



## Samenvattingen Technische Bedrijfskunde

### Human Resource Managment

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## Summary Strategic Human Resource Management

(book "Strategic Human Resource Management – A balanced approach" by Paul Boselie, 2010)

### Chapter 1 Introduction: Strategic Human Resource Management in the Twenty-first Century

#### Introduction

- Mergers, acquisitions and reorganizations have become common practices for most organization not just multinational companies (MNCs) but small and medium enterprises (SMEs) and not-for-profit organizations as well
- Successful change highly depends on changing people in their attitudes, behavior and cognition.
- Employees the organization most valuable assets. Look at a company from this perspective. You can create higher productivity levels, improve service quality towards customers, expands sales and make more profits when you manage your workers according to hr principles.

#### The new economy

- Shift from a manufacturing and production economy into a service sector asset-based economy.
- Work in the old economy was characterized by physical tasks, job design and work design based on mass production (assembly line), many relatively low-skilled workers and high degrees of unionization
- The new economy is dominated by emerging branches of industry, including the information technology (IT) sector, the telecommunications sector and the financial institutions; assets are less tangible and are embedded in reputation, brands and knowledge of employees; work has high knowledge intensity, web-based organizing, contracts through intranet or Internet connections, centres on the other side of the world and the integration of work design, technology and services delivered; outsourcing and off-shoring business activities to developing countries

#### Organizational change and competitive advantage

- An organization with competitive advantage is doing better than its competitors irrespective of the actual firm performance (negative or positive). In the case of losses, the organization is still doing better than its competitors. And in the case of profits, the organization makes more profits than the others
- Competitive advantage:
  - Is important for organizational survival;
  - And is at least partly manageable by human resource management.

#### The changing role of work in modern organizations

- Requiring different knowledge, skills and competences from individuals
- Technology created opportunities for alternative work design
- Working at home -> better work-life balance and/or family-friendly employment
- Ageing population -> personnel planning issues in the future and the risk of ever-increasing



- HRM involves management decisions related to policies and practices that together shape the employment relationship and are aimed at achieving individual, organizational and societal goals
- SHRM builds on this definition and in addition pays extra attention to the organizational context, reflected in special attention to potential alignment of the business strategy and HRM, the alignment of the institutional context and HRM, the linkage between business systems and HRM and the fit between HR practices
- Boxall et al.: HRM is the management of work and people towards desired ends
  1. MHRM (micro human resource management) – recruitment and selection, induction and socialization, and training and development
  2. IHRM (international human resource management) – transferability of HR practices across business units in different countries, the optimal management of expatriates and the impact of different institutional country contexts on HRM
  3. SHRM (strategic human resource management) – linking HRM to the business strategy, designing high-performance work systems (HPWSs) and adding value through good people management in an attempt to gain sustained competitive advantage
- Internal stakeholders include employees, line managers, top management and employee representatives
- External stakeholders include shareholders, financials, trade unions, national government, local government and other interest groups (Greenpeace)

### Three perspectives

The multinational strategic HR model in this book includes the following key characteristics

1. A multi-actor perspective (multiple stakeholders including employees, managers, HR professionals, work councils, trade unions, ...)
  2. A broad societal view with an emphasis on different institutional contexts
  3. A multi-level perspective including the individual employee perspective and the strategic organizational perspective
- Paauwe view on HRM:
    - o Human resources are something more than just resources
    - o Human resource management is not concerned solely with financial performance (also involves the administration relation to legislation and the relationship management with crucial social partners)
    - o Human resource management focuses on the exchange relationship between employee and organization (legal contract of the employment relationship; economic contract determines working days and salary; psychological contract concerns all things not written down; sociological contract relates to the relationship and networks employees have within an organization)
    - o The shaping of the employment relationship takes place in an era of continuous tension between the added value and moral values

### Tensions

- Continuous tension between added value and moral values (employees as human being with feelings, emotions, opinions)
- Hard HRM mainly focuses on economic value
- Soft HRM mainly focuses on the human side of organizing

- Boxall and Purcell:
  - HRM covers all workforce groups, including core employees, peripheral employees and contingent workers (but: HRM tendency to focus on valuable core employees)
  - HRM involves line and specialist managers, and is not solely aimed at employees
  - HRM is all about managing work and people, collectively and individually (HRM includes work design reflected in choices with regard to job autonomy, whether or not using teams to do the job, ...)
  - HRM is embedded in industries(branches of industry) and societies (countries and continents) – countries may differ fundamentally on labor legislation affecting the HRM
- Anglo-Saxon or Anglo-American models: mainly focus on creating shareholder value in terms of profits and market value with little or no attention to other stakeholders
- Rhineland models: acknowledge multiple stakeholders and their interests explicitly taking into account employee interests in terms of well-being and societal interests

#### The balanced approach

- Sustained competitive advantage depends on balancing market demands (lower costs, more flexibility, ...) and institutional pressures (employment security, CSR, ...)
- In the strategic balance model, organizational success can only be achieved when financial performance and societal performance of an organization are above average in the particular population in which the organization is operating
- There is a growing willingness among MNCs to look beyond financial results and take into account the interests of multiple stakeholders
- In the public sector the challenge is to rebalance the organization towards the economic side of organizing without losing sight of their societal performance
- The European Rhineland model and the British IR approaches have a much richer tradition in stakeholder acknowledgement and a more balanced view on managing people
- Definition of good and bad: taking into account multiple stakeholder interests and a broader societal view in the design of the employment relationship in an organization is likely to result in good people management // a narrow and unitarist perspective -> bad people management

| Stakeholder    | Illustration of their interests                     | Level  |
|----------------|---|--|
| Shareholders   | High profits, growth and increased market value     | Strategic organization level                               |
| Employees      | Security, fun, development and challenges           | Individual employee level                                  |
| Managers       | Productivity, quality, innovation and status        | Team and department level                                  |
| Top management | Reputation, shareholder value and long-term success | Strategic organizational level                             |
| Work councils  | Employment security and good working conditions     | Strategic organization level and individual employee level |
| Trade unions   | Employment, fairness and good working conditions    | Strategic organization level and individual employee level |
| Financiers     | Return on investment and financial health of the    | Strategic organization level                               |

|                       | organization                             |                              |
|-----------------------|--|------------------------------|
| Local government      | Employment and environmental pollution   | Strategic organization level |
| National government   | Labour legislation and social legitimacy | Strategic organization level |
| Other interest groups | Environmental pollution                  | Strategic organization level |
| Suppliers             | Reliability                              | Strategic organization level |
| Customers             | Costs, quality and innovation            | All levels                   |

After today's lecture you should be able to:

- Describe the main tasks of an HR Department in a (multinational) organization and explain the importance of paying attention to the HR of an organization.
- Outline MHRM; SHRM and IHRM.
- Describe the difference between Anglo-American and Rhineland models in managing employees.
- Understand the balanced approach to HRM

## Chapter 2 Strategic Human Resource Management and Context

### Introduction

- easyJet: alignment of the organization's strategy and the work design in terms of web-based organizing, standardization of processes and cost-reduction practices

### Best practice versus best fit

- Strategic fit in HRM (e.g. cost-efficiency focus)
- Organizational fit in HRM (standardization of work processes)
- The more HR fit the better
- The business model is the way an organization manages its business to make money (web-based organizing principles + standardization principles determine its business model)
- A better fit can be achieved through strategic decision making
- Strategy : organization's intention to achieve certain goals through planned alignment (or fit) between the organization and its environment
- Strategy is also about the embeddedness and implementation of plans at lower levels of the organization and with involvement of multiple actors, including middle-line managers, work councils and employees
- An optimal strategy includes a fit between HRM and the context
- Figure 2.1 The Harvard approach (much broader view of goals is reflected in some of the theoretical HRM models)
- Anglo-American approaches: narrow definition of goals
- European approaches: broader definition including multiple stakeholders and interests

- Performers impale: feedback session, functionerings gesprek.
- Employee and societal goals in terms of employee consultation are a key element in the organization's strategy
- Alignment or fit between the organization and its environment are two other concepts in the strategy definition
  - o The organization refers to the social, legal and economic entity that exists for a certain purpose
  - o The environment or context of an organization refers to its internal and external constitution
- SHRM is focused on the alignment or fit between the strategy of an organization and the HR strategy of that organization
- The business strategy is composed of multiple strategies 'covering the various functional silos of the business: marketing, finance, HR, ...
- The best-fit school argues that HRM is more effective when it is aligned with its internal and external context
- The best-practice school argues that all firms will be better off if they identify and adopt best practice in the way they manage people

#### Best fit school system

HRM success depends on the alignment of it with the organizational context. Success can only be achieved through the appropriate fit between HRM and its context.

there are four strategies:

1. Strategic fit: the alignment of business strategy with HR strategy.
2. Internal fit: internal fit between individual HR practices is thought to be crucial for gaining success as well as strategic fit is. The HR practices have to be in line with each other.
3. Organizational fit; refers to the necessary fit between the HR strategy, policies and practices on the one hand and other organizational systems on the other. Offer a job that consists of what you ask for.
4. Environmental/institutional fit: focusses on the link between the HR strategy and the institutional environment of an organization.

### Illustration of Pfeffer's seven best practices 'in practice'

1. Selective recruitment and selection – e.g. intelligence tests, assessment centres and structured interviews with HR managers, line managers and employees; selecting the best person for the job
  2. Extensive training – employee development through training programmes, training on the job, eLearning
  3. Performance-related pay (PRP) – linked to the profits of an organization, linked to individual and team performance, use of yearly bonuses for the best-performing employee
  4. Team-working – autonomy, self-responsibility against the hierarchical model and centralization
  5. Information sharing and communication – intranet, Internet, newsletters, direct supervisor talks, top management presentation
  6. Reduction of status differences – avoiding status symbols
  7. Employment security – employee benefits providing insurance for unemployment, disability and death for employees and their families
- Pfeffer's best-practice proposition is both supported (simplicity and clarity) by empirical research and criticized for its lack of attention to contextual factors, including national differences with respect to labour legislation, sector differences, the nature of the business, the size of a firm and different employee groups
  - The best-fit proposition stresses the contextual embeddedness of HRM in organizations; success can only be achieved through the appropriate fit between HRM and its context
  - Context represents the set of facts or circumstances that surrounds the organization; internal context is the organization's unique history, the administrative heritage and organizational culture; external context: outside mechanisms that affect the organization or even interact with it, puts pressure on an organization and forces it to adapt its strategy and decision making, determined by market mechanisms (degree of competition) and institutional mechanisms (pressures from legislation, protocols and procedures, routines, habits, norms, values and social-cultural issues -> social, cultural and legal dimension)
  - General environment: all the market and institutional mechanisms that affect all organizations in a country
  - Population environment

### Illustration of general and population environments in practice

- An organization operates in an organizational field or population, which is a community of organizations that partakes of a common meaning system and whose participants interact more frequently or fatefully with one another than with actors outside the field
- Population is mainly the sector with its competitors, but also includes suppliers and other types of organization
- Potential external factors that affect all organizations in a country versus potential external factors that only affect the organizations in a population
- Early best-fit models were grounded on strategic contingency approaches that emphasize the impact of internal contingencies and external contingencies on the shaping and structuring of organizations



- Strategic management typology of competitive strategies by Porter: cost leadership, differentiation and focus strategies
- Miles and Snow: defenders, prospectors and analysers
- Certain contextual factors affect the shaping of an organization

#### Illustration of strategy and practice by Schuler and Jackson

- Cost leaders' strategies: HRM of few and simple tasks, few skills required, narrow career paths, training few employees, evaluation on short-term criteria and individual incentives
- Differentiation strategy: many and complex tasks, little or no labour division, many skills required, broad career paths, training all employees, evaluation on long-term criteria, group incentives
- Two common forms of fit: strategic or vertical and internal or horizontal
- Strategic or vertical fit – a necessary alignment between the overall business strategy and the HR strategy
- Golden and ramanujam: four linkages (see figure 2.3)
  - o Administrative linkage
  - o A one-way linkage
  - o A two-way linkage
  - o An integrative linkage
- Internal or horizontal fit: link between individual HR practices -> success and strategic fit; HR system approaches: coherent and consistent set of HR practices that combined together result in higher organizational performance; linking HR practices strengthens the HR strategy and philosophy of an organization
- Deadly combinations of HR practices possible, e.g. the combination is the application of teamwork and individual PRP
- Wood: organizational and environmental fit
- Organizational fit refers to the necessary fit between the HR strategy, policies and practices on the one hand and the other organizational systems on the other (production, communication, information, technological, marketing, financial and legal system)
- The organizational systems can have a big impact on the work design in terms of how employment is shaped in an organization, but also on the nature of HR practices
- Environmental fit is focused on the link between the HR strategy and the institutional environment of an organization; the strategic contingency approaches together with the resource-based view, tend to neglect the institutional organizational environment; new institutionalism: claims there are other reasons for homogeneity among organizations than competition (market mechanisms): institutional mechanisms
- Three types of institutional mechanisms
  - o Coercive mechanisms that stem from legislation and procedures, e.g. national labour legislation
  - o Normative mechanisms that have their origins in the professions of employees -> determine to a large extent how an employee does the job (e.g. medical specialists)
  - o Mimetic mechanisms: general tendency of organization to copy/imitate others in times of uncertainty or a result of hype
- Child: strategic choice, referring to the degree of leeway in strategic decision making given the organizational context; two concepts:

- Hyper-determinism – situation in which an organization has absolutely no leeway for strategic choice, because the choices are fully determined by the contextual conditions
- Hyper-voluntarism – an organization is free to do whatever the organization wants to do

Organizational reality is in between

- Paauwe: always leeway for strategic choices; HRM room to manoeuvre is larger when:
  - Market growth
  - Limited number of relevant stakeholders
  - Limited laws
  - Labour/total cost ratio tends to be zero
  - Large financial buffers
  - Monopolist organization

The SHRM context model: the HR strategy scan (six-component model)

- Purpose: to determine the degree of fit
  - Context analysis in order to determine the major factors for the development of a new HR strategy and the evaluation of the existing HR strategy practices in a given organization.
  - Look up the difference between employee and employer
1. The external general market context
    - Market mechanisms that affect all the organizations in a specific country or region
    - Macroeconomic situation (growth or decline of a country) and the labour market situation (ageing population created challenges -> labour shortages -> wage increase -> less qualified people. Economic crisis at a male or female level for example.
    - Eurofond: increased attention to flexicurity, Europe's coming of age, need of increasing labour market participation of women through flexible work arrangements
  2. The external population market context
 

The population of an organization consists of direct competitors, but also suppliers and consumers of a specific organization.

