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## Module One: Human Resource Management in Organization

### 1.1. What is Human Resource Management?

#### Jack Nelson's Problem (Case Study)

As a new member of the board of directors for a local bank, Jack Nelson was being introduced to all the employees in the home office.

When he was introduced to Ruth Johnson, he was curious about her work and asked her what the machine she was using did.

Johnson replied that she really did not know what the machine was called or what it did. She explained that she had only been working there for 2 months.

However, she did know precisely how to operate the machine. According to her supervisor, she was an excellent employee.

At one of the branch offices, the supervisor in charge spoke to Nelson confidentially, telling him that something was wrong, but she didn't know what.

For one thing, she explained, employee turnover was too high, and no sooner had one employee been put on the job than another one resigned.

With customers to see and loans to be made, she continued, she had little time to work with the new employees as they came and went.

All branch supervisors hired their own employees without communication with the home office or other branches.

When an opening developed, the supervisor tried to find a suitable employee to replace the worker who had quit. After touring the 22 branches, and finding similar problems in many of them, Nelson wondered what the home office should do or what action he should take.

The banking firm generally was regarded as being a well-run institution that had grown from 27 to 191 employees during the past 8 years. The more he thought about the matter, the more puzzled Nelson became.

He couldn't quite put his finger on the problem, and he didn't know whether to report his findings to the president.



## Questions

1. What do you think is causing some of the problems in the bank's home office and branches?
2. Do you think setting up an HR unit in the main office would help?
3. What specific functions should an HR unit carry out? What HR functions would then be carried out by supervisors and other line managers? What role should the Internet play in the new HR organization?



## Case Study Note



## 1.2. Human Resource Management Definition

Human resource management (HRM) is a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations.

### Other Definitions of HRM

- Human resource management involves all management decisions and action that affect the nature of the relationship between the organization and its employees – its human resources. (Beer et al, 1984)
- HRM comprises a set of policies designed to maximize organizational integration, employee commitment, flexibility and quality of work. (Guest, 1987)
- That human resource policy should be integrated with strategic business planning and used to reinforce an appropriate (or change an inappropriate) organizational culture, that human resources are valuable and a source of competitive advantage, that they may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interests of the 'adaptive organization's' pursuit of excellence. (Legge, 1989)
- Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques. (Storey, 1995)
- HRM is: 'The management of work and people towards desired ends.' (Boxall et al, 2007)
- HRM is concerned with how organizations manage their workforce (Grimshaw and Rubery, 2007)





### 1.3. Objectives and Scope of Human Resource Management

Human Resource Management refers to and aims at tasks performed in an organization to provide for and coordinate human resources to ensure:

- That the organizations carry out job analysis to establish the specific requirements for individual jobs within an organization.
- That the organization forecasts the human resource requirements necessary for the organization to achieve its objectives-both in terms of number of employees and skills.
- Recruit and select personnel to fulfill the specific jobs within an organization.
- Orienting and training employees.
- Designing and implementing management and organizational development programs.
- Designing systems for appraising the performance of individuals.
- Assisting employees in developing career plans.
- Designing and implementing compensation system for all employees.





#### 1.4. Line and Staff Aspects of Human Resource Management

All managers are, in a sense, human resource managers, because they all get involved in recruiting, interviewing, selecting, and training their employees. Yet most firms also have human resource departments with their own top managers.

How do the duties of this human resource manager and department relate to the human resource duties of sales and production and other managers? Answering this requires a short definition of line versus staff authority.

	Line	Staff
Authority	<p>Managers with line authority are those people in the organization who are directly responsible for achieving organizational goals. Line authority is represented by the standard chain of command starting with the board of directors and extending down activities of the organization that are carried out. Line authority is based primarily on legitimate power.</p> <p>For example, line authority gives a production supervisor the right to direct an employee to operate a particular machine, and it gives the vice president of finance the right to request a certain report from a department head. Therefore, line authority gives an individual a certain degree of power relating to the performance of an organizational task.</p>	<p>Staff authority belongs to those individuals or groups in an organization who provide services and advice to line managers. The concept of staff includes all elements of the organization that are not classified as line. Advisory staffs have been used by decision makers from emperors and kings to dictators and parliaments over the course of recorded history.</p> <p>For example, human resource department employees help other departments by selecting and developing a qualified workforce. A quality control manager aids a production manager by determining the acceptable quality level of products or services at a manufacturing company, initiating quality programs, and carrying out statistical analysis to ensure compliance with quality standards. Therefore, staff authority gives staff personnel the right to offer advice in an effort to improve line operations.</p>



Authority is the right to make decisions, to direct the work of others, and to give orders. Managers usually distinguish between line authority and staff authority.

In organizations, having what managers call line authority traditionally gives managers the right to issue orders to other managers or employees. Line authority therefore creates a superior (order giver)-subordinate (order receiver) relationship.

When the vice president of sales tells her sales director to "get the sales presentation ready by Tuesday," she is exercising her line authority.

