organization’s requirements. These problems are compounded when insufficient attention is paid to practical implementation problems, the important role of line managers in implementing strategies, and the need to have established supporting processes for the initiative (eg, performance management to support performance pay).

Overcoming the barriers To overcome these barriers it is necessary to:

- conduct a rigorous preliminary analysis of needs and requirements;
- formulate the strategy;
enlist support for the strategy;

assess barriers and deal with them;

prepare action plans;

project-manage implementation;

follow up and evaluate progress so that remedial action can be taken as necessary.

Chapter 5. HRM policies

Chapter’s objectives:

- Human Resource policies are defined;
- the importance of HR policies are present

WHAT HUMAN RESOURCE POLICIES ARE

HR policies are continuing guidelines on the approach the organization intends to adopt in managing its people. They define the philosophies and values of the organization on how people should be treated, and from these are derived the principles upon which managers are expected to act when dealing with HR matters. HR policies therefore serve as reference points when employment practices are being developed, and when decisions are being made about people. They help to define ‘the way things are done around here’. HR policies should be distinguished from procedures, as discussed in Chapter 58. A policy provides generalized guidance on the approach adopted by the organization, and therefore its employees, concerning various aspects of employment. A procedure spells out precisely what action should be taken in line with the policy.

WHY HAVE HR POLICIES

HR or employment policies help to ensure that when dealing with matters concerning people, an approach in line with corporate values is adopted throughout the organization. They serve as the basis for enacting values – converting espoused values into values in use. They provide frameworks within which consistent decisions are made, and promote equity in the way
in which people are treated. Because they provide guidance on what managers should do in particular circumstances they facilitate empowerment, devolution and delegation. While they should fit the corporate culture, they can also help to shape it.

DO POLICIES NEED TO BE FORMALIZED?

All organizations have HR policies. Some, however, exist implicitly as a philosophy of management and an attitude to employees that is expressed in the way in which HR issues are handled; for example, the introduction of new technology. The advantage of explicit policies in terms of consistency and understanding may appear to be obvious, but there are disadvantages: written policies can be inflexible, constrictive, and platitudinous or all three. To a degree, policies have often to be expressed in abstract terms, and managers do not care for abstractions. But they do prefer to know where they stand – people like structure – and formalized HR policies can provide the guidelines they need. Formalized HR policies can be used in induction, team leader and management training to help participants understand the philosophies and values of the organization, and how they are expected to behave within that context. They are a means for defining the employment relationship and the psychological contract (see Chapters 15 and 16). Although written policies are important, their value is reduced if they are not backed up by a supportive culture. This particularly applies to work-life balance policies.

HR POLICY AREAS

HR policies can be expressed as overall statements of the values of the organization. The main points that can be included in an overall policy statement and specific policy areas are set out below.

Overall policy. The overall policy defines how the organization fulfils its social responsibilities for its employees and sets out its attitudes towards them. It is an expression of its values or beliefs about how people should be treated. Peters and Waterman (1982) wrote that if they were asked for one all-purpose bit of advice for management, one truth that they could distil from all their research on what makes an organization excellent, it would be, ‘Figure out your value system. Decide what the organization stands for.’ Selznick (1957) emphasized the key role of values in organizations, when he wrote ‘The formation of an institution is marked by the making of value commitments, that is, choices which fix the assumptions of policy makers as to the nature of the enterprise, its distinctive aims, methods and roles.’ The values expressed in an overall statement of HR policies may explicitly or implicitly refer to the following concepts:
● Equity: treating employees fairly and justly by adopting an ‘even handed’ approach. This includes protecting individuals from any unfair decisions made by their managers, providing equal opportunities for employment and promotion, and operating an equitable payment system.

● Consideration: taking account of individual circumstances when making decisions that affect the prospects, security or self-respect of employees.

● Organizational learning: a belief in the need to promote the learning and development of all the members of the organization by providing the processes and support required.

● Performance through people: the importance attached to developing a performance culture and to continuous improvement; the significance of performance management as a means of defining and agreeing mutual expectations; the provision of fair feedback to people on how well they are performing.

