HUMAN RESOURCE MANAGEMENT CONCEPTS

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LEARNING OBJECTIVES

When you have successfully completed this module, you will be able to:

- analyze the external environment of your business and identify the "key drivers" that will determine its success
- identify the people skills/attributes that will be essential to the success of your business
- design an organizational structure that is appropriate for your business
- identify and develop management systems that will reinforce the overall strategy and objectives of your business
- define and measure appropriate outcomes for your business

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Organizational Design Paradigm

The organizational design paradigm presented in this module provides a framework to guide managers in the creation and maintenance of an effective organization.

ORGANIZATIONAL DESIGN
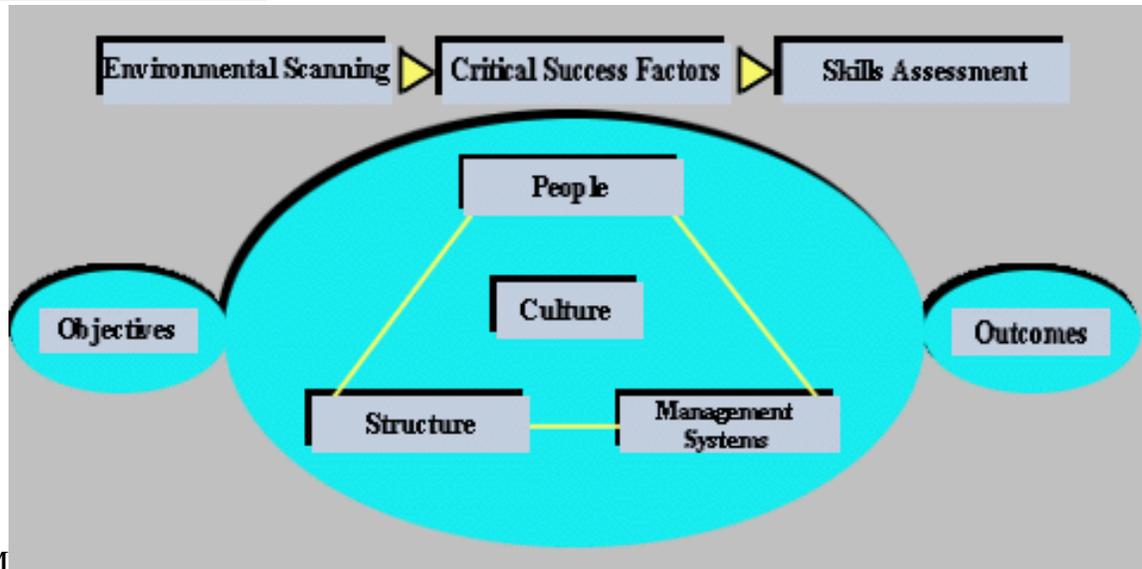
PARADIGM   The organizational design process helps a company in business planning by guiding it in the process of designing and creating the appropriate human resources environment.

There are three components to this organizational design process:

- People working in the company
- Structure or grouping of people and tasks into organizational units
- Management systems used to make sure people perform their tasks in a manner that is consistent with the objectives of the company

Another critical aspect of the mix of people, structure, "corporate culture" and management systems of a company is that collectively they tend to form a "Culture". There are norms, attitudes, values and beliefs shared by individuals throughout the organization.

Before addressing these three critical aspects, it is necessary to look outside the company at the environment in which it is functioning and what it would take for the company to really be successful as it moves into the future. This will lead to the identification of the expertise and skills needed within the company.

Finally, it is necessary to have a feedback loop about the design, i.e the outcome of the business. Outcomes are in terms of employees and how the company is perceived within the community. This feedback loop would then be used to assess whether or not the design is effective. This is what the organizational design paradigm or framework is about - guiding the company through business planning issues that focus on a human resources environment within the business.

The organizational design process is driven by environmental scanning which will help senior

management formulate a strategy for the business and determine the factors that will critically affect its future success.

Environmental Scanning

All good companies have an effective environmental scanning process achieved through, for example:

- networking with other people
- reading newspapers, magazines and journals that are relevant to the business
- attending conferences or sitting in boards and committees
- surfing the internet from time to time to find information relevant to the business
- membership in organizations and associations

Environmental scanning provides information on what is happening around a business's environment and how this could impinge upon the business. With environmental scanning, the business needs to look at trends that are shaping its industry, including:

- social and political trends
  Some political and social issues may be getting a lot of attention that might end up in government policy or legislation which could impact on the business.
- market and competition trends
- technological trends

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When looking at these trends, the business would have to look at the particular industry it is in, and what it is trying to be, and then determine, "What will it take to be successful?"

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Management would need to determine the threats and/or opportunities that the trends present, and how to position the business to take advantage of some opportunities or to defend itself against threats that these trends pose.
Some examples of current trends that affect business are the global economy and information technology. Businesses are increasingly focusing on global markets for expansion; the Information Technology revolution is speeding up the pace of business. Businesses struggle with information overload given the quantities of information that they receive at an increasingly rapid pace. Information is another critical resource, like financial and human resources.

Critical Success Factors

There are usually several key "business drivers" for any business. They are derived from both the external and internal environment of the company.

What are the key "business drivers" that will determine the degree of success of the business in the future?