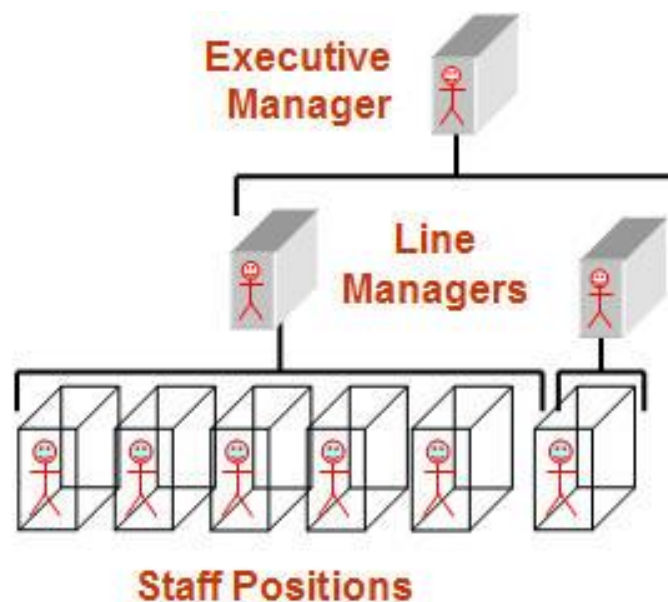
Staff authority gives a manager the right to advise other managers or employees. It creates an advisory relationship. When the human resource manager suggests that the plant manager use a particular selection test, he or she is exercising staff authority.

On the organization chart, managers with line authority are line managers.

Those with staff (advisory) authority are staff managers. In popular usage, people tend to associate line managers with managing departments (like sales or production) that are crucial for the company's survival.

Staff managers generally run departments that are advisory or supportive, like purchasing, and human resource management.

Human resource managers are usually staff managers. They assist and advise line managers in areas like recruiting, hiring, and compensation.







### 1.5. Line Managers' Human Resource Duties

However, line managers still have many human resource duties. This is 1 because the direct handling of people has always been part of every line manager's duties, from president down to first-line supervisors.

For example, one major company outlines its line supervisors' responsibilities for effective human resource management under these general headings:

1. Placing the right person in the right job
2. Starting new employees in the organization (orientation)
3. Training employees for jobs that are new to them
4. Improving the job performance of each person
5. Gaining cooperation and developing smooth working relationships
6. Interpreting the company's policies and procedures
7. Controlling labor costs
8. Developing the abilities of each person
9. Creating and maintaining department morale
10. Protecting employees' health and physical condition

In small organizations, line managers may carry out all these personnel tasks unassisted. But as the organization grows, they need the assistance, specialized knowledge, and advice of a separate human resource staff. The human resource department provides this specialized assistance.





### 1.6. Human Resource Manager's Duties

In providing this specialized assistance, the human resource manager carries out three distinct functions:

1. A line function. The human resource manager directs the activities of the people in his or her own department, and perhaps in related areas (like the plant cafeteria).
2. A coordinative function. The human resource manager also coordinates personnel activities, a duty often referred to as functional authority (or functional control). Here he or she ensures that line managers are implementing the firm's human resource policies and practices (for example, adhering to its sexual harassment policies).
3. Staff (assist and advice) functions. Assisting and advising line managers is the heart of the human resource manager's job. He or she advises the CEO so the CEO can better understand the personnel aspects of the company's strategic options. HR assists in hiring, training, evaluating, rewarding, counseling, promoting, and firing employees. It administers the various benefit programs (health and accident insurance, retirement, vacation, and so on). It helps line managers comply with equal employment and occupational safety laws, and plays an important role in handling grievances and labor relations. It carries out an innovator role, by providing up-to-date information on current trends and new methods for better utilizing the company's employees (or "human resources"). It plays an employee advocacy role, by representing the interests of employees within the framework of its primary obligation to senior management. Although human resource managers generally can't wield line authority (outside their departments), they are likely to exert implied authority. This is because line managers know the human resource manager has top management's ear in areas like testing and affirmative action.

# Duties



Examples of human resource management specialties include:

- Recruiters. Search for qualified job applicants.
- Job analysts. Collect and examine information about jobs to prepare job descriptions.
- Compensation managers. Develop compensation plans and handle the employee benefits program.
- Training specialists. Plan, organize, and direct training activities.
- Labor relations specialists. Advise management on all aspects of union-management relations.





### 1.7. New Approaches to Organizing HR

Employers are also offering human resource services in new ways. For example, some organize their HR services around four groups: transactional, corporate, embedded, and centers of expertise.

- The transactional HR group uses centralized call centers and outsourcing arrangements (such as with benefits advisers) to provide support for day-to-day transactional activities (such as changing benefits plans and employee assistance and counseling). In one survey, about 75% of respondents said their firms were providing transactional, administrative human resource services through such arrangements.
- The corporate HR group focuses on assisting top management in “top level” big picture issues such as developing and explaining the personnel aspects of the company's long-term strategic plan.
- The embedded HR unit assigns HR generalists (also known as “relationship managers” or “HR business partners”) directly to departments like sales and production. They provide the localized human resource management assistance the departments need.
- The centers of expertise are like specialized HR consulting firms within the company—for instance, they provide specialized assistance in areas such as organizational change.

