TECHNOLOGY AND HUMAN RESOURCE MANAGEMENT

Technology has transformed many aspects of life including the way in which business is conducted. The influence technology has had on the field of HRM has also been noteworthy. Two of the ways in which HRM can be leveraged through technology are by means of e-HRM and virtual HRM. A number of technological tools such as emails, internet and intranets have a pivotal role in HRM technology. The strategic integration of technology has facilitated more efficient and effective HRM. For instance, Human Resource Information Systems (HRISs), provide the structure for all HRM functions through the use of technology. Functions of an HRIS include skill audits, performance management, recruitment, retention, training and development, project management, and rewards and recognition. However, as with any organisational change, an HRIS requires careful planning and a six-phase implementation process for effective functioning. During the actual implementation of an HRIS, HR specialists can be involved either reactively, proactively or in a supportive manner. A well-functioning HRIS system can offer standardisation and serve as a useful knowledge management system. However, in designing and implementing an HRIS, it is important to ensure that cultural alignment and strategic integration of the system is achieved, so as to avoid any unintended consequences of technology such as decreased job satisfaction and job insecurity among employees. Moreover, there are important issues concerning IT access and privacy that organisations should address when using technology in HR functions.

Workforce Diversity, Work Life Demands and SHRM

Diversity in the workplace is an increasingly important topic in management. Diversity within HRM, termed as workforce diversity, is a multifaceted phenomenon that can be defined as any visible or invisible difference between organisational members. Diversity can be categorised into two distinct dimensions: observable differences (e.g. nationality, age) and underlying differences (e.g. values, sexual orientation). Workforce diversity becomes a particular issue in HRM as it has legal, moral and business implications for an organisation.

There are a number of ways in which people respond to diversity. Behavioural and emotional reactions to diversity are explained largely by three theories: the similarity attraction paradigm, social identity theory and social categorisation theory. Workplace diversity has its positive effects (e.g. innovation, flexibility) as well as negative effects (e.g. high turnover, decreased job satisfaction). However, diversity management can help mitigate the adverse effects of diversity and capitalise on the positive effects.

The practice of adopting HRM policies and practices that aim to attract, employ, develop and promote high-potential diverse employees is referred to as ‘diversity-oriented HRM’. Diversity-oriented HRM can be integrated into a variety of HRM practices, such as recruitment and selection and the training and development of employees. Such HRM policies could provide a more accommodating, balanced and satisfying work life for employees.

Managing Diversity in the Workplace

The Chancellor's Committee on Diversity defines Diversity as:

"The variety of experiences and perspective which arise from differences in race, culture, religion, mental or physical abilities, heritage,age, gender, sexual orientation, gender identity and other characteristics."

So why is it when many people think of diversity, they think first of ethnicity and race, and then gender? Diversity is much broader. Diversity is otherness or those human qualities that are different from our own and outside the groups to which we belong, yet present in other individuals and groups.

It's important to understand how these dimensions affect performance, motivation, success, and interactions with others. Institutional structures and practices that have presented barriers to some dimensions of diversity should be examined, challenged, and removed. A good starting-point for thinking about diversity is to become familiar with **UC's systemwide Non-Discrimination Statement**:

"It is the policy of the University not to engage in discrimination against or harassment of any person employed or seeking employment with the University of California on the basis of race, color, national origin, religion, sex, gender identity, pregnancy, physical or mental disability, medical condition (cancer-related or genetic characteristics), ancestry, marital status, age, sexual orientation, citizenship, or status as a covered veteran. This policy applies to all employment practices, including recruitment, selection, promotion, transfer, merit increase, salary, training and development, demotion, and separation."

Of course, diversity also encompasses a wide variety of other differences, including work experience, parental status, educational background, geographic location, and much more. And managing diversity means more than simply observing legal and policy requirements. It also means actively promoting community and comfort with difference, as noted in **UCSF's Principles of Community**:

"We recognize, value, and affirm that social diversity contributes richness to the University community and enhances the quality of campus life for individuals and groups. We take pride in our various achievements and we celebrate our differences."

As this suggests, workplace diversity can provide tremendous benefits in terms of improved morale, outside-the-box thinking, greater teamwork, and an atmosphere of mutual understanding and respect.

- **Guiding Principles**
- **How Well Do You Manage Diversity?**
- **Managing Diversity**
- **Managing Diversity is Different from Affirmative Action**
- **Consequences of Ignoring Diversity**
- **Other Resources**

Guiding Principles

🎬 Workforce diversity is a reality at San Francisco. We already reflect the national demographic trends predicted for the year 2000 by the Hudson Institute in its 1987 report, Workforce 2000. Accommodation issues for our diverse workforce, such as childcare, elder care, flexible work arrangements, disability accommodation, and literacy are being addressed in the workplace.

🎬 Managing diversity is defined as "planning and implementing organizational systems and practices to manage people so that the potential advantages of diversity are maximized while its potential disadvantages are minimized," according to Taylor Cox in "Cultural Diversity in Organizations."

🎬 Managing diversity well provides a distinct advantage in an era when flexibility and creativity are keys to competitiveness. An organization needs to be flexible and adaptable to meet new customer needs.

🎬 Heterogeneity promotes creativity and heterogeneous groups have been shown to produce better solutions to problems and a higher level of critical analysis. This can be a vital asset at a time when the campus is undergoing tremendous change and self-examination to find new and more effective ways to operate.

🎬 With effective management of diversity, the campus develops a reputation as an employer of choice. Not only will you have the ability to attract the best talent from a shrinking labor pool, you can save time and money in recruitment and turnover costs.

🎬 The campus will fulfill its role as a public institution by reflecting the diversity of the state as well as meeting the increasing demand to provide informed services to an increasingly diverse customer base.

How Well Do You Manage Diversity?

- Do you test your assumptions before acting on them?
- Do you believe there is only one right way of doing things, or that there are a number of valid ways that accomplish the same goal? Do you convey that to staff?
- Do you have honest relationships with each staff member you supervise? Are you comfortable with each of them? Do you know what motivates them, what their goals are, how they like to be recognized?
- Are you able to give negative feedback to someone who is culturally different from you?
- When you have open positions, do you insist on a diverse screening committee and make additional outreach efforts to ensure that a diverse pool of candidates has applied?

- When you hire a new employee, do you not only explain job responsibilities and expectations clearly, but orient the person to the campus and department culture and unwritten rules?
- Do you rigorously examine your unit's existing policies, practices, and procedures to ensure that they do not differentially impact different groups? When they do, do you change them?
- Are you willing to listen to constructive feedback from your staff about ways to improve the work environment? Do you implement staff suggestions and acknowledge their contribution?
- Do you take immediate action with people you supervise when they behave in ways that show disrespect for others in the workplace, such as inappropriate jokes and offensive terms?
- Do you make good faith efforts to meet your affirmative action goals?
- Do you have a good understanding of institutional isms such as racism and sexism and how they manifest themselves in the workplace?
- Do you ensure that assignments and opportunities for advancement are accessible to everyone?

If you were able to answer yes to more than half the questions, you are on the right track to managing diversity well.

Managing Diversity
To address diversity issues, consider these questions: what policies, practices, and ways of thinking and within our organizational culture have differential impact on different groups? What organizational changes should be made to meet the needs of a diverse workforce as well as to maximize the potential of all workers, so that San Francisco can be well positioned for the demands of the 21st century?

Most people believe in the golden rule: treat others as you want to be treated. The implicit assumption is that how you want to be treated is how others want to be treated. But when you look at this proverb through a diversity perspective, you begin to ask the question: what does respect look like; does it look the same for everyone? Does it mean saying hello in the morning, or leaving someone alone, or making eye contact when you speak?

It depends on the individual. We may share similar values, such as respect or need for recognition, but how we show those values through behavior may be different for different groups or individuals. How do we know what different groups or individuals need? Perhaps instead of using the golden rule, we could use the platinum rule which states: "treat others asthey want to be treated." Moving our frame of reference from what may be our default view ("our way is the best way") to a diversity-sensitive perspective ("let's take the best of a variety of ways") will help us to manage more effectively in a diverse work environment.

Your Role

You have a key role in transforming the organizational culture so that it more closely reflects the values of our diverse workforce. Some of the skills needed are:

- an understanding and acceptance of managing diversity concepts
- recognition that diversity is threaded through every aspect of management
- self-awareness, in terms of understanding your own culture, identity, biases, prejudices, and stereotypes
- willingness to challenge and change institutional practices that present barriers to different groups

It's natural to want a cookbook approach to diversity issues so that one knows exactly what to do. Unfortunately, given the many dimensions of diversity, there is no easy recipe to follow. Advice and strategies given for one situation may not work given the same situation in another context.

Managing diversity means acknowledging people's differences and recognizing these differences as valuable; it enhances good management practices by preventing discrimination and promoting inclusiveness. Good management alone will not necessarily help you work effectively with a diverse workforce. It is often difficult to see what part diversity plays in a specific area of management.

The Office of Affirmative Action, Equal Opportunity and Diversity is experienced in providing help with training and advice on the variety of situations that occur, tailored to your specific environment. Their website is **www.aaeod.ucsf.edu**.

To illustrate, the following two examples show how diversity is an integral part of management. The first example focuses on the area of selection, the second example looks at communication:

Issues

- How do you make the job sound appealing to different types of workers?
- How can recruitment be effectively targeted to diverse groups?
- How do you overcome bias in the interviewing process, questions, and your response?

Strategies

- Specify the need for skills to work effectively in a diverse environment in the job, for example: "demonstrated ability to work effectively in a diverse work environment."
- Make sure that good faith efforts are made to recruit a diverse applicant pool.
- Focus on the job requirements in the interview, and assess experience but also consider transferable skills and demonstrated competencies, such as analytical, organizational, communication, coordination. Prior experience has not necessarily mean effectiveness or success on the job.

- Use a panel interview format. Ensure that the committee is diverse, unit affiliation, job classification, length of service, variety of life experiences, etc. to represent different perspectives and to eliminate bias from the selection process. Run questions and process by them to ensure there is no unintentional bias.
- Ensure that appropriate accommodations are made for disabled applicants.
- Know your own biases. What stereotypes do you have of people from different groups and how well they may perform on the job? What communication styles do you prefer? Sometimes what we consider to be appropriate or desirable qualities in a candidate may reflect more about our personal preferences than about the skills needed to perform the job.

Fair vs. Same Treatment
Many people think that "fairness" means "treating everyone the same." How well does treating everyone the same work for a diverse staff? For example, when employees have limited English language skills or reading proficiency, even though that limit might not affect their ability to do their jobs, transmitting important information through complicated memos might not be an effective way of communicating with them. While distributing such memos to all staff is "treating everyone the same," this approach may not communicate essential information to everyone. A staff member who missed out on essential information might feel that the communication process was "unfair." A process that takes account of the diverse levels of English language and reading proficiency among the staff might include taking extra time to be sure that information in an important memorandum is understood. Such efforts on the part of supervisors and managers should be supported and rewarded as good management practices for working with a diverse staff.

Managing Diversity is Different from Affirmative Action
Managing diversity focuses on maximizing the ability of all employees to contribute to organizational goals. Affirmative action focuses on specific groups because of historical discrimination, such as people of color and women. Affirmative action emphasizes legal necessity and social responsibility; managing diversity emphasizes business necessity. In short, while managing diversity is also concerned with underrepresentation of women and people of color in the workforce, it is much more inclusive and acknowledges that diversity must work for everyone.

Consequences of Ignoring Diversity
Ignoring diversity issues costs time, money, and efficiency. Some of the consequences can include unhealthy tensions; loss of productivity because of increased conflict; inability to attract and retain talented people of all kinds; complaints and legal actions; and inability to retain valuable employees, resulting in lost investments in recruitment and training.

Human Resource Outsourcing definition

Human resource outsourcing (HRO) occurs when a business instructs an external supplier to take responsibility (and risk) for HR functions and perform these tasks for the business. Payroll outsourcing is commonly outsourced for two reasons: it’s a time-consuming administrative task for employers, and there are many specialist companies with the technology and knowledge to run it efficiently and compliantly.

Some businesses will outsource their entire HR department while others will just outsource time-consuming administrative tasks, which allow their internal resource to focus on the strategic level.

HR Outsourcing is a process in which the human resource activities of an organization are outsourced so as to focus on the organization`s core competencies. Often HR functions are complex and time consuming that it will create difficulty in managing other important thrust areas. By HR outsourcing, this problem can be avoided which will enhance effectiveness by focussing on what the organization is best at. It will also improve the flexibility of the organization to the rapidly changing business needs. Usually businesses that outsource HR are typically small to midsize firms with number of employees ranging from 25 to 1500.

There are HR outsourcing firms present so as to meet an organization`s HR requirements. Some HR outsourcing firms are generalists, offering a wide variety of services, while others are specialists, focusing on specific areas such as recruitment, payroll etc. Depending on the degree of outsourcing required, we can either outsource the entire HR functions or contract for specific HR functions. Some of the services provided by HR outsourcing firms are:

- **Recruiting, training, and development**
- **Overseeing organizational structure and staffing requirements**
- **Tracking department objectives, goals, and strategies**
- **Employee orientation programs**

Some of the well-known HR outsourcing companies are Viteb, PeopleStrong, Trinet etc.

HR outsourcing has become a popular solution for organizations to remain competitive and cut costs. It also provides skilled professionals who are focused specifically on HR.

The Advantages of Outsourcing HR Functions

An organization's human resources department is responsible for a variety of functions. Human resource departments oversee employee payroll and tax filing as well as employee benefit and health administration. Human resources also manage legal compliance, maintain files and records, and oversee training and development. For many businesses, the various functions of the HR department are too comprehensive and complex to maintain in-house. Businesses that outsource HR functions receive several advantages that support the company's bottom line.

Risk Management

Human resources outsourcing firms help businesses minimize risk. Employment and labor laws change regularly, and it can be difficult for employers to remain up-to-date on regulations that affect the workplace. Outsourcing firms employ HR professionals whose purpose is to stay abreast on a variety of federal and state employment laws. HR staff helps businesses comply with these laws to avoid costly lawsuits brought on by employees. HR firms also maintain and audit company policies and practices to ensure the organization and its employee's best interests remain protected.