● Work-life balance: striving to provide employment practices that enable people to balance their work and personal obligations.

● Quality of working life: consciously and continually aiming to improve the quality of working life. This involves increasing the sense of satisfaction people obtain from their work by, so far as possible, reducing monotony, increasing variety, autonomy and responsibility, and avoiding placing people under too much stress.

● Working conditions: providing healthy, safe and so far as practicable pleasant working conditions.

These values are espoused by many organizations in one form or another, but to what extent are they practised when making ‘business-led’ decisions, which can of course be highly detrimental to employees if, for example, they lead to redundancy? One of the dilemmas facing all those who formulate HR policies is, how can we pursue business-led policies focusing on business success, and also fulfil our obligations to employees in such terms as equity, consideration, work-life balance, quality of working life and working conditions? To argue, as some do, that HR strategies should be entirely business-led seems to imply that human considerations are unimportant. Organizations have obligations to all their stakeholders, not just their owners. It may be difficult to express these policies in anything but generalized terms, but employers are increasingly having to recognize that they are subject to external as well as internal pressures, which act as constraints on the extent to which they can disregard the higher standards of behaviour towards their employees that are expected of them.
Specific policies. The specific policies should cover the following areas as described below: equal opportunity, managing diversity, age and employment, promotion, work-life balance, employee development, reward, involvement and participation, employee relations, new technology, health and safety, discipline, grievances, redundancy, sexual harassment, bullying, substance abuse, smoking, AIDS, and e-mails.

Equal opportunity. The equal opportunity policy should spell out the organization’s determination to give equal opportunities to all, irrespective of sex, race, creed, disability, age or marital status. The policy should also deal with the extent to which the organization wants to take ‘affirmative action’ to redress imbalances between numbers employed according to sex or race, or to differences in the levels of qualifications and skills they have achieved. The policy could be set out as follows:

1. We are an equal opportunity employer. This means that we do not permit direct or indirect discrimination against any employee on the grounds of race, nationality, sex, sexual orientation, disability, religion, marital status or age.
2. Direct discrimination takes place when a person is treated less favourably than others are, or would be, treated in similar circumstances.
3. Indirect discrimination takes place when, whether intentionally or not, a condition is applied that adversely affects a considerable proportion of people of one race, nationality, sex, sexual orientation, religion or marital status, those with disabilities, or older employees.
4. The firm will ensure that equal opportunity principles are applied in all its HR policies, and in particular to the procedures relating to the recruitment, training, development and promotion of its employees.
5. Where appropriate and where permissible under the relevant legislation and codes of practice, employees of under-represented groups will be given positive training and encouragement to achieve equal opportunity.

Managing diversity. A policy on managing diversity recognizes that there are differences among employees and that these differences, if properly managed, will enable work to be done more efficiently and effectively. It does not focus exclusively on issues of discrimination, but instead concentrates on recognizing the differences between people. As Kandola and Fullerton (1994) express it, the concept of managing diversity ‘is founded on the premise that harnessing these differences will create a productive environment in which everyone will feel valued, where
their talents are fully utilized, and in which organizational goals are met’. Managing diversity is a concept that recognizes the benefits to be gained from differences. It differs from equal opportunity, which aims to legislate against discrimination, assumes that people should be assimilated into the organization, and often relies on affirmative action. A management of diversity policy could:

- acknowledge cultural and individual differences in the workplace;
- state that the organization values the different qualities people bring to their jobs;
- emphasize the need to eliminate bias in such areas as selection, promotion, performance assessment, pay and learning opportunities;
- focus attention on individual differences rather than group differences.

Age and employment The policy on age and employment should take into account the following facts as listed by the CIPD:

- Age is a poor predictor of job performance.
- It is misleading to equate physical and mental ability with age.
- More of the population are living active, healthy lives as they get older.

The policy should define the approach the organization adopts to engaging, promoting and training older employees. It should emphasize that the only criterion for selection or promotion should be ability to do the job; and for training, the belief that the employee will benefit, irrespective of age. The policy should also state that age requirements should not be set out in external or internal job advertisements.