#### Example

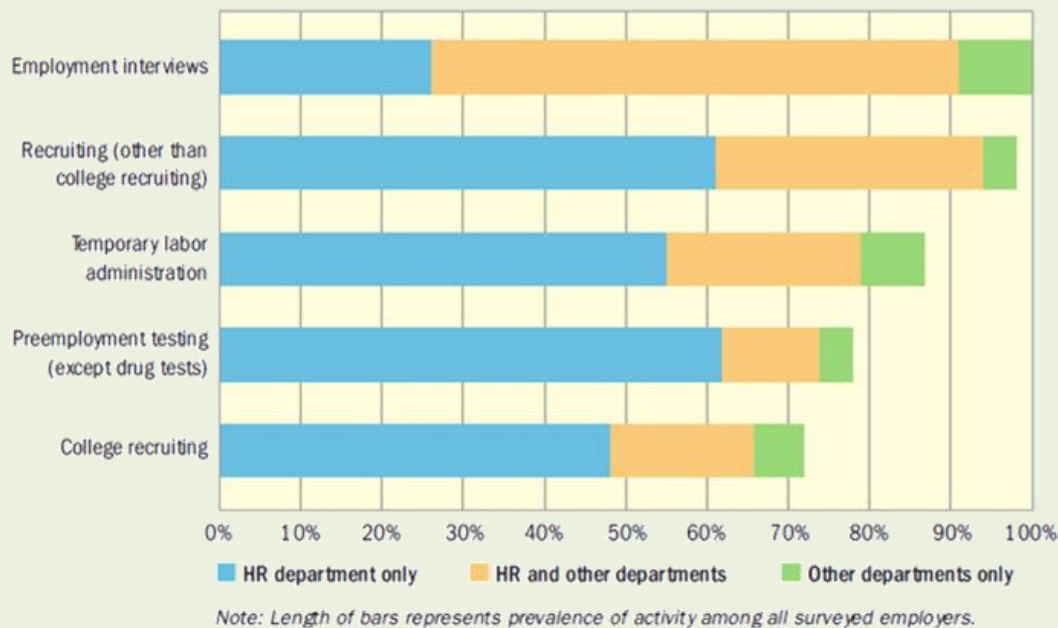
IBM example Randall MacDonald, IBM's senior vice president of human resources, noted that the traditional human resource organization often isolates HR functions into “silos” such as recruitment, training, and employee relations. He says this silo approach often means there's no one team all human resource specialists focusing on the needs of specific groups of employees.

MacDonald therefore reorganized IBM's human resource function. He segmented IBM's 330,000 employees into three sets of “customers”: executive and technical employees, managers, and rank and file. Separate human resource management teams (consisting of recruitment, training, and compensation specialists, for instance) now focus on serving the needs of each employee segment. These specialized teams help ensure that the employees in each Segment get precisely the talent, learning, and compensation they require to support IBM's needs.”

**EXAMPLE**

### 1.8. Cooperative Line and Staff HR Management: An Example

Because line managers and human resource managers both have human resource management duties, it is reasonable to ask, “Exactly which HR duties are carried out by line managers and which by staff managers?” No one division of responsibilities would apply to all organizations, but we can generalize.



The most important generalization is that the line-staff relationship should be cooperative. For example, in recruiting and hiring, the line manager describes the qualifications employees need to fill specific positions. Then the human resource team takes over. They develop sources of qualified applicants, and conduct initial screening interviews. They administer the appropriate tests. Then they refer the best applicants to the line manager, who interviews and selects the ones he or she wants. In training, the line manager again describes what he or she expects the employee to be able to do. Then the human resource team devises a training program, which the line manager then (usually) administers.

Some activities are usually HR's alone. For example, 60% of firms assign to human resources the exclusive responsibility for pre-employment testing, 75% assign it college recruiting, and 80% assign it insurance benefits administration. But employers split most activities, such as employment interviews, performance appraisal, skills training, job descriptions and disciplinary procedures, between HR and line managers.

**The previous Figure** illustrates the typical HR-line management partnership. For example, HR alone typically handles interviewing in about 25% of firms. But in about 60% of firms, HR and the other hiring departments are both involved in interviewing.



### Line Manager vs. HR Manager Roles (Activity)

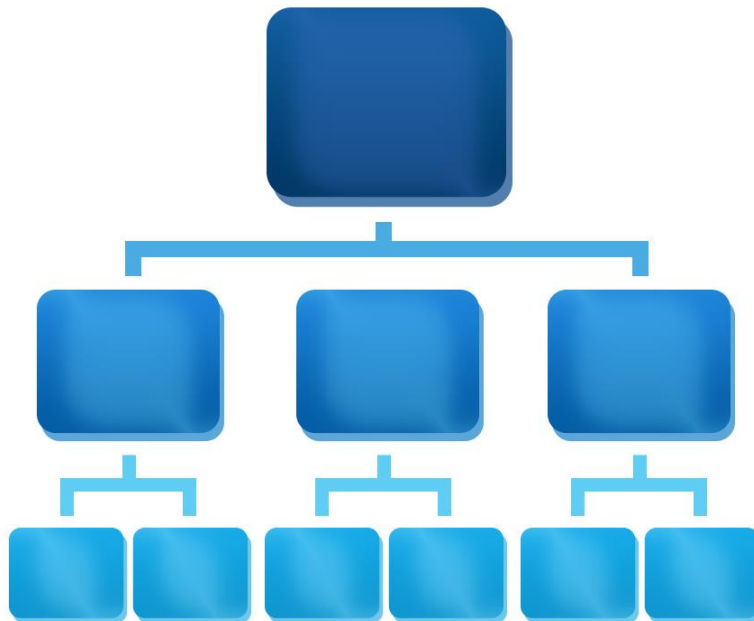
Area	Line Manager	HR Manager
Set the Department Objectives		
Develop the manpower plan		
Recruit and Select Staff		
Train and Develop Staff		
Appraise Staff Performance		
Reward and Recognize Performance		



## Module Two: Organization Structure

The management of people in organizations constantly raises questions such as 'Who does what?', 'How should activities be grouped together?', 'What lines and means of communication need to be established?', 'How should people be helped to understand their roles in relation to the objectives of the organization and the roles of their colleagues?', 'Are we doing everything that we ought to be doing and nothing that we ought not to be doing?' and 'Have we got too many unnecessary layers of management in the organization?'

These are questions involving people which must concern HR practitioners in their capacity of helping the business to make the best use of its people. HR specialists should be able to contribute to the processes of organization design or redesign as described below because of their understanding of the factors affecting organizational behavior and because they are in a position to take an overall view of how the business is organized, which it is difficult for the heads of other functional departments to obtain.