Some examples of critical success factors:

- *be the low cost producer in the industry*
  The objective for the low cost producer is to reduce costs so that the business can become a low cost producer in the industry. Cost control or cost reduction and / or realizing economies of scale is a critical success factor in the business.
- *be a marketing innovator*
  Businesses are constantly coming up with new ideas for attracting customers to their products or are constantly developing families of products (e.g. Proctor and Gamble).
- *be a technological innovator*
  Many companies base their strategy around technology innovations. They always find new ways to adapt technology. Many of them use their Research and Development to come up with better products.
- *offer the highest standards of quality in the industry*
  Quality is an absolute must for every service or product oriented business. No matter what you are trying to offer your consumer, high standards of quality are being achieved by your competitors. There are also other factors such as international certification standards for quality, such as ISO standards, that are used to ensure that consumers are getting high and consistent levels of quality from all of the competitors in a particular industry. Quality may be something that even though it is available in almost all services and products, a company may have a legitimate claim to be offering the highest quality available in that particular industry. If quality is a business's critical success factor, then the company would have to build features into its human resources management design that would ensure living up to the reputation that the business has created.

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Critical success factors drive your business. There are always choices to make in critical success factors. Not everybody can be a technological innovator or a marketing innovator. These key business drivers have to be articulated and become the focus of your business strategy.

Skills Assessment

Given the key "business drivers":

- ***What skills are needed in the organization?***
  If we are trying to be a market innovator, we need a lot of creative people. If we are trying to be producers of high quality educational software, we need people with expertise in pedagogy and instructional design.
- ***What skills exist in the organization presently?***
  Make a good assessment of the people with skills available in the company. Having seen the skills needed and what skills are available, the business might determine that there are significant gaps.
- ***What are the gaps?***
- ***How can the gaps be filled?***
  - through training of existing employees;
  - through recruitment;

  If the gaps are not filled, then the company will not have the human capability to deliver the critical success factors and meet the key business drivers of the kind of businesses they are trying to be.

Corporate Objectives

We have completed the external analysis, looked around and decided what the environment means for the future of our business. We have asked ourselves the following questions:

- What business are we in?
- What kind of company do we want to be?
- Where do we want to be with respect to key measures of success (e. g. growth, profitability, market share, etc.) at certain points in the future?

We are now in a position to begin designing our human resources management organization within the company. We begin the process by looking at the people.

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People

What are the current and future human resource requirements of the business?

- *skills/attributes*
  Does a company need creative skills? Are research and development skills needed?
  Attributes: What are the personal qualities of people that are needed to execute the business strategy?

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- *full-time/part-time/contract/seasonal*
  The company needs to look at issues like whether they will need full time or part time people, or contract out. If producing a new product, a company might, in its initial years, subcontract out the manufacturing of the product because it does not have the resources to build a manufacturing plant and equipment. If there is a company that can manufacture this product, then the business might sub-contract the manufacturing of this product for the first 3 or 4 years until the company can generate enough money to enable it to undertake its own manufacturing.

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- *training and development needs*
  Training and development needs are something to which many employers do not pay attention. They then become quickly dissatisfied with the people they have hired. They forget that, though the people may be educated and have certain personal qualities and attitudes, they have not been trained to do the job they were hired to do.

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- *recruitment strategies*
  How are you going to recruit people? Many companies do not pay attention to this. What kind of system will you use? What kinds of techniques will you use to try and bring out the people skills and attributes you are looking for?

- ***union/non-union***
  Is the company unionized or is there a prospect of having a union complete its implications? In the business plan, that is something that a company has to address. If it is a unionized company, the collective agreement becomes an important part of the business plan

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Many companies are focusing more on personal attributes of employees. They are looking at personality traits: honesty, integrity, and emotional toughness. "Can this person deal with pressures that this business will deal with?" "Is this the type of person that can adapt to change?" Some companies examine the values of their prospective employees to see if they would fit with the values of the business. These soft intangible aspects of human relations are becoming increasingly important.

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These are business planning details that require attention. Will you "chase" demand through the use of part-time employees or is the nature of your business such that you will employ a "level" strategy whereby you will have so many people with certain skills and you have to live with the fluctuations in demand in relation to the capacity that you offer?

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Some businesses hire employees, assign them to a job and expect them to perform without telling them anything about the intricacies or the details of the business. It is important to train someone that you have brought into the company so that they clearly understand what it is that you are expecting from them in the performance of their duties.

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Those are the people considerations in organizational design that a company has to look at in its business plan. Deciding the "people needs" of an organization and how to meet them is perhaps the most difficult task. Great care and attention are required because the people who work for the business will have a major impact on its success. Furthermore recruiting is not a science and recruitment errors can be costly.

Structure

Structure is the grouping of activities and people into organizational units or divisions so that they can focus on critical activities that need attention.

Even within small businesses where you may have only 2 or 3 people, there is a natural tendency to want to assign certain responsibilities to certain people so that everyone can share the burden. Medium to larger organizations will consider alternative divisional structures, but there can be elements of these structures even in small businesses. There are three generic ways to structure an organization:

- Functional division
- Product division
- Geographic division

As companies grow, it is likely that their organization will exhibit combinations of these three structures.
This grouping of structures is one way to think about how to organize employees.