Promotion. A promotion policy could state the organization’s intention to promote from within wherever this is appropriate as a means of satisfying its requirements for high quality staff. The policy could, however, recognize that there will be occasions when the organization’s present and future needs can only be met by recruitment from outside. The point could be made that a vigorous organization needs infusions of fresh blood from time to time if it is not to stagnate. In addition, the policy might state that employees will be encouraged to apply for internally advertised jobs, and will not be held back from promotion by their managers, however reluctant the latter may be to lose them.

Work-life balance. Work-life balance policies define how the organization intends to allow employees greater flexibility in their working patterns so that they can balance what they do at work with the responsibilities and interests they have outside work. The policy will indicate
how flexible work practices can be developed and implemented. It will emphasize that the numbers of hours worked must not be treated as a criterion for assessing performance. It will set out guidelines on specific arrangements that can be made, such as flexible hours, compressed working week, term-time working contracts, working at home, special leave for parents and carers, career breaks and various kinds of child care.

Employee development. The employee development policy could express the organization’s commitment to the continuous development of the skills and abilities of employees in order to maximize their contribution and to give them the opportunity to enhance their skills, realize their potential, advance their careers and increase their employability both within and outside the organization.

Reward The reward policy could cover such matters as:

● providing an equitable pay system;
● equal pay for work of equal value;
● paying for performance, competence, skill or contribution;
● sharing in the success of the organization (gain sharing or profit sharing);
● the relationship between levels of pay in the organization and market rates;
● the provision of employee benefits, including flexible benefits if appropriate;
● the importance attached to the non-financial rewards resulting from recognition, accomplishment, autonomy, and the opportunity to develop.

Involvement and participation. The involvement and participation (employee voice policy) should spell out the organization’s belief in giving employees an opportunity to have a say in matters that affect them. It should define the mechanisms for employee voice, such as joint consultation and suggestion schemes.

Employee relations. The employee relations policy will set out the organization’s approach to the rights of employees to have their interests represented to management through trade unions, staff associations or some other form of representative system. It will also cover the basis upon which the organization works with trade unions, for example, emphasizing that this should be regarded as a partnership.

New technology. A new technology policy statement could state that there will be consultation about the introduction of new technology, and the steps that would be taken by the
organization to minimize the risk of compulsory redundancy or adversely affect other terms and conditions or working arrangements.

Health and safety Health and safety policies cover how the organization intends to provide healthy and safe places and systems of work.

Discipline. The disciplinary policy should state that employees have the right to know what is expected of them and what could happen if they infringe the organization’s rules. It would also make the point that, in handling disciplinary cases, the organization will treat employees in accordance with the principles of natural justice.

Grievances. The policy on grievances could state that employees have the right to raise their grievances with their manager, to be accompanied by a representative if they so wish, and to appeal to a higher level if they feel that their grievance has not been resolved satisfactorily.

Redundancy. The redundancy policy could state that it is the organization’s intention to use its best endeavors to avoid involuntary redundancy through its redeployment and retraining procedures. However, if redundancy is unavoidable those affected will be given fair and equitable treatment, the maximum amount of warning, and every help that can be provided by the organization to obtain suitable alternative work.

Sexual harassment. The sexual harassment policy should state that:
1. Sexual harassment will not be tolerated.
2. Employees subjected to sexual harassment will be given advice, support and counselling as required.
3. Every attempt will be made to resolve the problem informally with the person complained against.
4. Assistance will be given to the employee to complain formally if informal discussions fail.
5. A special process will be available for hearing complaints about sexual harassment. This will provide for employees to bring their complaint to someone of their own sex if they so wish.
6. Complaints will be handled sensitively and with due respect for the rights of both the complainant and the accused.
7. Sexual harassment is regarded as gross industrial misconduct and, if proved, makes the individual liable for instant dismissal. Less severe penalties may be reserved for minor cases but there will always be a warning that repetition will result in dismissal.
Bullying. An anti-bullying policy will state that bullying will not be tolerated by the organization and that those who persist in bullying their staff will be subject to disciplinary action, which could be severe in particularly bad cases. The policy will make it clear that individuals who are being bullied should have the rights to discuss the problem with a management representative or a member of the HR function, and to make a complaint. The policy should emphasize that if a complaint is received it will be thoroughly investigated.