Cost Savings

Outsourcing helps reduce the cost of maintaining nonrevenue-generating back-office expenses. A fully functional human resources department requires additional office space and highly trained and experienced HR staff. Many small businesses find it more cost-effective to outsource HR functions rather than expand to a larger location to meet the space needs of another department. Furthermore, outsourcing costs are variable and can be reduced when business needs warrant.

Efficiency

Maintaining an efficient and productive workplace is critical. Outsourcing HR functions create greater efficiency within human resources systems. Advanced human resources technology utilized by outsourcing providers help streamline important HR functions, such as payroll, benefit administration and compliance management. Outsourcing helps employers and managers spend less time doing paperwork and more time dedicated to improving the efficiency and effectiveness of the workforce.

Employee Development

Outsourcing HR functions help businesses manage employee performance and development. Providers implement performance management plans to ensure employees comply with company policies and procedures and successfully meet business goals. Outsourcing firms periodically monitor employee performance and report findings to management. This reduces the workload of managers by minimizing the amount of administrative responsibilities they must focus on.

GLOBAL COMPETITION AND HRM

"Today more than ever, organizations must capitalize on a changing business environment, improve profitability and overall productivity, formulate and implement a planning process and make better strategic decisions. Perhaps the most striking change in Human Resource Management today is its increased involvement in human resource planning, while developing and implementing the company's strategy (the company's long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage). The concept of human resource planning takes an added significance, therefore, in firms that build their competitive advantage around their people. However, there are several basic trends, which pose a threat to the accuracy and validity of human resource planning predictions, and which prove to be important factors in determining the strategic direction of most firms today. The most obvious of these trends is the globalization of markets. Firms in days gone by, that competed only with local firms, now face competition from foreign firms. As one expert puts it, "The bottom line is that the growing integration of the world economy into a single, huge market place is increasing the intensity of competition in a wide range of manufacturing and service industries." Deregulation has reinforced this trend, as nations eliminate the legal barriers that protected industries from unbridled competition. More globalization means more competition and more competition means more pressures to improve the quality of the business sector - that is; lowering costs to make employers more productive, and to find new ways of achieving cost-effectiveness while creating an avenue for doing things in better and more dynamic ways. Similarly, the Internet and Information Technology have been forcing and enabling firms to become more competitive. Technology is doing more than merely reducing costs and opening up new ways to compete; it also changes the nature of work and creates brand new kinds of jobs. Technology, however, is not the only trend driving the changes in the business environment, as workforce demographics are also changing. Of note, the workforce is becoming more diverse, as women, minority group members and older workers enter the workforce. Today, it is the firm's workforce - that is, its knowledge, commitment, skills and training, that provides the competitive advantage, for World Class Companies, like Microsoft, Sony, AOL, and General Electrics (GE). For this purpose, increased attention has been given to the Human Resource Planning process: from the input stage, through analysis, forecasting, and implementation to evaluation and redesign of the Human Resource Plan."

The concept of globalisation refers to an increasing flow of goods and resources across national borders and the emergence of a complementary set of organisational structures to manage the expanding network of international economic activity and transactions. Strictly speaking, a global economy is one where firms and financial institutions operate transnationally, i.e., beyond the confines of national boundaries. In such a world, goods, factors of production and financial assets would be almost perfect substitutes everywhere and would no longer be possible to consider national states as distinct economies. Globalisations is expected to accelerate growth in developing countries.

This paper tries to examine globalisation in relation to the management of human resources. It tries to look at the effects of globalisation in terms of increased competition and how we can achieve competitive advantage through people. This is done by analysing the major activities of human resource management and how they can be performed effectively.

Human resource management in Zambia

The management of human resources in Zambia has not been accorded the attention and seriousness it deserves. In most cases people appointed to man the human resource department are not trained or qualified to perform the functions.

The role of human resource management cannot be over emphasised. The internationalisation process has made it necessary now to consider ways we can effectively manage our human resources. The status of human resource management has changed with the enactment of the Zambia Institute of Human Resource management Act of No. 11 of 1997. This Act gives a legal backing to human resources management.

Another positive development is that most Zambian businesses and organisations are now adopting the human resource management approach to the management of people.

The impact of globalisation on human resource management

A consensus has emerged among scholars and practitioners alike that the business environment has become more competitive than in the past because of globalisation. In order to survive in this new era, businesses have to focus even harder on their competitive strengths so as to develop appropriate long-term strategies. Old practices and systems that have evolved over time are no longer appropriate.

Indeed development is achieved through people. Beardwell and Holden (1997) support this assertion by giving an example of Japan's success despite its lacking natural resources. These lessons are important for us if we have to move forward in terms of economic development.

Armstrong outlines three most important factors in achieving competitive advantage as Innovative, Quality and Cost Leadership, but all these depend on the quality of an organisation's human resources. What this entails is that the starting point should be with the human resource. Scholars have argued that the human resource satisfies four conditions necessary to achieve sustainable competitive advantage: human resource is valuable, rare, and imperfectly imitable and has no substitutes. Competitors can easily duplicate competitive advantage obtained via better technology and products, but it is hard to duplicate competitive advantage gained through better management of people.

The creation of these core competencies can be achieved through effective provision of the traditional services of the human resource management and dealing effectively with macro concerns such as corporate culture and management development.

Human resource planning (HRP)

Human resource planning is a critical management function in that it provides management with information on resources flow which is used to calculate, among other things, recruitment needs and succession and development plans.

There is a need in this new environment for human resource practitioners to take a detailed study of past and protected trends in employment loss and seek to minimise the shock of unexpected shortages of labour, increased and costly surpluses and needless redundancies.

When there is a proper human resource plan in place, we will be able to obtain and retain the number of people we need with the skills, expertise and competencies required. Of late, a lot of teachers, doctors and nurses have left the country for greener pastures. This would not have been the case if human resources were properly managed. HRP will also ensure that we develop a well-trained and flexible workforce, thus contributing to the nation's ability to adapt to uncertain and changing environments.

Recruitment and selection

In this environment, the importance of finding the right person for the job cannot be over emphasised and the decision to appoint an individual is one of the most crucial decisions an employer will ever take. Zambia has a lot to learn from this. Selection decisions should no longer be based on ethnic backgrounds or tribal lines. This new environment challenges the traditional approach to recruitment and selection.

Training and development

There is also a need to continuously train and develop the workforce to achieve competitive advantage. Training will ensure that the employees develop the right skills, attitudes and knowledge that will enable them to perform their jobs effectively and efficiently. Zambia has to invest a lot in education and training. We have to draw lessons from the success of Japan and Germany, which have relied so much on the development of the skills, aptitudes and efforts of their people.

Reward management

Wages do provide a source of motivation for employees to perform effectively. The Zambians leaving the country are doing so because of high wages offered by other countries. As a result of globalisation, there is now free mobility of labour. International companies can advertise through the Internet and recruit employees from across borders.

Management development

Managers should have a vision and should also understand what is expected of them. Managers now should be trained to think globally and act locally. Also there should be people succession plans for management. The capabilities of any organisation to achieve its business strategies in the light of critical success factors for the business (innovation, quality leadership, etc.) depend largely on the capability of its managers as developed within the organisation to meet its particular demands and circumstances.

Employee participation

Employee participation will tend to enhance the employee's contribution. There are various methods of employee involvement, e.g., joint consultation, quality circles, and suggestion schemes. Japan is again cited as an example in terms of employee participation practices. The most emulated techniques have been quality circles.

Motivation

In order that we achieve sustained high levels of performance through people, they should be well motivated. This can be done through the provision of incentives, rewards, leadership and importantly, the work they do and the organisational context in which they carry out that work. In a study of work motivation in Zambia, Machungwa and Schmitt (1983) found that the most frequent demotivating factor mentioned by respondents related to unfair organisational practices. These practices involved favouritism along tribal lines, corruption and nepotism in employment decisions, unfair promises made to employees regarding promotion, pay rises, transfers and time off.

Quality management

The human resource practitioners should play a vital role in ensuring quality at all levels of the organisation. Quality is achieved through people and in accordance with a basic human resource principle: investment in people as a pre-requisite for achieving high quality standards.

Organisational culture

In order to survive in this uncertain environment there is a need to adopt a work culture that is sustainable to the environment.

Job design

Jobs have to be designed/redesigned in order to suit the environmental demands.

GLOBAL SOURCING OF LABOUR

When professionals think of global sourcing sustainability, they often regard their suppliers' environmental impact - such as water and electricity consumption. However, there's another aspect consumers and businesses should consider: whether or not organisations are taking appropriate measures to eliminate unsavoury labour practices.

People don't want to be associated with companies that have directly or indirectly contributed to poor employment initiatives.

Suspending a relationship

One mobile phone maker recently discovered its strategic sourcing initiatives didn't have the oversight necessary to encourage sustainability. According to Bloomberg, Samsung Electronics failed to recognise labour violations committed by Chinese labour relations, despite stating a commitment to root out any employment transgressions. The South Korean company conducted an audit of 100 Chinese suppliers, discovering poor practices at 59 companies. A separate study assembled by the China Labour Watch was launched after the fact. Cumulatively, the two reports discovered that a number of manufacturers were allegedly:

- Failing to provide personnel with proper safety gear
- Neglecting to pay staff overtime
- Employing workers below the age of 16

In light of these allegations, Samsung has suspended its relationship with producers accused of committing wrongdoing. "Samsung will strengthen its hiring process not only at its production facilities but also at its suppliers to prevent such cases from reoccurring," said a Samsung statement. Setting standards isn't enough Using a supplier relationship management tool to set standards for global partners is a good first step, but it's not the ultimate solution to attaining social sustainability. A study conducted by Ernst and Young discovered that although corporations are taking measurable approaches to encouraging favourable labour practices in their suppliers, problems still persist. What's causing this inconsistency? EY outlined several reasons as to why employment-focused sustainability initiatives are failing:

- Audits that detect the prevalence of health and safety grievances exist, but they often neglect to identify the root causes.
- Although this is not always the case, verification agencies with personnel possessing no experience regarding human rights violations are sometimes relied on too much.
- Surveyors and investigators may not take the time to scrutinize fraudulent claims related to best practices.
- Some organizations remain tolerant of intermediaries that provide inconclusive reports related to factory practices.
- Sometimes, those in the procurement process will sanction purchase orders from manufacturers that have not been properly audited.

Fundamental issues

There's an underlying, more elemental reason as to why human rights abuses are going unacknowledged. The report asserted that countries such as Bangladesh, Haiti, Lesotho and Cambodia are favoured as production hubs because they all have a surplus of indigent labour. In addition, each of these nations has experienced civil war in the past 40 years.

There's no getting around it - issuing compliance audits costs money. Although the perspective is nefarious, expense is one of the reasons why unsavoury enterprises source from countries with sustainability standards less stringent than those of more developed economies. If it takes a short amount of time for a review to be completed, overhead costs can be reduced.

Fixing the problem Thankfully, executives who understand the need to exercise sustainable labour practices have a number of options at their disposal. EY maintained that procurement services can not only lessen the expenses associated with conducting audits, but dedicate more resources to completing such endeavours.

In this respect, an outsourced materials acquisition specialist may be able to better conduct covert, thorough reviews of factories without facility managers knowing. It's not uncommon for companies to prepare for monthly inspections by changing day-to-day processes for a day and then reverting back to previous practices after the fact.

In addition, supplier relationship management software must be implemented to ensure that no unauthorized orders are submitted before a manufacturer's sustainability practices have been approved. Taking the easy way out could ultimately damage an enterprise's bottom line.

How Can HR Become a Competitive Advantage for Any Organization?

Relying on your human resource department to recruit the best employees, design appropriate and effective training programs and institute successful retention programs can give your company a competitive advantage. While competitors struggle with maintaining an experienced and motivated workforce, your company can focus more on productivity and increased sales when your HR department plays an integral role in your workforce development.

Hire Professionals with Experience

Human resource professionals vary in the kinds of skills and experience they bring to a job. Many are administrators proficient at processing payroll and executing benefits programs, but have little more leadership status than your clerical workers. You can upgrade your HR department to include recruitment specialists who also understand your company’s strategic roles and can play an integral part in shaping your business success. Executive-level human resource professionals can help design job descriptions and training programs, advise you on where to find the best candidates, and participate in defining salary levels that will result in the best new hires.

Give HR Leadership Positions

The human resource department often is given job descriptions and told to fill the positions. Salaries are predetermined and the HR staff has little or no input into the hiring process. To tap into the HR professional’s insights, you should bring your human resource manager into the hiring process more completely. Allow HR to play a role in determining appropriate recruitment pay and tactics, let you know how much it takes to recruit top talent, and how company policies can be amended to recruit the best.

Let HR Determine Training Programs
With an HR department that participates in defining and implementing company goals, you can rely on your human resources team to consider the company's profitability with each decision they make. In addition to defining employee jobs and required qualifications, an actively participatory HR department can monitor employee activity levels, morale and customer service success to design and implement appropriate training programs with line supervisors and executive management teams.

Provide HR Tools to Monitor Employee Performance
The human resource department can build programs to track those employees who stand out. When your human resource professionals are involved in designing and providing employee reviews, they can help you spot talent and advise you on how you can best groom employees for promotions. They can provide designated employees with specific training and help you devise opportunities for growth, serving as your eyes and ears for seeking out the best candidates that will push your company into a competitive advantage.

Relationship Between HR Strategies & Business

Human resources strategy and an overall business strategy don't have to compete against each other.

The personnel administration function of human resources has become outdated in the past 20 years. Today, human resources departments have a more defined, strategic role in organizations, and an HR strategy affects the bottom line. One of the challenges for HR leaders is convincing executive leadership teams that human capital is one of the most important resources in which the company can invest. This return on investment is an essential part of the argument for including HR as part of an overall business strategy.

HR Strategy Is Business Strategy
In an ideal world, there is not a line drawn in the sand between human resources strategy and business strategy. A successful business owner realizes the strong connection between the two. Developing human capital is important to the longevity and success of a business. In the past, personnel administration was merely the processing of payroll, benefits and applications. Human resources strategy today involves executive leadership teams conferring with human resources experts to develop complementary goals for human resources and the overall business.

HR Strategy and Business Productivity
The recruitment and selection process of your human resources department is paramount in building a productive workforce. Developing a human resource strategy for recruiting and selecting the best employees affects your organization's bottom line. Maintaining a workforce where employees enjoy high levels of job satisfaction and job security translates into a

workforce that helps achieve business goals. According to HR experts, human capital, or human resources, is your most valuable resource.