- *functional division*
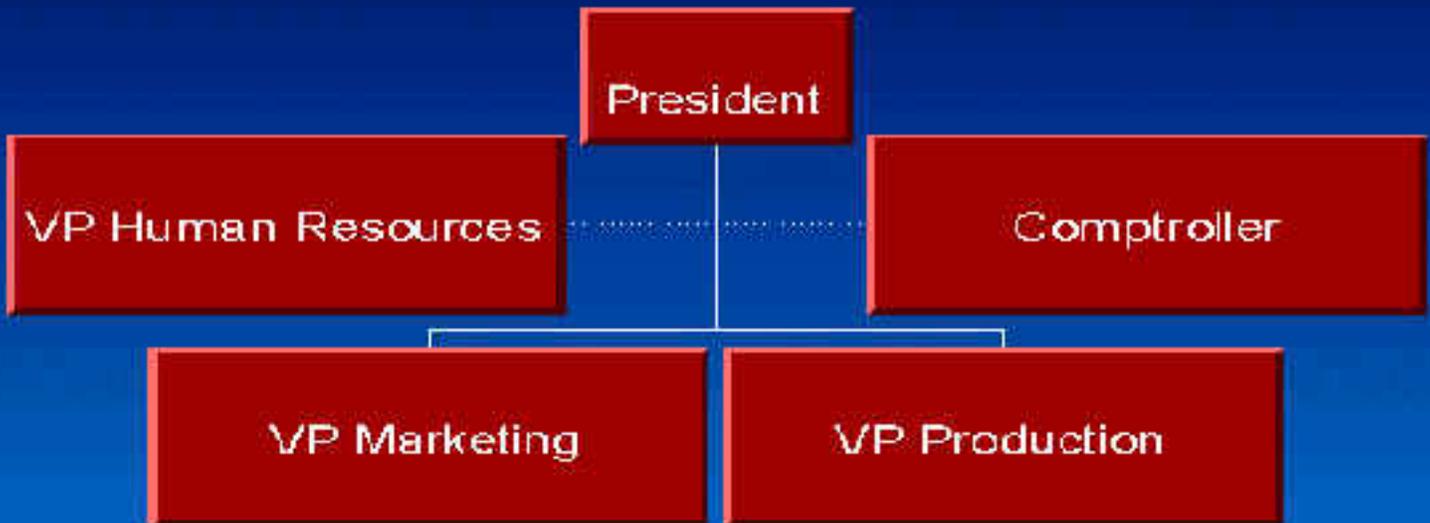
A functional organization divides units according to their functions. A hypothetical functional organization might have:

- a President
- a Vice President for Human Resources to take care of the people aspects of the business
- a Comptroller to take care care of the financial aspects of the business
- a Vice President for Marketing to focus on marketing of the company's products and services
- a Vice President for Production to focus on producing those products

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The label on each of these titles is a business function, i.e. marketing is a function, finance is a function, and production is a function. That is what is meant by a functional organizational structure. This kind of organization is typically found in the early stages of development of a company. As the company gets larger, it might then evolve into some other kinds of structures.

- *product divisions*

Product Organization

President

VP Human Resources

Comptroller

VP
Consumer Products

VP
Industrial Products
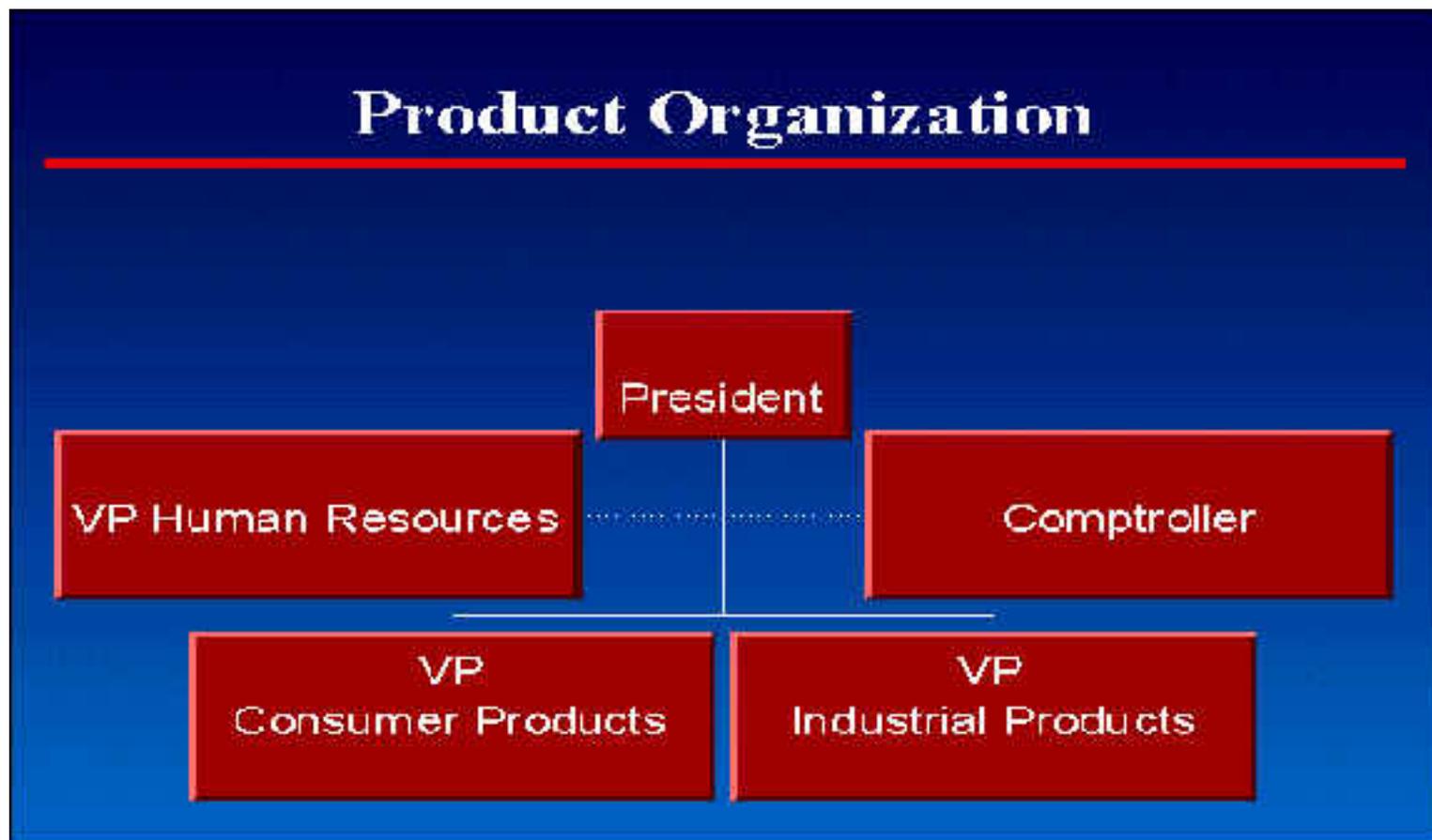
A product organization divides units according to the products it produces.
This kind of organization might have:
- a President
- a Vice President for Human Resources and a Comptroller
- a Vice President for Consumer products
- a Vice President for Industrial products