    - Determination and definition of the population of a specific organization/branch of industry -> direct competitors (the population probably overlaps the branch of industry by 80-90 per cent); can also include suppliers and consumers
    - Number of competitors in the market (wages)
    - Maturity of the market in which the organization is operating
    - The growth or decline of the market
    - The prospects for the market in terms of growth opportunities and market share
    - Technology used
    - Nature of products produced or services delivered /nature of the organization's output
  3. The external general institutional context
    - Laws/legislation and *norms and values* -> major differences between countries, *cultures, breaks and wages*
    - General legislation related to: working conditions, employment security and legal position of employees (determined on an EU level)
    - Societal norms and values: work-life balance and leisure time (but in Anglo-American countries: building a career, working the whole year -> major differences;

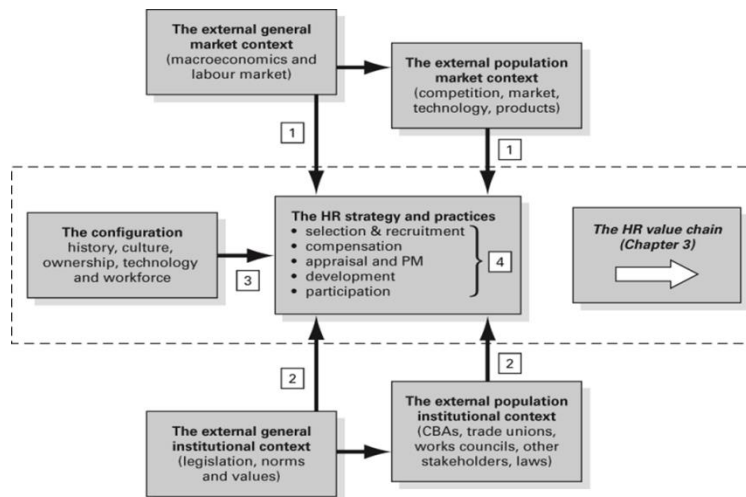
organizations that neglect the societal norms and values run the risk of frustrating local employees, local stakeholders, local government and consumers

4. The external population institutional context

- Collective Bargaining Agreements
- Sector-specific legislation
- Trade union and works council influence
- Other relevant stakeholders

5. The external population institutional context
  - Population-linked institutional mechanisms include: CBAs in terms of their scope, sector-specific legislation related to working conditions, trade union and works council influence, other relevant stakeholders that affect the nature of the business in the organization,
  - Collective bargaining agreement: CAO.
  - Sector specific legislation: safety
  - Trade unions and works council influence: trade unions uitzendbureau voor verschillende sectoren. Works council influence in a company raad van commissarissen.
  - Other relevant stakeholders
6. The internal organization context
  - Importance of internal situational factors for HRM policy choices, including workforce characteristics, management philosophy, task technology and business conditions. Let the HR fit with this things
  - Internal contextual factors, including technology and the organizational structure
  - Baron and Kreps: distinction between four internal factors that affect the HRM strategy and policies: technology, workforce
  - Also called configuration
  - Key elements in the strategy scan: history of the organization, the organizational culture, the technology and systems used, the ownership structure and the people employed (workforce)
  - History: year of foundation (zeitgeist), role and philosophy, critical incidents (merger, acquisition, ...)
  - Culture: values and belief system, habits, norms, rituals, routines -> Hofstede's model, Schein's model
  - Technology: production, service, hardware and software, and communication systems
  - Ownership structure: large organization: stock market; family-owned (don't have to publicly publish strategy details); owned by foundation; cooperatives (no shareholders, but local members, cannot be bought by others); public organizations (owned by the government and indirectly by the citizens of a country)
  - Agency theory suggests a tension between those who own an organization (the principals) and those who run the organization (the agents) -> using performance incentives for the agents in line with the principals' interests
  - Workforce: the key characteristics of an organization's workforce will therefore heavily affect the organization and the shaping of HRM in that organization, e.g.: age and its distribution, young employees, female workers, level of education, different nationalities and ethnic minorities, work experience, trade union membership
7. The HR strategy
  - Different types of relationship between the business strategy and the HR strategy: administrative linkage (not strategic alignment whatsoever), one-way linkage (the business strategy determines the HR strategy), two-way linkage (there is a two-way interaction between the business strategy and the HR strategy) and the integrative linkage (full alignment between the business strategy and the HR strategy)

- Business strategy? (regarding cost-effectiveness, quality, innovation, flexibility, CSR)
- HR strategy? (5 key HR practices: recruitment and selection, training and development, appraisal and PM, compensation, employee participation)
- Determine the linkage between the two
- Organization's goals? (regarding efficiency, cost reduction, product and service quality, growth, innovation, focus or differentiation, flexibility, health and safety, environmental pollution, CSR)



Notes:  
(1) Strategic fit; (2) Institutional fit; (3) Organizational fit; and (4) Internal fit.

## The model

Exercise for a medical organization lecture (mogelijke toetsvraag):

1. General market: employment, is the personal available and degree of the population.
2. External population market: existing competitors
3. External general institutional: law ( for firing someone).
4. External population institutional: role of trade unions in the other country.

Laws on workfloere discrimination: general institutional context

Green energy for Hwe: maket

Example on the page 45 example of 6 example.

- HR strategy scan has four external factors and two internal factors – the relationship between those can be characterized by the concept of fit (between the configuration and the HR strategy)
- Assumptions:
  - o The four external factors/components and the configuration affect the HRstrategy
  - o The external general market context affects both the external population market context the HR strategy
  - o The external general institutional context affects both the external population institutional context and the HR strategy
- The alignment between the five HR practices in the model is the internal fit
- The relationship between the external market components and the HR strategy is labelled the strategic fit
- The relationship between the external institutional components and the HR strategy is the institutional fit
- Figure 2.5: the strategy scan

## Additional suggestions for the HR scan analysis

- Look for critical incidents related to a specific organization in the archives of newspapers or on the Internet
- Interviews:
  - o Include different perspectives
  - o Avoid socially desirable answers by framing the interview questions in the right way
  - o Distinguish 'ist' und 'soll' situations
  - o Use multiple sources in the analysis for triangulation purposes

## Trends over time

- 1970s: Western European countries had a strong emphasis on employee democracy and the role of social partners in strategic decision making
- 1980s: increased competition and globalization, strong emphasis on the external market context
- 1990s: IT and the Internet were added -> further globalization, rise of a new sector in IT products and services
- Since 2000: financial services dominated the organization's agenda putting even more emphasis on the external market component, while the financial crises of 2008 might result

in a shift back towards more legislation and a bigger role of governments

## Chapter 3 Human resource management and performance: adding value through people

### Introduction

- This chapter focuses on the contribution of HRM to the success of an organization.
- The unique organizational culture, the specific technological environment and the Finnish model of industrial relation (IR) in which multiple stakeholders have a significant impact on the organization have contributed to Nokia's success
- Firm performance is the starting point, reflected in organizations' search for competitive advantage and sustained competitive advantage -> critical success factors (critical HR goals

and critical non-HR goals), are affected by employee attitudes -> these can be influenced by HRM

- Human resource value chain:
  - o (sustained) competitive advantage (and ultimate business goals)
    - Through the development of core competences, tacit knowledge and dynamic capabilities
  - o Critical factors
  - o Employee attitudes and behaviours
  - o Human resource practices
- Resource-based view (RBV) – leads to an ‘inside-out’ approach, in which internal resources constitute the starting point for organizational success
- Sustained competitive advantage: internal resources that are valuable, rare, inimitable and non-substitutable (e.g. financial resources, physical resources, human resources). Sustained competitive advantage can be created by resources that are valuable, rare and inimitable and supported by an organization.

‘Human resources are among an organization’s most valuable assets’

- Value -> economic condition of a resource
- Rare -> scarcity of a resource
- Inimitability -> degree to which resources are very hard to copy or imitate
- Non-substitutability -> are very hard to neutralize with other resources which will meet the same ends

#### RBV illustrations in practice

- VRIO framework helps to the resource based view – value, rareness, inimitability and organization; hierarchical framework for determining potential organizational success through internal resources.
- Talent is an example of something that is very valuable, experience and knowledge in HRM context.
- Valuable and rare resources can take an organization to the next level, creating temporary competitive advantage and above-average performance
- The highest level is achieved when resources are valuable, rare and difficult to imitate
- Different sorts of performance: lowest level resources without an economic value -> often outsourced; normal performance resources are valuable without being rare  
Creating (temporary) competitive advantage and (sustained) competitive advantage -> above-average performance when resources are valuable, rare and difficult to imitate – but without structural support by the organization (how these resources are acquired, managed, developed and supported), these three qualities are not likely to result in long-term success (sustained competitive advantage)
- An organization’s resource can be imperfectly imitable (and difficult to substitute) for one or a combination of three reasons: the ability of an organization to obtain a resource is dependent on unique historical conditions (path dependency), the link between resources possessed by an organization and its sustained competitive advantage is causally ambiguous (causal ambiguity), and the resources generating an organization’s advantage is socially complex and difficult to understand (social complexity)



- Competitive advantage -> firm performance
  - ultimate business goals
    - creating and maintain viability with adequate returns to shareholders (level two and three VRIO framework)

- striving for sustained competitive advantage (fourth level)
- organizational performance
  - critical HR goals (labour productivity, organizational flexibility, social legitimacy and employment citizenship)
  - critical non-HR goals (desired outcomes for sales, market share)
- Only focuses on profit organizations
- Productivity: amount of output per unit of input (labour, equipment and capital)
- Quality: effectiveness of the organization's services and products (customer demands and satisfaction)
- Cost-effectiveness (productivity and quality) represents an efficient and optimal way of delivering products or services that meet the demands of customers
- Flexibility: capacity to change or adapt
  - Numerical flexibility: representing flexibility in the use of employees
  - Functional flexibility: representing the degree to which employees are capable of performing multiple tasks and function
  - Mental flexibility: representing the employees' ability and willingness to change without resistance
- Social-legitimacy – legitimacy of an organization to the outside environment (e.g. to society, consumers, unions, employees) – macro element (legitimacy) and the micro element (fairness to individuals) is part of the moral side of managing people in organizations, essential for creating unique approaches through HRM in organizations and not just an obligatory part
- High cost-effectiveness might be negatively associated with flexibility because of its efficiency focus and negatively associated with social legitimacy because of its potential neglect of human issues (e.g. work-life balance practices); too exclusive a focus on flexibility might damage the financial performance from an efficiency point of view; too much focus on social legitimacy does not meet efficiency and flexibility standards

#### HRM and performance: lessons

- What kinds of employee attitude and behavior have a positive impact on cost-effectiveness, flexibility and/or social legitimacy?
  - Highly committed and motivated employees
  - Perceived organizational justice by employees of the appraisal and compensation systems
  - HR outcomes are much closer to actual HR practices and interventions than performance indicators such as sales, profits and market value (distal outcomes)
- > using proximal outcomes in studying the impact of HRM, are directly affected by HR interventions or practices -> HR outcomes are proximal outcomes -> employee satisfaction, commitment, motivation, trust, loyalty, retention and turnover, absence due to illness and social climate between employees and managers

#### Empirical evidence for the added value of HRM

- HR planning is positively associated with labour productivity
- Selective recruitment and selection of new employees is positively related to labour productivity and negatively related to employee turnover