Substance abuse. A substance abuse policy could include assurances that:

- Employees identified as having substance abuse problems will be offered advice and help.
- Any reasonable absence from work necessary to receive treatment will be granted under the organization’s sickness scheme provided that there is full cooperation from the employee.
- An opportunity will be given to the employee to discuss the matter once it has become evident or suspected that work performance is being affected by substance-related problems.
- The employee has the right to be accompanied by a friend or employee representative in any such discussion.
- Agencies will be recommended to which the employee can go for help if necessary.
- Employment rights will be safeguarded during any reasonable period of treatment.

Smoking. The smoking policy would define no-smoking rules including where, if at all, smoking is permitted.

AIDS. An AIDS policy could include the following points:

- The risks of infection in most workplaces are negligible.
- Where the occupation involves blood contact, as in hospitals, doctors’ surgeries and laboratories, the special precautions advised by the Health and Safety Commission will be implemented.
- Employees who know that they are infected with AIDS will not be obliged to disclose the fact to the company, but if they do, the fact will remain completely confidential.
- There will be no discrimination against anyone with or at risk of acquiring AIDS.
- Employees infected by HIV or suffering from AIDS will be treated no differently from anyone else suffering a severe illness.

E-mails. The policy on e-mails could state that the sending or downloading of offensive emails is prohibited, and that those sending or downloading such messages will be subject to normal disciplinary procedures. They may also prohibit any browsing or downloading of
material not related to the business, although this can be difficult to enforce. Some companies have always believed that reasonable use of the telephone is acceptable, and that policy may be extended to e-mails. If it is decided that employees’ e-mails should be monitored to check on excessive or unacceptable use, then this should be included in an e-mail policy which would therefore be part of the contractual arrangements. A policy statement could be included to the effect that ‘The company reserves the right to access and monitor all email messages created, sent, received or stored on the company’s system’.

FORMULATING HR POLICIES. The following steps should be taken to formulate and implement HR policies:
1. Gain understanding of the corporate culture and its core values.
2. Analyse existing policies, written and unwritten. HR policies will exist in any organization, even if they are implicit rather than expressed formally.
3. Analyse external influences. HR policies are subject to the influence of UK employment legislation, European Community Employment Regulations, and the official codes of practice issued by bodies in the UK such as ACAS (Advisory, Conciliation and Arbitration Service), the EOC (Equal Opportunities Commission), the CRR (Commission on Racial Relations) and the Health and Safety Executive. The codes of practice issued by relevant professional institutions, such as the CIPD, should also be consulted.
4. Assess any areas where new policies are needed or existing policies are inadequate.
5. Check with managers, preferably starting at the top, on their views about HR policies and where they think they could be improved.
6. Seek the views of employees about the HR policies, especially the extent to which they are inherently fair and equitable and are implemented fairly and consistently. Consider doing this through an attitude survey.
7. Seek the views of union representatives.
8. Analyse the information obtained in the first seven steps and prepare draft policies.
9. Consult, discuss and agree policies with management and union representatives.
10. Communicate the policies, with guidance notes on their implementation as required (although they should be as self-explanatory as possible). Supplement this communication with training.
IMPLEMENTING HR POLICIES
The aim will be to implement policies fairly and consistently. Line managers have a key role in doing this. As pointed out by Purcell et al (2003), ‘there is a need for HR policies to be designed for and focused on front line managers’. It is they who will be largely responsible for policy implementation. Members of the HR can give guidance, but it is line managers who are on the spot and have to make decisions about people. The role of HR is to communicate and interpret the policies, convince line managers that they are necessary, and provide training and support that will equip managers to implement them. As Purcell et al emphasize, it is line managers who bring HR policies to life.