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In one case, this business would be producing products for consumers, for example those found in grocery stores or pharmacies. In the other, the business would produce industrial products for companies. The marketing challenges would be different for both the industrial customer and the retail customer. Since this business is competing both in the industrial and consumer markets, a different strategy is needed in each sector. So this business has set up its organization to give that kind of focus. Below the vice presidents, there might be a functional organization. Perhaps a Vice President of consumer products has reporting to him/her, a manager of marketing, a manager of production and a manager of finance. So the functional organization that appears at this lower level is tied into a product focused organization structure at a higher level.

- ***geographic divisions***
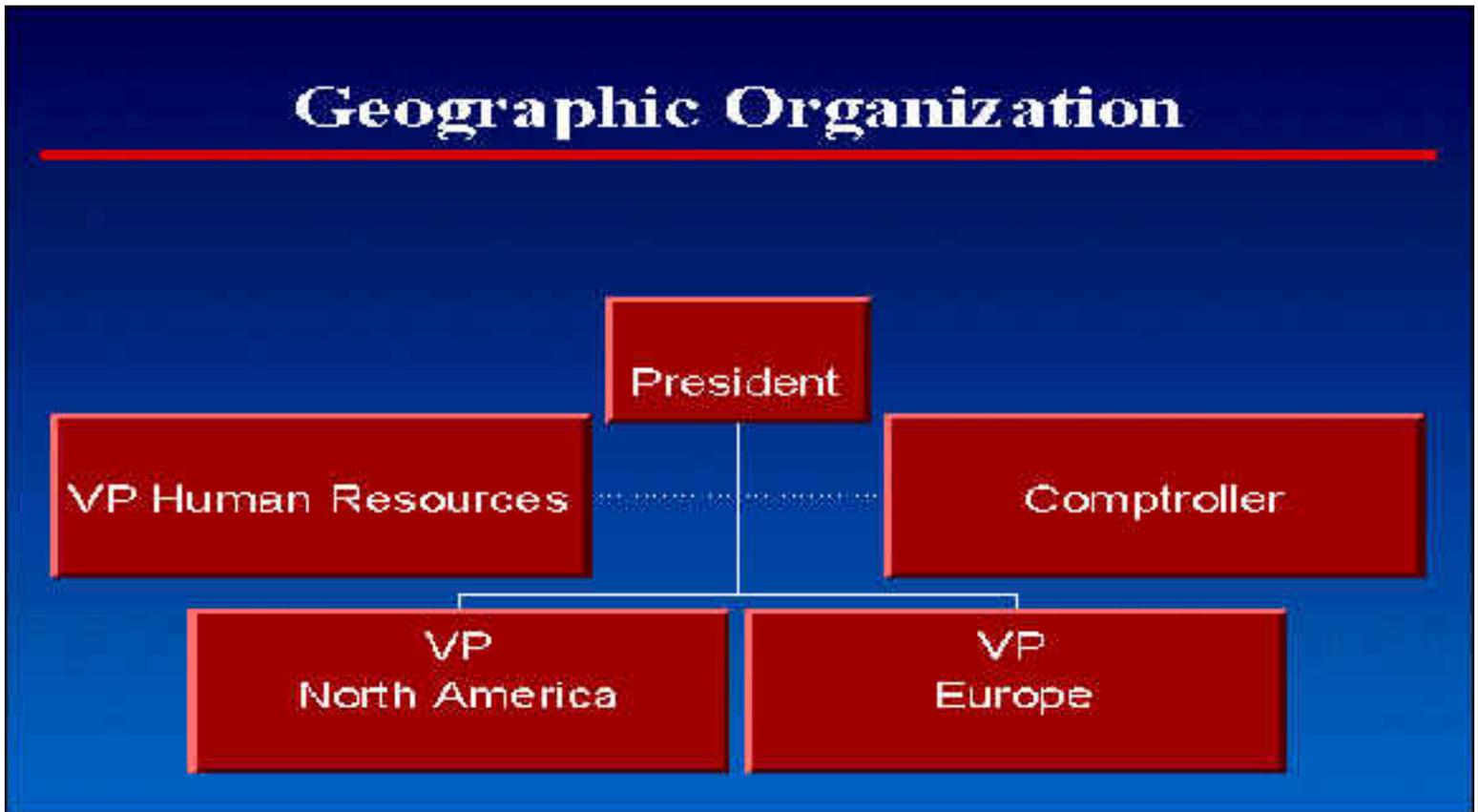
A geographic organization divides units according to the geographic regions from where it carries out its businesses. For example, this kind of organization might have:
- a President
- a Vice President for Human Resources and a Comptroller
- a Vice President for North America
- a Vice President for Europe