- Excellent rewards and PRP are positively related to product quality, labour productivity, customer satisfaction, employee motivation, organizational commitment and employee trust, and negatively related to employee turnover
- Employee involvement, participation and consultation are positively associated with employee commitment and negatively related to employee turnover and employee absence due to illness
- Training and development decreases employee turnover, increases the social atmosphere between managers and employees, also known as social climate, and increase employee trust in an organization
- Creating internal promotion opportunities is positively related to organizational commitment and job satisfaction
- Employee autonomy increases job satisfaction
- Job satisfaction is positively related to organizational commitment
- Employee turnover is negatively related to labour productivity
- High turnover rates are not good for an organization, for example because of the loss of valuable (human) resources, but extremely low turnover rates might also be bad for the organization, indicating little or no flexibility and mobility of employees
- Employee trust and employee motivation decrease job stress in organizations
- Employee commitment increases productivity and quality
- Paauwe and Richardson framework: acknowledges the impact of contextual factors on the relationship between HRM and performance
  - o Contextual factors: type of industry, the organization's size, age and history, capital intensity and the degree of unionization, but also include the employees' background (gender, level of education, age)

#### HR activities

- Lack of attention paid to the individual employee in the HRM
- HR practices
  - o Intended HR practices (policies and intended new HR practices)
  - o Actual HR practices (practices implemented mainly by line managers)
  - o Perceived HR practices (employees' experiences and perceptions of HR practices implemented by their direct supervisor)

#### Intended, actual and perceived HR practices 'in practice'

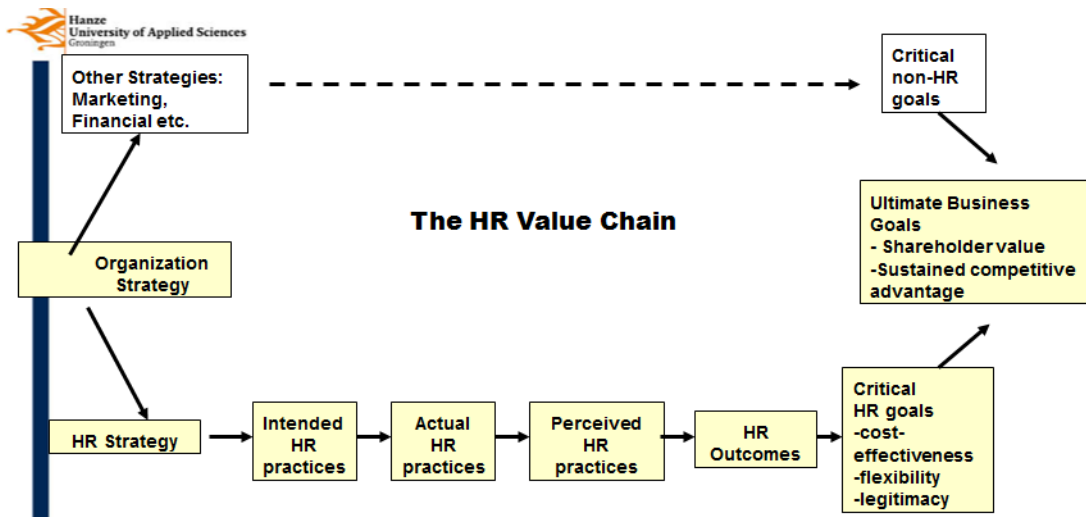
- Intended HR practices are determined by the HR strategy and the overall organizational strategy

#### The HR value chain

- Temporary or sustained competitive advantage is represented by the ultimate business goals in the model, which are affected by the critical HR and non-HR goals
- The critical HR goals (productivity/cost-effectiveness, flexibility and social legitimacy) in turn are affected by HR outcomes in terms of attitudes, behaviours and cognitive aspects of employees, illness, retain them. These HR outcomes can be positively influenced by HR practices through a mini- chain defined by Wright and Nishii in terms of intended, actual and perceived HR practices – the nature of practices, outcomes, critical HR goals and

ultimate business goals is highly.

- Intended HR practices: that the HRM had divided
- Actual HR practices: talking to the personal
- Perceived HR practices: how the employee is feeling and what he thinks
- 
- After this we can set a HR strategy



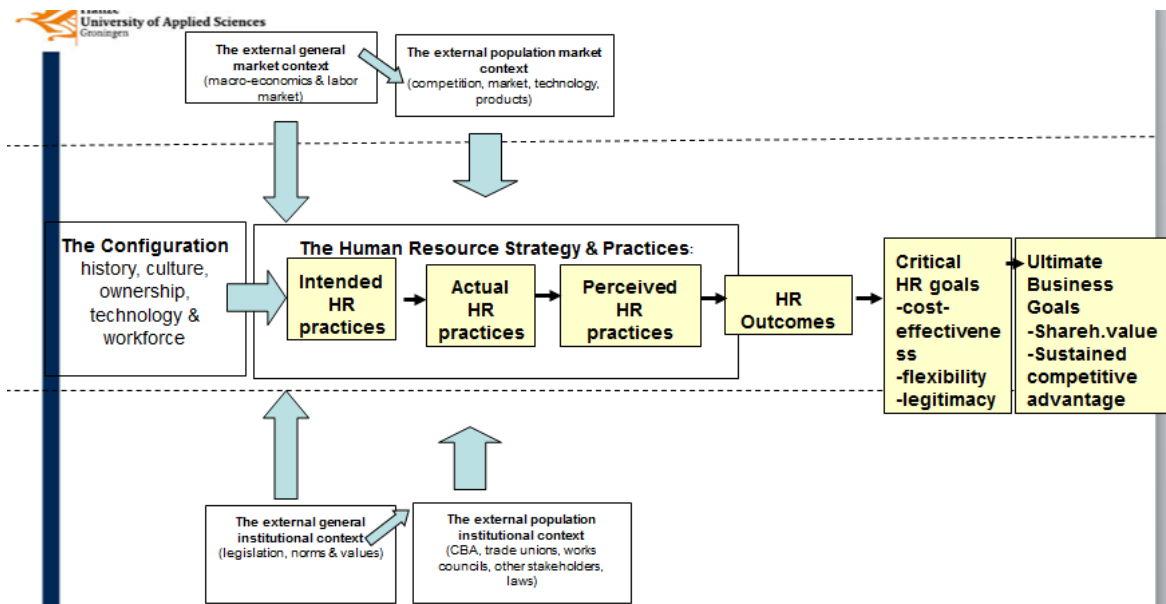
affected by (1) the nature of the business of an organization and (2) the strategic choices made by an organization.

Know this one

Add figure and the other one.

Employee turnover and retention

- UN: very low employee turnover rates -> but one has to maintain flexibility and mobility
- Employee retention is defined as attracting and retaining valuable human resources for the organization
- The sustainability of an organization will be in danger if it is unable to attract and retain talent
- In contrast to the UN case, most organizations aim for retention and minimizing employee turnover
- Page 63 HR value chain



## Chapter 4 Human Resource Metrics and Measurement

(how to measure your human management)

### Introduction

#### Learning objectives:

- Understand the concepts of human, social and organizational capital.
  - Examine different ways of measuring effects of HR Input
  - Identify societal, organizational and financial outcomes
  - Identify the possible different interests of the employer and the employee
- The organization's strategy is linked to strategic objectives and these objectives need to be translated into concrete KPIs
  - These goals can be represented by financial outcomes and non-financial outcomes
  - Organizations tend to measure 'hard' outcomes to evaluate managerial interventions, including HR practices
  - Hard outcome indicators are labour productivity, efficiency ratios, labour costs, sales

volumes and net profits

- Soft outcomes: employee satisfaction
- The soft outcome scales used in practice are often artificial and lack reliability and construct validity
- Linking interventions (e.g. HR practices) to soft and hard outcomes requires the inclusion of both input (the intervention) and output (the outcome)

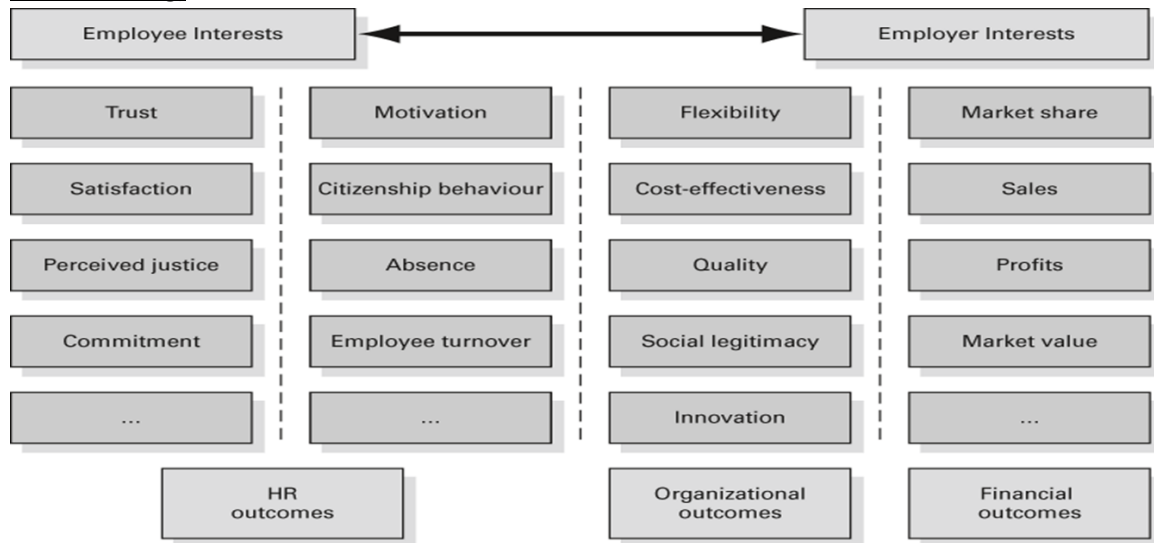
Engagement is very important for your employees this increases business results. Encourages empowerment and innovation

Tension between HR-related, organizational and financial outcomes

- Dominant school: assumption that what is best for the employee is automatically best for the employer, and vice versa -> highly satisfied, committed and motivated employees are likely to contribute to productivity, quality, sales and profits.  
Example for where it's better to not know about for employees: in a dutch company where the employees are working to hard. But the organization is doing well.
- Evidence for a positive relationship between HR outcomes and organizational outcomes, between organizational outcomes and financial outcomes, and between financial outcomes and HR outcomes
- There are potential tensions between ... human resource, organizational and financial outcomes as a result of conflicting interests between the stakeholders involved
- Excellent financial performance might go hand in hand with low employee satisfaction and commitment, because employees simply have to work too hard to get their job done (sweatshops)

- In contrast, excellent scores on HR outcomes, reflecting general employee well-being within an organization, might go hand in hand with a lack of business awareness (cost and quality awareness) and therefore result in low organizational outcomes in terms of productivity and quality – as a result, an ideal HR scorecard explicitly acknowledges the need for balancing the interests of the different actors involved in line with the strategic balance theory (SBT) – this theory suggests that high-performing organizations show above-average HR, organizational and financial outcomes
- Figure 4.1 alternative balanced HR scorecard, including (Figures) Goes about more than finance things, looking at other outcomes and what the best thing to balance that:
  1. Employee and employer interests
  2. HR, organizational and financial outcomes
  3. The underlying assumption that successful organizations show balanced scores on all outcome types
  4. The notion that organizations are out of balance when (1) HR outcome scores are low and organizational and financial outcome scores are high; and (2) HR outcome scores are high and organizational and financial outcome scores are low
  5. The most ideal situation in the balanced HR scorecard is high scores on all three outcome types; however, it is unlikely that there are many organizations that can achieve this situation, in particular for a long-term period
  6. The notion that the scorecard can be extended with other outcome variables that are relevant to the specific context of the organization

There are HR outcomes, organizational outcomes and financial outcomes (high potency for examen vraag)



*Perceived justice*: how to employees feel and are treated well

*Citizenship behavior*: when you are highly motivated who don't need much for what they are doing. Greenpeace for example.

*Employee turnover*: should be in balance. How many employees are coming in and out.

*Flexibility*:

*Social legitimacy*: helping the needs of your environment helping verenigen.