Trends Affect HR and Business Strategy

In a study conducted by consulting giant Towers Watson, business executives are paying close attention to a trend toward blending human resources strategy and business strategy. According to the results of a 2010 Towers Watson study, "[W]e may be witnessing a tipping point — where HR technologies become the integrated engine for advancing the broader needs of the business, supporting far more than basic transactions, and advancing the HR and business agenda of the future. ... Human resources information systems are integral in the development of performance management, recruitment and selection.

Interaction Among Executive Leadership

The real test of a relationship between human resources and overall business strategy is the quality of the interaction between human resources executives and other company executives. Many times, human resources leaders who are denied access to the boardroom complain that organizations don't appreciate the value of human capital. The way to improve the relationship between HR and C-level executives is by demonstrating the return on investment (ROI) in human resources activities. This may involve explaining the connection between a reduction in employee turnover and an improvement in job satisfaction that improves the bottom line.

Considerations

A number of factors affect the relationship between human resources and business strategy. Executive leadership needs first to understand the benefits of aligning HR goals with overall business goals. Forward-thinking concepts may need to be approached carefully to avoid skepticism among old-school executives who still consider human resources as merely personnel administration. Building the relationship may also require the assistance of an HR consultant to map the strategy for effecting change in your organization.

Linking HR Strategy to Business Strategy gives HR professionals the deeper knowledge required to connect HR practices and programs to organizational success:

a) Understanding Business Strategy

You'll enhance your knowledge of key business drivers and core elements of business models that impact business results. We'll discuss market segmentation, product and service design, and how organizations create value. We'll also explain the dynamic interplay between revenues, costs and risk, and demonstrate how strong HR practices contribute to profitability.

b) Mapping a Strategy

Learn how to create a well-designed and professionally executed HR strategy using key elements and best practices that ensure alignment with business goals. We'll discuss how various stakeholder perspectives impact your plan and work with you to develop a strong framework that directly applies to your work environment.

c) Practices that Drive Results

HR disciplines can impact business strategy, but your leadership is crucial to success. We'll show you how to leverage your training, development and performance management programs for organizational success, and how to fully engage your talent to keep them focused on business goals. You'll also learn how to assess customer satisfaction and measure the effectiveness of your programs in relation to business goals.

d) Let's Talk Business

You'll need to learn the language of numbers to successfully communicate and contribute to strategic discussions within your organization. We'll show you how to design and measure programs that build loyalty and deliver value, and how to develop tactical approaches to partnerships that maximize your efforts.

Strategic HR Planning

Strategic HR planning is an important component of strategic HR management. It links HR management directly to the strategic plan of your organization. Most mid- to large sized organizations have a strategic plan that guides them in successfully meeting their missions. Organizations routinely complete financial plans to ensure they achieve organizational goals and while workforce plans are not as common, they are just as important.

Even a small organization with as few as 10 staff can develop a strategic plan to guide decisions about the future. Based on the strategic plan, your organization can develop a strategic HR plan that will allow you to make HR management decisions now to support the future direction of the organization. Strategic HR planning is also important from a budgetary point of view so that you can factor the costs of recruitment, training, etc. into your organization's operating budget.

Strategic HR management is defined as:

Integrating human resource management strategies and systems to achieve the overall mission, strategies, and success of the firm while meeting the needs of employees and other stakeholders.

Introduction to strategic HR planning

The overall purpose of strategic HR planning is to:

- Ensure adequate human resources to meet the strategic goals and operational plans of your organization - the right people with the right skills at the right time
- Keep up with social, economic, legislative and technological trends that impact on human resources in your area and in the sector

- Remain flexible so that your organization can manage change if the future is different than anticipated

Strategic HR planning predicts the future HR management needs of the organization after analyzing the organization's current human resources, the external labour market and the future HR environment that the organization will be operating in. The analysis of HR management issues external to the organization and developing scenarios about the future are what distinguishes strategic planning from operational planning. The basic questions to be answered for strategic planning are:

- Where are we going?
- How will we develop HR strategies to successfully get there, given the circumstances?
- What skill sets do we need?

The strategic HR planning process

The strategic HR planning process has four steps:

- Assessing the current HR capacity
- Forecasting HR requirements
- Gap analysis
- Developing HR strategies to support organizational strategies

Assessing current HR capacity

Based on the organization's strategic plan, the first step in the strategic HR planning process is to assess the current HR capacity of the organization. The knowledge, skills and abilities of your current staff need to be identified. This can be done by developing a skills inventory for each employee.

The skills inventory should go beyond the skills needed for the particular position. List all skills each employee has demonstrated. For example, recreational or volunteer activities may involve special skills that could be relevant to the organization. Education levels and certificates or additional training should also be included.

An employee's performance assessment form can be reviewed to determine if the person is ready and willing to take on more responsibility and to look at the employee's current development plans.

Forecasting HR requirements

The next step is to forecast HR needs for the future based on the strategic goals of the organization. Realistic forecasting of human resources involves estimating both demand and supply. Questions to be answered include:

- How many staff will be required to achieve the strategic goals of the organization?
- What jobs will need to be filled?
- What skill sets will people need?

When forecasting demands for HR, you must also assess the challenges that you will have in meeting your staffing need based on the external environment. To determine external impacts, you may want to consider some of the following factors:

- How does the current economy affect our work and our ability to attract new employees?
- How do current technological or cultural shifts impact the way we work and the skilled labour we require?
- What changes are occurring in the Canadian labour market?
- How is our community changing or expected to change in the near future?

To read more about the changing labour force and why it matters to non-profit employers, go to the Diversity at Work section of the HR Toolkit:

- Why diversity at work matters

Gap analysis

The next step is to determine the gap between where your organization wants to be in the future and where you are now. The gap analysis includes identifying the number of staff and the skills and abilities required in the future in comparison to the current situation. You should also look at all your organization's HR management practices to identify practices that could be improved or new practices needed to support the organization's capacity to move forward. Questions to be answered include:

- What new jobs will we need?
- What new skills will be required?
- Do our present employees have the required skills?
- Are employees currently in positions that use their strengths?
- Do we have enough managers/supervisors?
- Are current HR management practices adequate for future needs?

Developing HR strategies to support organizational strategies

There are five HR strategies for meeting your organization's needs in the future:

- Restructuring strategies
- Training and development strategies
- Recruitment strategies
- Outsourcing strategies
- Collaboration strategies

1. Restructuring strategies

This strategy includes:

- Reducing staff either by termination or attrition
- Regrouping tasks to create well designed jobs
- Reorganizing work units to be more efficient

If your assessment indicates that there is an oversupply of skills, there are a variety of options open to assist in the adjustment. Termination of workers gives immediate results. Generally, there will be costs associated with this approach depending on your employment agreements. Notice periods are guaranteed in all provinces. Be sure to review the employment and labour standards in your province or territory to ensure that you are compliant with the legislation.
Attrition - not replacing employees when they leave - is another way to reduce staff. The viability of this option depends on how urgently you need to reduce staff. It will mean that jobs performed in the organization will have to be reorganized so that essential work of the departing employee is covered. Careful assessment of the reorganized workloads of remaining employees should include an analysis of whether or not their new workloads will result in improved outcomes.

It is important to consider current labour market trends (e.g. the looming skills shortage as baby boomers begin to retire) because there may be longer-term consequences if you let staff go.

Sometimes existing workers may be willing to voluntarily reduce their hours, especially if the situation is temporary. Job sharing may be another option. The key to success is to ensure that employees are satisfied with the arrangement, that they confirm agreement to the new arrangement in writing, and that it meets the needs of the employer. Excellent communication is a prerequisite for success.

Your analysis may tell you that your organization may have more resources in some areas of the organization than others. This calls for a redeployment of workers to the area of shortage. The training needs of the transferred workers needs to be taken into account.

2. Training and development strategies
This strategy includes:

- Providing staff with training to take on new roles
- Providing current staff with development opportunities to prepare them for future jobs in your organization

Training and development needs can be met in a variety of ways. One approach is for the employer to pay for employees to upgrade their skills. This may involve sending the employee to take courses or certificates or it may be accomplished through on-the-job training. Many training and development needs can be met through cost effective techniques. See the HR Toolkit section on Learning, Training and Development for more information.

3. Recruitment strategies
This strategy includes:

- Recruiting new staff with the skill and abilities that your organization will need in the future
- Considering all the available options for strategically promoting job openings and encouraging suitable candidates to apply

For strategic HR planning, each time you recruit you should be looking at the requirements from a strategic perspective. Perhaps your organization has a need for a new fundraiser right now to plan special events as part of your fundraising plan. However, if your organization is considering moving from fundraising through special events to planned giving, your recruitment strategy should be to find someone who can do both to align with the change that you plan for the future.

4. Outsourcing strategies
This strategy includes:

- Using external individuals or organizations to complete some tasks

Many organizations look outside their own staff pool and contract for certain skills. This is particularly helpful for accomplishing specific, specialized tasks that don't require ongoing full-time work.

Some organizations outsource HR activities, project work or bookkeeping. For example, payroll may be done by an external organization rather than a staff person, a short term project may be done using a consultant, or specific expertise such as legal advice may be purchase from an outside source.

When deciding to outsource to an individual, ensure you are not mistakenly calling an employee a consultant. This is illegal and can have serious financial implications for your organization. To understand the differences between employees and self-employed people, visit the Canada Revenue Agency's website.
Each outsourcing decision has implications for meeting the organization's goals and should therefore be carefully assessed.

5. Collaboration strategies
Finally, the strategic HR planning process may lead to indirect strategies that go beyond your organization. By collaborating with other organizations you may have better success at dealing with a shortage of certain skills.

Types of collaboration could include:

- Working together to influence the types of courses offered by educational institutions
- Working with other organizations to prepare future leaders by sharing in the development of promising individuals
- Sharing the costs of training for groups of employees
- Allowing employees to visit other organizations to gain skills and insight

STRATEGIC SELECTION OF EMPLOYEES

According to R.D. Gatewood and H.S. Field, employee selection is the "process of collecting and evaluating information about an individual in order to extend an offer of employment." Employee selection is part of the overall staffing process of the organization, which also includes human resource (HR) planning, recruitment, and retention activities. By doing human resource planning, the organization projects its likely demand for personnel with particular knowledge, skills, and abilities (KSAs), and compares that to the anticipated availability of such personnel in the internal or external labor markets. During the recruitment phase of staffing, the organization attempts to establish contact with potential job applicants by job postings within the organization, advertising to attract external applicants, employee referrals, and many other methods, depending on the type of organization and the nature of the job in question. Employee selection begins when a pool of applicants is generated by the organization's recruitment efforts. During the employeeselection process, a firm decides which of the recruited candidates will be offered a position.

Effective employee selection is a critical component of a successful organization. How employees perform their jobs is a major factor in determining how successful an organization will be. Job performance is essentially determined by the ability of an individual to do a particular job and the effort the individual is willing to put forth in performing the job. Through effective selection, the organization can maximize the probability that its new employees will have the necessary KSAs to do the jobs they were hired to do. Thus, employee selection is one of the two major ways (along with orientation and training) to make sure that new employees have the abilities required to do their jobs. It also provides the base for other HR practices—such as effective job design, goal setting, and compensation—that motivate workers to exert the effort needed to do their jobs effectively, according to Gatewood and Field.

Job applicants differ along many dimensions, such as educational and work experience, personality characteristics, and innate ability and motivation levels. The logic of employee selection begins with the assumption that at least some of these individual differences are relevant to a person's suitability for a particular job. Thus, in employee selection the organization must (1) determine the relevant individual differences (KSAs) needed to do the job and (2) identify and utilize selection methods that will reliably and validly assess the extent to which job applicants possess the needed KSAs. The organization must achieve these tasks in a way that does not illegally discriminate against any job applicants on the basis of race, color, religion, sex, national origin, disability, or veteran's status.

AN OVERVIEW OF THE SELECTION PROCESS

Employee selection is itself a process consisting of several important stages, as shown in Exhibit 1. Since the organization must determine the individual KSAs needed to perform a job, the selection process begins with job analysis, which is the systematic study of the content of jobs in an organization. Effective job analysis tells the organization what people occupying particular jobs "do" in the course of performing their jobs. It also helps the organization determine the major duties and responsibilities of the job, as well as aspects of the job that are of minor or tangential importance to job performance. The job analysis often results in a document called the job description, which is a comprehensive document that details the duties, responsibilities, and tasks that make up a job. Because job analysis can be complex, time-consuming, and expensive, standardized job descriptions have been developed that can be adapted to thousands of jobs in organizations across the world. Two examples of such databases are the U.S. government's Standard Occupational Classification (SOC), which has information on at least 821 occupations, and the Occupational Information Network, which is also known as O*NET. O*NET provides job descriptions for thousands of jobs.

An understanding of the content of a job assists an organization in specifying the knowledge, skills, and abilities needed to do the job. These KSAs can be expressed in terms of a job specification, which is an

Exhibit 1

Selection Process

1. Job Analysis	The systematic study of job content in order to determine the major duties and responsibilities of the job. Allows the organization to determine the important dimensions of job performance. The major duties and responsibilities of a job are often detailed in the job description.
2. The Identification of KSAs or Job Requirements	Drawing upon the information obtained through job analysis or from secondary sources such as O*NET, the organization identifies the knowledge, skills, and abilities necessary to perform the job. The job requirements are often detailed in a document called the job specification.
3. The Identification of Selection Methods to Assess KSAs	Once the organization knows the KSAs needed by job applicants, it must be able to determine the degree to which job applicants possess them. The organization must develop its own selection methods or adapt methods developed by others. Selection methods include, but are not limited to, reference and background checks, interviews, cognitive testing, personality testing, aptitude testing, drug testing, and assessment centers.
4. The Assessment of the Reliability and Validity of Selection Methods	The organization should be sure that the selection methods they use are reliable and valid. In terms of validity, selection methods should actually assess the knowledge, skill, or ability they purport to measure and should distinguish between job applicants who will be successful on the job and those who will not.
5. The Use of Selection Methods to Process Job Applicants	The organization should use its selection methods to make selection decisions. Typically, the organization will first try to determine which applicants possess the minimum KSAs required. Once unqualified applicants are screened, other selection methods are used to make distinctions among the remaining job candidates and to decide which applicants will receive offers.