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The last two vice presidents would have a regional focus. Each of these vice presidents would be in charge of all products and services that the company sells in the region for which they are responsible. This hypothetical company decided that the challenges are very different in North America as opposed to the challenges that they face in Europe, so they created an organization with a geographic focus. Many Canadian organizations might even have regions within their structures, for example, Eastern Canada, Central Canada, Western Canada, or Eastern United States region. This could have a lot to do with the nature of competition within those geographical areas. There could be important differences like culture, language, government regulations and policies and different market segments that are targeted in one region versus another.

Responsibility *versus* Authority

While many people think that responsibility and authority are the same thing, they can be extremely different. The grouping of activities and people into organizational units or divisions must be accompanied by a delineation of "responsibility" and "authority".

- *Responsibility* - The set of corporate activities with which a manager is concerned and for which he or she is held accountable.

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- *Authority* - The set of corporate resources for which a manager has decision-making power.

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It is not uncommon for managers, particularly middle managers, to have responsibilities that exceed their authority. For example the general manager of a business unit might have overall responsibility for the unit, but may have to seek approval from a higher authority for certain decisions.

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Responsibility defines the set of activities that an employee is responsible for in a particular job. Responsibility establishes the things that they have to oversee and for which they are held accountable.

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Authority establishes how much decision-making latitude a manager has before having to go to a higher level. It determines how much freedom the manager would have to make decisions, and/or allocate and commit resources within the company. Typically, a manager's responsibility is much greater than his/her authority. The problem with many organizations is that they do not do a good job of articulating responsibilities and authorities and the ultimate consequence of that is confusion. If you are not clear about what your job is then when a particular incident arises, you could become confused about whether to do something or not do anything. When there is confusion on authority, then decisions might not be made because an employee might think they do not have the authority to make the decision, or they might make a decision and find that they made a commitment that they should not have made.

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Even within small companies, it is very useful to have clear delineation of responsibility and authority so that there is no confusion. It is very important for businesses as part of their business plan to define responsibility, typically done through job descriptions, and authority which can also be done through job descriptions or through corporate policy manuals.

Line *versus* Staff

These roles are typically found in medium to large organizations and are not very common in small organizations.

- **"Line" Organization -** Responsible for accomplishment of the firm's primary objectives. For example the VP Production has decision making authority and accountability for all decisions related to production of the firm's products.

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- **"Staff" Organization -** Responsible to provide advice and support to line managers. For example the Comptroller provides accounting and financial support and advice. The Human Resources Manager provides advice and support to all line managers on all personnel matters.

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Example of a functional organization outlining staff and line functions.