## The Definition of Organization Structure

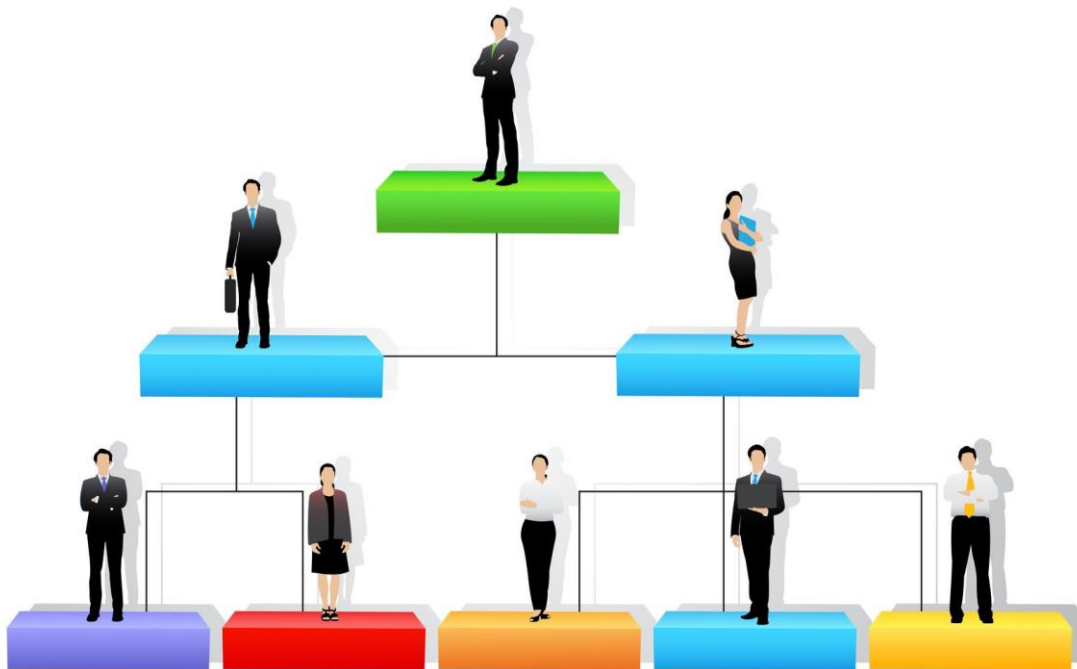
An organizational structure is how you define the relationships between pieces of content. Successful structures allow users to predict where they will find information on the site. It's important to take into account user expectations and implement consistent methods of organizing and displaying information so that users can extend their knowledge from familiar pages to unfamiliar ones.

An **organizational structure** defines how activities ` it operates and performs.

Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the branch, department, workgroup and individual.

Organizational structure affects organizational action in two big ways:

- First, it provides the foundation on which standard operating procedures and routines rest.
- Second, it determines which individuals get to participate in which decision-making processes, and thus to what extent their views shape the organization's actions.







## 2.1. Factors Affecting Organizational Design

Although many things can affect the choice of an appropriate structure for an organization, the following five factors are the most common: size, life cycle, strategy, environment, and technology.

- **Organizational size**

The larger an organization becomes, the more complicated its structure. When an organization is small — such as a single retail store, a two-person consulting firm, or a restaurant — its structure can be simple.

In reality, if the organization is very small, it may not even have a formal structure. Instead of following an organizational chart or specified job functions, individuals simply perform tasks based on their likes, dislikes, ability, and/or need. Rules and guidelines are not prevalent and may exist only to provide the parameters within which organizational members can make decisions. Small organizations are very often organic systems.

As an organization grows, however, it becomes increasingly difficult to manage without more formal work assignments and some delegation of authority. Therefore, large organizations develop formal structures. The type of structure that develops will be one that provides the organization with the ability to operate effectively. That's one reason larger organizations are often mechanistic—mechanistic systems are usually designed to maximize specialization and improve efficiency.

- **Organization life cycle**

Organizations, like humans, tend to progress through stages known as a life cycle. Like humans, most organizations go through the following four stages: birth, youth, midlife, and maturity. Each stage has characteristics that have implications for the structure of the firm.

- **Birth:** In the birth state, a firm is just beginning. An organization in the birth stage does not yet have a formal structure. In a young organization, there is not much delegation of authority. The founder usually “calls the shots.”
- **Youth:** In this phase, the organization is trying to grow. The emphasis in this stage is on becoming larger. The company shifts its attention from the wishes of the founder to the wishes of the customer. The organization becomes more organic in structure during this phase. It is during this phase that the formal structure is designed, and some delegation of authority occurs.
- **Midlife:** This phase occurs when the organization has achieved a high level of success. An organization in midlife is larger, with a more complex and increasingly formal structure. More levels appear in the chain of command, and the founder may have