Chapter 6. Competency-based HRM

Chapter’s objectives:
● Main types of competencies are present
● Reasons for using competencies are present

Competency-based HRM is about using the concept of competency and the results of competency analysis to inform and improve the processes of performance management, recruitment and selection, employee development and employee reward. The language has dominated much of HR thinking and practice in recent years. The concept of competency has achieved this degree of prominence because it is essentially about performance. Mansfield (1999) defines competency as ‘an underlying characteristic of a person that results in effective or superior performance’. Rankin (2002) describes competencies as ‘definitions of skills and behaviours that organizations expect their staff to practice in their work’ and explains that:

Competencies represent the language of performance. They can articulate both the expected outcomes from an individual’s efforts and the manner in which these activities are carried out. Because everyone in the organization can learn to speak this language, competencies provide a common, universally understood means of describing expected performance in many different contexts. Competency-based HR is primarily based on the concepts of behavioural and technical competencies as defined in the first section of this chapter. But it is also associated with the use of National and Scottish Vocational qualifications (NVQs/SNVQs) as also examined in
the first section. The next five sections of the chapter concentrate on the application and use of behavioural and technical competencies under the following headings:

- competency frameworks;
- reasons for using competencies;
- use of competencies;
- guidelines on the development of competency frameworks;
- keys to success in using competencies.

The final section describes the associated concept of emotional intelligence.

**TYPES OF COMPETENCIES**

The three types of competencies are behavioural competencies, technical competencies and NVQs and SNVQs.

Behavioural competencies Behavioural competencies define behavioural expectations, ie the type of behaviour required to deliver results under such headings as teamworking, communication, leadership and decision-making. They are sometimes known as ‘soft skills’. Behavioural competencies are usually set out in a competency framework. The behavioural competency approach was first advocated by McClelland (1973). He recommended the use of criterion-referenced assessment. Criterion referencing or validation is the process of analysing the key aspects of behaviour that differentiate between effective and less effective performance. But the leading figure in defining and popularizing the concept of competency in the USA and elsewhere was Boyatzis (1982). He conducted research that established that there was no single factor but a range of factors that differentiated successful from less successful performance. These factors included personal qualities, motives, experience and behavioural characteristics. Boyatzis defined competency as: ‘capacity that exists in a person that leads to behaviour that meets the job demands within the parameters of the organizational environment and that, in turn, brings about desired results’. The ‘clusters’ of competencies he identified were goal and action management, directing subordinates, human resource management and leadership. He made a distinction between threshold competencies, which are the basic competencies required to do a job, and performance competences, which differentiate between high and low performance.

Technical competencies Technical competencies define what people have to know and be able to do (knowledge and skills) to carry out their roles effectively. They are related to either generic roles (groups of similar jobs), or individual roles (as ‘role-specific competencies’). The
term ‘technical competency’ has been adopted fairly recently to avoid the confusion that existed between the terms ‘competency’ and ‘competence’. Competency, as mentioned above, is about behaviours, while competence as defined by Woodruffe (1990) is: ‘A work-related concept which refers to areas of work at which the person is competent. Competent people at work are those who meet their performance expectations.’ Competences are sometimes known as ‘hard skills’. The terms technical competencies and competences are closely related although the latter has a particular and more limited meaning when applied to NVQs/SNVQs, as discussed below.

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

COMPETENCY FRAMEWORKS

A competency framework contains definitions of all the behavioral competencies used in the whole or part of an organization. It provides the basis for the use of competencies in such areas as recruitment, employee development and reward. The 2003/4 Competency and Emotional Intelligence survey established that the 49 frameworks reviewed had a total of 553 competency headings. Presumably, many of these overlapped. The most common number of competencies was eight.

REASONS FOR USING COMPETENCIES

The two prime reasons for organizations to use competencies, as established by Miller et al (2001) were first, that the application of competencies to appraisal, training and other personnel processes will help to increase the performance of employees; and second, that competencies provide a means of articulating corporate values so that their requirements can be embodied in HR practices and be readily understood by individuals and teams within the organization. Other reasons include the use of competencies as a means of achieving cultural change and of raising skill levels.

