# CHAPTER 10

## HUMAN RESOURCE MANAGEMENT

### CHAPTER OUTLINE

**The human resource management framework**
The Harvard Map
The regulatory framework
Australian regulatory framework
New Zealand regulatory framework
Main legislation in Australia and New Zealand

**Establishing the employment relationship**
Acquiring human resources
Job analysis
Recruitment
Methods of recruitment
Selection

**Maintaining the employment relationship**
Remuneration and benefits
Training and development
The Karpin Report
Training challenge
Performance management
Performance appraisal
360-degree feedback

**HRIS, internet, intranets and extranets**

**The future of work**
Flexible employing organisations
Flexible employees

**Terminating the employment relationship**

**Corporate responsibility**

### LEARNING OBJECTIVES

**After studying this chapter, you should be able to:**

• Describe the legislative and business framework within which human resource management is conducted.
• Explain the three phases of the employment relationship (acquisition, maintenance and termination) and their importance to achieving organisational objectives.
• Assess the impact of information technology on human resource management.
• Explain the linkages between socially responsible organisations and human resource policies and practices.

## *Not so crazy, after all*

In 1997, when a corner shop came up for sale in Brunswick, Melbourne, John Ilhan snapped it up for $440 000. It was loose change for the owner of the Crazy John's mobile-telephone retail chain, but a pivotal moment in Ilhan's rise from a junior sales position at Ford to Australia's richest self-made person under 40 (worth an estimated $200 million).

It was the tenant, rather than the building, that attracted Ilhan's attention. Strathfield Car Radios had occupied the Sydney Road shop for years, including a period in the late 1980s when Ilhan worked for Strathfield as a salesman. The way he tells it, Ilhan managed to turn the under-performing store into the best in Victoria for the Strathfield chain, but he was not paid a bonus of $1100 that had been owed to him for six months. He left in 1991, set up a mobile-phone shop directly across the road from Strathfield and struggled for several years to stay afloat in the face of fierce competition from his former employer.

There are three other things that Ilhan will never forget. The first is the comment by his sixth-grade teacher at Jacana Primary School in Melbourne's west, who told him he had no potential. He was told the same thing by his boss at his first employer, Ford, when he asked why he had not been promoted for three years. And, even after he was a moderately successful mobile-phone seller, he remembers going to a Telstra function where there was no name tag for him. 'They wrote one for me in Texta and I was really embarrassed—I was a laughing stock, a nobody. Those sort of things give you a drive and you have to prove a point to yourself.'

That point, he says, is to start from nothing and make something of yourself. With more than 30 stores in four states, and leases signed for another 70 stores to open by Christmas—he seems to have made his point.

Not quite, says Ilhan. His 10-year plan includes 200 stores by the end of 2005, the rapid expansion of his new office-phone systems division, and a move into the New Zealand market. 'I want to own this market, get the company to a point where it's so rock-solid and has such good values that we can start supporting the community with all sorts of charities and foundations', he says.

The 10-year plan also includes making Crazy John's the employer of choice in the telecommunications industry, although Ilhan does not use this type of human-resources jargon. Instead, he talks of setting up an in-house creche and a training college for staff, and limiting working hours to 10am-3pm so parents can ferry children to and from school. Ilhan, the father of three young daughters with his wife Patricia, says: 'Is working three hours a day less really going to destroy the business? I don't think so.'

As laudable as these proposed initiatives are, it is clear that Ilhan does not look after his staff merely to be a nice guy. In talking of other examples of staff incentives, such as the bonus pool that is shared among everyone, including receptionists and couriers, Ilhan says: 'If someone works so hard, makes a lot of money for the company, if you look after them, they're going to give you more. Loyalty is very important to me.'

Loyalty is mentioned many times by Ilhan in relation to staff, suppliers, Telstra and customers. Crazy John's has connected its customers exclusively

STRIVING FOR EXCELLENCE *continued*

to Telstra since the chain began, despite, Ilhan says, 'open cheque-book' approaches from Optus, Vodafone and Orange. 'It's not about the money, it's about long-term relationships. The customer wants to see you loyal to one carrier.'

Customer loyalty, more than any other factor, has been the key to Ilhan's success. Early on, Ilhan decided that low margins and high volume was the best business model, at a time when some retailers were making up to $400 on a handset. He claims to have been the first to offer a $1 handset (in 1993) and 'buy one, get one free', much to the fury of the rest of the industry. Again, it was not Ilhan trying to be seen as a nice guy, it was a shrewd strategy.

'My whole aim was numbers of sales and price. I thought: everyone is making huge margins in this area, I'll just drop the margin and the customers will love me, I'll get more sales and the turnover will make up for the lost margins, and repeat business will come back'. Ilhan says that in Victoria, repeat business makes up 90 per cent of his sales, and in the newer stores in other states the figure is about 50 per cent. He expects these figures to rise with the expansion of the company's new call-centre, which rings customers a month before their mobile-phone contract expires.

As well as cheap deals, Ilhan says Crazy John's customers are loyal because they get good service.

'I go shopping today and I'm appalled by the arrogance of other retailers. People have lost the idea of what retail is. The customer is the master and we're the servants. Respect to a customer is very important. I look at a company like Coles Myer, I could run it standing on my head. It's so easy—what are the customers' expectations?'

Those comments highlight another key reason for Ilhan's success: he really believes in himself, and that self-belief makes him an extraordinary salesman. When he opened his first store in 1991, across the road from Strathfield, he could not afford to stock any phones (which then cost several thousand dollars each) so he would persuade customers to buy from a brochure, then close the shop, drive to the phone supplier, pick up the phone and deliver it to the customer's home or office.

Surely it would have been easier for the customer to walk across the road to Strathfield and buy a phone on the spot? Ilhan agrees, but says that many of his first customers followed him from Strathfield and they knew he would do whatever it took to make them happy. 'I'd chase around town to find them a cheaper battery, in the days when batteries cost $150. I'd spend half an hour searching for a box to give a customer for free. They don't forget those sort of things. It's a personal thing.'

*Source:* Schmidt, L. (2003).

# THE HUMAN RESOURCE MANAGEMENT FRAMEWORK

**human resource management**

Those management functions concerned with attracting, maintaining and developing people in the employment relationship

As detailed in Chapter 1, the generally accepted four basic functions of management are planning, organising, leading and controlling. Another viewpoint identifies a fifth management function, that of staffing. In these terms, **human resource management** is concerned with the staffing function, that is those functions concerned with attracting, maintaining and developing people in the employment relationship. The diagram opposite introduces a basic human resource management (HRM) framework (Fig. 10.1).
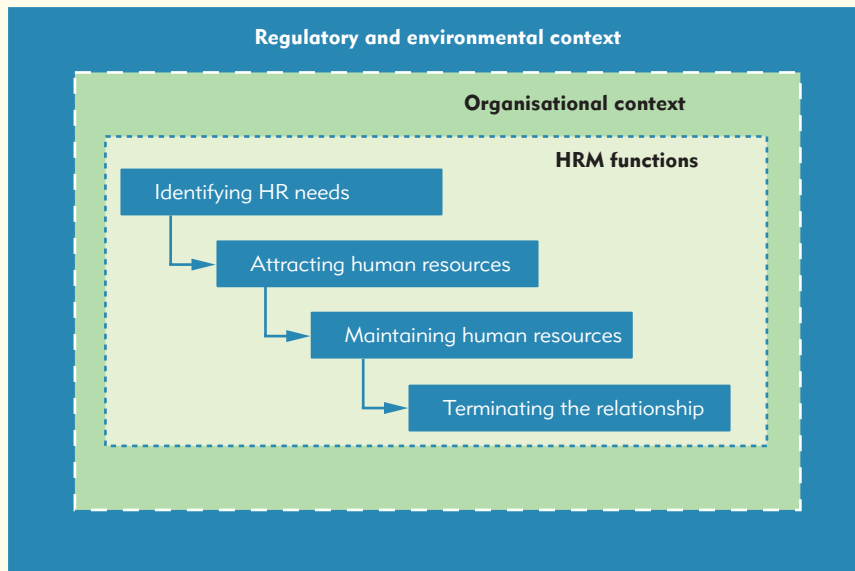
This HRM framework places the core functions of HRM within two inter-related contexts.

Within the 'business context', an organisation's plans and objectives influence how it deals with its staff. Small entrepreneurial organisations are more likely to recruit on a needs basis and have informal HRM policies and procedures. Large complex organisations with greater job specialisation are more likely to have formal systems to give structure and accountability for their staff functions. The human resource management functions of acquiring, maintaining and developing human resources will be different for these two types of organisation.

Within the 'regulatory and environment context', organisations are influenced by different forms of legislation, while responding to different environmental influences.

**FIGURE 10.1** Human resource management framework

**Regulatory and environmental context**

**Organisational context**

**HRM functions**

Identifying HR needs

Attracting human resources

Maintaining human resources

Terminating the relationship

CASE IN POINT

## *Cool in a crisis*

Crisis management has become ever more important in the corporate world for the past two decades. Yet there is still the misconception that workplace catastrophes are most likely to be sudden, one-off accidents that occur only in industries such as transport, construction or aviation.

Ian Smith, the chief executive of the issues management firm Gavin Anderson, says: 'It's easy to understand that you have to deal with crises if your assets can fall out of the sky.' But all businesses are at risk, Smith says, and the recent case of Pan Pharmaceuticals highlights what can happen to companies that suffer from the 'it can never happen to us' syndrome.

The Institute for Crisis Management (ICM) in the United States defines a business crisis as 'any problem or disruption that triggers negative stakeholder reactions and results in potentially damaging public scrutiny'. The ICM's analysis shows that up to three-quarters of all business crises are not one-off, unexpected events but the result of smouldering problems that senior management has ignored, such as fraud, harassment, discrimination

or other forms of mismanagement. No business is immune to such controversies. Peter Bartlett, the national chairman of the law firm Minter Ellison, says: 'Any professional services firm these days has to recognise that it can happen and, over a 10-year period, is likely to happen.'

One reason why companies are having to prepare for crises is cost pressures. Workplace injuries are estimated to cost about $20 billion a year. There is also a multiplier effect—five to ten times the initial cost of injury and recovery—when it comes to replacing staff, legal expenses, lower morale, penalties and bad publicity. Even when there is no injury, a $50 000 fine for breaches of occupational health and safety laws can hurt a company's profits and reputation.

The cost of latent problems is harder to estimate. A product recall or a whistleblower's revelations of unethical behaviour will have immediate financial costs, but these can be dwarfed by the long-term damage to a company's reputation and brand. Although these are undoubtedly assets, their intangible nature makes them hard to value.

Smith says: 'You can't put a value on managing a crisis other than to say that if it's managed badly, it can cost companies millions.'

Handling a crisis well can do more than just minimise costs. 'If it's managed well, you're maintaining, and in some cases even enhancing, the value of your brand, and people will see you as having integrity, being safe, having the right ethics, and so on', Smith says.

Reputation costs can overshadow an equally important issue: how employees feel about the way a crisis is managed. Esso's response to the Longford gas explosion in Victoria in 1998, which killed two workers and injured eight others, was to avoid taking responsibility, despite evidence that management had been cutting safety costs. Smith contrasts this with Qantas's recent handling of the stabbing incident en route to Launceston. 'Not handled correctly, it could have seen all sorts of issues created for Qantas.' Instead, pride was shown in the employees and the way they dealt with the crisis, from the quick actions of cabin crew to the supportive response of senior management and the chief executive, Geoff Dixon.

Bartlett says that over the past five years, Minter Ellison has developed sophisticated monitoring of high-risk areas. This includes audit and professional standards committees to analyse conduct and matters of conflict. It also keeps a close eye on information technology security and human resources to prepare for any potential discrimination or harassment claims.

The company's most recent experience of crisis management was in 2001 after the terrorist attacks of September 11. Minter Ellison was the only Australian law firm with an office in New York. Bartlett says the firm's order of priorities was to check that the staff were safe and offices undamaged, then communicate this to next of kin, the firm's partners, staff and clients in Australia. It then made arrangement for staff who wanted to leave New York.

Staff in Australia were also affected by the crisis, Bartlett says. Those working in high-rise offices became nervous about the security and evacuation drills that are business-as-usual for most city workers. 'After September 11, you would hear an aeroplane and all staff would turn towards the window.'

He says the company responded with a policy of regular communication to establish trust. If a threat was made, the company revealed all the information it could get from landlords, who were in touch with the police. 'You have to go almost overboard. Although the September 11 event was so far away, there really was a lot of nervousness. We had one day when there was a threat, and the landlords and the police were dismissing it, but we told all staff they could take the day off.'
*Source:* McColl, G. (2003).

*Activities for discussion, analysis and further research*

1. Undertake some research into recent crises that have occurred in your regional area. Find out what plans employers had in place to deal with these.
2. Interview an employee of your acquaintance and discuss the employee's feelings of confidence in the company's ability to handle potential crisis situations which may affect them.
3. Identify the various human resources management issues alluded to in the above case study. Can you think of any more issues which might face an organisation in a crisis situation?

## Theories of HRM

With HRM's emergence as a specialist field in the early 1980s, theorists looked at the interplay between these different organisational contexts. Beer and Spector (1985) proposed a set of assumptions underlying HRM policies. These included:

- a shift from reactive activities to proactive, system-wide services emphasising the fit between HRM and strategic planning and cultural change;
- the concept of people as human capital, capable of development instead of being viewed as a straight organisation cost;
- the ability to develop common interest between stakeholders instead of assuming inevitable conflict between stakeholders.

## Management's critical task

Fombrun, Tichy and Devanna (1988) suggested management's critical task was to align formal structure with HR systems of selection, appraisal, reward and development to drive the organisation's strategic objectives. In this way, single product, functional organisations could have functional selection processes using subjective criteria and appraisal systems, together with unsystematic reward systems. In contrast, multi-product, multinational organisations could use both functional and generalistic selection criteria, with systematic criteria, impersonal and objective appraisal measures and reward systems based on multiple planned goals.