Source: Adapted from Gatewood and Field, 2001.

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organizational document that details what is required to successfully perform a given job. The necessary KSAs are called job requirements, which simply means they are thought to be necessary to perform the job. Job requirements are expressed in terms of desired education or training, work experience, specific aptitudes or abilities, and in many other ways. Care must be taken to ensure that the job requirements are based on the actual duties and responsibilities of the job and that they do not include irrelevant requirements that may discriminate against some applicants. For example, many organizations have revamped their job descriptions and specifications in the years since the passage of the Americans with Disabilities Act to ensure that these documents contain only job-relevant content.

Once the necessary KSAs are identified the organization must either develop a selection method to accurately assess whether applicants possess the needed KSAs, or adapt selection methods developed by others. There are many selection methods available to organizations. The most common is the job interview, but organizations also use reference and background checking, personality testing, cognitive ability testing, aptitude testing, assessment centers, drug tests, and many other methods to try and accurately assess the extent to which applicants possess the required KSAs and whether they have unfavorable characteristics that would prevent them from successfully performing the job. For both legal and practical reasons, it is important that the selection methods used are relevant to the job in question and that the methods are as accurate as possible in the information they provide. Selection methods cannot be accurate unless they possess reliability and validity.

VALIDITY OF SELECTION METHODS

Validity refers to the quality of a measure that exists when the measure assesses a construct. In the selection context, validity refers to the appropriateness, meaningfulness, and usefulness of the inferences made about applicants during the selection process. It is concerned with the issue of whether applicants will actually perform the job as well as expected based on the inferences made during the selection process. The closer the applicants' actual job performances match their expected performances, the greater the validity of the selection process.

ACHIEVING VALIDITY

The organization must have a clear notion of the job requirements and use selection methods that reliably and accurately measure these qualifications. A list of typical job requirements is shown in Exhibit 2. Some qualifications—such as technical KSAs and nontechnical skills—are job-specific, meaning that each job has a unique set. The other qualifications listed in the exhibit are universal in that nearly all employers consider these qualities important, regardless of the job. For instance, employers want all their employees to be motivated and have good work habits.

The job specification derived from job analysis should describe the KSAs needed to perform each important task of a job. By basing qualifications on job analysis information, a company ensures that the qualities being assessed are important for the job. Job analyses are also needed for legal reasons. In discrimination suits, courts often judge the job-relatedness of a selection practice on whether or not the selection criteria was based on job analysis information. For instance, if someone lodges a complaint that a particular test discriminates against a protected group, the court would (1) determine whether the qualities measured by the test were selected on the basis of job analysis findings and (2) scrutinize the job analysis study itself to determine whether it had been properly conducted.

SELECTION METHODS

The attainment of validity depends heavily on the appropriateness of the particular selection technique used. A firm should use selection methods that reliably and accurately measure the needed qualifications. The reliability of a measure refers to its consistency. It is defined as "the degree of self-consistency among the scores earned by an individual." Reliable evaluations are consistent across both people and time. Reliability is maximized when two people evaluating the same candidate provide the same ratings, and when the ratings of a candidate taken at two different times are the same. When selection scores are unreliable, their validity is diminished. Some of the factors affecting the reliability of selection measures are:

- Emotional and physical state of the candidate. Reliability suffers if candidates are particularly nervous during the assessment process.
- Lack of rapport with the administrator of the measure. Reliability suffers if candidates are "turned off" by the interviewer and thus do not "show their stuff" during the interview.
- Inadequate knowledge of how to respond to a measure. Reliability suffers if candidates are asked questions that are vague or confusing.
- Individual differences among respondents. If the range or differences in scores on the attribute measured by a selection device is large, that means the device can reliably distinguish among people.
- Question difficulty. Questions of moderate difficulty produce the most reliable measures. If questions are too easy, many applicants will give the correct answer and individual differences are lessened; if questions are too difficult, few applicants will give the correct answer and, again, individual differences are lessened.
- Length of measure . As the length of a measure increases, its reliability also increases. For example, an interviewer can better gauge an applicant's level of interpersonal skills by asking several questions, rather than just one or two.

Exhibit 2
A Menu of Possible Qualities Needed for Job Success

1. **Technical KSAs or aptitude for learning them**
2. **Nontechnical skills, such as**
    1. **Communication**
    2. **Interpersonal**
    3. **Reasoning ability**
    4. **Ability to handle stress**
    5. **Assertiveness**
3. **Work habits**
    1. **Conscientiousness**
    2. **Motivation**
    3. **Organizational citizenship**

    4. **Initiative**
    5. **Self-discipline**
4. **Absence of dysfunctional behavior, such as**
    1. **Substance abuse**
    2. **Theft**
    3. **Violent tendencies**
5. **Job-person fit; the applicant**
    1. **is motivated by the organization's reward system**
    2. **fits the organization's culture regarding such things as risk-taking and innovation**
    3. **would enjoy performing the job**
    4. **has ambitions that are congruent with the promotional opportunities available at the firm**

In addition to providing reliable assessments, the firm's assessments should accurately measure the required worker attributes. Many selection techniques are available for assessing candidates. How does a company decide which ones to use? A particularly effective approach to follow when making this decision is known as the behavior consistency model. This model specifies that the best predictor of future job behavior is past behavior performed under similar circumstances. The model implies that the most effective selection procedures are those that focus on the candidates' past or present behaviors in situations that closely match those they will encounter on the job. The closer the selection procedure simulates actual work behaviors, the greater its validity. To implement the behavioral consistency model, employers should follow this process:

1. Thoroughly assess each applicant's previous work experience to determine if the candidate has exhibited relevant behaviors in the past.
2. If such behaviors are found, evaluate the applicant's past success on each behavior based on carefully developed rating scales.
3. If the applicant has not had an opportunity to exhibit such behaviors, estimate the future likelihood of these behaviors by administering various types of assessments. The more closely an assessment simulates actual job behaviors, the better the prediction.

ASSESSING AND DOCUMENTING VALIDITY

Three strategies can be used to determine the validity of a selection method. The following section lists and discusses these strategies:

1. Content-oriented strategy: Demonstrates that the company followed proper procedures in the development and use of its selection devices.
2. Criterion-related strategy: Provides statistical evidence showing a relationship between applicant selection scores and subsequent job performance levels.

3. Validity generalization strategy: Demonstrates that other companies have already established the validity of the selection practice.

When using a content-oriented strategy to document validity, a firm gathers evidence that it followed appropriate procedures in developing its selection program. The evidence should show that the selection devices were properly designed and were accurate measures of the worker requirements. Most importantly, the employer must demonstrate that the selection devices were chosen on the basis of an acceptable job analysis and that they measured a representative sample of the KSAs identified. The sole use of a content-oriented strategy for demonstrating validity is most appropriate for selection devices that directly assess job behavior. For example, one could safely infer that a candidate who performs well on a properly-developed typing test would type well on the job because the test directly measures the actual behavior required on the job. However, when the connection between the selection device and job behavior is less direct, content-oriented evidence alone is insufficient. Consider, for example, an item found on a civil service exam for police officers: "In the Northern Hemisphere, what direction does water circulate when going down the drain?" The aim of the question is to measure mental alertness, which is an important trait for good police officers. However, can one really be sure that the ability to answer this question is a measure of mental alertness? Perhaps, but the inferential leap is a rather large one.

When employers must make such large inferential leaps, a content-oriented strategy, by itself, is insufficient to document validity; some other strategy is needed. This is where a criterion-related strategy comes into play. When a firm uses this strategy, it attempts to demonstrate statistically that someone who does well on a selection instrument is more likely to be a good job performer than someone who does poorly on the selection instrument. To gather criterion-related evidence, the HR professional needs to collect two pieces of information on each person: a predictor score and a criterion score.

- Predictor scores represent how well the individual fared during the selection process as indicated by a test score, an interview rating, or an overall selection score.
- Criterion scores represent the job performance level achieved by the individual and are usually based on supervisor evaluations.

Validity is calculated by statistically correlating predictor scores with criterion scores (statistical formulas for computing correlation can be found in most introductory statistical texts). This correlation coefficient (designated as r) is called a validity coefficient. To be considered valid, r must be statistically significant and its magnitude must be sufficiently large to be of practical value. When a suitable correlation is obtained ($r > 0.3$, as a rule of thumb), the firm can conclude that the inferences made during the selection process have been confirmed. That is, it can conclude that, in general, applicants who score well during selection turn out to be good performers, while those who do not score as well become poor performers.

A criterion-related validation study may be conducted in one of two ways: a predictive validation study or a concurrent validation study. The two approaches differ primarily in terms of the individuals assessed. In a predictive validation study, information is gathered on actual job applicants; in a concurrent study, current employees are used. The steps to each approach are shown in Exhibit 3.

Concurrent studies are more commonly used than predictive ones because they can be conducted more quickly; the assessed individuals are already on the job and performance measures can thus be more quickly obtained. (In a predictive study, the criterion scores cannot be gathered until the applicants have been hired and have been on the job for several months.) Although concurrent validity studies have certain disadvantages compared to predictive ones, available research indicates that the two types of studies seem to yield approximately the same results.

Up to this point, our discussion has assumed that an employer needs to validate each of its selection practices. But what if it is using a selection device that has been used and properly validated by other companies? Can it rely on that validity evidence and thus avoid having to conduct its own study? The answer is yes. It can do so by using a validity generalization strategy. Validity generalization is established by demonstrating that a selection device has been consistently found to be valid in many other similar settings. An impressive amount of evidence points to the validity generalization of many specific devices. For example, some mental aptitude tests have been found to be valid predictors for nearly all jobs and thus can be justified without performing a new validation study to demonstrate job relatedness. To use validity generalization evidence, an organization must present the following data:

- Studies summarizing a selection measure's validity for similar jobs in other settings.
- Data showing the similarity between the jobs for which the validity evidence is reported and the job in the new employment setting.
- Data showing the similarity between the selection measures in the other studies composing the validity evidence and those measures to be used in the new employment setting.

MAKING A FINAL SELECTION

The extensiveness and complexity of selection processes vary greatly depending on factors such as the nature of the job, the number of applicants for each opening, and the size of the organization. A typical way of applying selection methods to a large number of applicants for a job requiring relatively high levels of KSAs would be the following:

1. Use application blanks, resumes, and short interviews to determine which job applicants meet the minimum requirements for the job. If the number of applicants is not too large, the information provided by applicants can be verified with reference and/or background checks.

2. Use extensive interviews and appropriate testing to determine which of the minimally qualified job candidates have the highest degree of the KSAs required by the job.
3. Make contingent offers to one or more job finalists as identified by Step 2. Job offers may be contingent upon successful completion of a drug test or other forms of back-ground checks. General medical exams can only be given after a contingent offer is made.

One viable strategy for arriving at a sound selection decision is to first evaluate the applicants on each individual attribute needed for the job. That is, at the conclusion of the selection process, each applicant could be rated on a scale (say, from one to five) for each important attribute based on all the information collected during the selection process. For example, one could arrive at an overall rating of a candidate's dependability by combining information derived from references, interviews, and tests that relate to this attribute.

Exhibit 3
Steps in the Predictive and Concurrent Validation Processes

Predictive Validation

1. **Perform a job analysis to identify needed competencies.**
2. **Develop/choose selection procedures to assess needed competencies.**
3. **Administer the selection procedures to a group of applicants.**
4. **Randomly select applicants or select all applicants.**
5. **Obtain measures of the job performance for the applicant after they have been employed for a sufficient amount of time. For most jobs, this would be six months to a year.**
6. **Correlate job performance scores of this group with the scores they received on the selection procedures.**

Concurrent Validation

- **1 and 2. These steps are identical to those taken in a predictive validation study.**
- **3. Administer the selection procedures to a representative group of job incumbents.**
- **4. Obtain measures of the current job performance level of the job incumbents who have been assessed in step 3.**
- **5. Identical to step 6 in a predictive study.**

Decision-making is often facilitated by statistically combining applicants' ratings on different attributes to form a ranking or rating of each applicant. The applicant with the highest score is then selected. This approach is appropriate when a compensatory model is operating, that is, when it is correct to assume that a high score on one attribute can compensate for a low score on another. For example, a baseball player may compensate for a lack of power in hitting by being a fast base runner.

In some selection situations, however, proficiency in one area cannot compensate for deficiencies in another. When such a non-compensatory model is operating, a deficiency in any one area would eliminate the candidate from further consideration. Lack of honesty or an inability to get along with people, for example, may serve to eliminate candidates for some jobs, regardless of their other abilities.

When a non-compensatory model is operating, the "successive hurdles" approach may be most appropriate. Under this approach, candidates are eliminated during various stages of the selection process as their non-compensable deficiencies are discovered. For example, some applicants may be eliminated during the first stage if they do not meet the minimum education and experience requirements. Additional candidates may be eliminated at later points after failing a drug test or honesty test or after demonstrating poor interpersonal skills during an interview. The use of successive hurdles lowers selection costs by requiring fewer assessments to be made as the list of viable candidates shrinks.

Career paths

Introduction

Career paths can take many forms, twists and turns. There is no one certain path to excellence in any profession or sub-discipline. Professional schools, trade schools and the school-of-hard-knocks are all part of the bricks that pave the path to career success.

Human assets drive business success. The stronger our people, the stronger our organizations. “It is the dedication, motivation, knowledge and skill sets of individuals that make a tremendous difference in the organization.”[1] Marilu Goodyear et als. “Leaders must address the challenges confronting complex structures and processes if they want to stay in business.”[2] Bryan and Joyce. Today, more than ever, organizations and careers are being buffeted by economic pain. Now faced with a failing economy, if expediency rules the workplace, career paths will be derailed.

Issues

What should organizations and workers do to achieve organizational success and personal achievement? How do you guide human capital into career paths to meet both organizational expectations and individual aspirations? How do you go about delineating key professions and trades at your company? And are they visible to all?

Customizing Careers

Career customization moves companies away from the “one-size-fits-all” notion of career progression toward multiple career paths - “each designed and executed through continual collaboration between employee and employer. The customized, undulating paths require ongoing collaboration between an organization as a whole, the manager, and the employee. [Each participant] subscribes to a culture that embraces career options – options that fit the needs of the business to the needs of the individual today and over time."[3] Cathleen Benko and Anne Weisberg.