- Unbalanced organizations – (a) high on employee interests and low on employer interests or (b) low on employee interests and high on employer interests – can restore the balance, e.g. through:

- Creating cost-awareness among employees, information sharing about the business activities and the organization's position in the market, and putting emphasis on service quality standards in relation to customers in the unbalanced situation (a) (high on employee interests and low on employer interests)
- Providing employee autonomy, employee training and development, good communication and employment security in the case of the unbalanced situation (b) (low on employee interests and high on employer interests)
- Popularity of HRA and the balanced scorecard (BSC) in the 1990s
- HRA: popular technique to measure and rate employees in an organization – it focuses on issues such as measuring human resources and return on investments, the measurement of the value of an organization's workforce and the measurement of management decisions with respect to HRM -> quantify human capital in an organization for management accounting (control and monitoring costs) and financial purposes
- HRA advantages:
  - It improves the quality of information with regard to human capital
  - Personnel expenditures are interpreted as investments rather than costs
  - HRA provides information to stakeholders (management, shareholders, financiers, etc)
  - HRA systems are measurement systems (performance management (PM) systems), which can optimize decision-making processes
- HRA disadvantages:
  - Employees are human beings, who from an ethical point of view should not be treated as assets



- Numerous measurement complications
- Employees are not legally owned by organizations and therefore cannot be treated as human assets from an accounting point of view
- BSC: framework for mapping an organization's assets; 4 dimensions:
  - The innovation and learning perspective. Key question: Can we continue to improve and create value?
  - The customer perspective. Key question: How do customers see us?
  - The internal business perspective. Key question: What must we excel at?
  - The financial perspective. Key question: How do we look to our shareholders?
- BSC characteristics
  - Determining concrete goals
  - Measures for all four perspectives

#### Next-generation HR scorecards

- First HR scorecards mainly focused on
  - The HR roles and competences
  - The HR practices in place
  - The HR systems in place
- Figure 4.4 HR scorecard, workforce scorecard and the BSC
- The next generation HR scorecards are much broader than the early models presented above, including not only the HR function and practices but organizational elements as well
- 4logic HRM scorecard (Paauwe) contains:
  - A professional logic – focused on the expectations of line managers, employees, works councils and colleagues of HR departments
  - A strategic logic – incorporates the expectations of the board of directors, chief executive officer (CEO), shareholders and financiers
  - A societal logic – focused on the expectations of works councils, trade unions, the government, and other interest groups or stakeholders relevant to the organization
  - A delivery logic – represents the cost-effectiveness of the possible HR delivery channels, including HR departments (and HR professionals), line management, teams, employees themselves, outsourcing and self-service through e-HRM
- 4 key dimensions in the workforce scorecard
  - The mindset and culture of the workforce in an organization
  - Workforce behaviour with specific attention paid to the leadership team
  - The competences of the workforce, in particular for the core employees
  - The workforce success in achieving strategic goals

The ultimate business goal in terms of financial success (shareholder value) makes the workforce scorecard a typical Anglo-Saxon approach in contrast to, for example, Paauwe's 4logic HRM scorecard

#### Human capital management

What needs to be measured. Output vs. input

Three types of capital:

- Human capital – knowledge, skills & abilities (see at the education level)
- Social capital – (social networks & relationships (could be measured by looking into linked in page))
- Organizational capital – (practices & systems)

This is a rather hard approach to measure output

#### Measuring HR input by questionnaires (soft approach)

- Presence (yes or no) bonus system?
- Intensity (very little vs very much) how many training?
- Importance (not important at all vs very important)
- Satisfaction (very dissatisfied vs very satisfied)
- Coverage (percentage of the total workforce)
- 

it is important that the outcomes are in balance

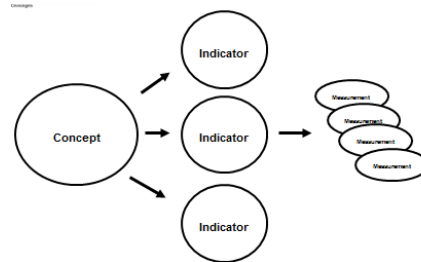
- **Financial outcomes** (e.g. profits, sales, market share, etc.)
- **Organizational outcomes** (e.g. productivity/cost-effectiveness, product and service quality, innovation and flexibility);
- **Human resource related outcomes** (e.g. attitudinal, cognitive and behavioural outcomes among employees such as job satisfaction, organizational commitment, trust in management, intention to quit and absence due to illness).

add figure concept > indicators > measurements

- For example: well being > stress, burnout,

most important HR outcomes:

- Employee Satisfaction
- Employee Motivation
- Employee Commitment
- Employee Trust
- Employee Turnover
- Employee Absence



Absence long: conclusion: burnout

Absence frequently: conclusion: not satisfied

#### **Proximal and distal**

Proximal: **Intervention** → **outcome**

Distal: **Intervention** → factor x → factor y → **outcome**

Focus on proximal outcome measures in HR studies

Example questions

Think of two HR practices that potentially positively affect employee job satisfaction.

And Think of two HR practices that potentially negatively affect employee job satisfaction:

1. Bonuses, acknowledge, engagement, training, more responsibility, rewarding systems, compliments, promotion
2. Not a lot of training, replacement, a competitive attitude, no recognition, strict regulations, disrespect full, bad compensation

In which situation(s) high wages will cause high motivation. and In which situation(s) high wages will cause (extremely) low motivation:

3. When it is connected to a certain result, for sales people, winst deling
4. For non-profit organization, not enough wages at the neighbor you could earn more, when wages are already high, rest of the situations are bad.

In which occupations/professions is OCB extremely important?

Productivity

Quality

Flexibility

Social Legitimacy

Innovationtant?

## Chapter 5 Achieving the Right Balance

(was not very important chapter)

### Introduction:

- Unitaristic perspective: What is good for the firm is also good for the employee
- What employers want is not always what employees want
- In times of continuous change in markets and societies, the average employer is in search of individual employees that process:
  - o The willingness and capability to change (chameleon)
  - o The intelligence of an Albert Einstein
  - o The capabilities of athlete in terms of speed
- Employees want fun at work; social support from superiors; an acceptable work-life balance; employee development opportunities; a nice group atmosphere; and employment security
- According to Boxall et al., Micro HRM represents one of the three building blocks of contemporary HRM

### Critical HR studies: guess who's coming to dinner?

- Social construction perspective: used to show that HRM is shaped by deeply embedded historical, political and discursive processes
- Characteristic features of HRM – related to the consensus nature of mainstream HRM (ignoring critical perspectives on HRM):
  - o General and common trust between the employee and the employer
  - o They share the same interests
  - o Harmonious relationship
  - o Not affected by the past
  - o Employee acknowledges the organizational hierarchy
  - o Science is neutral
  - o Researcher is neutral, anonymous and out of time and space
- Consensus orientation (features above)
- Dissensus orientation in HRM represents articles that apply a critical perspective, often highlighting the tensions between employers' and employees' interests
- The HRM field is largely consensus-oriented, constituted as managerial, prescriptive and strategic, and biased in its focus on the development of core employees (the happy few) in large multinational companies
- Main strategic HRM themes are
  - o HRM and performance
  - o HRM and sustained competitive advantage, mostly using the resource-based view as the theoretical framework
  - o HRM, strategy and fit (strategic fit between HRM and strategy)
- Executive selection, succession management, management development (MD) and performance-related pay (PRP) are popular best practices in HRM that are linked to these core employees in mainstream HR research
- The critical HR studies (dissensus orientation) highlight the other side of organizational innovations and HR renewal; for example, with regard to work intensification, job stress, perceived employee insecurity and discrimination

- Organizational reality is often full of conflicts, politics and tensions between the different stakeholders, including managers employees and employee representatives
- Dissensus-oriented perspective presented above highlights the lack of critical HR studies
- Wright and Boswell make a distinction between four areas of HRM and OB research based on two dimensions: level of analysis, individual versus organizational; and number of HR practices, single versus multiple

| Level of analysis // Number of HRM practices | Multiple  | Single  |
|--|---|---|
| Organization                                 | Strategic HRM<br>Industrial Relations<br>HPWS     | Isolated function                                       |
| Individual                                   | Psychological Contract<br>Employment Relationship | Traditional/functional HRM<br>Industrial/Organizational |
|  |   | Psychology  |

- The single HR practices studies on the individual employee level tend to include the individual perspective (the employee's interests)
- HR outcomes that are more employee-oriented and HR outcomes that are more employer-oriented (balanced HR scorecard)
- The single practice studies on organizational level often use a focal HR practice (top management teamwork, work-life balance practice, PRP...) and some measure of organizational effectiveness
- The psychological contract research bridges the employer's interests and the employees' interests
- Studies on the employment relationship – related to macro HRM studies on HPWSs but the difference is in the focus on individual employee outcomes
- The mutual investment employment relationship and the overinvestment employment relationship outperform the other two relationship models with regard to these multiple HR outcomes
  - o Job performance
  - o Citizenship behaviour
  - o Continuance commitment
  - o Employee presence
  - o Affective commitment
  - o Perceived fairness
  - o Trust in colleagues

#### Organizational health psychology

- Pressure -> job stress and burnout
- Karasek developed a stress-management model of job strain commonly known as the job demand – job control model
- Job demands (low versus high) and job decision latitude (low versus high) -> 4 jobtypes:

- Passive jobs (low job demands and low decision latitude) -> can make employees passive or lazy
- Low strain jobs (low/high)
- High strain jobs (high/low) -> mental strains and dissatisfaction with the job
- Active jobs (high/high) -> can get the best out of certain employees
- Job demands measure stress sources (stressors) and refers to an internal state of an individual
- Job decision latitude refers to job control or discretion, and represents individual employees' leeway or room to manoeuvre in their jobs
- Figure 5.5: following diagonal A, strain increases as job demands increase, relative to decreasing job decision latitude
- Active jobs lead to the development of new behaviour patterns both on and off the job
- In the case of high job demands, it is essential that the individual employee has leeway and autonomy to avoid high levels of job stress
- Employees are not purely stressed or frustrated because of demanding jobs only; it also depends on how much influence they have on their own jobs and their work
- The HR discipline, the OB discipline and the organizational health psychology discipline show little or no interaction and knowledge-sharing on these people management issues, particularly in the context of adding value through people (HRM and performance debate)
- Ramsay show that HPWSs can negatively affect employee outcomes, in particular causing work intensification -> the high commitment and involvement HR approaches not only imply more employee participation and learning opportunities, but potentially cause higher job demands and more stress (decreased employee outcomes that are most likely as a result of work intensification)
- Van Veldhoven: work pressure and increased work intensity predict poor business unit financial performance and good financial performance (or financial success) predicts low job strain
- Kroon: positive relationship between HPWPs and burnout

#### Balanced approaches

- Characterize the HR discipline by its ambiguities (e.g. in the roles of HR professional) and potential conflicting interests between employers and employees, and dualities in goals (economic value and moral values)

#### Balanced approaches on the individual employee level

- Balanced employment relationships (mutual investment and quasi-spot-contract) -> optimal model with regard to HR outcomes
- Imbalanced employment relationships (underinvestment and overinvestment) (study bytsui) -> extensive employee development opportunities and high pay; positive effects on HR outcomes (but lower efficiency rates)
- Bakker: job demands – resources model of burnout: job demands, defined in terms of work load, emotional demands and work-home conflict positively affect exhaustion; job resources positively affect employee engagement
  - Job demands and job resource are negatively associated
  - Exhaustion and disengagement are also negatively associated

- Exhaustion is negatively associated with in-role performance (e.g. the expertise in job-related tasks; the achievement of goals of the job)
- Disengagement is negatively associated with extra-role performance (actions that go beyond what is stated in formal job descriptions; citizenship behaviour)
- Job demands – resources model incorporates:
  - Job demands versus job resources
  - Exhaustion versus engagement/disengagement
  - In-role versus extra-role performance

Balanced approaches on the organizational level

- Organizational success can only be achieved when financial performance and societal performance are above average -> exclusive high scores are bad for the long-term survival
- Successful organizations conform and differentiate from other organizations (some HR practices need to conform to the population norms and regulations, while other have more leeway for differentiation)
- Paauwe: economic value / moral value

#### Agility and vitality important thing of this

Agility: The concept that perhaps best captures 'what employers want' is **agility**, reflecting the organizational capability to adapt easily to changes in its external environment.

Vitality: The concept of vitality captures elements of employee satisfaction, job demands, employee trust in the organization and the managers, job stress, and physical health of an individual employee. (what employees want?)