## The Harvard Map

At the Harvard Business School, Beer, Spector, Lawrence, Quinn-Mills and Walton (1984) developed an analytic map of HRM (often referred to as 'The Harvard Map') to describe the relationship between organisational performance and human resource policies. The Harvard Map not only considered the effectiveness of the organisation but also broadly considered the consequences of HRM policy choices for society.

The Harvard Map shows human resource policy can be influenced by two major factors—'stakeholder interests' and 'situational factors'.

Stakeholder interests include shareholders, management, employee groups, government, community and unions. These groups are seen as potentially influencing choices about human resource policy within an organisation. Ideally these interests will be weighed and considered in total, but in reality organisations can respond to pressure or strong interest groups and ignore other stakeholders. The Harvard Map outlines the consequences of an organisation failing to consider all stakeholder interests.

Situational factors, both internal and external to the organisation, can influence choices about human resource policy and stakeholder interests. These factors include workforce characteristics, business strategy, business conditions, management philosophy, the labour market, unions, technology, laws and societal values.

In this way an organisation will make HR policy decisions about the following:

- the extent of *employee influence* (e.g. participative vs. autocratic decision making)
- the *flow* of human resources (retention, turnover, etc.)
- the *reward system*
- the *work systems*

These HR policy choices will bring about the following outcomes:

- the degree of employee *commitment* to work and the organisation
- the overall *competence* of employees
- the extent to which HR policy choices are *cost effective*
- the degree to which there is *congruence* between the goals of the employees and those of the organisation

Based on these outcomes, the Harvard Map then considers the long-term consequences for individual well-being, organisational effectiveness and societal well-being. These consequences in turn have the ability to influence stakeholder interests, situational factors and HR policy choices. The Harvard Map's benefits are that it provides an analytic framework to consider multiple interacting factors. It reminds those using the model that changes in one part of the framework have the potential to change other parts. Its broad approach in considering more than just financial viability of HR policy choices can be seen in retrospect to be consistent with more recent considerations of the 'balanced scorecard' (Kaplan 2002) approaches to HRM, as well as concerns for organisational social responsibility.

## MANAGERIAL DILEMMAS

### *Life wasn't meant to be easy*

What is the downside of being a chief executive?

**Michael Chaney, Wesfarmers:** 'I'm having trouble (answering the question) because I enjoy it so much. (But) receiving some of the accolades, you feel a bit embarrassed; it ignores the efforts of the whole group.'

**Wal King, Leighton Holdings:** 'I think the downside is that you give up a certain amount of your own private life. You can't absolutely say I have my business life and my private life; they become intermingled.'

**John McFarlane, ANZ Banking Group:** 'It's such fun being a chief executive. The worst that can happen is you fail and you feel terrible. Then the question is, how do you approach that? The first thing you do is you don't fail. Recognise failure is a possibility but not an option.'

**David Murray, Commonwealth Bank:** 'When people unfairly question our reputation, people allege we are untrustworthy. We know we make mistakes but when those mistakes are blown out of all proportion ... it ruins everything that gets built.'

**Graham Turner, Flight Centre:** 'I don't think there's a serious downside as long as you're prepared to take the responsibility. As a chief executive, life wasn't meant to be easy, but it's great to exercise a degree of control over your own future.'
*Source:* Washington. S. (2002).

### *Reflection point:*

1. Consider the comments from the above CEOs. Can you detect a common theme?
2. What do you think might be some other downsides of being a chief executive officer?
3. Would you want to be a CEO? Why or why not?
4. Do some research on other CEOs around the region and see if you can find articles written about them or transcripts of interviews with them. What feelings do they express about their positions? Are they consistent with the above? How do they differ?

## The regulatory framework

Perhaps one of the most important situational factors impacting on human resource policies and choices is that of the regulatory framework within which decisions are made and actions carried out. The regulatory framework is responsible for establishing the industrial relations environment within which the contract of employment is established.

Both Australia and New Zealand have experienced significant change in industrial relations laws and practices. In both countries these systems were deregulated, more recently New Zealand has seen a trend to re-regulate under the Labour National Alliance. Likewise both countries have emerged from periods of declining economic growth incorporating significant organisational change.

## Australian regulatory framework

Australian industrial relations is highly influenced by its historical development and its links to the Australian Constitution. Within the Constitution, Section 51(xxxv) allows the federal government to:

> make laws with respect to conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one state (Deery, Plowman, Walsh & Brown 2001, p. 129).

Access to conciliation and arbitration was limited to formally registered bodies, that is, employers (and/or their employer associations) and **unions**. Unions are membership groups formed to represent and advance employees' interests. In wage fixing, they negotiate binding collective agreements with management that spell out pay and work conditions for employees covered by industrial awards.

From the beginning, we can see that Australia developed a centralised, formal and highly regulated system of wage fixation requiring involvement of unions and employer bodies in establishing conditions of work and in resolving disputes about conditions of work.

Prior to the Australian Labor Party (ALP) and the Australian Council of Trade Unions (ACTU) Accords (known as the ALP–ACTU Accords), which began with the election of the Australian Labor Party Government in 1983, the area of industrial relations was often thought to be distanced from human resource management. These Accords had the effect of requiring many organisations to review job structures, pay scales, implement skills-based training and improved career structures as part of the conditions for receiving pay increases (Dabscheck 1989).

The election of a conservative government in 1996 after 13 years of Labor government saw the introduction of the *Workplace Relations Act 1996.* Continuing on with the reforms of the Labor Party, this Act moved quickly to take responsibility for workplace relations (previously termed 'industrial relations') down to the workplace and attempt to replace collectively negotiated agreements with individual contracts named 'Australian Workplace Agreements' or AWAs. It also reduced the power of the Australian Industrial Relations Commission (AIRC) to intervene or to use conciliation and arbitration to settle disputes, unless both parties in dispute are in agreement. However, problems with AWAs become evident when there is unequal negotiating power between parties. Although the legislation assumes equal power to negotiate outcomes, the current system increases the ability of employers to change employees' work conditions and pay.

## New Zealand regulatory framework

The New Zealand system had developed a system of conciliation and arbitration similar to Australia. However for some years New Zealand has been going its own way and developing its own style of industrial relations, first through the abolition of compulsory arbitration in 1984 by a Labor Government, followed by the introduction of the *Employment Contracts Act 1991* (the ECA) which decentralised the wage-fixing system and, most recently, with the introduction of the *Employment Relations Act 2000* (the ERA) which has been described by Boxall (Boxall 2001, p. 28) as 'a fundamentally sound rebalancing of rights' that had previously been eroded.

The ECA radically overhauled industrial award agreements, reduced the rights and powers of unions in negotiating collective agreements, and allowed for individual contracts to be negotiated but did not require them to be in a written form. The extent of reform was possible due to the lack of any parliamentary 'house of review' such as exists with the Australian Senate. The legislation significantly shifted the power in industrial relations matters toward employers, away from unions, and reduced the ability of third parties to intervene, as has happened more recently in Australia.

Where the ECA was based on the philosophy that market power should determine all wage and condition outcomes, Labor's ERA:

- promotes collective bargaining
- recognises unions
- ensures union membership is voluntary
- is consistent with International Labor Organisation (ILO) conventions

The ERA recognises that, in the employment contract, parties do not have equal power. This inequality of bargaining power has led to the promotion of collective bargaining as a means of equalising the power dynamics. This is in direct contrast to the Australian government's emphasis on establishing individual work contracts.

**unions**

Membership groups formed to represent employees and to negotiate collective agreements with management that determine the terms and conditions of employment

'The [NZ] government is mindful of the United Nations Declaration of Human Rights, the International Labour Organisation and New Zealand's *Bill of Rights Act 1990* and the freedom to associate. These allow an employee to join a trade union as well as the freedom not to.' (Anonymous 2002). Summaries of the main features of the ECA can be found on the website of the New Zealand Human Resources Institute (Anonymous 2002).

Boxall (2001) notes that in addition to the changes under the ERA, the following conditions which remain unchanged are still significant:

- Union membership remains voluntary and has not changed.
- Bargaining structure remains largely structured around enterprises and workplaces.
- The personal grievance mechanisms remain the same as under the ECA.
- Collective employment agreements must still be ratified by members.
- There is no return to secondary or second-tier bargaining, which was abolished under the *Labour Relations Act 1987*.
- There is no return to collective bargaining.

Boxall (2001) then lists the changes that are important:
- Union access rights to enter and recruit new members are being improved.
- Union membership confers the right of a member to be covered by a relevant collective agreement.
- Unions regain the sole right to represent their members in collective bargaining, though employers can still negotiate a 'standard individual agreement' with non-union members.
- Collective bargaining must be conducted in 'good faith'.
- Strike laws are much the same but strengthened, applying to both employers and unions.
- Independent contractor status should reflect the real nature of the relationship, not just the wording. Fixed-term contracts are available where genuine reasons exist and if employees are properly advised.
- Individual recruitment and bargaining now have stronger procedural requirements
  Mediation is the compulsory initial process in personal grievances. Grievances may be referred to the Employment Relations Authority.
- Reinstatement returns as the primary remedy for unjustified dismissal cases.

## Main legislation in Australia and New Zealand

Other Acts and regulations in both Australia and New Zealand deal with discrimination, equal employment opportunity, human rights, occupational health and safety, environmental management and privacy. All influence the employment contract. Below is a list of some of the main legislation that impacts on the workplace and hence should be considered when establishing HR policies and procedures.

**Australian legislation**
*Employment Services Act 1994*
*Equal Employment Opportunity (Commonwealth Authorities) Act 1987*
*Equal Opportunity for Women in the Workplace Act 1999*
*International Labour Organisation Act 1973*
*International Labour Organisation (Compliance with Conventions) Act 1992*
*Judicial and Statutory Officers (Remuneration and Allowances) Act 1984*
*Long Service Leave (Commonwealth Employees) Act 1976*
*Maternity Leave (Commonwealth Employees) Act 1973*
*Occupational Health and Safety (Commonwealth Employment) Act 1991*
*Privacy Act 1988*
*Remuneration and Allowances Act 1990*
*Remuneration and Allowances Alteration Act 1986*
*Remuneration Tribunal Act 1973*
*Safety, Rehabilitation and Compensation Act 1988*

*States Grants (Coal Mining Industry Long Service Leave) Act 1949*
*Tradesmen's Rights Regulation Act 1946*

Employment and Workplace Relations Acts and Bills amending Portfolio Acts:
*Employment, Workplace Relations and Small Business Legislation Amendment (Application of Criminal Code) Act 2001*
*Occupational Health and Safety (Commonwealth Employment) Amendment Bill 2000*
Occupational Health and Safety (Commonwealth Employment) Amendment (Employees Involvement and Compliance) Bill 2002
*Safety, Rehabilitation and Compensation and Other Legislation Amendment Act 2001*

**New Zealand legislation**
*Accident Insurance Act 1998*
*Accident Insurance (Transitional Provisions) Act 2000*
*Employment Relations Act 2000*
*Equal Pay Act 1972*
*Health and Safety in Employment Act 1992*
*Holidays Act 1981*
*Human Rights Act 1993*
*Minimum Wages Act 1983*
*Parental Leave and Employment Protection Act 1987*
*Parental Leave and Employment Protection (Paid Parental Leave) Act 2002*
*Protected Disclosures Act 2000*
*Privacy Act 1993*
*Smoke-free Environments Act 1990*
*Treaty of Waitangi Act 1975*
*Volunteers Employment Protection Act 1973*
*Wages Protection Act 1983*

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MANAGING THE E-CHALLENGE

## *Creating a culture that's good for business*

In mid-2001 Natalie Carrington started at Wilcom as their 'human resource consultant' reporting directly to the chief executive officer. Wilcom is part of the CEO's group of companies, whose primary business is the provision and support of equipment for embroidery of textiles (e.g. carpets, fabric and clothing).

The CEO of the group (and of Wilcom) is visionary, highly motivated, enterprising and innovative; proud of the achievements of the group and of the staff, of their openness, their enthusiastic dedication and commitment to excellence. He is insistent that the group maintains—and if possible enhances—what he believes to be its current leadership position in their industry. He attributes the performance and cohesiveness of the staff to policies such as:

- flexible work policies
- treating staff with dignity and respect and trusting them to do the right thing
- encouraging openness within the workplace and keeping staff informed, and
- when recruiting, including on the selection panel representatives of the staff with whom new employees will be working, and allowing them a significant input

Wilcom in particular develops, provides and supports software for embroidery machines (both its own and those of major name-brand suppliers). More than half of Wilcom's employees are software engineers, designers and programmers. They are regarded by their peers in the software industry as demonstrating 'world's best practice' in the development of software. The CEO wants to develop

resources etc.) that would enable new employees to be inducted into the Wilcom culture effectively and efficiently. He believes there is potential for this to be refined into a system for developing project management capability that could be marketed on-line to other organisations and to individuals.

One of Natalie's primary responsibilities, in addition to facilitating the establishment of this project management culture within the CEO's group of companies, is to oversee the  commercial development and exploitation of the system.

*Source:* Contributed by Peter Lewis.

### *Activities for discussion, analysis and further research*

1. What theoretical models do the policies practised at Wilcom exemplify?
2. What do you think are the major challenges confronting Natalie?
3. In essence, what is Natalie's role?
4. What do you think Natalie can do to facilitate a change in culture from its present orientation to 'a project management culture'?
5. What skills and capabilities would Natalie require to achieve the desired cultural outcome?

a 'project management culture' within the group. He sees computers, IT and knowledge management as integral to this development. They have for some time now been using project management software on their intranet as they work towards this objective.

The CEO also aims to capture the key elements of this culture and develop a methodology, training packages and resources (CD-ROMs, on-line intranet

# ESTABLISHING THE EMPLOYMENT RELATIONSHIP

Having established the respective legal and regulatory frameworks for Australia and New Zealand, the next section deals with the three main phases of the employment relationship: acquiring human resources; maintaining human resources; and terminating the relationship.