Developing others The desire and capacity to foster the development of 33 members of his or her team, providing feedback, support, encouragement and coaching. Influence and The
ability to convince others to agree on or to take a persuasion course of action. Initiative The capacity to take action independently and to assume responsibility for one’s actions. Interpersonal skills The ability to create and maintain open and constructive relationships with others, to respond helpfully to their requests and to be sensitive to their needs. Strategic orientation The capacity to take a long-term and visionary view of the direction to be followed in the future. Creativity The ability to originate new practices, concepts and ideas. Information The capacity to originate and use information effectively. Management Quality focus The focus on delivering quality and continuous improvement. Self-confidence and assertiveness Self-development Managing one’s own learning and development. Managing resources, people, programmes and projects.

**COVERAGE OF COMPETENCIES**

The Miller et al research found that employers adopted different approaches to the parts of the workforce covered by competencies:

- 22 per cent covered the whole workforce with a single set or framework of core competencies (modified in a further 10 per cent of employers by the incorporation of additional behavioural competencies for managers and other staff);
- 48 per cent confined competencies to specific work groups, functions or departments;
- 20 per cent have a core competency framework that covers all staff in respect of behavioural competencies, alongside sets of technical/functional or departments.

Subsequent research (Rankin, 2002) found that:

- 25 per cent of employers using behavioural competencies had a core framework;
- 19 per cent supplemented the core framework with additional competencies for single groups such as managers.

The ‘menu’ approach Rankin notes that 21 per cent of respondents adopted a ‘menu’ approach. This enables competencies to be selected that are relevant to generic or individual roles. Approaches vary. Some organizations provide guidelines on the number of competencies to be selected (e.g., four to eight) and others combine their core framework with a menu so that users are required to select the organization-wide core competencies and add a number of optional ones.
Role-specific competencies Role-specific competencies are also used by some organizations for generic or individual roles. These may be incorporated in a role profile in addition to information about the key output or result areas of the role. This approach is likely to be adopted by employers who use competencies in their performance management processes, but role-specific competencies also provide the basis for person specifications used in recruitment and for the preparation of individual learning programmes.

Graded competencies A further, although less common, application of competencies is in graded career or job family structures (career or job families consist of jobs in a function or occupation such as marketing, operations, finance, IT, HR, administration or support services, which are related through the activities carried out and the basic knowledge and skills required, but in which the levels of responsibility, knowledge, skill or competence needed differ). In such families, the successive levels in each family are defined in terms of competencies as well as the key activities carried out. (Career and job family structures are described in Chapter 46.)

USE OF COMPETENCIES

The Competency and Emotional Intelligence 2003/4 survey found that 95 per cent of respondents used behavioural competencies and 66 per cent used technical competencies. It was noted that because the latter deal with specific activities and tasks they inevitably result in different sets of competencies for groups of related roles, functions or activities. The top four uses of competencies were:

1. Performance management – 89 per cent.
2. Training and development – 85 per cent.
3. Selection – 85 per cent.
4. Recruitment – 81 per cent.

Only 35 per cent of organizations link competencies to reward. The ways in which these competencies are used are described below.

Performance management. Competencies in performance management are used to ensure that performance reviews do not simply focus on outcomes but also consider the behavioural aspects of how the work is carried out that determine those outcomes. Performance reviews conducted on this basis are used to inform personal improvement and development plans and other learning and development initiatives. As noted by Competency and Emotional Intelligence (2003/4): ‘Increasingly, employers are extending their performance management systems to assess not only objectives but also qualitative aspects of the job.’ The alternative approaches are:
1) the assessment has to be made by reference to the whole set of core competencies in the framework; or 2) the manager and the individual carry out a joint assessment of the latter’s performance and agree on the competencies to be assessed, selecting those most relevant to the role. The joint assessments may be guided by examples known as ‘behavioural indicators’ of how the competency may be demonstrated in the employee’s day-to-day work and in some cases the assessment is linked to defined levels of competency (see Chapter 33 for further details of how this process works).