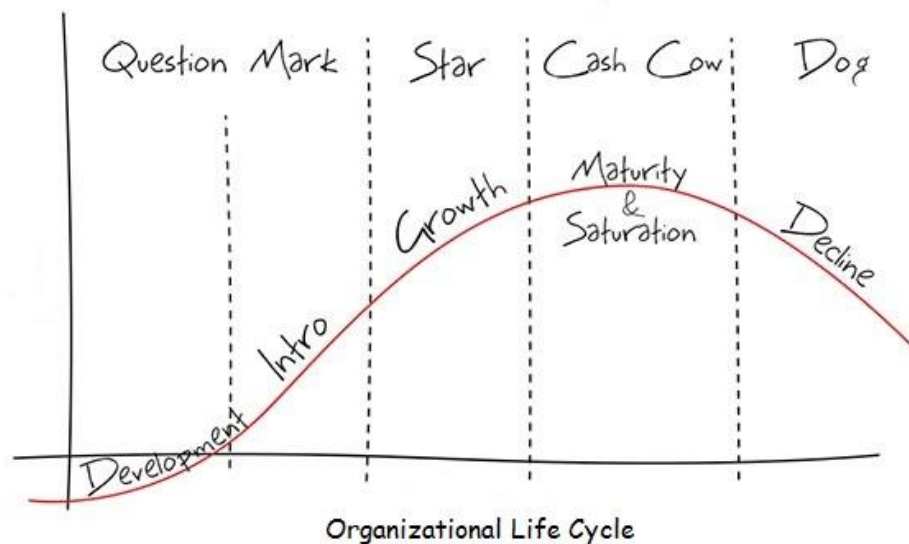


difficulty remaining in control. As the organization becomes older, it may also become more mechanistic in structure.

- **Maturity:** Once a firm has reached the maturity phase, it tends to become less innovative, less interested in expanding, and more interested in maintaining itself in a stable, secure environment. The emphasis is on improving efficiency and profitability. However, in an attempt to improve efficiency and profitability, the firm often tends to become less innovative. Stale products result in sales declines and reduced profitability. Organizations in this stage are slowly dying. However, maturity is not an inevitable stage. Firms experiencing the decline of maturity may institute the changes necessary to revitalize.

Although an organization may proceed sequentially through all four stages, it does not have to. An organization may skip a phase, or it may cycle back to an earlier phase. An organization may even try to change its position in the life cycle by changing its structure.

As the life-cycle concept implies, a relationship exists between an organization's size and age. As organizations age, they tend to get larger; thus, the structural changes a firm experiences as it gets larger and the changes it experiences as it progresses through the life cycle are parallel. Therefore, the older the organization and the larger the organization, the greater its need for more structure, more specialization of tasks, and more rules. As a result, the older and larger the organization becomes, the greater the likelihood that it will move from an organic structure to a mechanistic structure.





- **Strategy**

How an organization is going to position itself in the market in terms of its product is considered its strategy. A company may decide to be always the first on the market with the newest and best product (differentiation strategy), or it may decide that it will produce a product already on the market more efficiently and more cost effectively (cost-leadership strategy). Each of these strategies requires a structure that helps the organization reach its objectives. In other words, the structure must fit the strategy.

Companies that want to be the first on the market with the newest and best product probably are organic, because organic structures permit organizations to respond quickly to changes. Companies that elect to produce the same products more efficiently and effectively will probably be mechanistic.

- **Environment**

The environment is the world in which the organization operates, and includes conditions that influence the organization such as economic, social-cultural, legal-political, technological, and natural environment conditions. Environments are often described as either stable or dynamic.

- In a **stable environment**, the customers' desires are well understood and probably will remain consistent for a relatively long time. Examples of organizations that face relatively stable environments include manufacturers of staple items such as detergent, cleaning supplies, and paper products.
- In a **dynamic environment**, the customers' desires are continuously changing—the opposite of a stable environment. This condition is often thought of as turbulent. In addition, the technology that a company uses while in this environment may need to be continuously improved and updated. An example of an industry functioning in a dynamic environment is electronics. Technology changes create competitive pressures for all electronics industries, because as technology changes, so do the desires of consumers.

- **Technology**

Advances in technology are the most frequent cause of change in organizations since they generally result in greater efficiency and lower costs for the firm. Technology is the way tasks are accomplished using tools, equipment, techniques, and human know-how.