## Acquiring human resources

**human resource planning**

Determining future human resource needs in relation to an organisation's business objectives or strategic plan, then devising ways to meet the objectives

All organisations undertake planning for different purposes. **Human resource planning** involves determining future human resource needs in relation to an organisation's business objectives or strategic plan, then devising ways to meet these objectives (Walker 1980; Lengnick-Hall & Lengnick-Hall 1988). This section deals with the first staffing phase—the processes of attracting the 'right' number of people with the 'right' skills at the 'right' time and place. It shows the importance of defining jobs correctly through job analysis, then outlines recruitment and selection methods.

## Job analysis

Two friends make surfboards on weekends and demand for their boards is high. They might make a business of their weekend pastime. To turn it into a business they will continue to make surfboards, but more of them. They will face many issues such as marketing, cost control, sales

and bookkeeping. As small business operators, they may need to do everything themselves, with little thought as to whether they have the skills or knowledge for these tasks. However, if the business grows and profits allow them to hire someone, they will have to decide who to hire and what the new person is going to do. It is one thing to wait until a surfboard sells to make money. It is different to have to pay someone whether or not any surfboards are sold. Even worse is employing a person who cannot work quickly or accurately enough to meet customer demand.

The staffing issues facing these two friends are similar to those faced by larger organisations. Before an organisation can recruit and select 'the right people' to achieve organisational goals, it has to determine tasks to be grouped together into jobs to achieve business objectives. It will also need to determine the employee specifications required if the job is to be done properly. **Job analysis** is the systematic process of collecting information on a job's task functions and identifying employee specifications for job success (Fig. 10.2). Two outcomes of job analysis are the development of job descriptions (what a job entails) and job specifications (skills, abilities, education and previous work experience required to perform the job).

Job analysis is an important foundation for other human resource management processes. It can improve all of the following:

- **Recruitment and selection**—Job descriptions allow an organisation to accurately describe the job to potential applicants, and job specifications give important decision criteria in candidate selection for the job.
- **Performance appraisal**—Clearly defined tasks and specifications establish performance baselines against which an individual's performance may be measured.
- **Remuneration**—Accurate job descriptions and specifications allow organisations to value the job relative to the market and to other employees in the organisation.
- **Training and development**—Job analysis outcomes allow planning of initial and consequent training requirements and for later development opportunities.
- **Job design and redesign**—The systematic processes in job analysis can ensure jobs meet regulatory requirements (occupational health and safety standards) and can be used to redesign jobs as organisations change.

**job analysis**

The systematic collecting and recording of information about the purpose of a job, its major duties, the conditions under which it is performed, the required contacts with others and the knowledge, skills and abilities needed to perform it effectively

## Recruitment

**Recruitment** is the finding and attracting of job candidates able to effectively fill job vacancies (Werther & Davis 1989; Schuler & Huber 1990). Recruitment has three objectives within the human resource management function:

- to increase the pool of job applicants at minimal cost
- to ensure the organisation complies with legislative requirements such as equal opportunity or non-discriminatory processes
- to improve the overall selection process by only attracting appropriately qualified and skilled applicants.

**recruitment**

The process of finding and attracting job candidates capable of effectively filling job vacancies

**FIGURE 10.2**  Job analysis process

| **Identification of job functions:**<br>• tasks<br>• work behaviours<br>• functions<br>• equipment<br>• work conditions | + | **Identification of person specifications**<br>• knowledge<br>• skills<br>• abilities<br>• competencies | = | **Position description and specifications** |

GENDER FACTOR

# *Only one woman in BHP's top 117 managers*

On 20 May 1997, Sheryle Bagwell, a journalist with the *Australian Financial Review*, wrote an article with the above heading. Bagwell cited a study commissioned by BHP and carried out by the National Centre for Women at Melbourne's Swinburne University of Technology, which found that management in that organisation was very much a male establishment. Of the 117 top positions in the company at the time of the research, only one was filled by a woman.

In the report, which concluded that 'management ranks remain largely closed to women in BHP', several reasons were proposed for the inequity in the number of males and females holding top positions. First, 'unstated promotion criteria' appeared to favour male Anglo-Australians. Second, management preferred to recruit applicants from English-speaking backgrounds and third, women had left BHP because they found the company to be too inflexible (not because of family reasons, often considered to be a reason that women do not succeed in greater numbers in senior management).

At the time of the research (1995), women represented 9.5 per cent of the full-time workforce at BHP, a slight reduction from the previous year. Yet when all BHP groups were analysed, only 3.9 per cent of positions at other management levels were occupied by women. This figure was reported to be lower than other international companies engaged in similar operations, such as Esso Australia (7.3 per cent), Linfox (10 per cent), Mayne Nickless (15.2 per cent) and IBM Australia (17.6 per cent).

Bagwell reported that BHP had concurred with the findings of the study. The company had expressed concerns about 'its failure to promote women into its senior ranks', and also about their organisational culture, which was perceived to favour Anglo-Australian male employees. The report's conclusions were seen to be a 'scathing indictment of BHP's recruitment and promotion practices'. The organisation was criticised as operating in a 'time warp' with 'employment and

promotional culture locked in the 1960s'. It is interesting to note that despite these findings, the study concluded that the cultural environment at BHP was 'not hostile', because 'most people appeared to be open to change'. The situation reported above is not a unique or outdated case. In 1993, approximately 3 per cent of senior managers in Australia were women, and in 1999 this figure was believed to be between 3 and 5 per cent. Similar figures are also reported in England and America.

In 2001, www.miningaustralia.com.au/articles reported that women made up 7 per cent of the workforce of BHP-Billiton, and average salaries for women were below that of males. Representation of females in senior management positions was lower than for males, and the average turnover of female employees was higher than that of males.

In May 2002 BHP-Billiton were contacted in order to determine the number of women currently in senior management roles. They responded that this information was not available.

*Source:* Contributed by Glenice Wood; adapted from Bagwell, S. (1997).

## *Activities for discussion, analysis and further research*

1. If you were a member of the human resources department at BHP and a meeting had been called to discuss the findings of this report, what suggestions would you make in terms of:
   • improving the recruitment and selection policy, and procedures for inducting appropriately qualified women into a management pipeline
   • enhancing training, performance appraisals and promotion opportunities for suitably qualified women in management
2. What perceptual biases appear to be operating in the selection process if only one of the 117 available executive positions is held by a woman? Discuss this in terms of 'perceptual shortcuts' commonly made in management practice.

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3.  What does the above article indicate about the effectiveness of the *Affirmative Action (Equal Employment Opportunity for Women) Act 1986* (Cwlth)? Review the Act and isolate the step or stage that needs to be the focus of attention (Schuler et al. 1992; Stone 2002) in order to address the disproportionate numbers of male managers at executive levels in BHP.

4.  Further information on current practices at BHP may be obtained on the following website: www.bhpbilliton.com/bb/home/home.jsp.

In situations where an existing job becomes vacant, there are some key questions to be asked before committing to the recruitment process:

**Does the business need still exist?** Work requirements may have changed so that the position is no longer relevant or required. (This should not be confused with downsizing, where an organisation reduces their workforce while expecting the same or more performance outcomes.)

**If there is still a business need, is the job description of the vacant position appropriate?** A job vacancy gives an opportunity to undertake a quick job analysis, especially where the nature of work has recently changed.

**Can the business need be met by redesigning existing jobs?** An opportunity exists to consider reallocating tasks between existing jobs or redesigning them to achieve better efficiencies. Managers must be conscious of any industrial relations implications of undertaking major workplace reforms.

If, after these questions have been answered, the position still needs to be filled, then the recruitment process can proceed.

Recruitment can be either internal or external. Each has advantages and disadvantages. For example, banks traditionally recruited new employees at entry level, then promoted internally in conjunction with internal training. While this ensured these employees developed loyalty and strong knowledge of organisational culture, they were less likely to be innovative. In a traditional, stable business environment, this was not a problem, but as the financial market was deregulated and the nature of banking changed, it became important for banks to reassess their recruitment strategies. New forms of retail banking require different skills to traditional banking forms, and thus a change in recruitment strategy.

TABLE 10.1  ADVANTAGES AND DISADVANTAGES OF INTERNAL VS EXTERNAL RECRUITMENT

| Advantages | Disadvantages |
| --- | --- |
| **Internal recruitment** | |
| Improves morale | Closed group; inbreeding |
| Better assessment opportunity | 'Nepotism' |
| Motivates staff | Infighting for promotion |
| Maintains organisational knowledge | Induction and training costs |
| **External recruitment** | |
| Fresh blood | Harder to assess |
| New knowledge and experience | Lowers morale of internal applicants |
| Gain competitor insights | Adjusting to different work cultures |

# Methods of recruitment

A number of recruitment methods are available to organisations. These include the following:

- **Internal promotions**—low cost, improves morale but no guarantee of finding right person
- **Advertisements**—able to target local, state or national markets, also able to promote positive image of company; cost increase with increased content and style
- **Employee referrals**—can be low cost, generates loyalty but may be limited talent pool
- **Employment agencies**—useful for low-skilled or temporary fills, but at a cost
- **Executive recruitment ('head-hunters')**—high fee-based search service which 'hunts out' senior management replacements; this method assumes the best person may not be looking to leave their existing job
- **Campus interviews**—large pool of talent in one location, but it is important that academic qualifications are not the only criteria
- **Contractors**—less permanent, reduces on-costs, useful for project work but not good for loyalty

The most recent method of recruitment has been through the internet. Job and career sites give excellent opportunities for people not only to access job opportunities at any time and from any internet site, but also provide the benefit of applicants being able to apply and download their CV directly onto the organisation's database.

Advertising rates on the internet are significantly less than for traditional display advertisements. When coupled with improvements in CV scanning software, organisations can achieve significant efficiencies. However, concerns about this medium of recruitment relate to issues of privacy and of appropriateness. While accessible, they do not guarantee that sufficient numbers of appropriately skilled applicants will be searching the internet for a job.

# Selection

The recruitment process provides an organisation with a number of applicants to be considered for a vacant position. The **selection process** is the decision-making system applied to these applicants. As the importance of the vacant position increases, so do the consequences of an incorrect decision as to who should fill the position. The selection process tries to refine the decision-making process to optimise the fit between person and position. It is an attempt to predict who will be most successful in the position and, as with all predictions, it is always possible to get it wrong.

**selection process**

The decision-making system used to identify which job applicants are best suited to the vacant position

## Reliability and validity

**Reliability** in selection refers to how much the decision process will consistently measure the same thing. Drawing short straws to make a decision is unlikely to give the same result consistently, but a standardised set of questions related to job requirements is likely to give consistent results if repeated.

**Validity** in selection refers to whether the decision process actually measures what it sets out to measure. If the decision process for a vacant position is based on the school the applicant attended, then the organisation should be able to demonstrate the relationship between a particular school and job ability. The same applies to using psychological tests—there must be validated studies demonstrating a particular test is an accurate predictor of what it says it is predicting.

**reliability**

The degree to which the decision process will measure the same thing consistently

**validity**

Whether the decision process actually measures what it sets out to measure

## Selection methods

There are several selection methods organisations use, individually or in combination, but there are some standard components which seem to be used universally.

*Application forms* request job candidate details from applicants and may be as simple as personal contact details (name, address, contact numbers) through to extensive biographical details of qualifications, experience and achievements.

*Weighted application forms* aim to provide a systematic, objective analysis of different factors, and when weighted appropriately to reflect job-relatedness, can be a valid predictor for those jobs. The difficulty with weighted application forms is they need to be validated for each position, which is costly and time consuming.

*Written tests* include tests of intelligence, ability, aptitude and interest. Their use has seen a recent resurgence as they become more refined and demonstrate their ability to successfully predict suitable applicants for specific jobs. Some organisations justify their use due to the costs of making incorrect selection choices, but the issue remains one of validity and reliability.

The *selection interview*, in combination with application forms, is a well-established method used for almost any job. Its attractiveness as a selection method is balanced against debate as to its value as a predictor (see, for instance, Arveny & Campion 1982). Its attractiveness in selection may have more to do with people's desire to actually meet the person they choose than whether the interview was a valid or reliable predictor of job performance. However, the interview's validity and reliability can be improved. Clark (1992) reports several measures to improve interviews, including these:

- training of interviewers
- combining interviews with other selection devices
- clearly identifying what is being sought in a candidate
- improving validity by looking for specific items whose relevance have been established
- using interviews to identify disqualifying data rather than qualifying data
- using panel interviews to improve validity over sequential interviews
- using interviews to assess interpersonal motivations and career aspirations, which may be difficult to identify by other means

*Assessment centres* provide an opportunity to evaluate applicant performance in simulated tests of the tasks related to the position. Trained assessors evaluate candidates as they operate in simulated situations they are likely to face in the position. Activities may be a combination of problem-solving exercises, leadership and team exercises, interviews and business-decision simulations. The ability to predict job performance in management positions well can be attributed to the identification of relevant job tasks, the combination of selection devices used and the training assessors receive. Assessment centres can therefore usually justify the high cost of establishing and conducting them.

## MANAGEMENT SKILLS FOR A GLOBALISED ECONOMY

# *How to conduct an effective interview*

You have a job vacancy in your unit and must interview several job candidates. What should you do? There are several steps to take before, during and after the interview to increase the likelihood of getting useful information to make your decision.

**Before the interview**
Much of the secret of conducting an effective interview is in the preparation. The following guidelines will help.

*Determine job requirements*. Using the job description and specification, draw up a list of characteristics the person must possess to perform the job. For example, suppose you are a bank manager and have an opening for a teller. Important characteristics would include oral communication skills, willingness to check for errors, ability to get along with others, and a service orientation to handling customers. Once these are identified, you can develop an interview guide.

*Prepare a written interview guide*. A written guide of what you wish to cover during the interview ensures all major points are addressed with each interviewee. You must plan questions assessing the
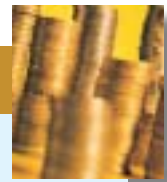
degree to which candidates possess characteristics you identified as needed for the job.