#### chapter

- What employers want: agility, reflecting the organizational capability to adapt easily to changes in its external environment
- More attention on employee well-being, in particular employee vitality, is required to restore the balance between 'what employers want' and 'what employees want' -> employee satisfaction, job demands, employee trust in the organization and the managers, job stress and the physical health of an individual employee
- Agility-vitality approach is a long-term model that should be part of a more general organization philosophy and strategy

## Conclusion

- First, balancing 'what employers want' with 'what employees want' suggests the relevance of a multi-actor approach
- Second, blending and integrating insights from different theoretical lenses can contribute to the full understanding of the shaping of successful HRM in organizations
- Third, multi-actor and multiple lenses' approaches imply multi-level analysis -> combining organizational level data with team level and individual employee level data
- Assumptions:
  - o Organizational success can be achieved when an organization is moderately different on social and economic performance from other organizations in the same population
  - o Long-term outstanding scores on both social and economic performance are unlikely for most organizations. Excellent economic performance (times of organizational prosperity) can contribute to social performance. Excellent social performance can be the buffer for poor economic performance.
- Financial reserves or buffers can contribute to social aspects of shaping the employment relationship



- Social reserves or buffers can contribute to the financial performance of organization in the case of organizational crisis
- Hard financial indicators and soft social indicators

## Chapter 6 High-performance Work Systems

### Introduction

- Part of the success of an HPWS (e.g. based on selective recruitment and selection, employee involvement, employee monitoring and some kind of PRP) is the ideal combination of individual HR practices, also called internal fit (-> higher performance)
- An HPWS can be defined as a bundle of specific HR practices that create employee abilities in terms of knowledge and skills, employee motivation through a sophisticated incentive structure, and employee opportunity in decision making
- Toyotaism – Taylor’s approach still relevant nowadays – linked to contemporary discussion on total quality management and performance management  
Neo-taylorism is an individualistic version of Taylor’s model in which direct supervision and close monitoring is replaced by self-management and self-control  
Classic management models incorporate systems notions and elements that are picked up by contemporary HPWS approaches
- HPWSs contain the flavours of the past models; and include other HR practices in particular aimed at achieving high employee commitment levels through internal labour market principles, autonomous teamwork and advanced PRP
- AMO theory -> abilities, motivation and opportunity to participate

### Classic Management models and systems approaches

- Henri Ford: first mass-produced car, assembly-line principles -> Taylor: scientific management principles such as division of labour, direct supervision and improved working conditions
- Taylor and Fayol’s assumptions: employees are only motivated by financial incentives; employees are lazy by nature; and finally, employees are not willing to assume any form of responsibility -> direct supervision required to improve labour productivity and increase employee satisfaction
- Hawthorne studies comparing the impact of light intensity in factories on employee productivity -> Mayo discovered that paying personal attention to employees conditions overall enhanced employee performance and led to an increase in productivity
- Human Relations Movement (Mayo) – assumptions:
  - o Organizations consist of social relationships
  - o Labour is a group activity
  - o Informal groups have an enormous impact on the organization
  - o Financial incentives are not the only motivators – social relationships are also very important
  - o There are no real controversies between employees and their employer
  - o Conflicts are caused by problems in communication

Opposite of scientific management

Special attention paid to the employee perspective

Special personal attention of direct supervisors to employees, motivation through financial and non-financial incentives, emphasis on cooperation and social aspects of cooperation, and good communication and information sharing throughout the organization

- 1950s/1960s: revisionistic perspective focused on the integration of different aspects of labour relations and their mutual dependence
- McGregor, whose work was heavily influenced by Maslow, rejects the traditional view of the nature of employees, a view he labelled 'Theory X' in this argument – motivation, the potential for development, the capacity for assuming responsibility and the readiness to direct behaviour towards organizational goals are all present in people
- Theory Y relies heavily on notions of self-control and self-direction; a system of decentralization and delegation, job enlargement, employee participation and consultative management, and performance appraisal (PA)
- Theory Y has a more functional orientation with regard to the performance of an organization (in comparison to Human Relations Movement)
- A high-performance organization, according to McGregor's revisionistic approach, applies decentralization of decision making, increasing employee autonomy and involvement, job enlargement and job enrichment and PA
- 1960s: STS theory, combining production elements with social elements in order to enrich employees' jobs and to create more organizational flexibility (Emery and Trist)  
Extreme labour division and monotonous jobs -> new work designs stressing a system of practices, including job enlargement, job enrichment, teamwork, job rotation and employee involvement in decision making  
A high-performance organization, according to the STS theory, applies good employment conditions, teamwork, job enlargement, job enrichment, employee autonomy and integrating production systems with work systems
- Table 6.1
- The contemporary HPWS approaches contain the flavours of the past models (good working conditions, good communication, employee involvement and job enrichment) – the HPWSs go beyond these practices, including selective recruitment and selection, extensive employee development, career planning and internal labour market practices, and autonomous teamwork aimed at high employee commitment levels that are most likely to positively affect organizational performance

#### HRM approaches in the 1980s

- The major transitions in personnel management were caused by developments in Asia
- The Japanese were the first to manufacture products that were cheap in combination with high-quality standards
- Low-cost and high-quality products -> increased global competition
- The secret of the Japanese success was the introduction of TQM, combining new production techniques with the Japanese way of working
- HPWSs, according to the TQM model, consists of teamwork, employee monitoring through regular appraisals, PRP based on individual and team performance, goal-setting, employee development, and employee involvement in decision making but more importantly in continuous improvement

- 1970s/1980s: ultimate goal of the TQM approaches was to continuously improve products (based on the Kaizen principle of continuous small improvements) and reduce costs where ever possible
- Western organizations were forced to focus their business on knowledge-intensive markets and abandon traditional industries (require highly educated employees)
- HRM has been considered as an instrument for creating a high-performance culture in an organization, necessary to compete in the global arena

#### Control and commitment work systems

- Management control theory is focused on the way management is organized
- Control strategies -> specialization, narrowly defined jobs, pay by specific job content, evaluation by direct supervision, work closely supervised, little or no career development opportunities, status symbols used to reinforce hierarchy and employees having little input
- Commitment strategies -> broadly defined jobs, job rotation, pay by skills mastered, evaluation by peers, team assignments, extensive concern for learning and growth, business data widely shared and broad employee participation (table 6.2)
- High commitment HR system outperforms the control HR system with respect to employee turnover and labour productivity
- Theory X (more control-oriented) and theory Y (more commitment-oriented)

#### High-performance work systems and the AMO model

- HPWS – a consistent and coherent system of HR practices that enhance the high-performance culture of an organization to achieve the organizational goals
- Pfeffer's best practices in HRM overlap to a large extent the list of potential HR practices that can create an HPWS: selective recruitment and selection, extensive training, PRP, teamworking, information sharing and communication, reduction of status differences and employment security
- Figure 6.1 AMO model – organizational interests are best served by an HR system that attends to employees' interests, namely their skill requirements, motivation and the quality of their job. Overall performance is considered to be a function of employees' abilities, employees' motivation and employees' opportunity to participate

#### High-performance work systems

- Bundles of well-integrated high-performance work practices (HPWPs)
- Five key HPWPs
  - o Selective recruitment and selection
  - o Compensation and PRP
  - o Appraisal and PM
  - o Training and development
  - o Employee involvement

#### High-involvement work systems: an integrative framework

- Boxall and Macky: 'related management actions/investments', including production technologies in use and degree of product innovation

- 'work and employment processes experienced by workforce group'
- The abilities component is represented by skill enhancement, knowledge development, intra- and intergroup collaboration, and interpersonal communication
- The motivation component is represented by perceived changes in intrinsic and extrinsic rewards
- The opportunity to participate component contains involvement, empowerment and work intensification
- High involvement HR systems and related management actions (investments) affect work and employment processes experienced by workforce groups
- High trust and commitment levels are most likely to be positively related to employee retention (in contrast to employee turnover) and employee presence (in contrast to employee absence due to illness)
- Figure 6.2

#### Mini-bundles

- Evidence that mini-bundles can be effective in practice as well
- A mini-bundle of HPWPs includes a limited number of HR practices -> two or three that are perfectly aligned and therefore increase the organization's performance
- Perhaps not as successful in increasing long-term success in comparison to the more sophisticated HPWSs
- Sequential tree analysis for determining bundles of HR practices that increase performance

### Chapter 7 Selective recruitment and selection

#### Introduction

- Recruitment -> the different activities of attracting applicants to an organization
- Selection -> consists of sifting through the pool of applicants and making decisions about their appropriateness
- Increases the chances of success for both the individual employee in terms of employee well-being and the organization in terms of firm performance
- Getting the right people in an organization -> right: refers to the optimal fit or alignment of an individual employee and an employer from the employer's perspective and the employee's perspective
- After the determination of the recruitment of specific employee groups and target groups, it is essential to present a realistic job preview of what an organization has to offer
- Employment branding and signalling – reflecting strategic HR issues on how to 'sell' the organization to potential employees in order to attract and retain talents
- eRecruitment
- P-E fit
- P-J fit
- P-O fit
- Job interviews, psychological tests and assessment centres

#### Recruitment

#### Different employee groups

- Stars – core employees that can add value to the organization
- Guardians – core employees, avoiding major losses
- Foot soldiers – peripheral workers of an organization who are necessary to run the business and support other employee groups
- Lepak ad Snell: HR architecture model – distinguishing between peripheral (are less valuable to an organization in terms of economic value, scarcity and substitutability) and core employees (real human and social capital)

Two dimensions: the strategic value of a group of human capital and associated types of knowledge; and the uniqueness of a group of human capital and associated types of knowledge ➔ four employee groups

- Contact workers (low strategic value/low uniqueness) – ancillary knowledge, temporary basis, little employment security – ideal employment system: compliance-based HR
- Job-based employees (high/low) – compulsory knowledge – productivity-based HR
- Alliance partners (low/high) – type of work that is required in organizations regularly, but has no direct link to the business processes – collaboration-based HR
- Knowledge employees (high/high) – core knowledge, essential for the long-term success – commitment-based HR
- The relationship between the employer and contract workers and job-based employees is often transactional and performance-oriented with little or no attention paid to a long-term perspective and employee development
- Knowledge workers and job-based employees tend to be internalized
- Alliance partners and contract workers tend to externalized

#### Are we fishing in the right pond?

- Risk of myopia in recruiting and selecting new employees
- All age groups?
- Women and men?
- Different cultural backgrounds?
- Managing diversity

#### The RJP: when does it hurt to tell the truth?

- Presenting an honest and realistic picture of the organization will increase job satisfaction, employee motivation, trust, commitment and employee retention after an applicant is hired
- Organizations are most effective when both favourable and unfavourable information is presented
- A violation of the employee's expectations is likely to result in employee dissatisfaction, mistrust about the organization and management, low motivation and a high intention to quit the job

#### Signalling: message in a bottle

- Job advertisement – reputation and corporate image
- Excellent working conditions, high wages and employee training and development (not always the best tool) -> figure 7.2

#### Employment branding

- Corporate brands of organizations represent value and act as magnets
- Valuable human assets are more easily attracted and retained by an organization with a strong corporate identity and corporate brand name
- An activity where principles of marketing, in particular the science of branding, are applied to HR activities in relation to current and potential employees as targets

#### Web-based organizing: eRecruitment

- Increased use of web-based HRM or eHRM, including electronic recruitment
- The majority of the world's population do not have access to the Internet or have serious limitations on getting access

### Selection

#### The right person for the job: P-J fit

- Important for recruiting and selecting a new employee
- Qualification by diplomas, skills certificates, specific knowledge and former work experience
- The most qualified candidate is most likely to show the best job performance
- P-J fit covers both the aspects of the job and the candidate's qualities and the nature of the job and the candidate's personal preferences and interests
- In the past, focus was mainly on knowledge and skills
- In the last decade there has been an increased focus on competences (reflect the abilities of an employee with a focus on the individual's qualities for future desired attitudes, behaviour and job performance)

#### Value-based recruitment: P-O fit

- Value-based recruitment (person <-> value/goals of the organization)
- People who match the organization's culture will outperform those that do not
- Important for organizations to build and maintain a strong corporate culture
- P-O fit: compatibility between people and organizations that occurs when at least one entity provides what the other needs, or they share similar fundamental characteristics, or both
- Fit when both parties share the same values, when one party lacks a certain value while the other party possesses this value, or when both parties share certain values in combination with complementary values that are considered important

#### P-J fit versus P-O fit

- Both relevant
- Positive relationship between P-J fit and P-O fit
- P-O fit positively affects organizational commitment and citizenship behaviour
- P-J fit positively affects job satisfaction and employee retention

#### Selection techniques, job performance and strategic decision making

- Validity (do we measure what we want to measure) is one of the most important criteria, next to reliability and utility)
- Work sample test is a selection technique that tests candidates' knowledge, skills and/or abilities by asking them to perform certain tasks similar to the vacancy
- GMA tests focus on the intelligence of an individual

- Structured interview is a preplanned-based job interview mainly focused on knowledge and experience; difficult and challenging
- Peer ratings are a selection technique used for selecting internal candidates
- Job knowledge tests are focused on specific knowledge that is required to do the job
- Job tryout procedures represent a probation period for a candidate and an organization to find out whether there is a good P-E fit
- Integrity tests measure the likeliness of future counterproductive behaviours of a potential employee
- Assessment centres use a combination of different techniques, including psychological tests, observations, interviews, external experts and role plays

Other criteria for judging selection techniques

- Validity
- Costs
- Utility
- Sensitivity – whether the technique is actually good in differentiating between similar applicants
- Reliability – whether repetition of the technique results in the same conditions with the same individual
- Practicality – referring to the notion that a technique should not be too time-consuming, require as little equipment as possible, be as flexible with respect to location as possible and require minimal amount of training
- Fairness and acceptability of applicants is a criterion that refers to whether applicants perceive the selection technique as being fair

| Technique            | Validity  | Costs | Sensitivity | Reliability | Practicality | Fairness and acceptability |
|----------------------|-----------|-------|-------------|-------------|--------------|----------------------------|
| GMA test             | Very good | Low   | Very good   | Very good   | Very good    | Good                       |
| Work sample          | Very good | High  | Poor        | Reasonable  | Very good    | Very good                  |
| Integrity test       | Good      | Low   | Good        | Unknown     | Very good    | Poor                       |
| Structured interview | Very good | High  | Poor        | Reasonable  | Good         | Good                       |

What happens if there is a mismatch between the job/organization and the candidate?