Functional Organization

```
                        President
  VP Human Resources                    Comptroller
       Staff                               Staff

            VP Marketing        VP Production
              Line                 Line
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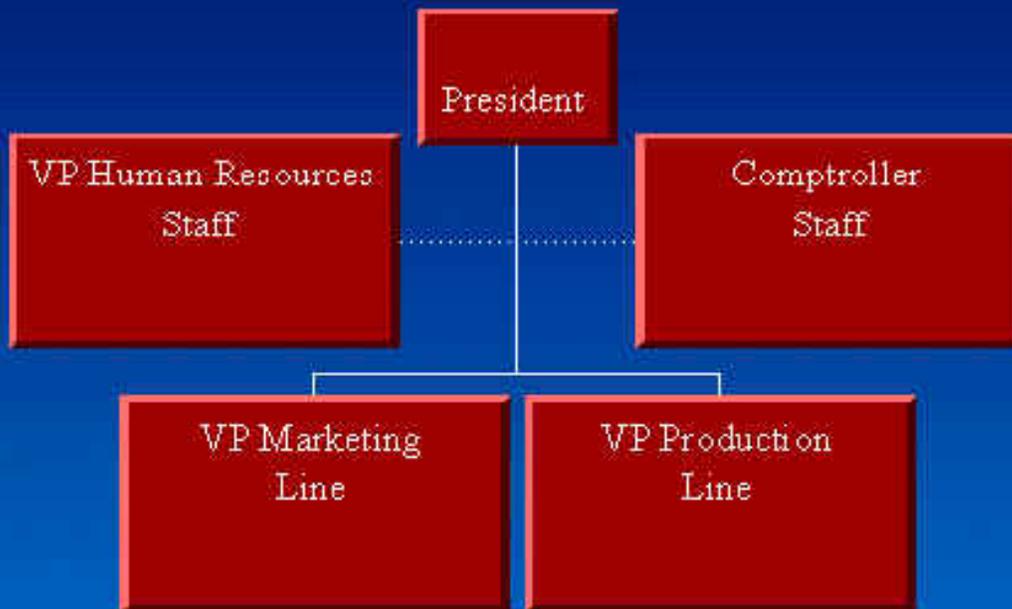
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This is the primary goal of the organization; getting the product produced and "out of the door" to the marketplace.

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Even small businesses have to think about what kind of staff activities take place and what kind of line activities take place in their organization. For example, submitting payroll deductions to government agencies on time, recruiting people, training people etc. are staff functions. Then there are the line activities of producing and marketing the product.

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In this hypothetical organization, the VP Human Resources and the Comptroller serve both the marketing and production people so these are in a staff function. But the Marketing and Production units are directly involved in the primary goals of the business, i.e. producing the products or services and marketing them. That is what is meant by a "line" function.

Management Systems

Management systems are very much driven by the objectives of the company.

- ❍ What business are we in?
- ❍ What kind of company do we want to be?
- ❍ Where do we want to be with respect to key measures of success (e.g. growth, profitability, market share, etc.) at certain points in the future?

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Collectively, Management Systems:

- *send signals to managers/employees about desired behavior*
  if the company is trying to be the low cost producer, the management systems send signals about controlling costs and keeping costs at a minimum.
- *send signals to managers/employees about expected performance*
  perhaps there is something about quality that the business is trying to reinforce in its management systems.
- *send signals to managers/employees about balancing short versus long term considerations*
  One of the traditional criticisms of North American businesses is that there is too much focus on next month's profits or next quarter's financial results, at the expense of the longer term direction and long term relations that could be valuable to a company. The Japanese have taught North Americans how to create a better balance between short term and long term issues in business. The Japanese are very focused on maintaining and sustaining long term relations with suppliers, employers and employees.

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Many companies do not have an explicit mission statement but it is implicitly understood. Businesses need management systems that can support and reinforce corporate objectives and help employees understand the kind of business the company is in. Management systems are very much driven by the overall corporate strategy and objectives.

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Management systems, if properly designed can become the "glue" that pulls the different units in a company together working towards implementing the company's mission and business plan.
People and/or groups of people within an organization have a natural tendency to want to "do their own thing". Tensions between different divisions within a company are common and can be constructive. However, ultimately all employees and the divisions they work in must respect and work towards the larger "vision" of the organization.

Integrating Devices

In organizations, people are divided into units and integrating devices are intended to make those individual units function as a team or as a corporate entity. This is to make them function in a manner that is consistent with the direction that the company is trying to take. Because of human nature, as soon as people are divided into groups and teams, the team can take on its own identity and culture and team spirit. The whole idea of integrating devices is to try and unify and integrate those units that have been created. The following are some examples of integrating devices:

- ***Committees, Task Forces and Project Teams***
  There is a big emphasis in human resource environment on teaming and things like dynamic teaming. The goal is to create processes whereby people can work in interdisciplinary teams and "make the whole greater than the sum of its parts". That is the whole notion of teaming is trying to create some synergy. Joe has expertise in IT, John in some aspect of marketing and Mary in another area. By putting their individual areas of expertise together, they can produce a strategy that is much better than anyone of them could have produced on their own

- ***Policy/Procedures Manuals***
  Everybody can refer to these manuals and understand the company's policy on overtime, vacations etc. Everybody gets the same understanding of how things are run in the company.

- ***Corporate Plans***
  Many companies circulate their business plan or part of it to the employees. This way employees clearly understand what the company is trying to accomplish, what kind of business it is trying to be, and how it wants to be seen in the market place or the community.

- ***Corporate Communications Initiatives***
  This can be done through documents and through meetings. Many companies are now using the internet, and more specifically corporate intranet, to connect the employees with senior management. Web sites and email have also facilitated corporate communications. There is no excuse for not having good communication within a company, no matter its size.

Recruitment

- **Recruiting Specifications**

  Companies place advertisements about job openings but they do not pay enough attention to the specific skills and attributes that they are looking for. There is a growing emphasis on personal attributes in addition to skills. Organizations are looking more for flexible and adaptable people. It is necessary to articulate and document the specifications in order to ensure that the candidates that are interviewed fit what the organization is seeking.

- **Interview Panels**

  A lot of companies do not want to rely on one opinion. Interview panels are often used so that people can get together after the interview and share their different perspectives on a particular candidate for a job.

- **Candidate Testing and Screening**

  This is becoming more common. Various kinds of tests are insisted upon to test for certain attributes and skills. Those kinds of tests are used as screening devices to determine whether the person's attributes fit with the recruiting specifications for a particular job.

- **Reference Checking**

  A company should never hire anybody without checking their references. The person may have made a great impression on the interviewers but it is always important to check references. The potential employee should work to ensure that they get the best possible reference when someone is checking on them. Along the way, the employee should take every opportunity to build a good reference for him/her self with his/her coworkers. This can really pay off in the future.

- **Orientation for New Employees**

  This is not often used. Employees at times join companies and go through weeks of confusion and mistakes because no one sits them down and teaches them the basics of what they are