Since past performance is a good predictor of future performance, a useful method is to frame questions in terms of examples of what a person has done, instead of focusing on generalities or speculations about what they will do in the future. For example, a poor question aimed at assessing how well an individual interacts with customers might be: 'How well do you handle problem customers?' Clearly candidates are unlikely to answer they have difficulty handling problem customers, even if it is true.

An *improved* approach asks questions as to how the individual has dealt with customers previously. For example, you might ask, 'Please describe a time when a customer paid you an especially nice compliment because of something you did. What were the circumstances?' You might follow up by asking, 'Tell me about a time when you had to handle a particularly irritating customer. How did you handle the situation?' Answers to these types of questions give insights into how a candidate is likely to treat customers and handle difficult situations. (If the individual has no job experience, questions can be adjusted; for example, '. . . a time when you had to handle a particularly irritating person'.)

Next, prepare a step-by-step plan of how to present the position to the candidate. Develop a similar plan for points to be made about the work unit and organisation. These plans help you present information in an organised way and ensure you cover all important points.

*Review the candidate's application and/or résumé.* This familiarises you with the candidate's specific experiences and accomplishments relevant to job requirements. Read these background materials before the interview; otherwise you will be unprepared for the interview. It is easy to miss gaps, discrepancies and relevant experience when background materials are reviewed quickly in front of the candidate.

**During the interview**
Your carefully prepared questions help maintain control during the interview. Here are additional guidelines.

*Establish rapport.* Small talk at the start of an interview can help put the candidate at ease. Comment on a résumé item, such as a hobby you have in common or a place you have both lived. Be careful, though, not to let the interview get too far off track with extended discussion of, say, your football team.

*Avoid conveying the response sought.* Suppose you try to determine a candidate's ability to work with other tellers, all working in a relatively small area. You ask, 'Will you be able to work well with other tellers, especially given our space constraints?' A bright interviewee realises quickly, from your question, the answer you are seeking and replies, 'Of course, no problem'. A better approach would be: 'We all sometimes have unpleasant experiences with co-workers. Tell me about the most difficult time you ever had working with someone else'.

*Listen and take notes.* Be sure to do a great deal of listening. Experts recommend the interviewer talk for 20 to 30 per cent of the time and allow the interviewee to talk for 70 to 80 per cent. You need to learn as much as you can about the candidate in the available time. So take notes to help remember important points.

*Ask only job-relevant questions.* Interviewers can stray into asking potentially discriminatory questions. One example is asking a female applicant the type of work her spouse does. Such a question is discriminatory since it is rarely asked of a male candidate and is irrelevant to job requirements or the person's qualifications. The best policy is to ask only questions clearly and directly related to job requirements.

**After the interview**
Write a short report right after the interview, scoring the candidate on the characteristics you identified as important to effective job functioning. Briefly indicate your rationale, using examples or summaries of responses. By documenting your ratings right after the interview, you will have good data to help your selection decision.

*Source:* Based on Janz, Hellervik & Gilmore (1986); Jenks & Zevnik (1989); Gatewood & Feild (1990).

In addition to risking the cost of an incorrect choice, organisations must operate within a regulatory context which imposes penalties for not conducting the selection process equitably. Large organisations have to make many selection decisions on a regular basis, and it is in their interest to ensure managers making selection decisions are at least trained and aware of the relative strengths and weaknesses of available selection devices.

# MAINTAINING THE EMPLOYMENT RELATIONSHIP

## Remuneration and benefits

This section deals with employee pay and benefits. In Australia the pay component of an organisation is referred to as 'remuneration', whereas in the US it is known as 'compensation'. Since compensation in Australia is associated with payment of wages or salaries to workers injured in workplace accidents, we refer to pay as 'remuneration' rather than 'compensation'. **Remuneration**, in this context, is financial payments to employees in return for work.

Having attracted and selected appropriately skilled people, it is necessary to reward them so they will accept the job, but not pay them so much the organisation loses money through weight of salaries and wages paid to employees.

Remuneration links to the regulatory framework, in that pay rates are often determined after negotiations between employer and employee representatives collectively or with the employee directly. Negotiated awards and enterprise agreements specify minimum rates to be paid to workers, as well as conditions within which they work. Individual contracts are legally binding and specify rates of pay and services to be performed for that pay.

Remuneration links to training and development. Organisations can offer lower-than-average wages or salaries if they can offer unique benefits and training or development opportunities otherwise unavailable. Alternatively they may be willing to accept high turnover rates if there are plenty of potential candidates and positions involve low skill-levels. Some call centres and commission pay jobs fall into this category.

As salaries can be more than 60 per cent of an organisation's costs, there should be some form of regularly reviewed salary system. A major purpose of salary systems is to achieve internal and external pay relativity.

Internal relativity comes when salaries or wages are remunerated at levels where employees believe they are being paid a reasonable rate relative to other workers in other jobs within the organisation. External relativity is achieved when wage and salary rates for employees are comparable with rates paid by external organisations.

This does not mean all organisations try to pay the same as everyone else. If an organisation wishes to set up a reputation as a market leader, both in terms of product and service, then it may choose to pay above average wages or salaries to attract and retain suitably skilled employees. Conversely, if an organisation pays below market rates, it would have to accept a high turnover or have a strategy to retain employees (due to non-salary benefits or unique work opportunities).

**remuneration**

The financial payment to employees in return for their work

## Training and development

Organisations must attract and retain an adequate supply of people with skills and competencies to meet organisational objectives. They have three choices in employee selection:

1. They can select employees who already have the skills and competencies necessary to achieve organisational objectives.
2. They can select employees with the ability to acquire necessary skills and competencies.
3. They can have a mixture of the two.

**training**

The process of equipping people with skills and competencies in a systematic manner

**development**

To broadly prepare the employee for future opportunities through the acquisition of new knowledge, skills and attitudes

Each option will impact on the amount and type of training offered in the organisation or acquired from external sources. **Training** is the equipping of people with skills and competencies systematically, while **development** aims to broadly prepare employees for future opportunities through acquisition of new knowledge, skills and attitudes. The aim of training is to increase skills, knowledge and competencies to be able to better achieve performance objectives. It is usually structured, and may be formal, informal, on or off the job, during or after work hours. Training is directly related to recruitment and selection, and is linked to performance management and review.

Clark (1992) states that there are three broad strategic rationales for training. They are as follows:

1. *The proactive approach*—This is designed to meet a company's long-term objectives and to anticipate rather than react to organisation needs.
2. *Reactive approaches*—These are usually driven and prompted by immediate problems which could, if not addressed, adversely impact on the achievement of performance objectives.
3. *Enhancement of employee motivation, commitment and retention*—In this way, training is motivational. It is a means whereby employee expectations can be met, of providing career pathways, improving job security and increasing job satisfaction.

## The Karpin Report

One of the most significant influences on how training is viewed within Australia has been the Karpin Report. In 1995, David Karpin chaired a task force with a brief to:

- analyse Australia's current situation and performance from a management perspective;
- consider how Australia's performance compared with what was happening in the rest of the world;
- examine current trends and future changes in Australia's business environment;
- consider the inevitable challenges Australia will be facing in the next decade; and
- propose strategies for change to help position Australia for strong international competitiveness by 2010.

Karpin released the task-force report which found that Australian enterprises, training providers and educational institutions are not moving quickly enough to address the new paradigm of management. Many of their counterparts overseas, and especially the leaders in various fields of industry and education, are changing more rapidly and more extensively.

The report identified that by 2010, organisations will be learning organisations, with leaders encouraging learning within the organisation. Likewise, managers will be result-driven MBA graduates who, having completed several overseas job tasks, will need to cope with significant pressure while delegating to an internationally based workforce.

The Karpin Report issued five key challenges that the task force believed would influence development of management skills. They were:

- a positive enterprise-based culture, through education;
- upgrading vocational education and training and business services;
- capitalising on talents of diversity;
- achieving best-practice management development; and
- reforming management education institutions.

The heavy emphasis on management development, education and utilising workforce diversity in these five key challenges for Australian business emphasised the extent to which training and development contributes to organisation success.

## Training challenge

Caudron (2000a) reports that one of the biggest challenges organisations face is that, while CEOs are sold on learning, they do not see a link between training and business performance. Training has failed to demonstrate its impact upon the bottom line, been limited by

compartmentalised content-based solutions and often operates in isolation, failing to understand core business or to establish links with the core mission. Caudron believes the challenge for organisations is to embed learning into core business processes. This can be achieved by:

- linking training objectives to business strategy, ensuring everyone is pointed in the same direction;
- addressing corporate culture—to create long-lasting organisational change trainers can't ignore the influence of corporate culture;
- focusing on outcomes, not activities;
- de-emphasising 'classroom' training and emphasising learning on the job;
- allowing employees time to process what they've learned; and
- demanding the same strategic change in practices from training suppliers as expected from within the organisation.

When linked to corporate strategy and organisational objectives, training and development can help organisations improve their ability to respond to rapidly changing environments. They can become critical to achievement of an organisation's core business objectives, but must move from an activity-focused event to outcomes-based integrated learning opportunities.

## Performance management

Given how much it costs to acquire employees, organisations will want to ensure that the outlay on staff is achieving an appropriate return. Along with rapid organisational change, restructuring, acquisitions and mergers, downsizing and receivership, organisations are looking to align corporate objectives and strategies with individual performance standards and outcomes (Nankervis & Leece 1997).

Performance management can therefore be defined as 'an interlocking set of policies and practices which have as their focus the enhanced achievement of organisational objectives through a concentration on individual performance' (Storey & Sisson 1993, p. 132). The scope of *performance management systems* is therefore broader than that of the *performance appraisal process*, which becomes just one of the tools by which managers determine whether their business objectives are legitimate and if they are aligned internally and externally with business units and markets.

Research by KPMG (2001) indicates that while traditional performance-measurement systems may be suitable for maintaining business as usual—managing day-to-day activities and compiling historic figures for accounting and other purposes—such systems have not measured up to the increasingly complex task of directing organisations in a world of 'continuous inexorable change'. Figure 10.3 presents these differences diagrammatically.

Historically, measurement has focused on *traditional* performance areas, which tend to look at financial, operational or functional efficiency. Traditional measures are generally abundant, precise, internally generated, quantitative in nature, and derived from operational accounting and information systems. In addition, they have generally been historical or lagging in nature. Non-traditional measures, on the other hand, have tended to be less well-defined. They relate to intangibles and *emerging* areas such as an entity's marketplace, stakeholders, strategic implementation and resource management. Ideally, such measures are predictive in nature. However, they are often fed with incomplete, anecdotal and conflicting data that is inconsistently gathered.

Table 10.2 outlines the different types of questions businesses can ask in order to identify what should be measured as distinct from what is being measured.

## Performance appraisal

As one of the more obvious components of performance management, **performance appraisal** is the process of appraising the job performance of employees. Clark (1992) identifies five reasons for appraising performance:

**performance appraisal**

A judgmental process of the job performance of employees

**FIGURE 10.3**   Traditional and emerging areas of performance measurement
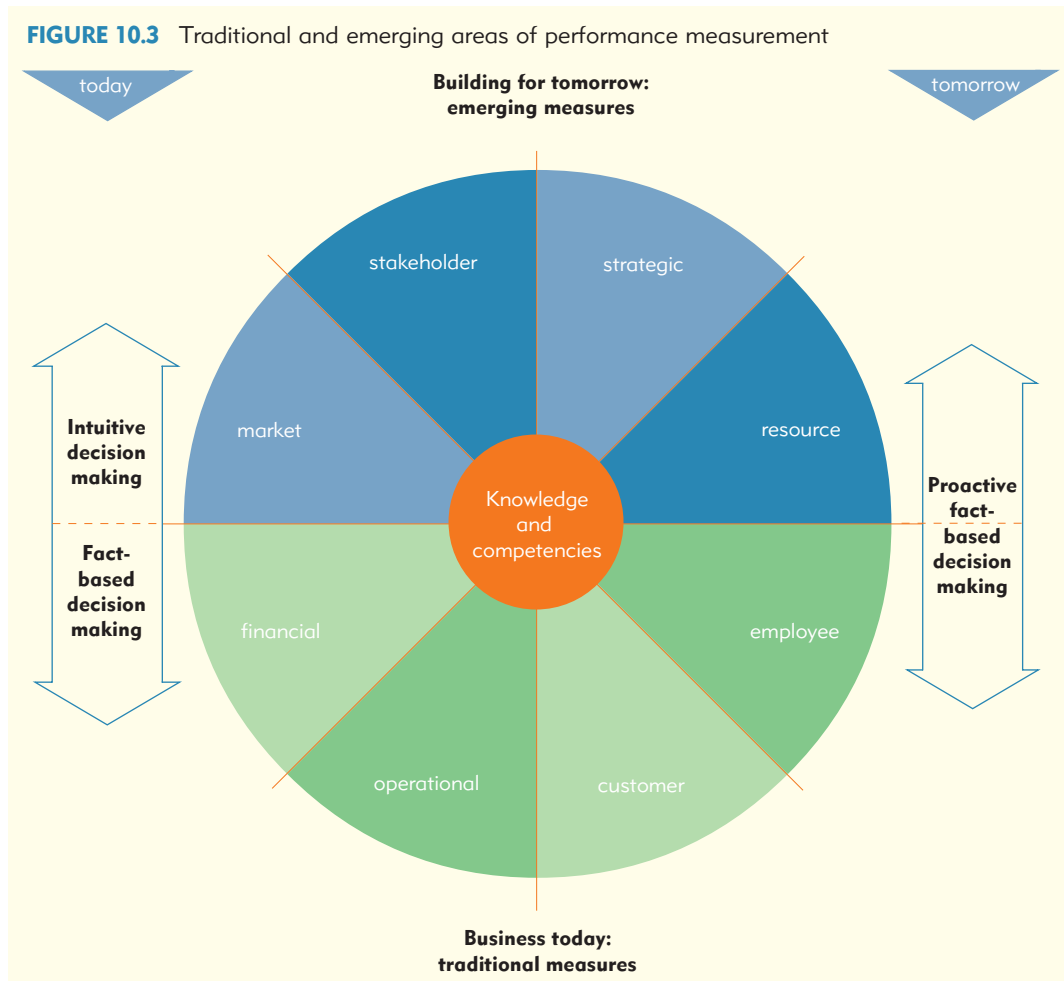


*Source:* KPMG (2001).