Professionals want to see career paths. They want options. They intuitively know there are many paths to the same destination. They also know that not everyone wants to be a manager or leader. Many people want to be individual contributors while others want to move into multiple professions and learn everything they can about a specific product or service – their passion is with a business area, a program, or a project. Still others want to follow a path that will allow them to change the pace of work as life requires – work hard, slow down, work virtually, or work part time. Diverse career needs require diverse career paths.

Cathleen Benko and Anne Weisberg assigned a fixed set of options along "four career dimensions" that provide a framework to assess and manage career paths. In their book, Mass Career Customization, they advocate that employees build their own careers by choosing the options within each of "four career dimensions" that most closely matches each individual's career goals, while considering life needs along with the needs of the business at any point in time. Benko and Weisberg list the "four career options" as: (1) "Pace," – options relating to the rate of career progression, (2) "Workload," – options relating to the quantity of work output, (3) "Location/Schedule," – options of when and where to work, and (4) "Role," – options in position and responsibility. The "four career dimensions" not only set the rates of change in careers to the needs of the individual and organization, but also are fair and include everyone in the organization. They shape career paths within a lattice network, offer transparency and a fresh view.[4] Cathleen Benko and Anne Weisberg.

Traditional Career Path

From the beginning of time, most people's careers were handed down from father to son and from mother to daughter. Parents possessed with the skills and knowledge of a profession or trade acted as mentors - and the children were apprentices. Eventually, the children became parents, which sustained the ongoing cycle of family trades, professions and businesses. During the Renaissance, craftspeople found others, unrelated and often in their early teens, took them under their wing, trained them, and helped build skills. The Industrial Revolution brought people new career opportunities. New trades and businesses supported industry. Money earned could be spent on professional and trade school education. Workers transferred knowledge and innovation. Lectures and study tours commonly expanded career opportunities. Nonetheless, the fate of workers was tied to organizations and many workers identified with their jobs rather than a trade or a profession. People managed without necessarily mastering a profession or trade. In a sense, the Industrial Revolution produced a new kind of semi- skilled worker - a "jobber."

Job-Centered Career Path - Semi-Skilled Workers

Semi-skilled workers are at risk today. "Jobbers" move from job to job, company to company, without serious attention to building strong skill sets in one or more professions or trades. They are the first to be replaced by changing technology, outsourcing, failing global economy, disappearing businesses, reductions in workforce, or automation.

Unfortunately, much of our current employment tools center on jobs. We have developed job mentality search systems through company job postings, Jobs.com, Monster.com, Careerbuilder, etc. The majority of organizations still base compensation systems on jobs rather than mastery of practices in a profession or trade. Taking a job is simply a way to discover the kind of work that suits your needs, talents, and skills. Keeping a job requires learning and mastery of one or more professional areas that is valued in your organization or industry.

Single Function Career Path - SMEs

Some people remain in the same profession/functional area for their careers – engineering, information technology, immunology, etc. They may move between companies, business areas, and product lines, but find their fulfillment in building increased expertise in one functional area. Most organizations refer to them as individual contributors or in the case of very experienced professionals, "Subject Matter Experts" (SMEs).

Many careerists follow their passion or love of a profession. They become SMEs within their discipline/sub-discipline. Employees engaged in passion-centered career paths or profession-centered career paths can move from SMEs to pursue cross-functional paths.

Cross-Functional Career Path

In a cross-functional career path, careerists have the ability to move between two or more functional areas in their careers. In some cases, they can dip into another functional area briefly to broaden their understanding of a related function and then return to their area. In other cases, individuals actually move from one functional area into another and craft their future career moves from that area to another.

Transparency is important to guide careerists to other areas. They must see both the overall system and the different options that other professionals have followed.

Multi-Functional Career Path - Generalists

Millions of workers choose to be generalists. Their career paths span two or more functional areas (marketing, sales, customer service, management, biology, biotechnology, etc.). People move from one field to another, either in the same industry or organization or in others in order to develop breadth, depth and experience. Some discover the functional area in their field of concentration is no longer of interest to them and they move into different functional areas to discover a niche of greater interest. Others recognize that there are very few opportunities in a particular profession, but they enjoy working in their organization. They move from profession to profession within the organization. Jumping from one open position to another may lead to becoming a successful generalist, but a generalist will never master any profession or trade.

Many companies and individuals create cross-functional career paths by moving new employees from one functional area to another in order to prepare them for management. The prevalent philosophy is that managers need not specialize in a specific functional area to become strong general managers. More often than not, the best managers are respected for their knowledge and mastery of one or more core professions that are essential to their organization.

Profession-Centered Career Path - Specialists

At MasteryWorks, we believe that choosing a profession or trade is the most important career decision that people will make. Time and again, we find that excellence in the professions and the trades is fundamental and enduring. Specialists follow professionally centered career paths that define their career success in terms of growth, learning, and development in one profession or trade. In the early years, they typically intern and apprentice. They seek mentors and coaches for feedback and fellowship. Their loyalty is to learning and increasing the depth and breadth of their mastery. They raise the bar and they are the innovators and the problem solvers.

Purpose-Centered Career Path

Many seasoned professionals want to stay in their company and contribute their expertise to help solve problems and address continuing concerns. They want to follow a purpose centered career path to innovate and resolve critical issues facing their organization and industry. For example, **Lockheed Martin Company** lists current projects that attract key talent to harness a sense of purpose that aligns individual goals with organizational projects.

Different Ways to Show Career Paths

In a recent organizational study, we asked over 300 participants to track their own career paths. We asked how they moved into their current sub-discipline and where they hoped/expected to move if they left the sub-discipline. The results confirmed that people come from a variety of traditional and untraditional places to a specific position and also move on to a wide variety of positions. There is no longer one career path for people doing similar work. Therefore, it’s important that organizations display the diversity of movement on their career website.

Human Resource professional can identify, catalogue and display all jobs either in the professions or trades as they exist. The number of core professions and trades can be surprisingly small. For example, we found only 12 to 15 core professions in an organization of over 350,000 workers. In another instance, when we consulted for The American Red Cross, the largest volunteer organization in the world that had a little over three million paid and volunteer staff, we found only twenty-six distinct professions and trades.

Career Choices - Being at the Right Place at the Right Time

CAREER RISK™ Assessment - Leading Career Indicators®. Being in the "right place at the right time" is critical. We have developed a system to help you to discover the importance and interrelationship of career choices – industry, organization, profession and position by answering 40 questions. Areas of viability and risk will show up in the profile.

For Individuals

- A powerful appreciation of the interaction of one's industry, organization, profession and position in current and future career choices.
- Criteria for determining if the current work and environment is vital for the future.
- Recommended actions for enhancing career vitality.
- Criteria to guide them in any “job search” activity – internally or externally.

For Managers

- A way for assessing positions that might be "at risk."
- Coaching ideas - especially in a downsizing or merging culture.
- Clarity on the importance and interrelationship of the entire system of work – industry, organization, profession and positions.

STRATEGIC PERFORMANCE MEASUREMENT SYSTEMS

Strategic performance measurement systems (SPMS), despite the various forms in which they have been implemented, have three characteristics in common:

- they include financial measures that capture the short-term consequences of managers’ decisions regarding issues such as revenue growth, asset utilization, and cash flows (Kaplan & Norton, 2001a; Rappaport, 2005);
- they supplement financial measures with nonfinancial measures that indicate operational achievements likely to drive future financial performance;
- they are designed to fulfill multiple purposes, from simple cost determination to complex value creation, with an emphasis on strategy execution.

In this study we examine each of the above characteristics and their influence on various outcomes of the SPMS. As shown in Figure 1, the characteristics of the SPMS are expected to determine (directly or indirectly) the quality of the information it provides, its effectiveness, and the degree to which the BSC is adopted. These outcomes, in turn, contribute to improved firm performance, first in terms of their impact on human resource practices, and next in terms of improved business results.

SPMS characteristics

Use of financial measures. Financial measures of performance are relevant to senior managers as short-term feedback on the results of their past initiatives aimed at increasing shareholder value. In the BSC framework, these measures address the question: “If we succeed, how will we look to our shareholders?”. As listed in Figure 1, the measures in this study are among the most popular in a diverse set of industries They range from simple measures of output such as revenues and growth, to summary measures of profitability (gross margin, earnings before interest and taxes or EBIT, net operating income, and earnings per share or EPS) to comprehensive measures of profit vis-à-vis asset utilization (return-on-investment and economic value added), including also a popular liquidity measure (cash flows).

Use of nonfinancial measures. Nonfinancial performance measures are necessary to correct for several limitations inherent in financial measures: their short-term bias (which may lead managers to engage in myopic behavior, such as cutting down research and development or employee training expenses to achieve profitability targets); their high level of aggregation (which do not provide enough guidance to middle or lower-level managers when choosing among alternative courses of action over factors they can control); and their historical focus (which do not capture improvements in quality, customer or employee satisfaction that lead to future financial results).

Nonfinancial measures such as customer satisfaction correct for these limitations by promoting a more long-term focus (e.g., a sales manager in a car dealership aims at increasing long-term sales through improved customer satisfaction, as argued by Hemmer, 1996); by providing strategic priorities detailed for managers at all levels, based on factors they can control (Merchant and Van der Stede, 2003); and by helping to drive future performance (Ittner and Larcker, 1998b).

Nonfinancial measures are present in three perspectives of the BSC framework (Kaplan and Norton, 2001b): the customer perspective (“to achieve my vision, how must I look to my customers?”); the internal perspective (“to satisfy my customers, at which processes must I excel?”); and the learning and growth perspective (“to achieve my vision, how must my organization learn and improve?”).

In our study (see Figure 1), ten of the most popular nonfinancial measures are included (AICPA and Maisel, 2001), encompassing the three nonfinancial BSC perspectives: customer services and satisfaction, and market share (customer perspective); quality and other process-related measures, innovation and new product development, operational time, speed and agility, and supplier, regulatory and compliance performance (internal business perspective); and productivity, employee turnover and demographics (learning and growth perspective).

Design purposes. While the combination of financial and nonfinancial performance measures is not a new phenomenon (for example, there is evidence of their use by General Electric in the 1950s, as cited in Kaplan and Norton, 2001b), a distinctive characteristic of SPMS implemented in the last two decades is an attempt to choose tailored performance measures that translate a particular organizational strategy into an integrated set of performance indicators. This set of measurements is to fulfill many purposes: not only to direct managerial action to the achievement of strategic objectives, but also to provide feedback to managers, through a dynamic learning process, about the potential need for new strategy formulation (Simons, 1995). Thus, the particular purposes for which the SPMS are designed constitute a critical characteristic that determines its strategic outcomes (Chenhall, 2005).

In the current study, the design purposes of the SPMS (as listed in Figure 1) cover all four decision contexts described by Ittner and Larcker (2001): cost determination (e.g., measure business results); information for planning and control (e.g., evaluate individual performance, determine individual rewards and recognition, and communicate management directives); reduction of waste (e.g., manage operations, capital and technology); and a strategic emphasis on value drivers (e.g., manage strategy, suppliers and customer relationship; communicate values and culture and support decision making). As highlighted by Ittner and Larcker (2001), SPMS research needs to clarify the purposes for which SPMS are used, since performance measures used for one purpose may not be used for other purposes, and the decision contexts for which the performance measures are designed are paramount when interpreting their outcomes.

SPMS outcomes

In our model we consider several desirable outcomes from SPMS implementation: information quality (is the SPMS providing high-quality information?), effectiveness (how effective is the SPMS?), and the degree of BSC adoption (to what extent have all cause-and-effect relationships of the BSC been articulated?).

Information quality. Quality of information is a concept well defined in the information systems literature, and it relates to the value, usefulness or relative importance attributed to the information by its user (Bailey and Pearson, 1983; Rainier and Watson, 1995). Despite its subjective, perceptual nature, information quality has been consistently found to be positively associated with information system success, particularly increased use and effectiveness (Srinivasan, 1985). In the performance measurement literature, information quality has been found lacking for most performance measures except for short-term financial measures (Ittner and Larcker, 2001). For most performance measures, the perceived quality was rated much lower than the perceived importance of that measure. As Ittner and Larcker concluded, “studies investigating the internal use and benefits of these performance measures are incomplete without considering how well this information is measured" (2001, p. 384). A similar concern is expressed by Malina and Selto (2001) when examining why unreliable measures in the learning and growth perspective of an organization's BSC, fraught with low information quality, actually led this organization to drop the learning and growth perspective from its BSC altogether. Libby, Salterio and Webb (2004) also found that higher information quality increases the chances that performance evaluators will use a more comprehensive set of unique and common performance measures in their evaluations. Responding to these calls in the literature for more attention to information quality as an important outcome of SPMS, we have included it in our model to test its explanatory power of other SPMS outcomes and its direct and indirect effects on performance.

Effectiveness. SPMS effectiveness is closely related to information quality. In the information systems literature, higher information quality leads to system effectiveness, which comprises the increased use of the information, user satisfaction, and impact on the individual as well as the organization (DeLone and McLean, 1992). As catalysts of organizational change, more effective information systems have greater influence through a change in both recipient behavior and system performance (Mason and Mitroff, 1973). In the performance measurement literature (Malina and Selto, 2001), the BSC was found to be effective when it influenced motivation (employees feel that they can control and influence their performance measures, and earn meaningful rewards and recognition) and promoted strategic alignment (a comprehensive yet parsimonious set of performance measures is causally linked to strategy, ultimately leading to improved organizational performance). Based on their extensive field research on the implementation of an effective BSC, Malina and Selto (2001) have concluded that effective management controls do not necessarily have a direct impact on performance; rather, effective management controls cause strategic alignment and effective motivation, which, in turn, cause performance improvements.

Degree of BSC adoption. In addition to the two above-mentioned outcomes of the SPMS, information quality and effectiveness, in our model we also consider a third outcome, the degree of BSC adoption. This inclusion of degree of adoption of the BSC in our model follows admonitions by researchers "to devise improved methods for eliciting what firms mean by a 'balanced scorecard' and how this information is actually being used" (Ittner, Larcker and Randall, 2003, p. 739). Rather than simply comparing adopters with non-adopters of the BSC, for example, researchers need to probe deeper into the extent to which firms that claim to have implemented the BSC have, in fact, fully put into practice the recommendations by Kaplan and Norton (1996, 2001c). As Chenhall (2005) noted, there is still limited evidence in the performance measurement literature about the number of organizations that have some form of SPMS, and even less research on the extent to which a more integrated form of SPMS such as the BSC is being used. On one side of the spectrum of degrees of BSC adoption, organizations have started to measure (besides accounting-based business performance, investments, and shareholder value) some combination of customer and process measures, but with a focus still on isolated key performance indicators (what Kaplan and Norton, 2001b, called "KPI scorecards"). On the other side of the spectrum, some organizations have fully deployed SPMS that are strategy-focused, comprising an integrated set of common and unique measures of performance linked through a series of cause-and-effect assumptions about how value is created.