expected to do. A person might be good in his/her profession, for example a programmer or accountant, but does not know the particulars of the business to which they have been recruited. A business can waste wages and salaries by not equipping the employees with the inside knowledge they need to have about the business.

Training & Development

- **Employee Evaluation and Testing**

  Quite often employee evaluation and testing are the basis of deciding what is required in terms of training and development. In today's economy, organizations have to be "learning organizations". That means that employees need to be continually training and upgrading their skills. There are many affordable, accessible and convenient learning opportunities available now.

- **Course Evaluation**

  Increasingly, training resources are allocated very carefully and the courses are carefully evaluated. Companies now want to do a thorough evaluation of the content and the learning system before they even decide whether or not they want to put any of their employees in it.

- **Job Related Training**

  Training needed to do the job effectively.

- **Developmental Training**

  Most healthy companies are focusing on succession. Who are going to be the leaders and managers of our business in the future? They develop a succession plan by identifying high level performers whose achievements are remarkable and have good personal qualities. Those identified are people that the company can focus on for future positions in the senior level management of the company. Most good companies are putting developmental programs in place to offer the employees training that will help them take on more responsibility, be more effective in their performance and take on greater leadership roles within the organization.

Measurement & Control

There are a variety of systems that are used to measure a company's performance given the direction that the company intends to move into and the specific goals it company has. They provide a feedback loop.

- ***Business Plan***
  The business plan outlines in detail the direction that the company intends to take. The measurement and control systems facilitate the execution of the business by providing feedback on whether the company is achieving what it set out to achieve, and by determining how far off track the company is.

- ***Capital and Operating Budgets***
  These systems basically spell out, in financial terms, the business plan. They identify the financial resources that are being put at risk in order to implement the business plan. They become the benchmark for measuring the utilization of those financial resources and the kinds of financial results that are being achieved. When a company does not have a budget it cannot tell whether or not it is overspending and whether or not its performance is better than what was expected.

- ***Employee Job Descriptions & Performance Evaluations***
  The job description is like a business plan for the employee. It sets out the responsibilities, authorities and expectations of the company. Many companies have no job descriptions. This is to their detriment because they have no ongoing performance evaluation. In today's business world, more and more performance evaluation is being focused on the notion of "value creation". In other words, "Are we creating value for the customer?" If you are not creating value then your job cannot be sustainable because your customer base is not sustainable. The whole notion of value and how value is being created for the customer becomes central to employee evaluation.

- ***Financial Reporting***
  This is a system that is designed to give timely reporting of financial results. Traditionally, this reporting was done through monthly statements, quarterly statements, or year end statements. More and more companies today are going to daily and real-time reporting systems. At any moment in time, the CEO, while on the road or in his or her hotel room, might want to know how things stand financially. There might be certain pieces of corporate performance data that the manager can access via the internet at any point in time.

- ***Production Reporting***
  Focuses on productivity. It reports the yield of employees at regular timely

intervals.

- *Marketing and Sales Reports*
  Such reports are often done on a daily basis. This ensures that the company does not have to wait until the end of the month to see how its sales have been. It can instantly find this out from the internet or through other reporting mechanisms.

- **Quality Control Reports -** If quality is a major focus in the business, then there is a need to have the means to measure it. If you are not measuring it, then you do not know whether or not you are achieving your goal. A company needs to know what percentage of defects were found in the number of products coming off the assembly line, what sampling procedures are being used, how quality is being measured. Then in the service business there are the intangible aspects of quality that make the measurement challenge even more difficult.

Measurement and control systems are an important part of your business plan. You have to lay out what you are going to do given the objectives of your company. You have to set out how you are going to measure your performance and then relate it to your key business drivers and critical success factors.

Reward Systems

Reward systems are intended to recognize any kind of performance or behavior that is the same as what the company is looking for, or even better. The whole idea of rewarding is to reinforce the behavior or performance.

- *What is Rewarded?*
  Maybe somebody does something to make a significant achievement in terms of innovation or creativity. If that is a key success factor, whenever someone achieves it, it is necessary to make sure that they are rewarded for it.

- *When?*
  A classic failure of businesses is that they may wait for the year end, the annual performance appraisal or the Christmas party to reward somebody. Good managers will reward somebody immediately, even when no money changes hand. As soon as someone does something that is "right on the mark" and a manager tells them so, they will know that they did the right thing and they will try harder. Likewise if someone is doing the wrong thing, it is best to tell them so in a timely manner.

- *How?*
  This is very important. There tends to be major emphasis on things like bonuses and financial rewards. Monetary rewards can however also create problems if they become built into expectations, e.g. bonuses, and thus they are no longer a reward. There are many ways to reward people other than money.

  Types of Rewards

  - **basic compensation** - There is a need to offer a competitive and attractive compensation package that is affordable by the company.

  - **performance based bonuses** - The design of these can get very tricky. If bonuses become regular in the eyes of the employee, they become part of the base salary.

  - **shares or "phantom" shares -** Employee ownership in the company through issuance of shares and/or stock options is becoming common. Tax considerations have to be considered for the employee if they are given shares.

  - **promotion/empowerment -** With a small business of two or three persons, there is no hierarchical structure within which a person can be promoted. But they can be rewarded through empowerment. As they develop and grow as employees, they can be given more

responsibility and perhaps more basic compensation. The empowerment itself will be a reward for good performance. The person will develop self confidence and self esteem. It drives the employee to even further improve performance. Larger organizations are increasingly using empowerment as a motivational tool.