- to mould employee behaviour according to company-determined norms;
- to enhance consistency between employee actions and corporate goals;
- to improve quality of human resource planning, in particular training and succession;
- to improve quality of salary reviews; and
- to provide a record in cases of dismissal, demotion, grievance or appeal.

Traditional appraisals are usually performed by line managers. The human resource department has a role in designing the system, training end-users and collecting and collating data from appraisals (Clark 1992).

Supporters of appraisal argue that it serves as a key link in the human resource management system. Performance appraisal is linked to other human resource functions in the following way:

- Job analysis provides job descriptions and criteria to which jobs are to be performed. These are the criteria by which an employee's performance can be judged.
- Job requirements and employee duties are communicated during the recruitment and selection process. Performance-appraisal processes should align with criteria communicated at the time (unless later reviewed and agreed by employee and manager).
- Performance appraisals may help identify the effectiveness of both job analysis and recruitment and selection processes. Consistent failures in a position may identify weaknesses in either determination of job components or adequacy of applicants chosen to do the job.

| TABLE 10.2 BALANCING TRADITIONAL AND EMERGING NEEDS | |
|---|---|
| **TRADITIONAL MEASUREMENT NEEDS** | |
| **Financial** | • Are we focusing on the right financial measures to judge the success of our company/divisions/units?<br>• How much of our value is reflected in our balance sheet? Do we have the right balance between financial and non-financial measures to address key intangible assets beyond the balance sheet? |
| **Operational** | • Do we have the right short-term operational measures in place to respond quickly when an activity central to the core business (around sales and delivery to customers) goes awry?<br>• To what extent do we measure both the effectiveness and efficiency of operational processes? |
| **Customer** | • How well do we measure and monitor shifts in customer needs and expectations?<br>• Do our operational teams clearly understand their role in fulfilling customer needs, and are they measured and provided incentives accordingly? |
| **Employee** | • Have we aligned compensation to our strategic objectives, and how is performance measured, rewarded and recognised?<br>• Do we regularly measure employee satisfaction and take action with the results? |
| **EMERGING MEASUREMENT NEEDS** | |
| **Market** | • How well does our measurement system track changes in industry and external forces that impact on the continuing relevance of our strategy/business model?<br>• What do we need to measure and monitor on an ongoing basis around existing and emerging competitor activities? |
| **Stakeholder** | • Do we understand who our stakeholders are, what their needs and expectations may be, and measure how we are meeting those needs and expectations, as well as trade-offs between stakeholders? Do we fall prey to assuming we know what stakeholders want?<br>• How well do we measure and monitor shifts in stakeholder needs and expectations? |
| **Strategic** | • Do our measures align with and facilitate implementation of our strategy?<br>• Has the measurement system been reviewed/updated for recent events including strategic changes, acquisitions or divestitures, leadership changes, and industry or regulatory changes?<br>• Does the measurement system tell us if the vision/mission/strategy is 'alive' and driving behaviour in the organisation? |
| **Resource** | • Do we have measures in place to tell us how well we are marshalling resources today and whether we have the right tangible and intangible resources to achieve our strategy?<br>• Do we have the right information to determine where we should be building and acquiring competencies (talent, alliances, distribution channels, software, etc.) for the future? |

*Source:* KPMG 2001, p. 9.

- Performance appraisal gives a rationale for an organisation's remuneration system. In some organisations there is a direct link between performance and pay, performance and promotion or performance and bonuses.
- Performance appraisal links into training and development by identifying skills and knowledge deficits.
- Appraisal outcomes may be the basis of instituting disciplinary action against an employee. If dismissal procedures are instituted, managers must ensure regulatory requirements for appropriate dismissal are followed.

As with methods used in recruitment and selection, performance appraisal methods must be:

- valid—measure what they say they measure
- reliable—consistent and repeatable
- fair and equitable—not disadvantage any group

Critics of performance appraisal point to levels of dissatisfaction with the process by employees and lack of adequate skills of managers to effectively perform fair and equitable appraisals.

Employees are often dissatisfied with performance management system methods and managers are frequently reluctant to engage in a process which communicates levels of dissatisfaction with performance. The process may enforce an unhappy employee's compliance. Problems may also occur if individual appraisals are performed on team members who operate interdependently.

Organisations usually undertake appraisals for two purposes: to identify pay/bonus/ promotion opportunities and to provide feedback linked to developmental opportunities. However, these purposes can be counterproductive, which is why it is recommended the two processes be completed separately, with the first to assess any developmental or training needs and the second to assess whether or not performance warrants increased or decreased salary and bonuses. As a result of these criticisms and difficulties, interest is growing in the process of 360-degree feedback.

## 360-degree feedback

Traditional appraisal systems reinforce a hierarchical approach to organisations—managers appraise supervisors who appraise employees. This approach assumes the more senior person is the only one able to provide feedback. 360-degree feedback begins with the belief that it is useful to receive feedback not only from one's immediate supervisor but from peers and subordinates. The collection of ratings or views from subordinates, peers and supervisors are collated to provide a multi-source means of assessment.

The feedback from different appraiser groups or categories provides different perspectives and insights into how an employee is seen to be performing at different levels in an organisation. Benefits come from having a larger sample of appraisals and opportunity to represent outcomes graphically. Where the employees rate themselves, graphical outcomes give useful starting points in discussing perceived strengths, weaknesses, similarities and differences. There are, however, problems with maintaining anonymity in small groups or teams and ensuring adequate training in the system's use.

# HRIS, INTERNET, INTRANETS AND EXTRANETS

An early function of the human resource department was collection and storage of employee details. This data was needed to meet legislative requirements or for use in transaction processing. Originally stored in hard copies on paper files, this data eventually found its way onto computer databases which processed transactions more easily and quickly. Again,

reactively, reports could be generated identifying cost breakdowns, cumulative totals and exception reports on issues such as pay, leave entitlements and sick leave taken. It was not until database systems began to manipulate data into quality information linking data to organisational objectives that these computerised systems began to allow human resource management departments to operate strategically.

Information technology's impact on business continues to outpace other forms of organisational change. Access to stored databases and knowledge bases has increased with convergence of the **internet**, **intranets** and **extranets**. The internet is a global connection of computer servers interconnected by telecommunication systems through which individuals can access stored information from their own computer and modem. Intranets are closed networks of information databases and systems within an individual organisation, whereas extranets are closed networks of information systems between a group of organisations.

Coupled with the explosion in the use of email, these changes are significantly impacting on HRM. Organisations are adopting web-based strategies because of benefits of platform independence, access to wide-ranging information and potential to access information-rich multimedia files. The internet is a powerful business tool because it represents a convergence of closed network intranets within an organisation and closed network extranets between organisations. The issue for HR departments is to find how these networks can help them provide improved service provision, cost savings and value-added services.

Networks can deliver the following HR services:

- improved internal communication (speed and consistency of message, collaborative groups, etc.);
- distribution of HR policy, news and information and employee surveys;
- training and development activities on-line;
- recruitment over the internet;
- HR self-service—employees accessing and changing personal details, travel bookings and claims, etc.;
- 360-degree feedback and traditional performance monitoring data input; and
- collaborative work groups independent of location or time zone.

There are also other possibilities. The list only represents forms of transaction processing. To become more flexible and competitive, companies are moving from legacy information systems to integrated business management systems. Companies use enterprise-wide systems (such as PeopleSoft and SAP) to streamline business processes and improve information sharing to compete in the rapidly evolving business world. Human resource management systems are an important component of integrated software. Today, they drive recruiting, payroll systems, employee databases, succession planning, benefits calculations and workflow solutions. But the success of these systems hinges on many complex factors and involves more than the technical expertise of HR and information technology departments. The organisation's historical focus has typically been one of relatively narrow HR and Information Systems (IS) issues, rather than on the larger business context. Without a core platform and a central strategy to drive decisions about hardware, software and work processes, the entire organisation can find itself shackled with automated inefficiency. Organisations must focus on the strategic contribution of the new systems to achieving business objectives, and recognise HR's vital role as an active business partner with senior management and a critical service provider to business units.

Despite its benefits, introducing information technology into HR brings its own challenges. With widespread take-up of email, there is a need to develop clear and comprehensive policies on access, use and misuse of email (see Supplement 3 for Chapter 15). Legal issues arise when employees use email to distribute pornography to unsuspecting recipients or to harass or threaten. Other legal issues emerge if organisations move to dismiss these employees without having established clear policies, communicated them and followed regulatory guidelines for dismissals. Privacy issues arise in terms of access to confidential data. Copyright and intellectual property rights are an issue when material is developed on the internet or when material is used from the internet.

**internet**

A global connection of computer servers interconnected by telecommunication systems through which individuals can access stored information from their own computer and modem

**intranets**

Closed networks of information databases and systems within an individual organisation

**extranets**

Closed networks of information systems between a group of organisations

# THE FUTURE OF WORK

Widespread use of flexible working arrangements has enabled organisations to achieve functional and numerical flexibility. In general this has benefited both business and employees still employed, but has led to reduced labour demand in industries applying such practices. There has also been a trend to reduce numbers of core, permanent employees and increase numbers of part-time, casual or temporary employees.

## Teleworking

Organisations have also attempted to have a more flexible workforce through teleworking. Teleworking enables workers to work remotely using telecommunications, but it is only one option among others, rather than being the final form of flexible work. Even within teleworkers, there is a difference between skilled managers and professionals with freedom to choose when and where work activities are to be completed, compared to unskilled data-entry or call-centre employees whose work is highly structured, regulated and supervised. The extent to which the employee can control and schedule work, and the degree of variety involved in that work, will influence the level of satisfaction for teleworkers.

## Hotdesking

Hotdesking is another way organisations are trying to respond to changing work demands more flexibly and efficiently. The term refers to removal of dedicated individual workspaces and offices, which are replaced by desks booked on demand. Supporting files, facilities and documents are also scheduled and delivered. Some organisations are redesigning workspaces to enable individuals to work collaboratively, combining software solutions with furniture facilitating group or collaborative work.

## Temporary and part-time workers

Temporary agency work, short-term hires, regular part-time work, on-call workers and contract workers have been used to deal with workload fluctuations or absences, and these are likely to increase in future. In addition, firms are increasingly using agency-placed contingent and contract workers. This involves the use of contract workers among highly skilled occupational groups such as engineers, computer analysts and architectural services. Other areas also growing include management and public relations, research and development and scientific testing services. Use of personnel supply firms is increasing for lower-skilled workers such as administrative support workers and helpers, with firms relying on temporary help to supply workers in occupations such as office and clerical work, for which firm-specific skills are not usually needed.

Caudron (2000b) reports a consequence of these changes is that traditional jobs are often too rigid for today's workplaces. Job classifications and descriptions, pay structures and promotion charts are disappearing from new-style organisations. Koch Industries and Amazon.com have both abandoned traditional human resource structures. The customary way a person is hired, paid and trained to do a specific job is too rigid for an ever-changing marketplace.

As a result, new work relationships will be established between employer and employee. Traditional employment relationships previously based on exclusivity ('you are my employee', 'this is my job') and on permanence of employment have previously led to situations where those employees remaining from downsizing exercises face an increased workload to cover for missing employees. In the current environment of rapid change, this attitude to job ownership is flawed. Organisations are increasingly required to adapt their employment relationships from one of fixed designated jobs to relationships based on flexible project demands. Employees must embrace a work future closer to an independent contractor than an employee, and employers will have to view their workforce as a dynamic mix of currently required skills and knowledge, not a fixed establishment of dedicated employees.

While this is no different from how some professional service groups operate now, such as IT, engineering and legal services, the challenge for future organisations is to translate this model to the wider workplace. It does not stop employees being engaged in a full-time capacity, but changes the criteria for engaging them.

The biggest hurdle for organisations is in moving from being a traditional employer to a flexible employer of knowledge and services. It requires expertise to successfully transform the organisation and establish new human resource policies and procedures. It also assumes the organisation can accurately forecast its needs and manage the workforce.

Many organisations would like to engage and disengage workers as needed, but are constrained by factors such as limited resources to manage such variable demands, legislative constraints or unionised workforces. Likewise employees may still seek full-time employment for fear of being unable to locate enough 'work on demand' and be unemployed for long periods.

## Flexible employing organisations

Companies reducing their workforces as a straight downsizing exercise are unlikely to get medium-to-long term benefits. Downsizing not linked to a strategic plan is likely to result in greater staff hire costs to make up for lost skills. In these circumstances companies need to manage flexible staffing requirements from a strategic, rather than from a cost-minimisation, perspective. Rather than seeking last minute short-term low-skilled employees, successful organisations will form strategic alliances with staffing agencies to guarantee supply of skilled and reliable contract and temporary staff. These agencies will offer one-stop shopping for business solutions and staffing services, and a broader service range including contract and temporary hires, payroll administration, human resource and training services.

## Flexible employees

In a climate of scarce full-time jobs, high unemployment and changing job markets, searching for a full-time position with one employer becomes daunting. For many, the only option has been to go into business themselves, either in a small business or as consultants. The difficulty is that traditional employment markets see these people working very long hours for little return. An alternative is for the person to contract themselves to a staffing agency, offering their knowledge, skills and time to major projects on a full-time basis or to multiple small jobs in different companies. This is the same principle as working as a consultant, except they may work as part of a project team supervised by the staffing agency or provide services to multiple, different organisations.

# TERMINATING THE EMPLOYMENT RELATIONSHIP

Because the employment relationship is a legal contract between employer and employee, it is important to consider how the relationship is terminated. This section of the chapter deals with both voluntary and involuntary forms of termination and their implications for human resource management.