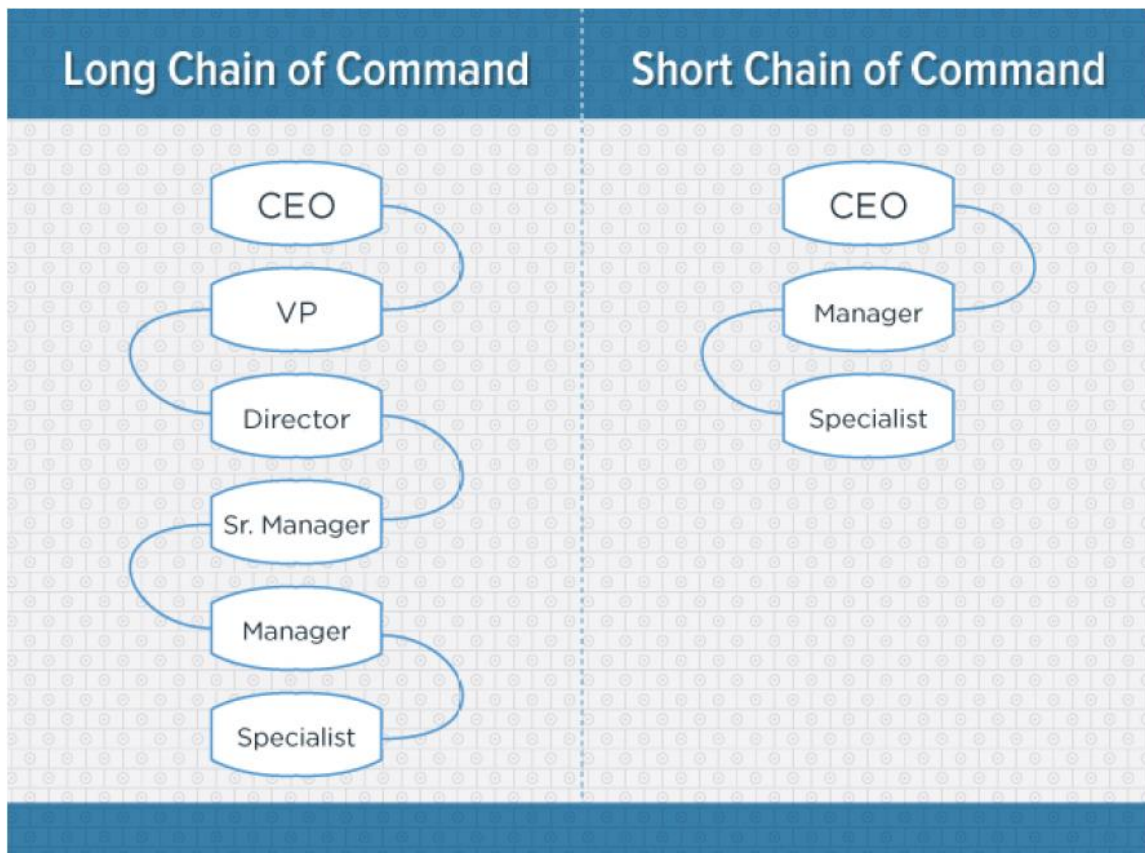


## 2.2. Organizational Design Building Blocks

We'll be looking at six components or building blocks that you can tweak and arrange in order to build an organizational structure.

- **Chain of Command**

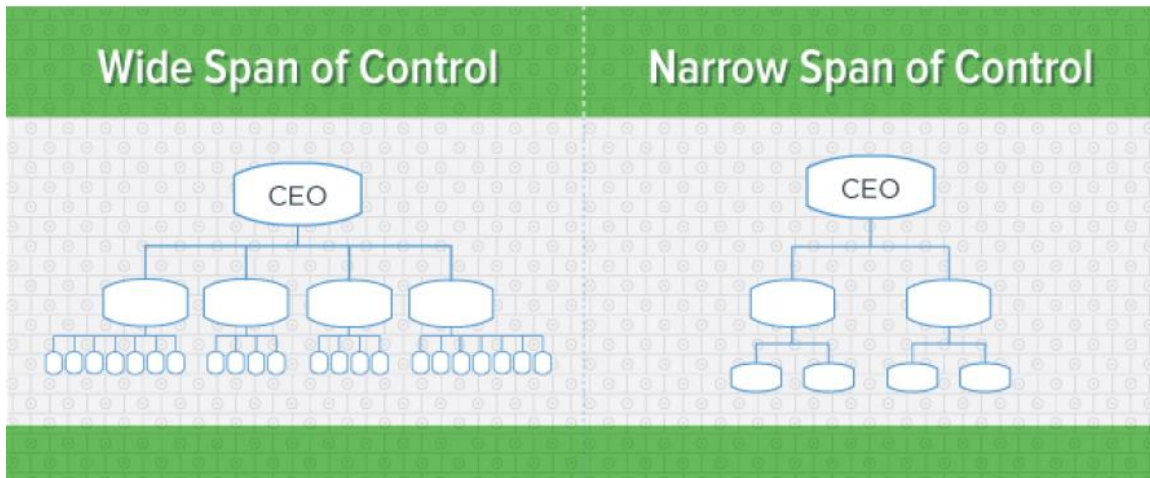
One of the most basic elements of an organizational structure, chain of command is exactly what it sounds like: an unbroken line of authority that extends from the top of the organization (e.g. a CEO) all the way down to the bottom. Chain of command clarifies who reports to whom within the organization.





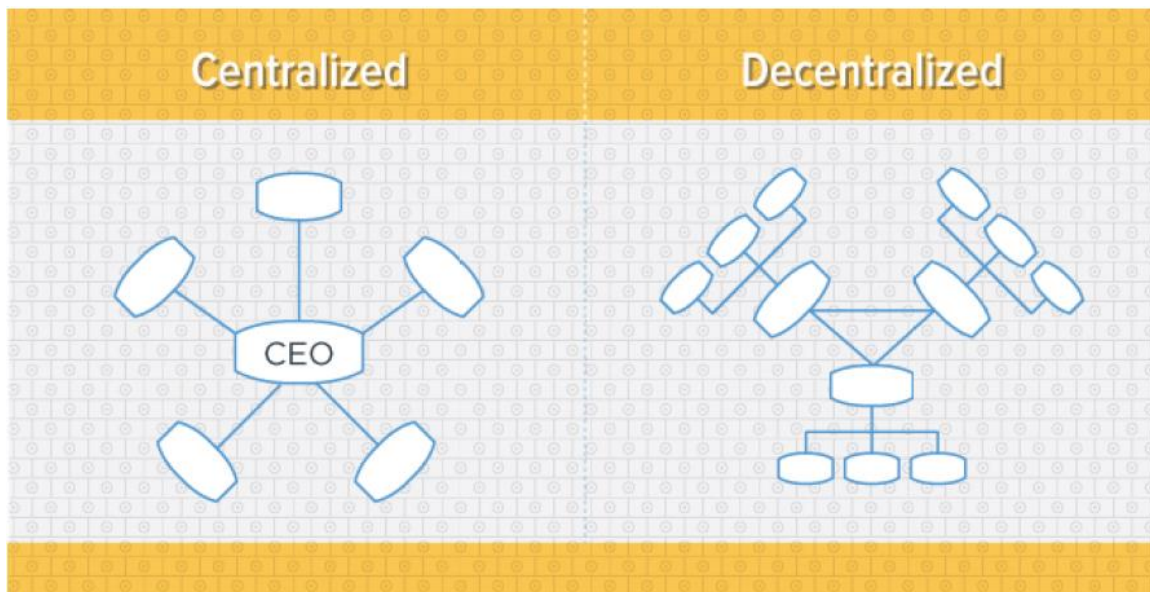
- **Span of Control**

Span of control refers to the number of subordinates a superior can effectively manage. The higher the ratio of subordinates to superiors, the wider the span of control.