As shown in Figure 1, eight dimensions of the degree of BSC adoption are included in our model. Following Kaplan and Norton's BSC strategy map (2001b, figure 2, p. 92), we define the degree of BSC adoption as the extent to which SPMS have captured cause-and-effect relationships among the various sources of value creation, from investments to improve employee performance, compensation, reward and recognition, to technology infrastructure, through strategic alliances with suppliers and customers, until capital investments translate into enhanced business performance and increased shareholder value.

In the practitioner-oriented performance measurement literature, several authors have also called attention to the importance of recognizing the different degrees of SPMS adoption (AICPA and Maisel, 2000; Tangen, 2005). Two potential explanations have been proposed to explain why organizations exhibit varying degrees of SPMS adoption: a cross-sectional explanation attributes different degrees of adoption to a "fit" argument (companies with more complex production technology, for example, tend to exhibit higher levels of SPMS integration and complexity to handle the information needs of managers); a time-series explanation recognizes that SPMS may evolve from existing, mostly financial-based SPMS and, as managers acquire more experience with performance measurement over time, SPMS move to a more balanced approach with the inclusion of nonfinancial measurements, up to the point when the organization adopts a fully integrated SPMS approach (Tangen, 2005).

SPMS impact on business performance

Recent research on the performance effects of SPMS has established that characteristics and outcomes of the SPMS do not directly influence business performance; rather, through a complex set of cause-and-effect relationships, performance gains at different aspects of the business lead to improved overall performance (Bryant, Jones, Widener, 2004). In our model, we evaluate the impact of SPMS on performance in two stages: first, the impact on human resources practices, and second, on business results.

Impact on human resources. As depicted in Figure 1, we identified six human resource practices to gauge the impact of SPMS. Based on a review of the performance measurement literature, we selected two areas mentioned by Kaplan and Norton (2001b) in which to assess the impact of SPMS on human resource practices: alignment (through leadership, organizational structure and control practices), and focus (HR initiatives to ensure the organization possesses the skill set necessary to implement the strategy: recruitment, training and turnover).

Leadership is an essential ingredient to successful change management. As Kaplan and Norton pointout, based on their decade-long experience with over 200 executive teams designing BSC programs, “ownership and active involvement of the executive team is the single most important condition for success” (Kaplan and Norton, 2001c, p. 155). With the organization’s leaders mobilized for change, SPMS require new organizational structures and control practices to restructure work flows, develop new planning and control mechanisms, and assign new responsibilities to allow all of the organization’s employees to use their capabilities to achieve the organization’s objectives (Chenhall and Langfield-Smith, 1998).

When the existing skill set among current employees is not consistent with the requirements of the SPMS strategic programs, the organization engages in focused recruitment and training to acquire and develop strategic job-related skills, and allows turnover to resolve gaps between current skills and needed skills. This transformation in HR practices resulting from SPMS has, in fact, led to the emergence of terms like “HR scorecards” that track how well organizations have adapted their HR activities in response to the SPMS (Becker, Huselid and Ulrich, 2001).

Impact on business results. As listed in Figure 1, the SPMS impact on business results is reflected in changes in internal processes (research and development, product and service innovation, cycle time, process improvement programs, alliances and joint ventures), customer value (price, quality) and financial results (revenue growth, productivity), culminating in a reevaluation of the strategy itself. We purposefully selected a multi-dimensional approach for assessing the impact of SPMS on business results, to acknowledge that the SPMS is likely to influence many aspects of the organization, beyond just isolated financial results. As Bryant, Jones and Widener (2004) revealed, the value-creation process in firms that adopt a BSC is best described by a model that allows for performance in each BSC perspective to be influenced by performance in all other BSC perspectives.

Compensation & Benefits

Compensation Systems: Design and Goals

The design process is started by identifying desired outcomes and goals for your organization. This is often referred to as developing your compensation philosophy. Your philosophy is formed by considering a number of factors. The balance of direct and indirect rewards, the complexity and responsibility of a role and the candidate or employee filling it, as well as your focus on internal versus external equity are just few factors explored in this section. It is the ability to achieve results that is critical to organizational success.

Compensation defined

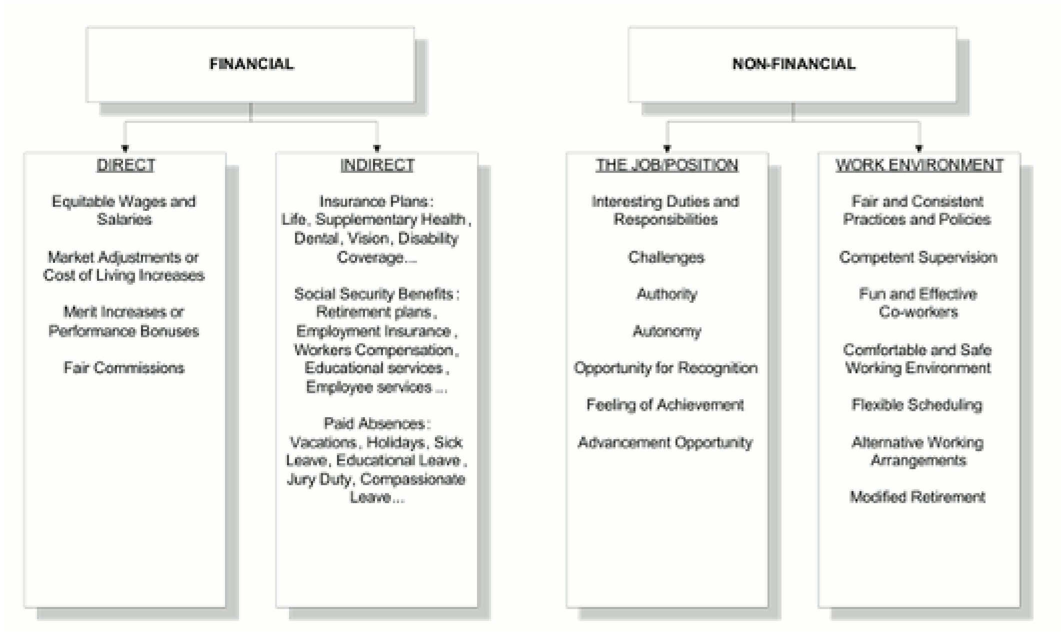
Compensation can be defined as all of the rewards earned by employees in return for their labour. This includes:

- **Direct financial compensation** consisting of pay received in the form of wages, salaries, bonuses and commissions provided at regular and consistent intervals
- **Indirect financial compensation** including all financial rewards that are not included in direct compensation and can be understood to form part of the social contract between the employer and employee such as benefits, leaves, retirement plans, education, and employee services
- **Non-financial compensation** referring to topics such as career development and advancement opportunities, opportunities for recognition, as well as work environment and conditions

In determining effective rewards, however, the uniqueness of each employee must also be considered. People have different needs or reasons for working. The most appropriate compensation will meet these individual needs. To a large degree, adequate or fair compensation is in the mind of the employee.

Good Practice

A good compensation strategy includes a balance between internal equity and external competitiveness. Compensation and benefits affect the productivity and happiness of employees, as well as the ability of your organization to effectively realize its objectives. It is to your advantage to ensure that your employees are creatively compensated and knowledgeable of their benefits.



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Equity

Equity or fairness has been mentioned as a key component in creating a successful compensation system. It can be defined in the following three ways:

- Workplace equity refers to the perception that all employees in an organization are being treated fairly
- External pay equity exists when employees in an organization perceive that they are being rewarded fairly in relation to those who perform similar jobs in other organizations
- Internal pay equity exists when employees in an organization perceive that they are being rewarded fairly according to the relative value of their jobs within an organization

Perceived inequity or unfairness, either external or internal, can result in low morale and loss of organizational effectiveness. For example, if employees feel they are being compensated unfairly, they may restrict their efforts or leave the organization, damaging the organization's overall performance.

Internal equity

"Internal equity exists when employees in an organization perceive that they are being rewarded fairly according to the relative value of their jobs within an organization".
Another way of stating this is to say that a person's perception of their responsibilities, rewards and work conditions is seen as fair or equitable when compared with those of other employees in similar positions in the same organization. Factors such as skill level, the effort and the responsibility of the role, as well as working conditions are considered.

An internal equity study can determine if there is pay equity between like-positions and if all roles in the organization are governed by the same compensation guidelines. Usually each role is assigned a pay range with corresponding criteria that outlines how to determine where an employee should be placed in the range.

Example

An agency may employ a number of social workers to work with similar client groups. By reviewing the salary of each employee and comparing it with others in the same role, you will be able to determine if internal equity exists. This does not mean that all employees are paid the same; it means that they are paid fairly in relation to other staff in the same role. Differences in salary may be based on education, experience, years of service, or responsibility level.

External equity

"External equity exists when employees in an organization perceive that they are being rewarded fairly in relation to those who perform similar jobs in other organizations".
External equity exists when an organization's pay rates are at least equal to the average rates in the organization's market or sector. Employers want to ensure that they are able to pay what is necessary to find, keep and motivate an adequate number of qualified employees. Creating a compensation structure that starts with competitive base pay is critical.

Employees also compare their roles and pay to roles and pay in other organizations. Unfortunately they do not always compare with similar types of organizations or even in the same sector. Generally, employees consider much more than base pay in determining external equity. For some more emphasis may be placed on employee benefits, job security, physical work environment or the opportunity for advancement in deciding if external equity exists.

The use of salary surveys is critical in your ability to determine if your compensation and benefits are comparable to similar roles in other organizations. It is important to ensure that the key responsibilities and goals of the roles being compared are similar; as is the sector the organization is aligned with.

Example

A number of nonprofit organizations have tried to address quality of life concerns by only requiring full-time employees to work a 35-hour week, while many other organizations require their employees to work 37.5 or even 40 hours per week.

- It is important that if the base pay for a specific role from group one was to be compared to the same role in group two, that the difference in hours is understood and accounted for.
- While the difference in hours may seem small, if a person who worked a 37.5 hour week made $40,000/year, they would be making $20.51/hour. If the person working the 35-hour week were also being paid $20.51/hour, their annual salary would only be $37,328 per year. This could seem inequitable unless the difference in hours was clear.

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Organizational strategy

There are a number of components that need to be addressed when developing your compensation systems to ensure they align with your organizational strategy and objectives. One key to remember is that your compensation strategy must help to create the work culture you want. How you structure your systems and manage the internal and external equity issues, will directly inform the culture of your organization.

Develop a compensation philosophy

A compensation philosophy is developed to guide the design and complexity of your compensation programs; this is done by identifying your goals and objectives, considering your competitiveness in attracting and retaining employees, your emphasis on internal and/or external equity, and whether performance is tied to increases. Understanding what balance you want to achieve between direct salary and indirect benefit is critical in developing your overall total compensation approach. A consistent philosophy provides a strong foundation for both the organization and the employee. Without a philosophy, leaders often find themselves unsure of what to offer as a starting salary for a new employee. This can lead to offering too high a total compensation package for a new employee in relation to existing employees, or being unable to successfully hire because the total compensation offer is too low to be competitive.

Your philosophy should be consistent with the size of your organization. If you have a small to mid-size employee base, keep your strategy simple and easy to administer. Ensuring your compensation guidelines are clearly communicated and consistently administered is a key to success.

Components

Once you have developed the over-arching philosophy aligned with your strategic plan and organizational culture, it is important that you determine if any differences should exist in pay structures for management, professionals, or front-line staff.

- Objectives: What do you want your compensation program to do to help your organization succeed?

- Be considered an employer of choice in your type of organization?
- Have a greater emphasis on generous benefits versus top salaries?
- Do you want to tie compensation to performance? Why, why not?
- Offer great flexibility in work hours, shifts, and education support?

- Market competitiveness: Will you compare your compensation components against the market in which you function or against other internal roles?
  - Does your organization strive to pay at market, above or below market?
  - Do you want to have your salaries above average, average or below average? Will your benefits/incentives balance for salaries?
  - What do you want to offer to distinguish you from others in your sector?
  - How do you want to be viewed by your stakeholders?
  - How generous should your benefit program be compared to cash compensation?
- Components: What will be the components of your compensation program?
  - Do some earn hourly wages and others salary? Why, why not?
  - Are hours of work different for one group over another? Why, why not?
  - Is their ability to earn: flex time, lieu time, over time, different for one group over another? Why, why not?
    - Flex time refers to time that an employee has earned by working a longer week than required. Example: an employee is required to work 37.5 hours per week and chooses to work 40 hours per week instead. After 3 weeks, they have earned 7.5 hours of "flex time". This often is the structure behind a person getting every third Friday off. Compressed workweeks are often used to offer employees reduced hours during the summer months.
    - Overtime is time that a person works in excess of their scheduled and required time. For hourly paid staff, this may be paid out to them at 1.5 times their normal salary. For management staff, an overtime agreement is usually in place that identifies that salaried employees do not receive pay for their overtime hours, but "lieu time" calculated at a straight hour for hour basis.
    - Lieu time is time that an employee earns by working in excess of their scheduled hours due to the demands of the job/day/situation. Lieu time is typically calculated as hour for hour. Example: an employee is required to work an extra 2 hours to complete an urgent project. They accumulate 2 hours of "lieu" time to be taken off work with pay at a time negotiated with their immediate supervisor.
 - How will employees receive increases?
 - How often will the role be evaluated against the established comparative group(s)? See the section on Salary Surveys for additional information on comparative groups
 - Will you develop a salary scale and criteria to advance; what place do qualifications and academic accreditation play?