### Voluntary termination

Voluntary termination involves employees giving an agreed minimum notice of intention to leave the employment relationship. Reasons for voluntary termination include resignation and retirement. Resignation may be due to the employee being offered another job, changed personal circumstances allowing or requiring them to leave employment, dissatisfaction with the existing job or as part of a voluntary redundancy offer. Voluntary redundancy involves an employer reducing the workforce size by asking employees to voluntarily leave the employment relationship, usually in return for an improved termination pay package. Retirement involves

the employee reaching a specified age where they are eligible to retire and access superannuation savings and/or any relevant pension scheme. Compulsory retirement, once widely practised, is now considered discriminatory and hence illegal.

### Involuntary termination

Involuntary termination includes retrenchment, redundancy and dismissal. **Retrenchment** refers to the forced termination of the employment relationship due to financial, technological or organisational circumstances, and often reflects an attempt by an employer to reduce labour costs in order to remain in business. **Redundancy** is also a forced termination of the employment relationship but results from the permanent deletion of specific positions within an organisation due to the positions no longer being required. **Dismissal** is where the employer gives the required notice to terminate the employment relationship. Legal dismissal may be as a result of disciplinary action over time, or may be immediate if due to a serious breach of the employment contract, such as wilful damage to property, significant theft or violent behaviour toward other workers.

The termination phase of the employment relationship raises a number of issues for human resource management. Organisations require sufficient knowledge and skill to be able to determine when dismissal is warranted and how it should be enacted. They also need to be aware of any provisions under existing industrial award or enterprise bargaining agreements dealing with retrenchments and redundancies, as well as the financial cost involved in settling retrenchment and redundancy cases.

From a more general perspective, organisations need to monitor and review the nature and extent of terminations. In addition to maintaining computerised HR systems, organisations often institute exit interviews for voluntary terminations, being the final interview immediately prior to or just after separation from the organisation. The interview is an opportunity to review the reasons for leaving and may also be used to offer counselling or assistance in finding a new job.

Some organisations engage out-placement consultants to provide a range of services to employees who are leaving or are being retrenched. Services may include career counselling, résumé preparation and advice, serviced office facilities and, in some cases, finding alternative employment. The cost involved for organisations undertaking such services can be returned many times over by the good will established with those employees leaving and in their consequent description of the organisation in public.

Finally the rate of employees leaving an organisation will influence the level of activity in other phases of human resource management. When employees leave, an organisation has the choice of either recruiting new replacements or reallocating work within the remaining employees. Either way, if staff turnover is excessive, those remaining are likely to suffer, as is the organisation's ability to achieve its objectives.

# CORPORATE RESPONSIBILITY

As noted previously, organisations face multiple challenges to survive and thrive. Competition demands faster responses to constantly changing markets. Work systems must become more adaptive. The very nature of the relationship between employer and employee is changing, often blurring the boundaries between employee, contractor and self employed. At one time, success for organisations could be determined by their capacity to provide competitive returns on investment to shareholders. If shares remained high and profits continued to build, the organisation could be deemed to be 'successful'. From a human resource perspective, the challenge was to ensure that employees themselves provided the best return on the organisation's investment.

However, in the last decade there has been a growing realisation that profits alone do not guarantee survival, and that focusing only on improving financial bottom lines can also create challenges and threats for organisations. Organisations must now respond to more than just their shareholders' desire for increased profits. Increasingly, different stakeholders are demanding to be heard on a wide range of issues; for example, unions fighting for fair wages, environmental

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**retrenchment**

The forced termination of the employment relationship due to financial, technological or organisational circumstances, often reflecting an attempt by an employer to reduce labour costs in order to remain in business

**redundancy**

A forced termination of the employment relationship resulting from the permanent deletion of specific positions within an organisation due to the positions no longer being required

**dismissal**

The employer giving the required notice to terminate the employment relationship

groups demanding sustainable business practices, government regulators requiring increased compliance in areas such as worker safety, privacy and equal opportunity. This has changed the challenge for organisations who must now balance these often-competing demands.

In a corporate responsibility report recently published in Australia (Reputex 2003), only one company out of the top 100 listed companies—Westpac Banking Corporation—was given the highest rating of 'AAA Outstanding' for corporate responsibility. The report rated each company on four scales (corporate governance, environmental impact, social impact and workplace practices) before determining the overall rating. In order to achieve the highest rating in workplace practices, organisations needed to 'demonstrate a very high level of commitment to creating a workplace that generates excellent value for employees and the organisation through ongoing development of its workforce, management systems, policies and strategies' (Reputex 2003). Organisations were rated on employee involvement, occupational health and safety, fair wages, a commitment to workforce diversity and work/life balance, training and development, and industrial relations policies (Reputex 2003), amongst other criteria. While it might at first seem that returns on investment and corporate responsibility are contradictory, there is a growing awareness that being able to demonstrate corporate responsibility can actually generate shareholder value (Martin 2002).

The human resource challenge therefore changes from maximising return through increased productivity and profit from employee effort to achieving a balance of profit in conjunction with socially responsible practices. Organisations found to be socially responsible will be able to market this when attempting to attract and retain skilled employees. At the same time the human resource policies and procedures will need to be aligned to ensure that employees are recruited, trained and rewarded in ways that maintain socially responsible behaviour and decisions consistent with the organisational goals and objectives.

GAINING THE EDGE

## Work in progress

Flatter management and happier workers: that was the promise at Portland. Two decades on, a radical experiment finds the wheel never stops turning.

The young Turks singled out to set up the greenfields aluminium site back in the 1980s could have done it by the book—the one that highlighted distrust, demarcation and dictatorial management. But this group had other ideas about how to run Alcoa's new smelter in the southern Victorian town of Portland.

Osborn and others saw themselves as a new generation of managers, influenced by the radical ideas that had revolutionised Japanese industry. In Australia, despite some attempts to redesign work based on postwar British models, union/employer animosity was high and an adversarial culture was endemic.

Here, the young managers figured, was the opportunity to build a more productive culture by getting rid of hierarchies, introducing multi-skilling,

and experimenting with some dramatic ideas—such as consulting with the workers.

Almost 20 years on, Osborn is managing director of Alcoa Australia and Portland is one of the company's top plants, and one of the three most competitive smelters worldwide. The innovations it spurred have spread throughout Alcoa worldwide, and are credited with enabling the company to increase profits through major workforce changes and improved productivity. And the ideas that seemed so new at Portland are now commonly applied, or at least tried, in many areas of work.

Enter the young Turks. They had no particular role models to guide their approach. But many had attended seminars sponsored by the federal government to introduce manufacturers to Japanese production systems. Just-in-time production—the idea introduced into Japanese companies such as Toyota in the 1970s—was one of the more radical concepts.

JIT meant that you supplied parts for the process only when you needed them. There was also a focus on quality and on treating the next person in the production line as a customer to be served. The worker was the core of the production process, and everything else had to be directed at supporting the core. Managers had to think about how they could facilitate rather than direct work—an approach that led to more autonomy for employees.

'The ethos was that as a manager group we were there to support the people getting the work done to run the smelter', says Osborn.

A strategy was mapped out before hiring and the emphasis was on recruiting younger people, many of whom had never been to a smelter. The idea was that they would be open to change—and perhaps less likely to have an adversarial approach or a strong allegiance to unions. Anaconda Nickel managing director Peter Johnston, who was a manager at Portland during construction, says Alcoa gave the Portland team a lot of leeway: 'We became the yardstick. Alcoa used these principles right through the organisation over time.'

The influx of young families into Portland caused a shortage of childcare, so the smelter built a creche. It also built a gym, set up links with community organisations, and began working on ways to recycle waste rather than dump it in landfill. The smelter is surrounded by bushland but was filling 13 000 cubic metres of it a year in 1989 when it began evaluating all its processes. These days, it creates just two cubic metres of waste a month through improved processes and cleaner production.

**Trust was the key**

Six years into its operation, Portland management started negotiations for employees to move from eight- to 12-hour shifts, and to a salary rather than wage-based structure. Osborn says trust was the key to the changes: 'They had seen the organisation had really taken risks and been innovative in making them and their families important to the organisation. It was a huge shift to flexibility in work requirements.'

What's changed, and what remains two decades on from that idealistic start?

The early years when the company built a culture around people—and acknowledged their need for a private life—has meant continued focus on work and family policies.

The result was more flexible work arrangements, with each location tailoring the policy to its needs. A follow-up survey in 1999 documented improvements in morale, less absenteeism and improved job satisfaction. But it also showed the company needed to change the workplace culture to attract and retain employees.

**One staff member's profile: Marissa Jennings**

'Part-time works really well for us.' Jennings, who is in her forties, went to Portland for the high wages and now shares a job as operator in the anode division with another woman. Alcoa has a policy of encouraging women to move into non-traditional roles. About 12 per cent of Portland's employees are female, as are 11 per cent of those on the factory floor.

This is high for the industry. Jennings was the only woman in her area for two years. She says it was tough at first—she felt the men were waiting for her to make a mistake, although that has changed. She began working half-time to support her youngest child in Year 12 and decided to stay part-time. The job is physically tough and she wanted more time with her family.

*Source:* McCallum, J. (2003).

## *Activities for discussion, analysis and further research*

1. Identify the human resource initiatives which are referred to in the case above. In what ways would these have impacted on the effectiveness of the organisation and its performance?
2. Undertake a comparison between these new management practices and those which are referred to in the text of the case study as 'postwar British models, [in which] union/employer animosity was high and an adversarial culture was endemic'.
3. Access the website of Alcoa, and its Portland facilities in particular. Explore the staff benefits and activities which would make this site an employer of choice.

KIMBERLEY TURNER



For us, human resource management incorporates all aspects from recruitment through to termination. I probably do the majority of that work. I am well supported by our office manager in the running of that function. The office manager probably doesn't realise how much she knows about the company and the HR aspects of it. She is very good and her support is significant.

Finding the right people is always going to be the key challenge for any organisation, and of course that's how it is for us. Different things motivate different people and even if you dangle the carrot of significantly large financial packages, that doesn't guarantee performance. In the early days, when I was quite immature in business, I thought that was what everybody was after. I thought that if I paid them at a certain level, they would perform at that level. Expectations were very high. What I have learned is that ultimately I need to have confidence in the people I have around me.

I would say that I have held back from building certain people that I am not as confident in. Now that might be perceived by those staff as I don't let go or I'm not willing to delegate, but really it's a trust and a quality check thing. I guess that to me that staff member hasn't proven themselves or they may not have a full complement of skills that are required in comparison to other staff members where it has actually transitioned quite successfully. I would say that about 30 per cent of my staff have the right capability for their role and have my full trust; about another 30 per cent have the potential to fall into that category; and the other 40 per cent don't have that capacity; and it all falls onto me in the management role deciding who fits in what capacity, and aligning the resources and the effort that is put in and assessing the benefit and the return as to whether it's worth it. I know that sounds a little bit harsh but that's the reality of business. Ultimately it's my company and I'm accountable and it's about reputation and delivery of quality products and services. It's my reputation that's out there in industry and carries the company and I need to do everything possible to enhance that reputation and protect it, rather than compromise on that reputation in order to get another sale. That's not important to me in business.

A few years ago, we set up a process where each staff member has a professional development program designed purely for them into the areas where they'd like to go professionally, and obviously they align with where the business is going as well. That gives me a good idea as to the direction of their thinking and it enables me to harness that and tap into it and allow the business to drive forward. Because the business, by its nature, is focused around our people, it is only as good as the expertise that we've got. So people are really important to me because that is what we sell. We sell our ability to dissect complex problems and provide real practical solutions to the client.

Some of the staff are studying at a masters level to learn more. It's interesting that one of my staff came back to me recently and said, 'I don't feel like I'm actually being stretched or challenged or learning anything new in my post-grad studies, but it's a wonderful validation that we're on track with our work and ahead of the game.' That was a little bit scary and daunting because committing to that staff member's professional development in that area, certainly my expectation was that they would grow and develop and challenge their thoughts so

that their ideas would be more refined. So, that's been an interesting observation for me, in that the focus of that professional development hasn't been the right vehicle to stretch or challenge that person.

Finding the right people is critical for every business. I don't know if the bigger you get, the more fudge factor you can absorb and tolerate. But when you are small, every single person needs to be the right person. You can't afford to have the right person at the wrong time in your company. Every person needs to be right because you need to be all pulling together to get that right direction. Staff are always the biggest issue because if you have the right team, you can achieve anything.

## FOCUS ON PRACTICE

## *Strategies for improving*

1. Human resource planning processes are the key to maintaining the right skills mix. Consider a position in an organisation of your choice and attempt to plan and analyse the skills which will be required by the person doing this job in 15 years.
2. List the selection criteria and tools you might use to select the appropriate candidate for the job mentioned above in 15 years' time.
3. How would you carry out an informal performance review for the job mentioned above?
4. It is important to treat employees with respect and consideration when giving any manner of feedback after performance appraisal. Consider how you might give negative feedback for unsatisfactory performance in a respectful and considerate manner.

*Source:* Jones et al. (2000).

## SUMMARY

- Human resource management is an integral part of the management of any organisation. In broad terms it involves the management of three phases of the employment relationship: establishing the relationship by acquiring human resources; maintaining the relationship; and managing the termination of the relationship. These functions occur within an organisational context at the same time as interacting with a regulatory and environmental context.

- Industrial relations systems are part of the regulatory context, inputting directly into the way in which the terms and conditions of employment are established. These systems were shown to influence human resource management functions through legislative and regulatory intervention. Other forms of legislation govern aspects of safety, environmental management, discrimination and equal opportunity within an organisation.

- Human resource planning involves determining future human resource needs in relation to an organisation's business objectives or strategic plan, then devising ways to meet these objectives. Job analysis is an important component that helps establish human resource needs and produces position descriptions and specifications. Job descriptions allow an organisation to accurately describe the job to potential applicants, and job specifications provide important decision criteria when making a selection from candidates for the job. Job analysis can be used to improve job design and redesign, performance appraisal, remuneration and training and development. When used appropriately it forms the basis upon which an organisation ensures that organisational objectives are met.