- **Centralization**

Who makes the decisions in an organization? If decision-making power is concentrated at a single point, the organizational structure is centralized. If decision-making power is spread out, the structure is decentralized.





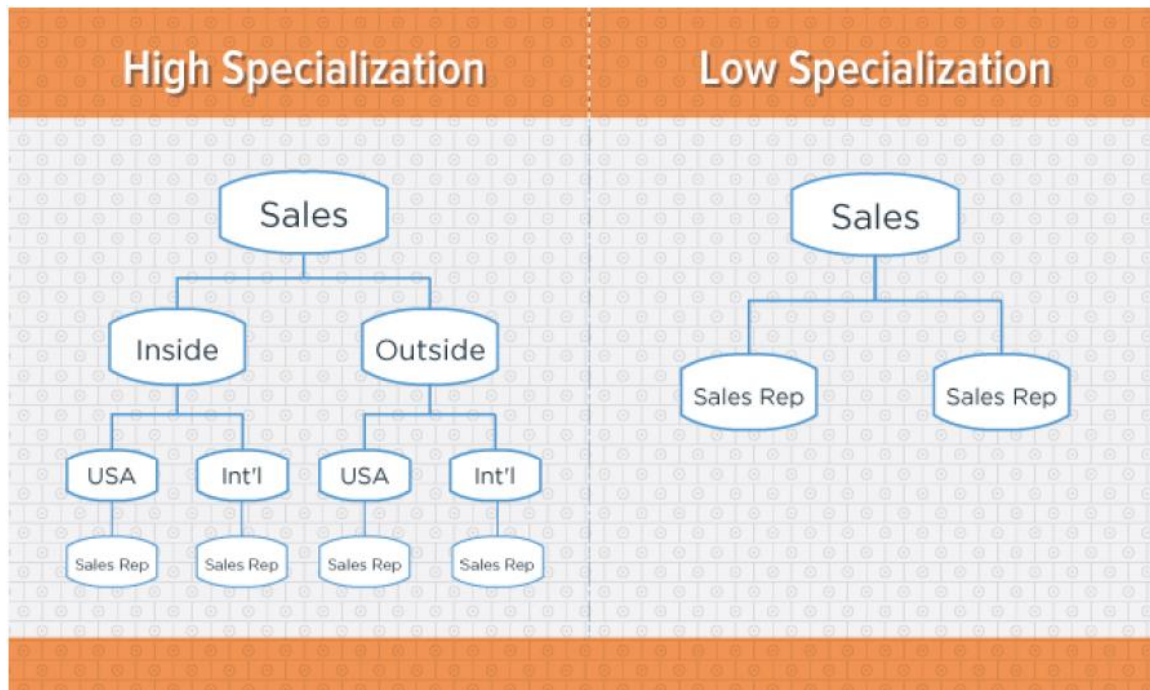


- **Specialization**

Also known as division of labor, specialization is the degree to which activities or tasks in an organization are broken down and divided into individual jobs.

High specialization can be beneficial for an organization, as it allows employees to become “masters” in specific areas, increasing their productivity as a result.

However, low specialization allows for more flexibility, as employees can more easily tackle a broader array of tasks (as opposed to being specialized for a single task).



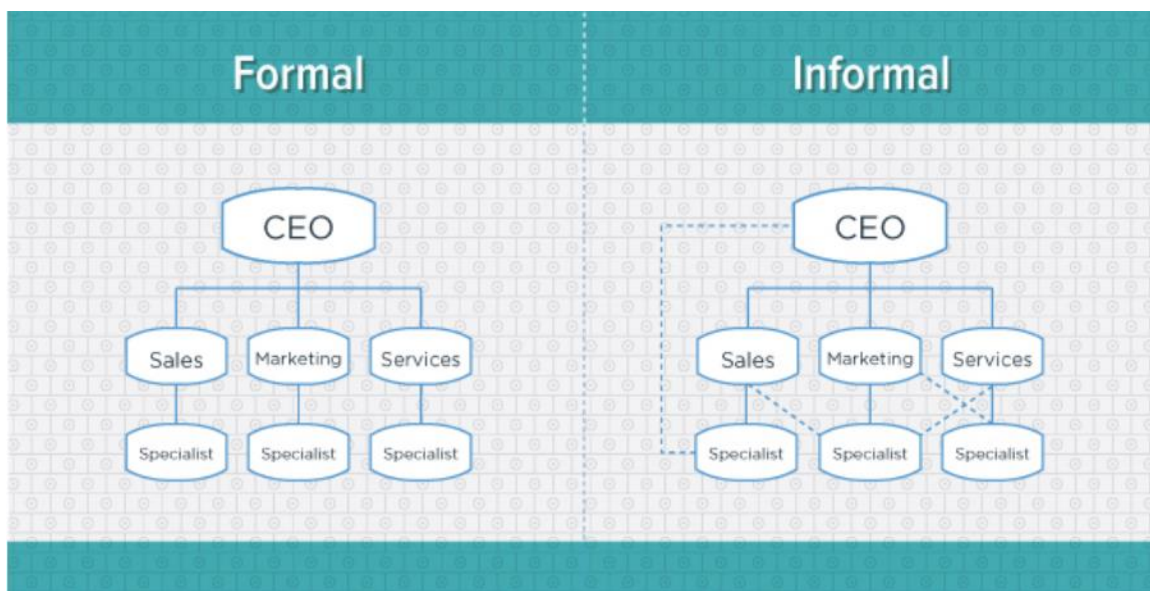


- **Formalization**

Similar to specialization, formalization deals with how jobs are structured within an organization. The key differentiator here is that formalization also takes into account the degree to which an employee's tasks and activities are governed by rules, procedures, and other mechanisms.