STRATEGIC HRM AND HIGH PERFORMANCE WORK SYSTEM

One of the fundamental principles of strategic human resource management is to evaluate how organizational performance is influenced by the way employees are managed. To support this assessment, various measures have been taken in human resource practices that have been found to improve employee effectiveness and to expect higher levels of organizational performance. Some of these measures include high-performance work systems, high-commitment work systems, high-involvement work systems, and high-performance human resource management. No matter how much these systems may differ in the approach of enhancing the employee effectiveness, their conjoint track is that organizations can achieve high performance by adopting practices that recognize and leverage employees' ability to create value .To create maximum impact these practices are most effective when they are implemented in bundles because of their mutual effects on performance.

HPWS are a specific combination of HR practices, work structures, and processes that maximize employee knowledge, skill, commitment, and flexibility – with the aim of enhancing employee effectiveness. High-performance work systems are complex structures, and are formulated out of several interrelated components. Characteristically, the system is created with planning empowered work teams to carry out key business practices. All the Team members are selected and trained on technical, problem-solving, and interpersonal skills.

All the components of the HPWS are important in terms of how they help the entire system to function. The effectiveness of HPWS requires the system to have both the internal and external fit. To make sure the system if fit internally, all the component's should support and complement each other like the leadership team should work in tandem with the human resource practices and the work flow should be supported by well-developed technology and when the system is aligned with the competitive urgencies of the organization like enhanced employee satisfaction, well developed company values and competitive challenges the system on a whole it achieves external fit as well. There are two fundamental mechanisms on which high-performance work systems influence performance outcomes and these are based on human capital and skill on the one hand, and motivation and commitment on the other. Over the period of time various studies have been performed to understand the direct effect of High performance HR practices on the performance of different functions in an organization. Also studies have been performed to understand the indirect effect of HPWS practices by influencing employee attitudes and discretionary behaviors. HPWS have a significant and a positive impact on attitudes or behaviors of employees and these attitudes subsequently create what is called the organizational citizenship behavior (OCB) of the employees. These studies have also concluded that the functional performance was affected both directly by HPWS and indirectly through organizational citizenship behavior (OCB) of the employees. The effective implementation of high performance work systems benefits both the employees and the organization. Employees are found to be more involved in the organization, experience better growth and satisfaction, and become more valuable as contributors. The organization also benefits from high productivity, quality, flexibility, and customer satisfaction. A multi-dimensional change initiative is required from all the stakeholders of an organization to implement high-performance work systems. This provides an organization with a sustainable competitive advantage. It is very important for an organization to consistently measure and evaluate the satisfaction and commitment of its employees. If the employees are not performing up to the expectations of the organization, it's very possible that they not very satisfied with their jobs and they are not committed to the organization. The reason for their lack of satisfaction and commitment can most likely a result of an underperforming HR practice or system of practices. Therefore an organization should fix the systems if it wants to improve attitudes, behaviors and performance.

STRATEGIC COMPENSATION SYSTEMS ANALYSIS

Employee compensation entails more than "pay". It is a broader term encompassing the full range of economic benefits provided to employees in exchange for their performance contributions to an organization. It includes both direct and indirect compensation, and extends to a wide array of economic incentives and benefits. The strategic concern is to how best create a compensation system which supports the business strategy of the firm. To that end, the analytical grid below identifies key considerations and decision points.

Strategic Criteria	**Strengthening Performance**	**Containing Cost**	**Limiting Liability**	**Promoting Fair Play**
Objectives	**Individual Equity**	**External Equity**	**Legal Compliance**	**Internal Equity**
Challenges	Tie to Strategy, Perform. To Pay	Tie to Labor Market	Develop Pay Structure	Address Pay Issues
Determinants	Philosophy	Labor Market Collective Bargaining	Legislation Case Law	Work Culture Host Society

Considerations	1. Variable Pay 2. At Risk Pay 3. Comp. Mix 4. Effort/Impact 5. Econ. Motivation 6. Expectancy Theory 7. Employee Needs 8. Annuity Issue	1. Ability to Pay 2. Ability to Compete for HR 3. Ability to take Pricing 4. Turnover 5. Recruitment Cost 6. Ability to take Strike 7. Inflation/COL	1. Equal Pay 2. FLSA 3. Litigation	1. Workforce Adjustment 2. Redesign 3. Pay Compression 4. Pay Secrecy 5. At-Will Employ. 6. Equity Theory
Methods	1. Performance Measurement 2. Bonus Systems 3. Deferred Comp. 4. Flex. Benefits	1. Definition of Labor Market 2. Job Benchmarks 3. Comp. Surveys 4. BLS Data	1. HR Audits 2. Pay Struct.	1. Job Desc. 2. Job Eval. 3. Workload Standards 4. Pay Adj.
Type of Pay	Performance-Based	Market-Based	Comparable Worth	Competency -Based

Threshold Considerations in Merit-Based Compensation

If a merit-based (pay for performance) system fails to meet ALL of the following conditions, it is unlikely to be effective in achieving the desired objective.

1. **Valence – Is the value/attractiveness of reward sufficient to motivate the person to exchange leisure for work? Consider form and timing.**
2. **Instrumentality – Is there a clearly understood, well known, and consistently applied policy & system which ties performance to reward?**
3. **Expectancy – Is there a clearly understood, well accepted, and consistently applied performance evaluation policy & system which ties effort or result to performance, and are the performance measure reliable and valid?**
4. **Equity – Is the mix/percent of variable, at-risk reward equitable in comparison to key reference points?**

Mayer Typology of Teams & Implications for Individual vs. Group Incentives

In considering individual vs. team vs. organization-wide pay incentives (e.g., gain sharing), several key factors should be considered:

1. **Business Strategy**
2. **Organization & Work Design**
3. **Nature of Work**
4. **Degree of Task Performance Interdependency**
5. **Degree of Role & Skill Differentiation**
6. **Work Culture**