- Recruitment and selection processes ensure that an organisation is able to attract suitable applicants and to then decide which applicants best contribute to organisational objectives. Advantages and disadvantages have been identified in both internal and external recruitment, with the final choice contingent upon the organisational circumstances.

- Maintaining employment relationships involves active processes aimed at aligning employee effort with organisational goals. Human resource management functions in this phase include establishing appropriate remuneration levels that take into account internal and external relativities. Managers need to ensure that the work effort of employees is effectively managed and evaluated and that feedback is provided in an accurate and unbiased manner. Training and development provides an opportunity for an organisation to increase the ability of its employees to perform efficiently and effectively.

- Attempts by organisations to increase the flexibility of their workforce, and hence to increase its effectiveness and efficiency, have greatly influenced the way in which the workforce is defined. Increasing use of part-time and casual employees is changing the nature of the workforce, while trends such as teleworking and hot-desking are additional examples of flexible organisations.

- Information technology impacts on the ability of organisations to harness the knowledge and expertise of its employees. The internet, intranets and extranets are all being utilised to improve organisational knowledge and capacity, while computerised human resource systems are contributing to the strategic capacity of the organisation.

- Organisations need to manage carefully the final phase of the employment relationship. Organisations must have systems in place by which terminations occur effectively and legally. Managers and supervisors require skills to ensure that their own performance as managers does not contribute to staff turnover or place the organisation at risk of prosecution for unfair dismissal.

- Finally, changes in the flow of human resources through an organisation will have an impact on other human resource management functions. Increased turnover rates will have an impact upon those employees remaining, and on the need for increased numbers of new employees. Increased employee recruitment will influence productivity, impact upon resources and may generate additional training demands.

**MaxMARK**

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Thirty interactive questions on *Human Resource Management* are available now at the Online Learning Centre that accompanies this book: www.mhhe/com/au/bartol4e (For access to MaxMark please refer to the front of this book.)

# QUESTIONS FOR DISCUSSION AND REVIEW

1. Describe what impact the changes to Australia's industrial relations system since 1987 have had on the relationship between management, unions and employees. How has the election of the Liberal/National Party Coalition in 1996 changed these relationships?
2. Compare and contrast the different approaches of Australian and New Zealand wage-fixing mechanisms.
3. Define job analysis and describe how it relates to other human resource functions, especially recruitment and selection, performance appraisal, remuneration and training.
4. The chapter noted the emergence of internet-based recruitment sites. Outline and discuss the benefits and pitfalls for managers and for applicants of this new form of recruitment.
5. Identify the factors that allow assessment centres to provide good predictions of job performance. Discuss why the process is not used more often.
6. What would be the human resource implications for an organisation that did not maintain internal relativity for its remuneration system? Likewise, what human resource implications would there be for not maintaining external relativity?
7. What can organisations do to better integrate training and learning into core business functions? Discuss what organisational barriers exist to stop this from occurring.
8. Explain the benefits of 360-degree performance feedback over traditional performance appraisal processes.
9. Outline and discuss the impact of intranets and extranets on the three phases of attracting, maintaining and terminating human resources.
10. Debate the extent to which governments should impose conditions upon the termination of the employment relationship.

# CRITICAL THINKING QUESTIONS

To answer some of these questions you will need to do further research. Useful references are given below each section of the questions.

The strategic use of humans lies at the core of the ability to enhance the effectiveness of an organisation. Human resource management utilises tools such as human resource planning, staffing, development and evaluation and compensation. This section extends these basic building blocks of HRM to consider some of the challenges facing employers today.

While the validity of the HR function has been accepted within most organisations since the mid 1980s, it is only recently that it has not automatically been the target of budget cuts in times of economic downturn. Traditionally, business decline heralded drastic cuts in 'soft' areas such as human-resources specialists. Those lucky enough to retain positions generally 'focused on what many in management still regarded as their core competency: hiring, and—particularly in tough times— firing' (Mccoll, 2003, p. 70). With over a decade of experience now to draw on, this short-sighted approach reveals a legacy of expensive redundancies and subsequent rehiring difficulties when the business improved.

1. Today, human-resources staff are increasingly becoming a part of the senior management team. Why? What is it they can offer?
2. What are some of the mistakes organisations made in the past that HRM is now able to build on and rectify today?
3. Is the trend to push human-resources responsibilities down to line managers a threat to the growth in human-resources departments' numbers and authority?
4. Mccoll (2003) suggests that the expanding role and authority of the HR manager has also had a very positive impact on career prospects for those working in this area. How and why?

As the above section outlined, while HRM has been around since the 1930s, it is really only in the last decade that it is being recognised as an integral part of strategic planning at the highest levels of the organisation.

5. What are some of the issues and the changes facing HR managers of today as a result of this acceptance?

The need for HRM to focus on performance management is further borne out in recent research by Human Synergistic International (HIS) in New Zealand and Australia into the cultures of more than 8000 organisations (Birchfield 2003).

Of the employees interviewed:

- 42 per cent did not believe their organisation's objectives were clear and well understood;
- 45 per cent did not understand their organisation's mission and role;
- 57 per cent did not believe their top executive groups had a shared philosophy on what their organisation stands for.

Looking at performance management:

- 47 per cent did not genuinely believe their evaluations were based on real measures of performance and instead believed they were based on favouritism.

In terms of leadership in managing performance:

- 49 per cent said their manager would not even notice when they did good work;
- 63 per cent reported their manager took little or no corrective action when someone was under-performing;
- 36 per cent said they got praised when they performed particularly well;
- 60 per cent reported their managers did not show them how to improve their performance;
- 71 per cent reported their managers did not help them plan how to get their work done at a high level.

The key recommendation from this extensive research resonates with the issues discussed above, that HRM 'practitioners need to shift their focus from planning and appraisal to execution in the hands of everyday managers' (McCarthy, Head of HIS, cited in Birchfield 2003, p. 45).

6. While performance management clearly features as a key item on the HRM agenda, much of the writing in the area of future HRM concerns the fact that demographic changes will be an increasingly important factor in decision making. What are some of these demographic changes and what impact will they have in the future?

7. In a view not often found in university textbooks, Fox (2004) expresses concern that HRM experts have lost their role as champions of the workers. If this is so, why is this loss particularly important, taking into account demographic changes?

8. The management taint and lack of experience many HRM managers have in labour relations may leave many workers sceptical about their ability to represent them in the workplace. However, speaking at a seminar at Griffith University in Brisbane, 2003, HRM and industrial relations specialist Tom Kochan of the Sloan School of Management at MIT in the United States pointed to a growing body of data establishing links between work practices and financial performance. He

concluded that the HRM profession has a chance to take a much greater and more productive role in designing new approaches to the issue (quoted in Fox 2004). How do you think HR professionals will go about this?

(Material relevant to questions 7 and 8 may be found in Fox, C. 2004, Confronting a workplace crisis of trust, *Australian Financial Review*, 13 January, p. 42.)

# MANAGEMENT EXERCISES

### Exercise 1  Skill building: Linking HRM components with specific activities

Several important components of the human resource management process are listed below. Try to match these components with the 15 specific activities/issues shown. Indicate the appropriate human resource management component by putting the first letter of that component in the appropriate blank.

**Linking HRM components with speific activities**

**Human resource management process components:**

| | | |
|---|---|---|
| Selection | Performance appraisal | Recruitment |
| Human resource planning | Compensation | Labour relations |
| Training and development | | |

1. _____   Employees plan to organise

2. _____   Management by objectives

3. _____   Orientation, technical skill, management development

4. _____   Assessment centre

5. _____   Halo, contrast, leniency, severity, self-serving bias

6. _____   Job descriptions

7. _____   Job posting

8. _____   Skills inventory

9. _____   Replacement planning

10. _____   Interview

11. _____   Needs analysis

12. _____   Internal equity

13. _____   Realistic job preview

14. _____   Promotion

15. _____   Graphic rating scales

### Exercise 2  Management exercise: Managing human resources in retail hardware

You have accepted a position as a department head in a large hardware store. The owner, and store manager, likes to involve others in decisions. During your job interviews, he mentioned that if you became a department head, he would seek your views on improving the store's human resource management. He is very interested in your input because he wants to open up other stores. (In fact, you took the job partly because you believe the expansion will help your career.)

The manager said he, with the assistant manager and nine other department heads, is planning to hold strategic planning meetings soon to consider the impact of human resources on expansion plans. He anticipates holding other meetings focusing on different human resource management aspects. He further states he wants to maintain a stimulating, challenging and exciting working environment.

From what you have learned, the store's 18 per cent annual growth and 15 per cent return on investment could be improved. In addition human resource management seems currently to be non-existent.

### Questions

1. What issues will you suggest to consider as part of human resource planning?
2. What will you discuss about recruiting and selecting human resources?
3. What suggestions for training, performance appraisal and remuneration will you make?

**END-OF-CHAPTER CASE:** ON THE RIM

## *Price is all in Singapore*

It is easy to be fooled by the gloss of the tiny city-state of Singapore—soaring buildings, glittering shopping centres, queues of BMWs—but at the heart of this most advanced of Asian cities is the traditional Chinese obsession with price, hence the incessant question, 'How much?'.

Money drives Singapore. People, only half jokingly, are said to assess potential partners on the basis of the 'five Cs': car, condominium, credit card, country club and, above all, cash.

For many companies, among them Australian retailer Harvey Norman, making money in this 'How much?' culture is tricky. After more than three years' operation, Harvey Norman's Singapore-listed business, Pertama Holdings, is just beginning to succeed. After-tax profit for the half year to 31 December 2002 was S$2.8 million, up from a nominal S$1000 the year before.

'There are a lot of risks over here, and they are significant', says Martin Dunkerley, Pertama's managing director. 'The retail market is very, very tough, and department stores in general are finding it tough. But even in these times we are showing results.'

Pertama's improved profit—on revenue that was up 23.5 per cent to S$183.3 million—comes in a retail market that grew 6.2 per cent in 2002 after a poor first nine months. The good showing is a relief to Harvey Norman Holdings' chief executive and biggest shareholder, Gerry Harvey, who promised much when the company ventured into Asia three years ago.

'When you add up the little package of what we are doing up there, we are disappointed we are not further down the track', Harvey says. 'But we are still happy with our Asian expansion progress. We are just trying to make a breakthrough.'

Pertama, which in October 1999 was a struggling chain of six electrical stores, was to be the springboard for an ambitious strategy that would take Harvey Norman into Malaysia, Hong Kong and, eventually, China. The company later bought Electric City, another struggling retail chain. Pertama now operates three Singapore businesses: an exporter of locally made electrical goods; a distributor of Samsung consumer electronic products to Malaysia; and 11 shops in Singapore that trade as Harvey Norman. All three enterprises were profitable in the latest half-year.

The company's biggest setback came in 2001, with the worst recession in 35 years. The economy remained in a trough until growth resumed in the December quarter of 2002. By then, confidence was shaken by layoffs, a slowing of crucial foreign investment and the commoditisation of important Singapore exports such as computer chips.

'It was bad timing', Harvey says. 'Singapore had huge growth all those years, and all of a sudden it

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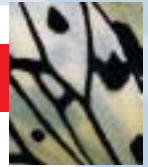
didn't. My view is if something is worth doing, you go on and do it. It was bad timing but I would do it again.'

The company arrived when other changes were happening in retailing. Once considered a shoppers' paradise, Singapore has priced itself out of many of its retail interests—including electronic goods. Rich shoppers who used to flock to Singapore now find better shopping elsewhere.

Partly to blame are high retail rents, which even the recession failed to dampen. Singapore's Urban Redevelopment Authority says that, in 2002, the median retail rent in central Singapore fell only 4.8 per cent, to S$677 per square foot per month. Harvey says: 'Singapore is a terribly high-rent place, which makes it very difficult to make money in retailing because the landlords make all the money. You are in a situation where your opposition is not making a lot of money. You are not, and neither are they.'

High rents prevented Harvey Norman achieving its stated aim of closing most of its small electrical stores and concentrating on a few mega-stores. Although some small shops have been shut, only one mega-store (of 7500 square metres) stocking electrical, IT, furniture and bedding has been opened. Martin Dunkerley says: 'Generally speaking, it is a very tough and very competitive place for tenants. But, when space becomes available, it has got to stack up in terms of the rental.'

Not only are rents high, big spaces are rare and coveted. Harvey Norman's Millennia Walk mega-store is something of a compromise but it is certainly no single-level box stuck in the suburbs.

Millennia Walk, in the heart of the Suntec IT office precinct, was struggling until Harvey Norman gutted the shops strung along both sides of the first floor of the two-level mall and refurbished them as a single store. The layout—shared by Harvey Norman's 100 per cent-owned imported-furniture-specialist store Space—is unusual. Dividing the store is a void that soars to a 17-metre-high post-modern ceiling, designed by American architect Philip Johnson. The upmarket look is a good match for the store's stylish displays of furniture and plasma and projection televisions. On the other hand, Pertama's smaller electrical stores have a low-cost, discount feel. Stock is piled in narrow aisles and there is little attempt at display. 'I am not sure if they are targeting the

right customers', says one Singapore analyst.

Harvey Norman faces intense competition in Singapore. At the lower end are thousands of small electrical stores that cater to lower-income groups and the Singaporeans' love for bargaining. At the high end are a stylish Japanese chain, Best Denki, and a British group, Courts. Pertama's small electrical stores compete with family-run stores, but the Millennia Walk store is similar to Courts' mixture of furniture, electrical and IT products.

The Singapore venture has developed along different lines to the Harvey Norman Australian operation. Whereas, in Australia, the stores are in the suburbs, most of the Singapore stores are in prosperous central districts. Most Australians drive to Harvey Norman stores but few Singapore people own cars and the best-performing malls are near railway stations. Another difference is that the 11 Harvey Norman stores in Singapore are owned by the company rather than by franchisees, as is the case in Australia. Buying and distribution in Singapore is centralised; suppliers deliver to a single warehouse rather than to the stores. Small shops and high rents make on-site warehousing in Singapore expensive, so, because the country is tiny, centralisation is cheaper.