❍ **timely praise/recognition -** or timely criticism.

Culture

The design that a business puts in place in terms of people, structure and systems is going to shape the culture of the company. Like countries, organizations develop their own distinct culture. This can be experienced by walking into a company and seeing how the people interact with each other, what they believe, and what their norms and attitudes are. A sense of the company, how it operates and how its people operate together can be determined. The cultures of companies vary considerably from one to another. Some are dull, stodgy, plodding and conservative while others are dynamic, upbeat and energetic. The design and interrelationships between the three critical organizational design components, i.e. "People", "Structure" and "Management Systems", play an important role in creating and shaping the culture of the organization.

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Organizational culture can be a powerful positive force in helping the company achieve its objectives. It can also be a powerful negative force that is very difficult to change. Many companies these days are trying to create an entrepreneurial culture within their organizations. Even large corporations are trying to create an entrepreneurial culture within units in the company. They are trying to encourage employees to behave as if they were in business for themselves, even though though they are working for somebody else. They are trying to encourage employees to behave as entrepreneurs. Through their structure and management systems and their reward systems, corporations are trying to create entrepreneurial cultures, risk taking, dynamism, and a culture that adapts to change quickly. We are in the information age where things are changing rapidly. If you have people that have a high need for structure and very strong resistance to change, you cannot survive. Companies are trying to create an entrepreneurial culture so that they can react quickly to a dynamic market place.

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The culture of an organization is formed from an implicit understanding that develops among employees in the organization about what constitutes acceptable attitudes, values, beliefs, and behavioral norms within the context of the organization. The culture is very difficult to change once it is established. It cannot be changed by management directive. The change can only be done by modifying the three organizational design components, namely people, structure and systems. If an organization feels that it has a culture that is not reinforcing its business strategy, then it would have to look at new design considerations like bringing in new people or having different kinds of management systems maybe reorganizing the company.

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A business needs to determine how to create an entrepreneurial culture, to get people to move quickly, to seize upon opportunity.

Outcomes

To complete the discussion of organizational design, there is need for a feedback loop. This guides the organization in determining whether or not the human resource environment was designed properly. This can be done by looking at the outcomes.

What are the key results of the company over time in terms of:

- *the well-being of the business?*
    - growth
    - profitability
    - market share
    - return on investment
    - liquidity
    - solvency
    - others

    Many of these indicators can have numbers to them and be measured with considerable accuracy. This is very important, but it is not all that counts.

- t*he well-being of employees?*
    - satisfaction/attitudes towards the company
    - morale
    - opportunities for advancement/empowerment
    - health
    - stress
    - absenteeism
    - incidence of substance abuse
    - others

    If the company does not have healthy, productive employees that have a passion for their work, the business is ultimately going to pay the price. If employees are successful within the business there is a high probability that the business will be successful.

- *the reputation of the company in the community?*
    - quality of corporate citizenship - Is the company only interested in maximizing profitability or is it charitable as a company and try to support charities within the community?
    - reputation with respect to employee relations - This helps to attract good quality people.
    - reputation with respect to environmental stewardship - This is a recent issue but it is becoming increasingly important.
    - compliance with laws and regulation - The returns of being honest and

ethical are always big, because people learn to trust the company and it breaks down barriers.

SUMMARY - Human Resource Management Concepts

The Human Resource Management Paradigm is a framework that addresses the issues that are essential in the design of an effective human resource management environment in your organization. The three critical organizational design components are People, Structure, and Management Systems. These three are interrelated and interdependent and shape the culture of an organization. Before addressing what the appropriate strategies are for each of these components, you must do the following analyses:

Environmental Scanning:

> The purpose of this section of the analysis is to determine what the trends and patterns are in the industry.

Critical Success Factors:

> With the information from the environmental scanning you will identify the key business drivers or success factors for your business.

Skills Assessment:

> Given the critical success factors this section describes what people skills and attributes are essential to the success of your business.

People:

> What are the current and future human resource requirements of the business?

Structure:

> The grouping of activities and people into organizational units or divisions.

> Alternatives:

>> Functional organization structure
>> Product Organization Structure
>> Geographic Organization Structure

> Another concept of formal organization structure is Line versus Staff. A Line Organization is responsible for the accomplishment of the firm's primary objectives. Conversely, a Staff Organization is responsible to advise, assist, and support the line

managers.

Responsibility and authority have to be clearly understood in an organization.

Management Systems (examples):

Integrating Devices: methods used to keep everybody focused in the same general direction or "vision" for the business.

- committees
- task forces
- corporate plans

Recruitment Systems:

- employee evaluation and testing
- job related training
- developmental training

Measurement and Control:

- financial reporting
- production reporting
- quality control reporting

Reward Systems:

- basic compensation
- performance based bonuses
- promotion/empowerment

Rewards have to be timely and fair. Inappropriate rewards might create incentives that are not in the best interest of the business.

Objectives:

These are the goals that the company is trying to achieve.

Outcomes:

Are the key results of the company. They are the feedback on how well the strategies are

implemented and how effective the organizational design is. The outcomes concern:

- the well-being of the business
- the well-being of the employees
- the reputation of the company in the community

The outcomes of the business in relation to the objectives provide a feedback loop for organizational design.