- Can be caused by the organization as a result of the selection technique used
- Not presenting a RJP
- Unforeseen critical incident
- By candidates themselves
- Optimizing the recruitment and selection of employees is therefore crucial for organizational success

The strategic relevance of selective recruitment and selection

- Misfit causes additional costs, discontinuity of the work through employee turnover, work intensification for those who stay until the vacancy is filled again, reputation damage and extra time necessary for finding somebody else
- Structural fit also important for the employee in terms of job satisfaction, perceived employment security and employee well-being

## Chapter 8 Performance Management

### Introduction

- To inform, guide, monitor and evaluate employees to achieve organizational goals
- Provides direction and stimulates employee motivation
- Employees need to know the organization's strategy, the organizational goals and the corporate values for desired individual attitudes and behaviours
- PM can act as a bridge between corporate strategy and concrete employee interventions in the process of goal achievement
- Performance-related pay (PRP), direct supervision and monitoring are key HR components of this hard model in PM
- Soft elements in PM aimed at employee well-being (employee-development and employee involvement)
- Goal-setting theory is a powerful theory on getting the best out of employees by setting challenging goals, communication and close monitoring
- Modern PM is much more than the traditional administrative PA -> about goal-setting and monitoring employees' performance – strategic way to improve overall performance and create business awareness among employees

### Defining performance appraisal

- PA is the process of identifying, observing, measuring, and developing human performance in organizations

### Definitions of PM

- Broad range of activities that create a bridge between managing employee performance and enhancing overall organization performance
- Deals with the challenge organizations face in defining, measuring, and stimulating employee performance with the ultimate goal of improving organizational performance
- Increasing the effectiveness of organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors
- Key characteristics (descending): goal-setting and evaluation; annual appraisal; personal development programmes; self-evaluation; pay for performance; coaching and mentorship; career management; competence management; two-yearly appraisal; 180-degree feedback system

### PM developments over time



- PM argues that assessment of performance has become a pervasive feature of modern life -> three main reasons for the growing popularity:
  - o Globalization -> increased competition
  - o Dissatisfaction with the administrative nature of the classic performance appraisals
  - o PM as an instrument to show the added value of HRM

#### PM and HRM

- Align both with the overall business strategy (strategic fit)
- Align practices towards HPWSs
- Line management involvement in the enactment of the practices
- Soft versus hard approaches
- Search for interventions to increase organization performance

#### Goal-setting theory

- A goal is what an individual is trying to accomplish
- Performance goals have a motivational impact in organizations
- The more difficult the goal, the greater the achievement
- The more specific or explicit the goal, the more precisely performance is regulated
- Goals that are both specific and difficult lead to the highest performance
- Commitment to goals is most critical when goals are specific and difficult
- High commitment to goals is attained when the individual is convinced that the goal is important and the individual is convinced that the goal is attainable
- Goal-setting is most effective when there is feedback showing progress in relation to the goal
- Goals stimulate planning

#### The role of the supervisor

- Managers skill and fairness in performing these tasks as well as their relationships with their different subordinates will play a key role in the success of PM

#### 360-degree feedback systems

- For evaluating the performance of individual employees from multiple perspectives or sources
- Customers, colleagues, internal customers, self-appraisal, higher managers, managers
- Make ratings anonymous if possible
- Time-consuming, expensive

#### PM and procedural justice

- Procedural justice deals with fairness of the procedures used to determine outcome distributions or allocations
- Injustice minimized when the ratees or evaluated employees:
  - o Participate in the development of the appraisal system
  - o Understand the PM system, the feedback process and the evaluation criteria
  - o Agree with and accept the PM system
  - o Perceive well-trained raters

- Perceive a constructive and development-oriented PM environment focused on rewards for good performance and development opportunities in case of low performance
- Get regular feedback, not once a year
- Have the opportunity to rate their performance
- Get the opportunity to participate in the evaluation session

#### PM and distributive justice

- Concerns people's perception of outcomes or rewards and the way they are allocated
- Relevant for workers' satisfaction with decisions concerning their jobs and pay
- Perceived distributive injustice may occur when employees who perform similarly get treated differently
- Can be minimized by
  - Training supervisors who are in charge of rewarding or punishing ratees
  - Monitoring supervisors on their performance evaluation and the consequences for their ratees
  - Rewarding supervisors for excellent PM in practice
  - Creating transparency of the PM system, the process and the consequences for an individual employee and for other employees within a department

#### PM and balanced approaches

- PM is an HPWP that may disturb the balance
- The performance and goal orientation of PM easily become too focused on practices and outcomes that mainly serve the employer's and shareholders' interests -> ideal PM focuses on what employees want: for example, reflected in opportunities for PD, an optimal work-life balance through flexible working arrangement, employment security through permanent contracts and fixed pay
- Employee involvement or participation
- Table 8.3

#### The future of PM

- A global tendency towards PM through cultural management
- Aligning corporate goals with individual employee goals
- Using PM for talent management and leadership development
- Using PM as a mechanism for distinguishing good performers from bad performers
- Linking PM and 360-degree feedback systems
- Emphasizing self-appraisal and appraisals by peers
- PM as a tool for general employee development purposes

#### The strategic relevance of PM

- PM can be the bridge between the overall business goals and the specific goals of every individual employee
- Goals at the individual employee level and business goals are the guidelines for employee behaviour and their orientation towards certain achievements

- Creating opportunities for business awareness at all levels, focus and concrete targets, employee motivation and employee management

## Chapter 9 Compensation

### Introduction

- Compensation in large profit organizations has become a synonym for “greed”
- Compensation and pay are much more than top management rewards
- Pay and compensation contain basic HR elements (including monthly salaries paid to employees) and possibilities for building high-performance work systems linked to the strategy of the organization
- High wages, fair payment, pay for performance and employee benefits
- Compensation systems refer to outcomes that an individual employee receives
- Wages, bonuses, benefits (medical insurance and retirement plan), praise, recognition, esteem and self-competence
- Reward system can help to attract, to retain and to motivate

### Aims of compensation

- Paid by the employer for the effort
- To influence employee attitudes and behaviours
- Controlling labour costs and maintaining efficiency
- Employer branding
- Disadvantage: attracts employees that are mainly focused on financial rewards -> ‘Signalling: message in a bottle’ chapter 7 offers solutions for overcoming this problem using low wages in the probation period and above-average compensation after positive evaluation following the probation period

### Financial and non-financial compensation

- Non-financial compensation important, especially when the organization has serious financial limitations
- Public organizations can be restricted in terms of financial compensation
- Non-financial compensation
  - o Organizing a social event celebrating the successes of a team or department
  - o Celebrating successes with cake and coffee during a break
  - o Putting the ‘high performers’ in the spotlight during regular meetings
  - o Complementing individual employees on good performance
  - o Providing additional training facilities for good performance
  - o Giving extra days off to good performers
- Work-life balance practices (flexible work arrangements as a reward for organizational citizenship behaviour of employees)
- It is not all about making money in the name of shareholders’ interests

### Basis for pay

- Most employees are paid on the basis of a set of tasks within a given position
- The job description serves as a guideline for the compensation system of the individual employee
- Another method of employee payment: based on the individual's skills and knowledge
- On the basis of their seniority
- Based on their status or reputation

#### Contract types

- Different forms of economic or transactional contract
  - o Permanent contract is a deal between the employer and the employee for an indefinite time
  - o Temporary contract is a deal between the employer and the employee for a fixed time
  - o Absence of a contract is a situation in which there is no formal contract and the employee is paid immediately after finishing the tasks, often the same day. The relationship between the employer and the employee is purely based on trust. Often this type of contract manifests itself in illegal working environments
  - o The full-time contract represents a temporary or permanent contract for five days a week or 1.0 full-time equivalents
  - o The part-time contract represents a temporary or permanent contract for less than five days a week or less than 1.0 FTEs

#### Forms of pay

- Fixed pay -> based on the number of hours an employee works for the organization
- Variable pay -> bonuses and incentive pay (PRP) used to incentivize employee performance and reward employees for being productive, delivering high service quality, being flexible and contributing to innovation; positive impact of PRP on employee outcomes/perceived organizational performance/labour productivity/employee motivation; but negative impact on employee well-being (dissatisfaction, job stress)
- Employee benefits -> health benefits with regard to health care insurances, life insurances and dental insurances, contributions to pension schemes, unemployment payments and support, paid vacation, additional vacation days, family-friendly employment policies including parental leave and child day-care compensation, support for the computer and the Internet connection at home, a laptop, a mobile phone and a lease car
- Cafeteria plans -> combination of fixed pay, variable pay and employee benefits and offers the individual employee the opportunity to choose the nature and type of rewards

#### Theories on fairness, differentiation, behaviour and agents – What is a fair payment? Notions from equity theory and i-deals

- Equity theory proposes that people's attitudes and behaviour are affected by their assessment of their work contributions (inputs) and the rewards they receive (outputs)
- Assumption that employees compare the ratios of their own perceived outcomes/inputs to the corresponding ratios of other people or groups
- Underpayment inequity can lead to less employee motivation
- Can be linked to notions of perceived distributive justice
- Fair wages important (perception of employees)

- The mystery surrounding top management compensation does not support a (perceived) fair pay system by employees
- Idiosyncratic terms in the employment relationship (i-deals) -> unique terms in an employment relationship, e.g. special allowances, special job design and extra bonuses for additional individual tasks; required for P-E fit

How do we differentiate payment between employees and managers? – Notions from tournament theory

- Tournament model or relative compensation theory in order to consider appropriate increases in salaries and promotions in organization
- Metaphor of a tennis game – 1 million to win – 100 participants – only top players are likely to participate and win – money is given to the players every round
- Figure 9.1

How do rewards affect employee behaviour? – Notions from expectancy theory

- Focuses on employee expectations with regard to their efforts, job performance and the rewards that they will receive for their efforts and performance
- There is a higher level of employee motivation in cases when increased reward is given for performance
- There should be a clear relationship between employee effort and employee outcomes
- There should be a clear relationship between employee outcomes and rewards
- The rewards for certain employee outcomes should matter to the actor or employee. In other words, the rewards are significant and relevant to the employee
- The system as a whole needs to be fair towards an individual employee and towards the total workforce of an organization
- Three key concepts
  - o Expectancy representing the individual employee belief that a particular degree of effort will be followed by a particular level of performance
  - o Instrumentality representing the perceived link between employee behaviour and pay
  - o Valence representing the positive or negative value people place on outcomes
- Reality: effort <-> outcome not clearly linked

How can we restore the balance between shareholder interests, the interests of top management and other relevant stakeholders? – Notions from agency theory

- Agency theory suggests the emergence of principal-agent problems or agency dilemmas as a result of incomplete and asymmetric information
- Relationship between principals and agents and the costs related to optimally managing this relationship (agency costs)
- Various mechanisms may be used to try to align the interests of the principals and the agents
- The basic idea that financial PRP serves the interests of both the agents and the principals has failed in practice, causing banks worldwide to collapse
- One of the serious threats resulting from top management PRP is decoupling – the top management's inclination to link their pay to performance outcomes that they can directly influence and cut out pay related to performance systems that are more difficult to affect

## The strategic relevance of compensation

- The strategic relevance of compensation is to avoid or minimize PRP and bonuses as much as possible

## Chapter 10 Development

### Introduction

- Employee development is much more than formal education
- Managers are both subjects of employee development and framers of employee development

### Training

- The objective of training is to ensure that all employees have and maintain the requisite competences to perform in their roles at work
- Process of changes used to develop specific skills, usually for a job
- Education is shaped by governmental institutions
- Specific ends or learning outcomes (knowledge, skills and abilities)
- Organizations that make more money spend relatively more money on employee training (upward effect ≠ downward effect) -> short-term costs and benefits orientation
- HRM and training in particular can be characterized by long-term effects

### Employability

- Lifetime employment has been replaced by lifelong career, with major implications for the development of an individual
- Employee development/employability is a joint effort of both the employer and the employee (personal development) – only those employees that are employable (flexible, capable, able, up to date, skilful) will have good career opportunities and employment security
- Employable employees who get fired get more easily a new job

### Institutionalized employee development

- CBA -> employers' associations and trade unions agree on a certain percentage of the total labour costs of an organization that is compulsory for all organizations under this CBA to be spent on employee training and development
- Organizations afraid that well-trained employees leave the organization -> Investor In People (IIP) is purely focused on HR investment and the application of good employee development practices – organizations that meet the standard receive an IIP accreditation – but no evidence that the training practices are good
- Education, training and employee development are often heavily affected by institutionalization or institutional mechanisms

### Development

- Development covers a wide range of activities with less specific goals or outcomes than training
- More focused on the individual than the occupation
- Concerned with longer-term personal growth and career movement
- Direct supervisor plays an essential role: motivation, facilities and resources, knowledge and experience, and coaching

#### Knowledge, skills and abilities

- Skills may include administration using specific computer programs, advising people, analysing data, interpreting languages, teaching and instructing others, presenting findings and new policies, and chairing meetings
- Knowledge may include firm-specific understanding of systems, procedures and operations, but may also include a general understanding of the business and society
- Abilities represent the individual employee's capacity to perform certain tasks in the future
- Employee abilities or competences reflect the individual's potential contribution

#### Human resource development (HRD)

- Focused on individual and group learning in the context of work
- Places less attention on training, but rather focuses on different types of learning, including learning on the job
- Problem- and issue-focused conferences -> identify best practices
- In HRD the direct supervisor is mainly the framer of employee development, not so much the subject of employee development