Learning and development Role profiles, which are either generic (covering a range of similar jobs) or individual (role-specific), can include statements of the technical competencies required. These can be used as the basis for assessing the levels of competency achieved by individuals and so identifying their learning and development needs. Career family grade structures (see Chapter 46) can define the competencies required at each level in a career family. These definitions provide a career map showing the competencies people need to develop in order to progress their career. Competencies are also used in development centres, which help participants build up their understanding of the competencies they require now and in the future so that they can plan their own self-directed learning programmes.

Recruitment and selection. The language of competencies is used in many organizations as a basis for the person specification, which is set out under competency headings as developed through role analysis. The competencies defined for a role are used as the framework for recruitment and selection. A competencies approach can help to identify which selection techniques such as psychological testing are most likely to produce useful evidence. It provides the information required to conduct a structured interview in which questions can focus on particular competency areas to establish the extent to which candidates meet the specification as set out in competency terms. In assessment centres, competency frameworks are used to define the competency dimensions that distinguish high performance. This indicates what exercises or simulations are required and the assessment processes that should be used.

Reward management In the 1990s, when the competency movement came to the fore, the notion of linking pay to competencies – competency-related pay – emerged. But it has never taken off; only 8 per cent of the respondents to the e-reward 2004 survey of contingent pay used it. However, more recently, the concept of contribution-related pay has emerged, which provides for people to be rewarded according to both the results they achieve and their level of
competence, and the e-reward 2004 survey established that 33 per cent of respondents had introduced it.

Another application of competencies in reward management is that of career family grade and pay structures.

DEVELOPING A COMPETENCY FRAMEWORK

The language used in competency frameworks should be clear and jargonfree. Without clear language and examples it can be difficult to assess the level of competency achieved. When defining competencies, especially when they are used for performance management or competency-related pay, it is essential to ensure that they can be assessed. They must not be vague or overlap with other competencies and they must specify clearly the sort of behaviour that is expected and the level of technical or functional skills (competencies) required to meet acceptable standards. As Rankin (2002) suggests, it is helpful to address the user directly ('you will…') and give clear and brief examples of how the competency needs to be performed. Developing a behavioural competency framework that fits the culture and purpose of the organization and provides a sound basis for a number of key HR processes is not an undertaking to be taken lightly. It requires a lot of hard work, much of it concerned with involving staff and communicating with them to achieve understanding and buy-in. The steps required are described below.

Step 1. Programme launch Decide on the purpose of the framework and the HR processes for where it will be used. Make out a business case for its development, setting out the benefits to the organization in such areas as improved performance, better selection outcomes, more focused performance management, employee development and reward processes. Prepare a project plan that includes an assessment of the resources required and the costs.

Step 2. Involvement and communication Involve line managers and employees in the design of the framework (stages 3 and 4) by setting up a task force. Communicate the objectives of the exercise to staff.

Step 3. Framework design – competency list First, get the task force to draw up a list of the core competencies and values of the business – what it should be good at doing and the values it believes should influence behaviour. This provides a foundation for an analysis of the competencies required by people in the organization. The aim is to identify and define the behaviours that contribute to the achievement of organizational success, and there should be a
powerful link between these people competencies and the organization’s core competencies (more guidance on defining competencies is provided in Chapter 13). The production of the list may be done by brainstorming. The list should be compared with examples of other competency frameworks. The purpose of this comparison is not to replicate other lists. It is essential to produce a competency framework that fits and reflects the organization’s own culture, values, core competencies and operations. But referring to other lists will help to clarify the conclusions reached in the initial analysis and serve to check that all relevant areas of competency have been included. When identifying competencies care must be taken to avoid bias because of sex or race.