Harvey Norman had problems replicating the Australian culture for other reasons. Staff in the early days were not known for good service. They paid little attention to customers and price was take-it-or-leave-it.

Giselle Roux, retail analyst with Salomon Smith Barney, observes that, while Australia's service standards are 'quite poor', Singapore's are 'uniquely poor' and its 'retail staff are considered a particularly low form of life'.

Angelo Augustus, Harvey Norman's first Pertama managing director, says the service problem was tackled by replacing low-level incentives with rewards to salespeople for volumes sold and margins achieved; and senior management were involved in sales training. He says senior staff recently visited Harvey Norman's Australian operations. 'What we are doing more now is satisfying the customers' needs', says Augustus, now a Harvey Norman franchisee in Melbourne's outer-eastern Nunawading. 'We are talking about the benefits of the product and not just its features.'

Dunkerley says the sales incentives have transformed the operation and resulted in a deep commitment to sales and service. He tells of staff who work 80 hours a week and of cables and other items being delivered to customers' homes after hours. 'I love to hear that sort of thing', he says. 'It is very inspiring as an MD to know that people at the sales level are prepared to sacrifice their own time and effort to do that for a customer.'

Augustus says marketing, including the 'Go Harvey Norman' jingle and sponsorship of popular television shows such as Singapore's Wheel of Fortune, helped promote the Harvey Norman name. Customers visited the stores and saw that the range had grown beyond the more downmarket goods offered before the Harvey Norman takeover.

Augustus says repeat customers were telling him: 'Hey, your guys know what they are talking about and they are trying to help me'. Augustus sees little real difference between Singaporean and Australian consumers. He says that, for many Singaporeans, who have far fewer opportunities for leisure than Australians, strolling and eating in shopping malls are the most pleasant pastimes. This means that retail events such as the recent Harvey Norman camera fair can be highly successful; but it also means shoppers are acutely aware of the competition in products and prices.

Another difference is that older Singaporeans shop with cash and always expect a discount. Staff in the early days of Harvey Norman management could not offer discounts. Today they do.

Most younger Singaporeans use credit cards but there is little interest in store credit schemes, which are popular in Australia. Initially, Harvey Norman offered zero-interest instalment cards, but the credit offered was not enough to encourage purchases. In October 2002, the company launched its own 'Go Ezi' credit scheme, making its own creditworthiness assessments.

With a new managing director and the first profit runs on the board, Pertama is considering expanding in Asia. Dunkerley, as he reassesses the company's business plan, is studying its position and prospects. He says there is a strong commitment to moving into new Asian markets. 'It is just a matter of choosing the right time and the right way.' So far, Pertama's results have not added value to the share price, says Salomon Smith Barney's Roux. 'So long as the company doesn't bet the book on it, Asia is a risk worth taking', she says. 'Everyone expects it to be an instant success one year on with no mistakes. Well, they have made their mistakes and they have taken their time to get to know and understand the market.'

**The Singapore connection**

Harvey Norman controls Pertama Holdings through Harvey Norman Ossia (Asia), a majority-owned joint venture with a leading international sporting-goods distributor, Ossia International. Ossia is controlled by a Singapore businessman, George Goh, head of a powerful business family that controls four listed public companies in Singapore.

Ossia was the largest shareholder in Rebel Sports, which was sold to Harvey Norman Holdings after the formation of the joint venture.

'Anything that is not a significant shareholding we divest', says Goh. 'In Rebel, we had 18 per cent, so we decided to sell to Gerry.'

*Source:* Roberts, P. (2003).

## *Activities for discussion, analysis and further research*

1. Identify the human resource concepts which are referred to in the above case study.
2. What are the fundamental differences between the industrial relations legislation in Singapore and Australia? You can research this by accessing the government department websites in both countries.
3. What differences did Harvey Norman need to adjust to in order to be profitable in the Singapore environment?
4. Access the Harvey Norman website in Australia. Explore the site for information on employee benefits and work conditions.
5. Which of the two Singapore organisations, Pertama or Ossia, would you prefer to work for? Why?

## FURTHER READING

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# GRADUATE GLIMPSE

## LINDA DUNCOMBE

*Linda Duncombe has a Bachelor of Commerce (Management and Marketing) from the University of Western Sydney. She is the regional private banking manager, Sydney East and Canberra, for National Australia Bank Limited.*

**What does your job entail?**
I manage 25 staff within the private bank across Sydney and Canberra. In the private bank we look after high net-worth individuals. I coach and lead the team of bankers that look after these relationships. Part of my role as regional manager is to develop and implement individual training and development programs for each team member, and for the whole of the organisation.

**How have your university studies assisted you in your career?**
Prior to starting university I was in a support role. Within five months of commencing my university degree I received my first promotion into management. I am now in a senior management role—my fifth level of management. I am able to think more laterally and enjoy a good challenge where the solution is outside the 'status quo'. My development in this area is a direct result of my experiences from completing my degree and has resulted in me being selected to be a part of some very dynamic teams within the National Australia Bank that have looked at group strategies and implementing change.

**How do you use your knowledge of management principles in the day-to-day functions of your position?**
One of the most important principles that I employ is the implementation of training and development programs. These are unique for each team member, and allow them to develop and grow.

## PAUL VORBACH

*Paul Vorbach has a Master of Commerce from the University of Sydney and a Master of Business Administration from the University of Technology, Sydney. He has also studied intensive management programs in England at Oxford University and in France at Reims University. Paul is the founder and managing director of AcademyGlobal, a career and personal development training firm.*

**What does your job entail?**
My key roles encompass business, personnel and product development. I am also responsible for overseeing financial, administrative and quality aspects of the business. Whilst I also perform some 'technical' tasks such as consulting and training, our growing number of senior associates are increasingly responsible for delivering these services.

**How have your university studies assisted you in your career?**
While I have never believed that the answers to all business issues lay in a classroom, my university studies have provided me with the opportunity to challenge a number of assumptions and consider the application of some widely-researched and applied tools and methodologies. UTS has a well-structured curriculum which encourages debate ensuring a sharing of insights across industries and cultures.

**What is an important management principle that you draw upon frequently in your role?**
A number of the key strategy tools remain helpful. Michael Porter's five forces model remains useful in opportunity evaluation and competitor analysis. The timeless writings of Peter Drucker have an enduring quality, always serving as good source of fundamental thinking.

360

# SATS moves further ahead as Asia's airport services leader

airline and has had an uninterrupted profit record for over twenty years. This enviable success in a tough industry has been driven by exceptional route management, aggressive investment in new aircraft and Singapore's unique advantages as a passenger and freight hub. But another key success factor is the role of SATS.

Singapore Airport Terminal Services (SATS), a subsidiary of Singapore Airlines, has made Singapore's Changi Airport one of the most efficient in the world; and the company has recently internationalised its business by exporting that expertise in airport services management. For most airlines, ancillary services are a cost centre and a cash drain. However, SATS has been profitable since its first day. SATS reported an after-tax profit of S$214.8 million for the 2002/03 financial year, an increase of S$2 million on the previous 12 months. However, SATS announced in 2003 that its management would take a pay cut of between 22.5 per cent and 27.5 per cent.  The move is in line with measures being taken to restructure costs with the decline in business demand. The key has been efficient management and quality service to a large client base. Now SATS has taken its expertise and its profitable business formula to new markets. Besides Singapore Changi Airport, it now has ground handling and/or catering facilities at Beijing,

Chek Lap Kok in Hong Kong, Kansai (Osaka), Macao, Maldives, Manila, Taipei, Ho Chi Minh and Madras. It has plans to further develop joint ventures at several airports in the Asia Pacific.'

SATS provides an extremely efficient behind-the-scenes infrastructure that has helped Singapore's airport and its aviation industry to be of world standard. It has earned recognition from the freight industry for its cargo handling, being judged the best airfreight terminal operator in Asia on seven occasions. Changi airport is consistently voted the world's best airport for fastest baggage deliveries. SATS ensures that the first bag unloaded from a flight will be available to passengers within 12 minutes and that the last bag will be available within 29 minutes. SATS believes that if you can't measure it, you can't manage it. That's why SATS constantly monitors 30 key performance indicators on a regular basis. To avoid any conflicts of interest, monitoring is done by an independent department which issues regular management reports. SATS continues to benchmark against leading ground-handling companies in order to ensure that it remains one of the best in the world. Its baggage presentation times, check-in servicing and cargo delivery times are the envy of its competitors. SATS spares no effort nor cost to use the latest technology or IT to further improve our service standards. Singapore Airlines has a policy of continuous investment in, and upgrading of, aircraft and equipment.

SATS believes its most valuable resource is its people and we are continually investing in them. In 2002, training was 21 605 man-days covering everything from product knowledge to language to people skills. One fundamental, but less obvious, reason for SATS' success has been its separate management and independent profit responsibility. The key to SATS' productivity is its people and human resource management programs. Incorporated in 1972, SATS has 11 joint venture operations at other international airports within the Asia-Pacific region, and more than 9000 employees. In 2000 the company spent 3.4 per cent of its payroll on training. On average, each employee was

allocated 2.3 training places and received 33.6 hours of training. 'We are regularly called upon to initiate a change or respond to one in our daily work', says Prush Nadaisan, the new chief executive of SATS. 'Our ability to respond to change successfully depends on the quality of our training and the range of skills covered; product knowledge, service, people skills and information technology. Our training programmes are designed to meet these objectives. The cornerstone of SATS' training philosophy is that a well-trained workforce would give us the ability to get ahead in good times and prosper even during difficult ones.' Customers are the reason for the existence of businesses. They are the final judge of how well the organisation is doing its job, and the quality of its products and services. In the face of global competition, organisations need to go beyond delivering high-quality products, and to focus on excellence of service.

Organisations with a customer focus have a passion for achieving customer-driven quality. At SATS, over 75 per cent of staff are in operations. Each year they service about 76 000 flights carrying more than 24 million passengers, prepare 23 million meals, and handle 1.43 million tonnes of cargo. To sustain the passion for service excellence in its staff, SATS uses regular performance reviews to provide critical feedback to enable staff to improve service. Trainee reviews of new staff are carried out monthly, and quarterly reviews are conducted for existing staff.

Trainee reviews are managed through a trainee review and evaluation card (TREC). This serves as a key tool for assessing and monitoring the performance of new customer service agents and officers. It ensures the effectiveness of the three-month induction program and the successful transfer of learning to the workplace.

The key areas assessed are grooming, communication skills and customer-service skills. There is a pool of 92 group trainers who serve as mentors to new staff. After one month of comprehensive classroom and on-the-job training to equip them with these skills, trainees are assigned a mentor for up to two months. At the end of this period, mentors use the TREC to assess trainees' readiness to work independently. For those who are not ready, the mentoring period is extended. For those assigned to work independently, the customer service officer (CSO) group trainer follows up to monitor and assess their performance. The CSO group trainer observes the staff working independently for a period of three weeks. Those who are not ready for confirmation are recommended to have their probation extended. Those deemed ready are recommended for assessment by the customer service supervisor group trainer.

To ensure that excellent customer service is maintained, the performance of existing staff is reviewed on a quarterly basis. These staff development review sessions allow line-trainers and immediate supervisors to jointly assess the performance of existing frontline staff while they are working. Such assessments take place in real-time and immediate feedback is provided for staff to improve their performance. When necessary, staff are provided with refresher training. Among the areas assessed are soft skills, grooming, punctuality, product knowledge, processing time, initiative and many more. To develop mentors and trainers, SATS identifies model employees who have the right attributes for mentoring. They are appointed by customer service managers (CSMs), who head each team. Mentors are identified for three different levels of staff: customer services agents, customer services officers, and customer services supervisors. All selected staff are trained by the CSMs for their roles. They are also briefed by line-trainers on the trainees' performance prior to the mentorship. This allows the mentors to better focus on the needs of their charges. During the mentorship, line-trainers meet up with mentors regularly to gather ongoing feedback.

So, what is the impact of this training system on SATS' business? Through the use of feedback from these reviews, SATS is able to achieve consistency and continuity, delivering excellent customer service that has been recognised through awards and

accolades from governments, airlines and passengers. Its awards include the airport services purchasing ground handling 2000 award, the purchasing department supplier of the year award, the most consistent caterer award and the best station award. SATS was selected as security consultant for the Asia Aerospace 2002 Trade Fair in Singapore.  SATS Cargo Division was awarded ISO 9001:2000 certification by the Singapore Productivity and Standards Board. As the leading ground-handling and in-flight catering service-provider at Changi airport, SATS has also contributed to Changi being voted the world's best airport for a record 15 consecutive years.

*Source:* Contributed by John Krasnostein; adapted from *Asian Business Review* (1999).

## *Activities for discussion, analysis and further research*

1. Log on to the websites listed below and develop a list of key performance indicators. Now apply these indicators to SATS. How has SATS been able to develop airline ancillary services into a profitable business and an export earner for Singapore, while other airlines lose money in these activities?
www.findarticles.com/cf_trvgnt/m0VOU/7_298/59
679876/p1/article.jhtml?term=Singapore+Airlines
www.findarticles.com/cf_trvgnt/m0EIN/1998_Oct_
16/53088754/p1/article.jhtml?term=Singapore+Ai
rlines+Key+Performance+Indicators
www.findarticles.com/cf_trvgnt/m4PRN/1999_May_
17/54644528/p1/article.jhtml?term=Singapore+Ai
rlines+Key+Performance+Indicators

2. Analyse SATS' staff training program and demonstrate how it is the key to success in delivering world-class service standards. Since all SATS employees are Asian, can you identify any findings from Hofstede's or Trompenaars' work that indicate consistency between Singaporean values and culture, and the training and staff evaluation methods used by SATS? To what extent could an Australian, American or British company achieve the same success in service standards with their own employees?

3. In groups of three or four, develop a five-year strategy for SATS for the period 2004–9. Describe further improvements to service scope and quality that could be made. Identify new international markets for further service extension, and consider the critical issues that are likely to arise in the next five years.

Please insert the CD-ROM that is packaged with this book to view video clips that correspond to this Part theme.