#### Management development (MD)

- Mainly focused on line managers or supervisors
- Line managers or supervisors as the subjects of development
- System of personnel practices intended to ensure that an organization can rely on timely availability of qualified and motivated employees
- Enactment used to describe the way an organization (and its actors such as managers and employees) adapts and adjusts to its context (or environment) by acting on it to change it
- The development of managers is crucial for good HRM (majority of HR practices are handled by line managers)
- If people (employees) are the most important assets of an organization, then the development of those who manage these assets (managers) is crucial in creating an HR value chain that leads to excellent performance

#### Leadership development (LD)

- Related to leadership styles
- Lewin:
  - Authoritarian or autocratic leadership
    - o Managers are in control mainly because management has the knowledge and skills to do the job
    - o Tayloristic organizations
- Participative or democratic leadership
- Delegative or free reign

- Employees are in control mainly because of their knowledge and skills for the job
- Professional organizations, where professionals have a certain degree of leeway to do their job based on their professional knowledge and skills
- The three leadership styles of Lewin can also be recognized in the more contemporary distinction between:
  - Transactional leadership
    - Mainly focused on rewarding and punishing subordinates for job and team performance in continuous bargaining about the tasks, targets and responsibilities
    - Direct supervision
  - Laissez-faire leadership
    - Lack of leadership and management of people
    - Lack of focus, vision and control of the daily work
  - Transformational leadership
    - Listening to employees, motivating and encouraging people, being visible for employees, having a vision about the team and the organization, setting challenging goals, celebrating successes with all team members and being an example for everybody
    - Ideal leadership style for getting the best out of people
- LD is crucial for improving existing leadership and for developing the next generation of leaders

## €

### LD

- Top managers and talents are the subjects of development
- Top managers and talents become the framers of the development of managers and employees

### MD

- Middle and front-line managers are the subjects of development
- Middle and front-line managers become the framers of the development of employees

### HD

- Employees on the shopfloor are the subjects of development
- Employees become the framers of their own PD and the development of their peers

## The learning organization

- Represents the concept of organizations as dynamic systems that can change (self-changing) and have the ability to develop to achieve organizational goals
- HPWS -> employee involvement, teamwork, employee autonomy, extensive training and development, pay for performance and performance management are thought to enhance a learning spirit within an organization and more willingness to change (dependent upon human component)
- Organizational agility – creation, adaptation and replication of knowledge are key characteristics of a learning organization aimed at single-loop learning (continuous improvements in current operations) and double-loop learning (questioning and challenging the organizations basics, including the core values and the basic business model) -> ongoing



education, training and employee development in order to maintain high levels of flexibility throughout the organization

#### Knowledge management

- Bundle of practices applied to the organization to identify, store, share, process, and distribute insights and experiences of organizational members
- Part of organizational learning programs aimed at gaining competitive advantage through optimal use of knowledge and experience within the organization

#### Competence management

- Part of SHRM
- Aimed at learning and development in organizations
- Competences more broadly, includes skills and knowledge issues
- Communication, people management, cooperation (teamwork), service quality in relation to clients, leadership and problem-solving are the most important aspects of competence frameworks in practice
- The main purpose is related to people management, improving job and organizational performance, improving training and development, more effective recruitment and better job design

#### eLearning

- Popular instrument for both training and development of employees
- Learning that is delivered, enabled or mediated using electronic technology for the explicit purpose of training in organizations, e.g. web-based learning
- Relatively low costs
- Flexibility
- Opportunities for standardization
- Accessibility for organizational members worldwide
- E.g. compliance training

#### Shifts in career responsibilities

- Past: managing career was responsibility of the employer or organization -> employability notions -> nowadays, individual workers have become their own career facilitator
- Maybe joint career responsibility
- Three major differences between traditional careers and the new career approaches
  - o The new career is less structured, less predictive and can be characterized by radical changes
  - o Traditional career: individual employees could take a passive position absorbing career facilities offered by their employer  
New career models: more pro-activity is expected and demanded
  - o The career boundaries have disappeared in some cases; employee development and careers are no longer strictly bonded to a job or function

#### Reflections on the development of the 'happy few'

- From a distributive justice perspective, peripheral workers may perceive injustice when other employees (the core employees) get extensive training and development opportunities, while their resources, facilities and opportunities are limited
- Negative impact on non-talents -> bad reputation
- HRM covers all workforce groups, including core employees, peripheral employees and contingent workers

#### The strategic relevance of development

- Relevant for both the employer and the employee
- Substitute for lifetime employment
- Positively affects employment security
- Creates windows of opportunity to move on to other jobs
- Relevant to keep up with the latest developments, e.g. with regard to technological development and IT

### Chapter 11 Employee Participation

#### Introduction

- Sharing may involve information, but also responsibility or materialistic objects
- Participation also requires more than one person
- Assumption that employees behave optimally when they are involved in decision making and when they are given responsibility and autonomy
- Classic models suggested direct supervisor and minimization of employee involvement in work design (Taylor, Ford)
- Since Mayo and Maslow -> employee participation
- Employee participation also includes elements of information sharing, decentralization of responsibilities and work design, in particular job enrichment and enlargement
- Participation manifests itself on multiple levels: employee level, organizational level and sector/national level
- Financial participation – employer sharing the profits and/or the ownership of the organization with employees
- Can be integrated with other HR practices, in particular teamwork

#### The roots of employee participation

- Mayo: emphasis on good communication and information sharing
- One way relationship: from the manager to the employee
- McGregor's Theory Y: self control, self-direction, employee participation/involvement
- STS theory (Emery and Trist): need for employee participation linked to job design, employee autonomy and teamwork
- TQM movement and the HPWS models also gave employee participation a central role in the search for adding value through people
- AMO theory explicitly stresses the importance of employee involvement through the third dimension of the model: opportunity to participate (including employee participation in

decision making, employee autonomy, teamwork, employee survey research, regular employee/supervisor meetings)

- Pfeffer's best (HR) practice approach – assumption that what is good for an employee is good for the employer (unitarist HRM approach)
- Pluralist HRM approach takes into account different shareholders, including trade unions and works councils that may have conflicting interests with the employer
- The IR approaches focus on the differences between employees and employers, often reflected in power relationships and conflicts, attention paid to the further emancipation of the individual worker
- Industrial democracy perspective – employee participation is not necessarily a best practice in HRM, but an employee right
- IR considerations should be taken into account in the European context because of the huge impact of trade unions, works councils and legislation on organizations

#### Employee participation as an HR practice (individual level)

- Employee involvement in decision making with regard to the recruitment and selection
- Direct participation (individual level)
- Degree of influence/leeway employees have in a department
- Yearly employee survey
- Knowledge workers and highly educated employees are more likely to expect and demand involvement than unskilled workers (peripheral employees) (Lepak and Snell)
- General theory: all employees want some degree of involvement
- Necessary condition for the success of another HR practice
- Employees are more likely to accept a new performance evaluation system and perceive it as fair when they are involved in the design of the system

#### The escalator of participation

- Figure 11.1
- Five stages of participation in their escalator of participation, referring to different degrees of employee involvement and direct participation in organizations
- Information sharing – one-way (top-down) information towards employees
- Communication – regular briefings, employees can pose questions, room for interaction
- Consultation – two-way interaction, employees are asked about their opinions and management may decide to make use of the suggestions made
- Codetermination – employees and managers jointly make decisions
- Self-control – individual employee or autonomous team in control of decision making

#### Employee participation at the organizational level

- Institutionalized form of employee participation is the works council
- In some countries organizations are obliged to have a works council installed
- The employer is usually obliged to facilitate the works council and its members with financial resources

- Works council focuses on all issues that affect the employment relationship, including working conditions, major organizational changes, massive layoffs and HR policies
- Right to advise the organization on issues that affect the employment relationship and the right to be informed about major organizational changes that affect the employment and the HRM of the organization
- Works councils at business unit level, at the group level of an organization or European Works Council operating at European level

What are the advantages of a works council for the individual employee?

- Infrastructure for complaints and issues that are relevant for individual employees
- General acceptance of works councils can have a positive effect on the social atmosphere between the employer and the employees

What are the disadvantages of a works council for the individual employee?

- Employee motivation and enthusiasm for joining a works council is generally low
- Time-consuming
- Poor representation can negatively affect the relationship
- Easily manipulated as an internal stakeholder
- Top management can play a game

What are the advantages of a works council for the employer?

- Much easier to communicate and cooperate with a group of employees
- Medium can be used as messenger of organizational changes to the workforce

What are the disadvantages of a works council for the employer?

- Limit the room to man-oeuvre in an organization
- The works council generally has rights to be informed in case of a merger or reorganization, and in some cases the legal rights to slow down organizational changes by up to six months -> good relationship necessary
- Internal weaknesses of the works council (lack of motivation, lack of training/developments)
- High performance organizations are more likely to have a good works council installed
- Good works councils have a positive impact on organizational performance
- High organizational performance has a positive impact on the quality of works council
- It works both ways

Employee participation at the organizational, sector and national level

- The power of the trade unions is partly determined by the trade union membership
- One way of measuring membership is through the degree of unionization, which can be calculated at organization, sector and national level -> percentage of all workers who are members of a trade union (dividing the total number of trade union members by the number of employees as defined in national labor)
- Table 11.1 degree of unionization per country
- CBA coverage refers to the percentage of all workers that is covered by a CBA at company or sector level, which is negotiated by trade unions and employers' associations

- Trade unions are often also active at a national level; for example, influencing politics and the government
- Labor Foundation: national consultative body and a forum
- Social and Economic Council of the Netherlands (SER) – advisory and consultative body, with representatives of the employers, the employees and independent experts

Employee participation at different levels: institutionalized HR practices and best HR practices

- Employee participation occurs at multiple levels and in different forms, including both institutionalized practices and best practices
- Stakeholders often have a legal position to negotiate with employers on CBAs and social plans in the case of a reorganization or downsizing
- In Anglo-American contexts (often with a strong unitarist orientation) organizations tend to focus on employee participation as a best practice at individual employee (direct participation) and organizational level, leaving the organization room to man-oeuvre in the actual design of these best practices
- In continental European contexts (often with a strong pluralist orientation) employee participation is highly institutionalized through works councils and trade unions at organization, branch of industry and country level
- Table 11.3

Financial participation

- Employee stock ownership
- Profit-sharing schemes
- Idea: employees will be more motivated, more committed to the organization and improve their job performance when they receive ownership or when they receive part of the yearly profits
- Question: whether it will make these employees work harder because of these huge financial incentives, whether they are actually worth it and whether this is socially acceptable (social legitimacy)

Links with other HR practices: the first step to horizontal fit and an HPWS

- Employees can be involved in the selection and recruitment process of new colleagues
- Employee involvement in the design of an appraisal or PM system -> higher perceived procedural justice – employees will be more likely to engage positively in the new PM system because they perceive it as a fair one
- Employees can also be involved in decisions with regard to internal promotions and additional bonuses given to excellent job performers
- Employees are partly self-responsible for their learning and are also actively involved in sharing knowledge with others

The strategic relevance of participation

- Highly relevant to motivate, commit and satisfy employees
- Building long-term relationships with these social partners is relevant in times of radical organizational change

- Works councils can act as the intermediate between top management and the employees
- The trade unions are important to gain social legitimacy for organizational change

## Chapter 12 Human Resource Roles

### Introduction

- E.g. employee retention in times of labour market shortages as a result of an ageing population, in particular in Western countries, talent management for the most valuable employees of an organization, leadership development (LD) and succession planning, and performance management (PM) in order to create long-term success
- Everybody is responsible for HRM in an organization, including line managers, top management, the chief human resource officer and the HRM department
- The HR department and its professionals are often the victim of strategic decision making in organizations, implying that HR is involved after the initial strategic decision making

### HR ambiguities

- Personnel function represents the HR responsibilities and tasks that are bundled in an HR department and performed by HR professionals
- The nature of the HRM creates three HR ambiguities for personnel managers in practice – these three are the source for the lack of power of personnel managers in practice
  - o Substantial overlap between personnel management as a set of activities for all managers and personnel management as a specialist function -> ambiguity between who is in charge of the practice (often the line manager) and who is an expert on the practice (the personnel manager)
  - o Difficulty of defining success in personnel management, determining who or what was responsible for success or failure and identifying the unique contribution of the personnel function -> personnel managers are often unable to celebrate HR success because multiple actors are involved
  - o Personnel managers are part of management, while having a special relationship with and responsibility for the workers -> tension between the employer's and the employee's interest
- Personnel managers need power and authority to overcome ambiguities
- Three vicious circles
  - o Lack of power and centrality of decision making
  - o Personnel managers are uncertain about their success criteria, and therefore uncertain of their priorities -> absence of strategic focus -> customer dissatisfaction
  - o Personnel department's inability to authorize collective bargaining agreements (CBAs)
- To overcome these ambiguities and vicious circles, personnel managers can choose two roles:
  - o The conformist innovator role acts in line with the business and mainly emphasizes the economic value of employees; may include knowledge and skills in human capital valuation (HR measurement), quantitative analysis (statistics), finance, accounting and computer systems