The typology of teams is based on considerations no. 4 and 5 above.

```
                              HIGH
                                *
        Management Teams        *        Production Teams
           (Football)           *          (Basketball)
                                *
HIGH*********************************************************LOW
                                *                       Degree of Role
        Research/Maintenance    *         Sales Teams   Differentiation
          Team  (Track)         *           (Golf)
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*

LOW

Degree of Task

Interdependency

The theory is that group incentives are more effective in teams with a high degree of task interdependency for purposes of motivating higher performance, whereas such incentives are effective in teams with a low degree of role/skill differentiation for purposes of promoting collaborative problem solving and skill development. So, if such an incentive system is being considered, it is essential that the purpose underlying the system be clearly defined (form follows function).

EMPLOYEE REWARDS AND RECOGNITIONS

In a competitive business climate, more business owners are looking at improvements in quality while reducing costs. Meanwhile, a strong economy has resulted in a tight job market. So while small businesses need to get more from their employees, their employees are looking for more out of them. Employee reward and recognition programs are one method of motivating employees to change work habits and key behaviors to benefit a small business.

REWARD VS. RECOGNITION

Although these terms are often used interchangeably, reward and recognition systems should be considered separately. Employee reward systems refer to programs set up by a company to reward performance and motivate employees on individual and/or group levels. They are normally considered separate from salary but may be monetary in nature or otherwise have a cost to the company. While previously considered the domain of large companies, small businesses have also begun employing them as a tool to lure top employees in a competitive job market as well as to increase employee performance.

As noted, although employee recognition programs are often combined with reward programs they retain a different purpose altogether. Recognition programs are generally not monetary in nature though they may have a cost to the company. Sue Glasscock and Kimberly Gram in Productivity Todaydifferentiate the terms by noting that recognition elicits a psychological benefit whereas reward indicates a financial or physical benefit. Although many elements of designing and maintaining reward and recognition systems are the same, it is useful to keep this difference in mind, especially for small business owners interested in motivating staffs while keeping costs low.

DIFFERENTIATING REWARDS FROM MERIT PAY AND THE PERFORMANCE APPRAISAL

In designing a reward program, a small business owner needs to separate the salary or merit pay system from the reward system. Financial rewards, especially those given on a regular basis such as bonuses, gainsharing, etc., should be tied to an employee's or a group's accomplishments and should be considered "pay at risk" in order to distance them from salary. By doing so, a manager can avoid a sense of entitlement on the part of the employee and ensure that the reward emphasizes excellence or achievement rather than basic competency.

Merit pay increases, then, are not part of an employee reward system. Normally, they are an increase for inflation with additional percentages separating employees by competency. They are not particularly motivating since the distinction that is usually made between a good employee and an average one is relatively small. In addition, they increase the fixed costs of a company as opposed to variable pay increases such as bonuses which have to be "reearned" each year. Finally, in many small businesses teamwork is a crucial element of a successful employee's job. Merit increases generally review an individual's job performance, without adequately taking into account the performance within the context of the group or business.

DESIGNING A REWARD PROGRAM

The keys to developing a reward program are as follows:

- Identification of company or group goals that the reward program will support
- Identification of the desired employee performance or behaviors that will reinforce the company's goals
- Determination of key measurements of the performance or behavior, based on the individual or group's previous achievements
- Determination of appropriate rewards
- Communication of program to employees

In order to reap benefits such as increased productivity, the entrepreneur designing a reward program must identify company or group goals to be reached and the behaviors or performance that will contribute to this. While this may seem obvious, companies frequently make the mistake of rewarding behaviors or achievements that either fail to further business goals or actually sabotage them. If teamwork is a business goal, a bonus system rewarding individuals who improve their productivity by themselves or at the expense of another does not make sense. Likewise, if quality is an important issue for an entrepreneur, the reward system that he or she designs should not emphasize rewarding the quantity of work accomplished by a business unit.

Properly measuring performance ensures the program pays off in terms of business goals. Since rewards have a real cost in terms of time or money, small business owners need to confirm that performance has actually improved before rewarding it. Once again, the measures need to relate to a small business' goals. As Linda Thornburg noted in HR Magazine , "Performance measures in a rewards program have to be linked to an overall business strategy…. Mostreward programs use multiple measures which can include such variables as improved financial performance along with improved customer service, improved customer satisfaction, and reduced defects."

When developing a rewards program, an entrepreneur should consider matching rewards to the end result for the company. Perfect attendance might merit a different reward than saving the company $10,000 through improved contract negotiation. It is also important to consider rewarding both individual and group accomplishments in order to promote both individual initiative and group cooperation and performance.

Lastly, in order for a rewards program to be successful, the specifics need to be clearly spelled out for every employee. Motivation depends on the individual's ability to understand what is being asked of her. Once this has been done, reinforce the original communication with regular meetings or memos promoting the program. Keep your communications simple but frequent to ensure staff are kept abreast of changes to the system.

TYPES OF REWARD PROGRAMS

There are a number of different types of reward programs aimed at both individual and team performance.

VARIABLE PAY Variable pay or pay-for-performance is a compensation program in which a portion of a person's pay is considered "at risk." Variable pay can be tied to the performance of the company, the results of a business unit, an individual's accomplishments, or any combination of these. It can take many forms, including bonus programs, stock options, and one-time awards for significant accomplishments. Some companies choose to pay their employees less than competitors but attempt to motivate and reward employees using a variable pay program instead. According to Shawn Tully in Fortune , "The test of a good pay-for-performance plan is simple: It must motivate managers to produce earnings growth that far exceeds the extra cost of [the program]. Though employees should be made to stretch, the goals must be within reach."

BONUSES Bonus programs have been used in American business for some time. They usually reward individual accomplishment and are frequently used in sales organizations to encourage salespersons to generate additional business or higher profits. They can also be used, however, to recognize group accomplishments. Indeed, increasing numbers of businesses have switched from individual bonus programs to one which reward contributions to corporate performance at group, departmental, or company-wide levels.

According to some experts, small businesses interested in long-term benefits should probably consider another type of reward. Bonuses are generally short-term motivators. By rewarding an employee's performance for the previous year, say critics, they encourage a short-term perspective rather than future-oriented accomplishments. In addition, these programs need to be carefully structured to ensure they are rewarding accomplishments above and beyond an individual or group's basic functions. Otherwise, they run the risk of being perceived as entitlements or regular merit pay, rather than a reward for outstanding work. Proponents, however, contend that bonuses are a perfectly legitimate means of rewarding outstanding performance, and they argue that such compensation can actually be a powerful tool to encourage future top-level efforts.

PROFIT SHARING Profit-sharing refers to the strategy of creating a pool of monies to be disbursed to employees by taking a stated percentage of a company's profits. The amount given to an employee is usually equal to a percentage of the employee's salary and is disbursed after a business closes its books for the year. The benefits can be provided either in actual cash or via contributions to employee's 401(k) plans. A benefit for a company offering this type of reward is that it can keep fixed costs low.

The idea behind profit-sharing is to reward employees for their contributions to a company's achieved profit goal. It encourages employees to stay put because it is usually structured to reward employees who stay with the company; most profit-sharing programs require an employee to be vested in the program over a number of years before receiving any monies. Unfortunately, since it is awarded to all employees, it tends to dilute individual contributions. In addition, while profit is important, it is only one of many goals a company may have and is, according to Jack Stack in Inc., "an accumulation of everything that happens in the business over a given period of time" and is therefore difficult for most employees to connect their actions to. Stack argued that "[employees] have to be able to see the connection between their actions, decisions, and participation, and changes in [a company's goals]." Like bonuses, profit sharing can eventually be viewed as an entitlement program if the connection between an employee's actions and his or her reward becomes murky.

STOCK OPTIONS Previously the territory of upper management and large companies, stock options have become an increasingly popular method in recent years of rewarding middle management and other employees in both mature companies and start-ups. Employee stock-option programs give employees the right to buy a specified number of a company's shares at a fixed price for a specified period of time (usually around ten years). They are generally authorized by a company's board of directors and approved by its shareholders. The number of options a company can award to employees is usually equal to a certain percentage of the company's shares outstanding.

Like profit-sharing plans, stock options usually reward employees for sticking around, serving as a long-term motivator. Once an employee has been with a company for a certain period of time (usually around four years), he or she is fully vested in the program. If the employee leaves the company prior to being fully vested, those options are canceled. After an employee becomes fully vested in the program, he or she can purchase from the company an allotted number of shares at the strike price (or the fixed price originally agreed to). This purchase is known as "exercising" stock options. After purchasing the stock, the employee can either retain it or sell it on the open market with the difference in strike price and market price being the employee's gain in the value of the shares.

Offering additional stock in this manner presents risks for both the company and the employee. If the option's strike price is higher than the market price of the stock, the employee's option is worthless. When an employee exercises an option, the company is required to issue a new share of stock that can be publicly traded. The company's market capitalization grows by the market price of the share, rather than the strike price that the employee purchases the stock for. The possibility of reduction of company earnings (impacting both the company and shareholders) arises when the company has a greater number of shares outstanding. To keep ahead of this possibility, earnings must increase at a rate equal to the rate at which outstanding shares increase. Otherwise, the company must repurchase shares on the open market to reduce the number of outstanding shares.

One benefit to offering stock options is a company's ability to take a tax deduction for compensation expense when it issues shares to employees who are exercising their options. Another benefit to offering options is that while they could be considered a portion of compensation, current accounting methods do not require businesses to show options as an expense on their books. This tends to inflate the value of a company. Companies should think carefully about this as a benefit, however. If accounting rules were to become more conservative, corporate earnings could be impacted as a result.

GROUP-BASED REWARD SYSTEMS

As more small businesses use team structures to reach their goals, many entrepreneurs look for ways to reward cooperation between departments and individuals. Bonuses, profit sharing, and stock options can all be used to reward team and group accomplishments. An entrepreneur can choose to reward individual or group contributions or a combination of the two. Group-based reward systems are based on a measurement of team performance, with individual rewards received on the basis of this performance. While these systems encourage individual efforts toward common business goals, they also tend to reward underperforming employees along with average and above-average employees. A reward program which recognizes individual achievements in addition to team performance can provide extra incentive for employees.

RECOGNITION PROGRAMS

For small business owners and other managers, a recognition program may appear to be merely extra effort on their part with few tangible returns in terms of employee performance. While most employees certainly appreciate monetary awards for a job well done, many people merely seek recognition of their hard work. For an entrepreneur with more ingenuity than cash available, this presents an opportunity to motivate employees.

In order to develop an effective recognition program, a small business owner must be sure to separate it from the company's reward program. This ensures a focus on recognizing the efforts of employees. To this end, although the recognition may have a monetary value (such as a luncheon, gift certificates, or plaques), money itself is not given to recognize performance. Glasscock and Gram noted in National Productivity Review that effective recognition methods should be sincere; fair and consistent; timely and frequent; flexible; appropriate; and specific. They go on to explain that it is important that every action which supports a company's goals is recognized, whether through informal feedback or formal company-wide recognition. Likewise, every employee should have the same opportunity to receive recognition for their work. Recognition also needs to occur in a timely fashion and on a frequent basis so that an employee's action does not go overlooked and so that it is reinforced to spur additional high performance. Like rewards, the method of recognition needs to be appropriate for the achievement. This also ensures that those actions which go farthest in supporting corporate goals receive the most attention. However, an entrepreneur should remain flexible in the methods of recognition, as employees are motivated by different forms of recognition. Finally, employees need to clearly understand the behavior or action being recognized. A small business owner can ensure this by being specific in what actions will be recognized and then reinforcing this by communicating exactly what an employee did to be recognized.

Recognition can take a variety of forms. Structured programs can include regular recognition events such as banquets or breakfasts, employee of the month or year recognition, an annual report or yearbook which features the accomplishments of employees, and department or company recognition boards. Informal or spontaneous recognition can take the form of privileges such as working at home, starting late/leaving early, or long lunch breaks. A job well done can also be recognized by providing additional support or empowering the employee in ways such as greater choice of assignments, increased authority, or naming the employee as an internal consultant to other staff. Symbolic recognition such as plaques or coffee mugs with inscriptions can also be effective, provided they reflect sincere appreciation for hard work. These latter expressions of thanks, however, are far more likely to be received positively if the bestower is a small business owner with limited financial resources. Employees will look less kindly on owners of thriving businesses who use such inexpensive items as centerpieces of their reward programs.

Both reward and recognition programs have their place in small business. Small business owners should first determine desired employee behaviors, skills, and accomplishments that will support their business goals. By rewarding and recognizing outstanding performance, entrepreneurs will have an edge in a competitive corporate climate.

Team-Based Rewards Structures and Their Impact on Team Trust

Trust is a critical ingredient to ensuring a healthy team dynamic, with its absence dramatically hindering team success in any organizational context. As a result, the establishment and continual fostering of team trust is an important yet challenging task facing managers, coaches, consultants and organizational effectiveness practitioners alike.

Team trust can be influenced by a variety of factors, including the structures organizations put in place to reward their employees. An analysis of team-based rewards, in particular, suggests several interesting implications regarding their impact on team trust. While they can be highly effective when implemented correctly, team-based rewards can also be a trigger for team trust challenges. A deeper understanding of these dynamics can help the MSLOC community design and promote healthy team reward structures in their academic and professional pursuits.

This article will provide an overview of trust in teams as a well as a summary of team-based rewards structures. Through the lens of team trust, it will review the perceived benefits of team-based rewards, including a summary of the conditions where they can be the most effective. In addition, it will explore potential drawbacks to team-based rewards and their impact on trust. Finally, a case study demonstrating the successful implementation of team-based rewards in a low trust team will be reviewed.

Trust and Team-Based Rewards Defined

Trust

According to Ferrin and Dirks (2003), interpersonal trust is defined as “an individual’s belief that another individual makes efforts to uphold commitments, is honest, and does not take advantage given the opportunity” (p. 19). At the same time, Rousseau, Sitkin, Burt and Camerer (1998) recognize interdependence and risk as the two conditions that must exist for trust to arise. In other words, trust is best built in an interdependent team context where individuals must come together to share information and collaborate. Furthermore, there is a notable element of risk involved for individuals deploying effort towards a team goal when there is no guarantee that team members will reciprocate (Ferrin & Dirks, 2003).

Team-Based Rewards

For an increasing number of organizations, implementing a compensation plan that rewards employees for successful teamwork provides great synergy with their organizational model. Companies that have such plans take various approaches to structuring team-based rewards, including programs such as incentive pay, recognition, profit sharing and gainsharing. (See Table 1) Human resources professionals that use these plans indicate they can be an effective way to reward team performance, but “must be carefully structured to avoid unintended consequences that could undermine individual initiative and business goals"

Type	Description/Types	Advantages/Applications	Disadvantages
Incentive pay	A team of employees receives money based on increased performance against predetermined targets	• Can combine a focus on individual and team performance • Team can be given opportunity to allocate	• Employees averse to thinking of selves as team members • Risky if base pay is reduced • Guided by upper management and corporate initiative
Recognition	One-time award for a limited number of employees or groups for performing well beyond expectations or for completing a project, program, or product	• Easy to implement • Distributed at the local (team) level • Introduced easily, quickly, and inexpensively without layers of approval • Comparatively simple	• Employees concerned they won't be recognized for own contributions • Risky if base pay is reduced • Carry less front-end motivation
Profit sharing	A share of corporate profits is distributed in cash on a current basis to all employees (driven by financial factors)	• Serves communication purpose by signaling that rewards are in balance across the organization • Informs and educates employees about financial well-being of organization	• May be too far removed from workers' control to affect performance
Gainsharing	A percentage of the value of increased productivity is given to workers under a prearranged formula (driven by operational factors [e.g., quality, productivity, customer satisfaction])	• Geared toward production-oriented workers • Add-on to compensation, so easily accepted by employees	• May be too far removed from workers' control to affect performance

STRATEGIC INDUSTRIAL RELATIONS

Strategic industrial relations is an approach for analyzing the strategic choices made by the actors – employers, workers and their organizations, and policy-makers – in industrial relations systems and the implications of those choices for industrial relations outcomes. Strategic industrial relations is based on the premise that these actors deliberately choose the strategies and institutional structures that they believe will best facilitate attainment of their objectives. Like its sister approach, strategic human resource management , strategic industrial relations builds on concepts drawn from two bodies of research: strategic management and industrial organization economics. Strategic industrial relations, however, differs from strategic management and strategic human resource management in a key respect. Whereas strategic management and strategic human resource management focus on the identification and implementation of choices that advance the employing organization's objectives, strategic industrial relations has a broader focus. Specifically, strategic industrial relations focuses on identifying and implementing choices that advance the individual or joint objectives of workers, worker organizations, and industrial relations policy-makers as well as the objectives of employing organizations.

Tripartism, Labour Law and Industrial Relations

Strengthening tripartite social dialogue Social dialogue and tripartite cooperation between public authorities and social partners are tools of sound governance of the labour market. Social dialogue is a pillar of democracy as well as a means of designing, implementing and monitoring sustainable policies in the economic, social and labour spheres.

There can be no effective social dialogue without strong, independent and capable partners. Labour administrations, workers' and employers' organizations must have the capacity to participate fully in social dialogue. Our Programme supports governments, trade unions and employers' organizations through capacity building, enabling them to participate fully in discussions on political, social and economic issues. Our Programme also delivers training activities aimed at creating or revamping national tripartite social dialogue bodies.

Negotiation skills

The promotion of collective bargaining at all levels is key to productive, fair and stable employment relations. While an enabling regulatory framework and other measures to promote collective bargaining are essential, the effectiveness of collective bargaining is often hampered by the poor negotiating skills of the parties. They may adopt a negotiation style that does not allow them to reach satisfactory outcomes. More often than not, the negotiation skills of the parties are confrontational and undermine trust which is the foundation of sound labour relations. Our courses on negotiation aim to develop participants' knowledge and understanding of consensus-building approaches to conflict management and dispute resolution. Emphasis is placed on how to move from a traditional style of adversarial negotiating to a negotiation style that allows mutual gains and stronger relationships among parties.

Strengthening labour dispute resolution systems

The promotion of sound labour relations is a critical part of effective labour market governance. It requires an effective system for the prevention and resolution of labour disputes. Ideally, conflicts arising within the workplace can be prevented from escalating into formal disputes that then require the intervention of third parties, including State institutions. Strengthening dispute prevention and resolution within workplaces is thus of fundamental importance. However, it is also necessary to consider the various arrangements outside the workplace that can assist employers and workers and their organizations to resolve their disputes through processes such as voluntary conciliation and arbitration, without resorting to the court system. Training courses in this area aim to familiarize participants with modern trends regarding labour dispute prevention and resolution and to increase their knowledge of effective labour dispute mechanisms.

Conciliation/mediation of labour disputes

Conciliation/mediation plays an important role in the way in which employers, employees and their representative organizations find mutual solutions to common problems in the workplace.

An agreement reached through conciliation/mediation usually has benefits for all parties involved. It provides an opportunity for the parties to find a mutually beneficial solution to a dispute when negotiation has failed. Furthermore, the intervention of an independent conciliator/mediator often helps parties reduce the extent of their differences. The outcome of a successful conciliation/mediation is a new equilibrium that resolves the prevailing dispute and establishes the foundations of a more co-operative relationship. Finally, it is well known that when parties have agreed the terms of the resolution to a dispute instead of having a decision imposed upon them by a third party, they are much more likely to comply with that outcome. Enforceability is therefore less of a problem. The Programme offers training activities aiming at strengthening the capacities of those involved in conciliation/mediation.

Managing inter-personal workplace conflict

In the context of globalization, with workplaces becoming more diverse, advances in technology, shifts in working methods, and changes in organizational structures, the types of conflict being encountered in the workplace are changing. Increasingly, organizations are faced with interpersonal and relationship-based conflict caused by the breakdown of trust, communication and understanding between management and employees, and/or between employees themselves. Although differences in cultural, ethnic and demographic background do not unto themselves cause conflict, the way in which organizations, their employees and employees' representatives manage and express these differences can contribute significantly to the development of interpersonal and relationship-based conflict in the workplace. The Programme offers courses to assist conflict managers in the workplace deal with interpersonal and relationship-based workplace conflict, to be more self-aware of their own predominant conflict handling style and patterns of behaviour and thought which informs their method of handling conflict; enhance and/or develop their knowledge, skills and competencies to intervene early in the conflict before it escalates into a dispute; identify and implement effective conflict management approaches and processes appropriate to the conflict.

Labor-Management Relations

Industrial or labor-management relations are focused on the relationship between the management and the workers within an organization. Labor-management relations include aspects of industrial life such as collective bargaining, trades unionism, discipline and grievance handling, industrial disputes, employee participation in management and the interpretation of labor laws. The collective bargaining process is a key part of industrial relations. It aims to reach an agreement for all employees and workers in a given company or workplace. Usually it focuses on issues such as wages, working hours, promotions, benefits and other employment terms.

Trade unionism is also important for the interaction between management and workers. It includes the system, principles and practices of trades unions. These unions? membership usually consists of workers whose common aim is to protect and promote their joint interests. An industrial dispute represents a conflict or difference of opinion between management and workers on certain employment terms. Where a trades union is recognized by the management at the company or workplace, union officials will usually conduct negotiations with the management on behalf of the workers.

The employer has the right to hire and lay off workers. An organization's management can shut down or merge some of its assets or implement technological changes. Thus it affects the interests of its employees. The employees try to enhance the terms and condition of their jobs. They seek to participate more actively in the process of decision-making that is usually in the hands of the management.

Governments attempt to influence and regulate industrial relations via laws, economic policy, rules and agreements. Labor-management relations appeared in the 19th century, as increasing industrialization in Europe and north America brought together large workforces. It evolved over the next century as a response to significant economic, political and social changes. Initially labor-management relations featured all interactions between employers and employees. These included human resource management, employee relations and union-management relations. This interpretation of the term represents its broad scope. Later, however, the meaning of the term narrowed to a restricted area of employee-employer relations. It excludes human resource management, which in the 21st century is a separate field that covers non-union employment relationships as well as the staff practices and policies of employers.

Due to many changes in the concept of management-worker interactions, the term industrial relations developed to be more associated to the unionized sector of the labor market. A lot of participants still consider labor-management relations as related to the three solutions to labor problems: personnel/human resource management; trade unionism and collective bargaining; government legislation. Labor-management relations aim to protect the interests of labor and management. It targets the highest level of mutual understanding among all sections in the industry which take part in the production process. It seeks to prevent industrial conflict and works for harmonious relations, a key factor in the productivity of the staff and to the national industrial progress.

Among labor-management relations' objectives are: increased productivity; enhanced worker efficiency; the establishment and promotion of an industrial democracy; the elimination or reduction of the number of strikes or lockouts via the provision of reasonable wages, enhanced living and working conditions and certain benefits; the improved economic conditions of workers in the existing state of industrial managements and political government. The progress and success of labor-management relations can be defined by several achievements. One of them is uninterrupted production, which means that there is continuous employment for all from manager to workers, all resources are fully utilized and there is uninterrupted flow of income.