Step 4. Framework design – definition of competencies Care needs to be exercised to ensure that definitions are clear and unambiguous and that they will serve their intended purpose. If, for example, one of the purposes is to provide criteria for conducting performance reviews, then it is necessary to be certain that the way the competency is defined, together with supporting examples, will enable fair assessments to be made. The following four questions have been produced by Mirabile (1998) to test the extent to which a competency is valid and can be used:

1. Can you describe the competency in terms that others understand and agree with?
2. Can you observe it being demonstrated or failing to be demonstrated?
3. Can you measure it?
4. Can you influence it in some way, eg by training, coaching or some other method of development?

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

Step 5. Define uses of competency framework Define exactly how it is intended the competency framework should be used, covering such applications as performance management, recruitment, learning and development, and reward.

Step 6. Test the framework Test the framework by gauging the reactions of a balanced selection of line managers and other employees to ensure that they understand it and believe that it is relevant to their roles. Also pilot test the framework in live situations for each of its proposed applications.

Step 7. Finalize the framework Amend the framework as necessary following the tests and prepare notes for guidance on how it should be used.
Step 8. Communicate Let everyone know the outcome of the project – what the framework is, how it will be used and how people will benefit. Group briefings and any other suitable means should be used.

Step 9. Train Give line managers and HR staff training in how to use the framework.

Step 10. Monitor and evaluate Monitor and evaluate the use of the framework and amend it as required.

DEFINING TECHNICAL COMPETENCIES

Technical competencies are most often produced for generic roles within job families or functions, although they can be defined for individual roles as ‘role-specific competencies’. They are not usually part of a behaviour-based competency framework, although of course the two are closely linked when considering and assessing role demands and requirements.

KEYS TO SUCCESS IN USING COMPETENCIES

The keys to success in using competencies are:

● frameworks should not be over-complex;
● there should not be too many headings in a framework – seven or eight will often suffice;
● the language used should be clear and jargon-free;
● competencies must be selected and defined in ways that ensure they can be assessed by managers – the use of ‘behavioural indicators’ is helpful;
● frameworks should be regularly updated.

EMOTIONAL INTELLIGENCE

Goleman (1995) has defined emotional intelligence as: ‘The capacity for recognizing our own feelings and that of others, for motivating ourselves, for managing emotions well in ourselves as well as others.’ The four components of emotional intelligence are:

1. Self-management – the ability to control or redirect disruptive impulses and moods and regulate your own behaviour coupled with a propensity to pursue goals with energy and persistence. The six competencies associated with this component are self-control, trustworthiness and integrity, initiative, adaptability – comfort with ambiguity, openness to change and strong desire to achieve.
2. Self-awareness – the ability to recognize and understand your moods, emotions and drives as well as their effect on others. This is linked to three competencies: self-confidence, realistic self-assessment and emotional self-awareness.

3. Social awareness – the ability to understand the emotional makeup of other people and skill in treating people according to their emotional reactions. This is linked to six competencies: empathy, expertise in building and retaining talent, organizational awareness, cross-cultural sensitivity, valuing diversity and service to clients and customers.

4. Social skills – proficiency in managing relationships and building networks to get the desired result from others and reach personal goals, and the ability to find common ground and build rapport. The five competencies associated with this component are: leadership, effectiveness in leading change, conflict management, influence/communication, and expertise in building and leading teams.

According to Goleman it is not enough to have a high IQ (intelligence quotient); emotional intelligence is also required. In 1998 Goleman defined emotional intelligence in a way that encompasses many of the areas covered by typical competency frameworks. Miller et al (2001) found that one-third of employers covered by their survey had consciously included emotional intelligence-type factors such as interpersonal skills in their frameworks. Dulewicz and Higgs (1999) have produced a detailed analysis of how the emotional intelligence elements of self-awareness, emotional management, empathy, relationships, communication and personal style correspond to competencies such as sensitivity, flexibility, adaptability, resilience, impact, listening, leadership, persuasiveness, motivating others, energy, decisiveness and achievement motivation. They conclude that there are distinct associations between competency modes and elements of emotional intelligence. As noted by Miller et al (2001), a quarter of the employers they surveyed have provided or funded training that is based on emotional intelligence. The most common areas are in leadership skills, people management skills and team working.