- Deviant innovator puts forward long-term issues related to people management and highlights the continuous search for balancing economic interests and human aspects; identifies with different but not necessarily conflicting sets of values and take a powerful independent professional stance vis-à-vis managerial clients; attempts to change the means-ends relationship, not afraid to discuss a different set of criteria for decision making and are open to alternative perspectives
- Problem-solver is less ambitious than the conformist and deviant innovator roles, but perhaps more realistic; represents a personnel manager who is capable of delivering the basic HR practices to HR customers; solving problems will gain credibility and strengthen the reputation of personnel managers

#### Changing roles and expectations for the HR manager

- Tyson: Balkanization -> increased fragmentation of the personnel function; distinguished three Weberian ideal types or model
  - The clerk of works model – personnel management is an administrative support activity with no involvement in business planning
  - The contract manager model – concerned with confronting unions with a regulatory system as part of a comprehensive policy network
  - The architect model – in this model personnel executives seek to create and build the organization as a whole
- Schuler claims that the following roles became more prominent in the 90s: business person, shaper of change, consultant to the organization, strategy formulator and implementer, talent manager, assets manager and cost controller
- Carroll: in addition to the traditional roles of policy formulator and provider of personnel services, Carroll expects certain roles to take on greater importance:
  - Delegator: this role enables line managers to serve as primary implementers of HRM systems
  - Technical expert: this function encompasses a number of highly specific HR-related skills, in, for example, areas such as remuneration and management development
  - Innovator: as innovators, HR managers recommend new approaches in solving HRM-related problems, such as productivity and a sudden increase in absenteeism due to illness
- Storey develops the following typology based on: action orientation and strategic versus tactical choices ->
  - Advisors act as internal consultants
  - Handmaidens are primarily customer-oriented in the services they offer, based on a rather subservient, attendant relationship with line management
  - Regulators are more interventionary
  - Change-makers are seeking to put relationships with employees on a new footing, one that is in line with the needs of the business
- Ulrich: two dimensions (people versus process and strategic versus operational) ->
  - Administrative expert role – HR professional designs and delivers efficient HR processes for staffing, training, appraising, rewarding, promoting and otherwise managing the flow of employees through the organization

- Employee champion role – the employee contribution role for HR professionals encompasses their involvement in the day-to-day problems, concerns and needs of employees
- Change agent role – this role focuses on managing transformation and change
- Strategic partner role – the strategic HR role focuses on aligning HR strategies and practices with business strategy

#### A critical reflection on the HR role models

- Caldwell: regulator roles appears to have declined and the advisor role has become more strongly entrenched; the service provider role has been remodelled to deliver the administrative infrastructure of HR more effectively; the change agent role has grown in significance along with the ascendancy of HRM

#### The HRCS

- Five competence categories: business knowledge, HR functional capability and change management, culture management, personal credibility
- Five domain factors emerged as making a difference in terms of performance
  - Strategic contribution
  - Personal credibility
  - HR delivery
  - Business knowledge
  - HR technology
- Positive relationship between HR delivery and the position of the personnel function and a positive relationship between personal credibility and the position of the personnel function
- Potential positive impact on the reputation and power position of a personnel manager's competence to deliver HRM to customers and build and maintain credibility from customers
- Personal credibility + HR delivery -> strong position of the personnel manager -> strategic contribution -> financial competitiveness of the organization

#### The new HR competence model

- The new HR competence model covers six HR competence domains:
  - The credible activist – being respected, admired and listened to; taking a position and challenging assumptions
  - The operational executor – drafting, adapting and implementing HR policies
  - The business ally – knows the social context or setting in which their business operates, knows how the business makes money and has a good understanding of the different parts of the business
  - The talent manager and organizational designer – an expert in attracting and retaining talent and masters organization design focused on how a company embeds capability into the organization's structure, processes and policies
  - The culture and change steward – helper of culture management in an organization; nurtures the organization's culture; helps to shape a new culture
  - The strategic architect – has a vision on how the organization can create sustained competitive advantage through human resources



## Evidence-based HRM

- Professional HRM capabilities have a positive effect on the overall effectiveness of the HR department; this HRM effectiveness is positively related to labour productivity and financial performance of the organization
- HR professionals are much more positive about themselves than others are of them
- Line managers appear to be much more critical and demanding
- Significance and importance of the following HR qualities
  - o Interpersonal communication skills
  - o Knowledge of labour law
  - o Knowledge of business ethics
  - o Writing and communication skills
  - o Leadership skills and abilities
  - o Management skills and abilities
  - o Presentation skills
  - o Writing a business plan
  - o Change management skills and abilities
  - o Strategic management knowledge
  - o Knowledge of business law
  - o Advisory skills
  - o Negotiation skills
- In the centralized companies the HR roles of the personnel managers at a corporate level are mainly focused on becoming and maintaining the role of 'champion of processes', while their role at a corporate level in the three decentralized companies is much more focused on being an 'effective political influencer' and a 'network leader'

## HR roles in different contexts

- Ulrich's strategic partner role in practice is not solely aimed at satisfying the needs and wants of top management, but is also aimed at creating a long-term relationship with social partners

## Balanced approaches and HR roles

| The employer's perspective         | The employee's perspective |
|------------------------------------|----------------------------|
| Economic value                     | Moral values               |
| Conformist innovator               | Deviant innovator          |
| Change maker and advisor           | Regulator                  |
| Strategic partner and change agent | Employee champion          |

## Chapter 13 International Human Resource Management

- 1970: globalization -> increased competition -> TQM movement in Asia -> impact on US and European companies -> HRM
- Globalization is the transition from local or regional activities to global ones

- Digital photography, new possibilities of data transmission, new methods of global communication, Internet as a marketplace
- Cheap labour transfer
- Markets have opened and production facilities are being transferred to cheaper countries (off-shoring)
- Internationalization -> expand their international activities

#### Defining IHRM

- Focused on the transferability of HR practices across business units in different countries and the management of expatriates (employees who are sent abroad for a longer time period)
- As HRM in MNCs and HRM across borders
- Two paradigms:
  - o The universalist paradigm assume the existence of best practices in HRM that can be applied by multinational companies successfully worldwide
  - o The contextual paradigm: there might be some general best principles in HRM, but the organizational context ultimately determines the nature of the specific HR practices; also includes a broader stakeholder perspective

#### Multiple levels

- Individual employee level issues (related to expatriate management), site level issues (business unit), organizational level issues in the case of multiple sites in a country and across countries, national level issues (related to labour legislation and CBAs), regional or continental level issues (Africa, Asia, Europe ...), and international level issues (e.g. the UN operating on a global scale)

#### HRM and cross-cultural differences

- Hofstede: cross-cultural differences -> cultural maps; dimensions:
  - o Individualism
  - o Masculinity
  - o Power distance
  - o Uncertainty avoidance

#### HRM and institutional differences

- Institutional notions – significant differences between countries and regions/continents that affect MNCs and their HRM
- Compensation and benefits is an HR that is heavily affected by the general environment of an organization
- Recruitment and selection, in particular with regard to discrimination issues on age, race and gender, are much more extensive in the USA than in most continental European countries
- Employee participation and employee development much more institutionalized in Europe than in the USA
- Compliance training of all employees much more regulated in the USA than in many European countries

#### Global and local HR strategies

- An organization or international organization can roughly decide to apply one global HR strategy or use a differentiated model with maximum leeway for local HR strategies
- The local HR strategy option can be based on cultural and/or institutional notions mentioned before
- Although it is likely that cultural and institutional aspects affect and perhaps restrict HR strategies of organizations operating in different countries, the same organizations have some room to manoeuvre and choices with regard to applying a global HR strategy versus a local HR strategy

#### Convergence and divergence issues in HRM

- The universalistic views with the key assumption of best practices in HRM mainly propose further convergence in HRM worldwide, mainly as a result of globalization and internationalization -> MNCs transfer best practices in HRM to other countries as part of a dominant global HR strategy – but this does not imply a convergence of HRM worldwide
- Similarity as well as dissimilarity (e.g. caused by cross-cultural and institutional differences) in HR practices

#### Expatriates

- Employees who temporarily or permanently work in a different country than their home country
- Sending employees to subsidiaries in other countries creates internal mobility and knowledge transfer within an MNC across countries
- Specific assignment
- Cross-cultural adjustment (with cultural shocks)

#### Knowledge transfer in a global arena

- Sharing knowledge and experience between employees on a global scale is a powerful instrument for increasing the MNC's global performance

#### Outsourcing and off-shoring

- Outsourcing is basically subcontracting business activities to external companies (due to cost reduction and a renewed strategic focus on core businesses)
- Off-shoring is the relocation of business activities to other countries or regions mainly for cost-reduction purposes
- Offshore outsourcing implies an outsourcing of business activities to an external company in another country
- Requires specific HRM to manage these organizational changes

#### Chapter 14 Human Resource Transformation

- Good people management and HRM will be crucial in solving some of these threats (e.g. global warming, the crisis of raw materials, the oil crisis and the ageing workforce) that affect organizations
- The application of lists of best practices in HRM is most unlikely to contribute to solving the next generation's organizational challenges

## Reflections

- Multi-dimensional strategic HR model
  - o A multi-actor perspective
  - o A broad societal view
  - o A multi-level perspective
- HRM involves management decisions related to policies and practices that together shape the employment relationship and are aimed at achieving individual, organizational and societal goals
- MHRM, SHRM and IHRM are actually three different lenses for studying the employment relationship
- The best-practice school advocates a universalistic perspective in which a given list of HR practices will increase organizational success no matter what the organizational context looks like
- Best-fit school builds on the notion that HRM is more effective when it is aligned with its internal and external context
- Best-principles
- Success depends on the alignment or fit with the organization's context
- Strategic or vertical fit refers to that part of the best-fit school that assumes a necessary alignment between the overall business strategy and the HR strategy -> integrative linkage, representing full alignment
- Chapter 12: in many organizations HRM is not at the table and the HR professionals are still victims of change, meaning they are getting involved after the decisions have been taken, forced into taking tactical and operational roles in dealing with the consequences of organizational change -> HRM is designed mainly as a result of the business strategy
- The configuration of an organization: history, culture, technology and systems used, ownership structure, people employed (workforce); deterministic from an institutional point of view -> the strategic choices are to some extent determined by its roots, culture, technology, ownership structure and workforce; but: given these constraints there is always leeway for unique strategic choices in HRM
- From the resource-based view, this potentially creates opportunities for unique people management approaches that cannot be copied by competitors
- HRM is not always the source of success or failure of organizations
- Excellent financial performance in terms of sales and profits can similarly cause work intensification and negatively affect other employee well-being measurements
- Benchmarking refers to the technique of comparing outcomes of different organizations with the purpose of ranking all the organizations, learning the best practices from other organizations or finding out how well one's own organization is doing in comparison to other organizations

- A multidimensional performance construct is required to measure an organization's performance (including employee-oriented and employer-oriented HR outcomes)
- Mainstream HRM is too consensus-oriented and is built on the assumption that employees and employers mostly share common interests in harmony; in contrast, some of the critical approaches, including the critical HR studies, OB approaches and approaches from organizational health psychology, are perhaps too negative towards HRM's aims and too focused on the conflicting interests of employees and employers
- The basic idea behind HPWSs is that specific HPWSs can be bundled, and that the internal fit of these bundles contributes to excellent organizational performance
- Not every organization will be capable of applying an HPWS; actually, it is most likely that 80 per cent of the organizations in a population (or sector) do not have an HPWS installed
- Mini-bundles – application of two to three interrelated HPWPs
  - o Selective recruitment and selection + employee training and development
  - o Individual PRP + PM
- Two of the five main HPWPs are heavily influenced by institutional mechanisms (compensation and employee participation)
- The overall effect of these best principles is most likely to be positive with regard to employee outcomes and organizational performance
- The role of the front-line manager or supervisor in shaping HRM: actual HR practices (in contrast to intended HR practices and perceived HR practices) – the front-line manager is usually involved in the recruitment and selection of new workers, plays an important role in the appraisal of subordinates, at least partly determines payment, often decides on employee training and development programmes, and influences the degree of employee involvement in daily decision making – HRM is often nothing more than paper when line management is not significantly involved in the implementation of HR practices
- The starting point for HR professionalization is administrative excellence through problem-solving, accuracy, reliability, technical HR expertise and HR delivery
- MNCs have to decide on applying a global HR strategy or a local HR strategy (combination of both is most likely)

#### HR transformation

- Organizational change is inevitable for most contemporary organizations, including mergers, acquisitions, reorganizations, outsourcing and off-shoring activities, cultural changes and downsizing
- Good people management or HRM is therefore a potential key to successful organizational change
- Three groups of actors play a crucial role in creating successful HRM
  - o Top management (vision, mission, strategy)
  - o Front-line managers or supervisors (enactors of HRM; represent the hinge between policies and employee perception)
  - o HR professionals (spotting new trends and potential threats, designing new HR policies and practices, coaching top management and facilitating line managers in the enactment process)