A formal organizational structure seeks to separate the individual from the role or position, as the role or position stays the same regardless of who's holding it.

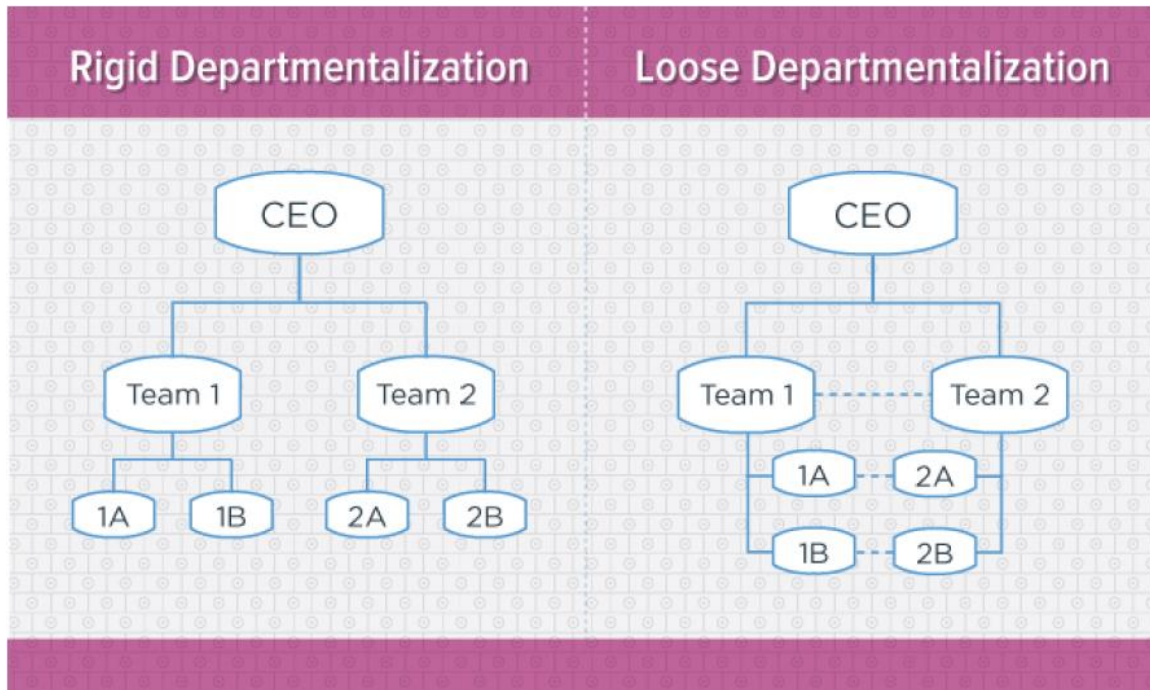
An informal organization, on the other hand, places more value on the individual. It allows for the evolution of a role or position based on an individual's preferences, skill set, etc., and places less importance on what team or department that individual is part of.





- **Departmentalization**

Departmentalization refers to the process of grouping jobs together in order to coordinate common activities and tasks. If an organization has rigid departmentalization, each department or team is highly autonomous, and there is little (or no) interaction between different teams. In contrast, loose departmentalization entails that teams have more freedom to interact and collaborate.



It's worth noting that the way in which an organization departmentalizes is often used as a proxy for the overall type of organizational structure that organization has. For example, an organization that departmentalizes by function (i.e. marketing, sales, services), is said to have a functional organizational structure.

We'll talk more about functional organizational structures, in addition to other types of structures, in the next section.



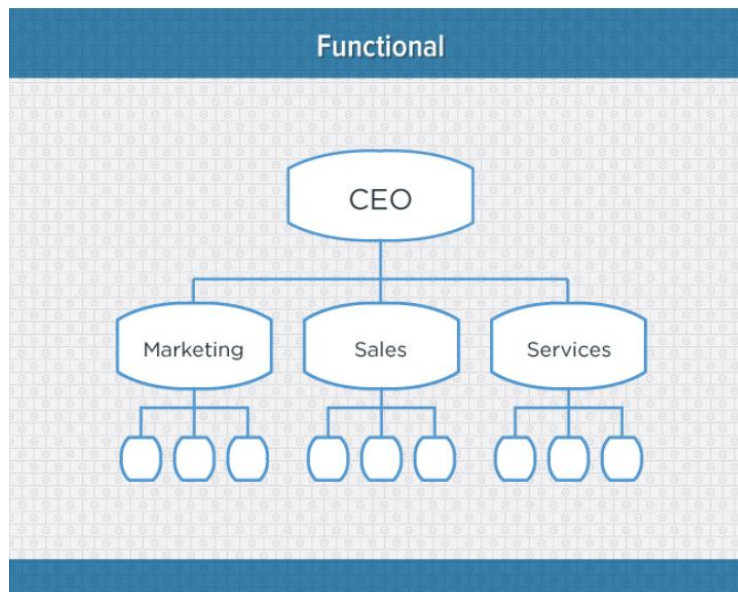


## 2.3. Types of Organizational structure

- **Functional Org Structure**

One of the most common types of organizational structures, the functional structure departmentalizes an organization based on common job functions. So, for example, an organization with a functional structure would group all of the marketers together in one department, group all of the salespeople together in a separate department, and group all of the customer service people together in a third department.

The functional structure allows for a high degree of specialization for employees, and is easily scalable should the organization grow. However, the structure also has the potential to create barriers between different functions, and can be inefficient if the organization has a variety of different products or target markets.

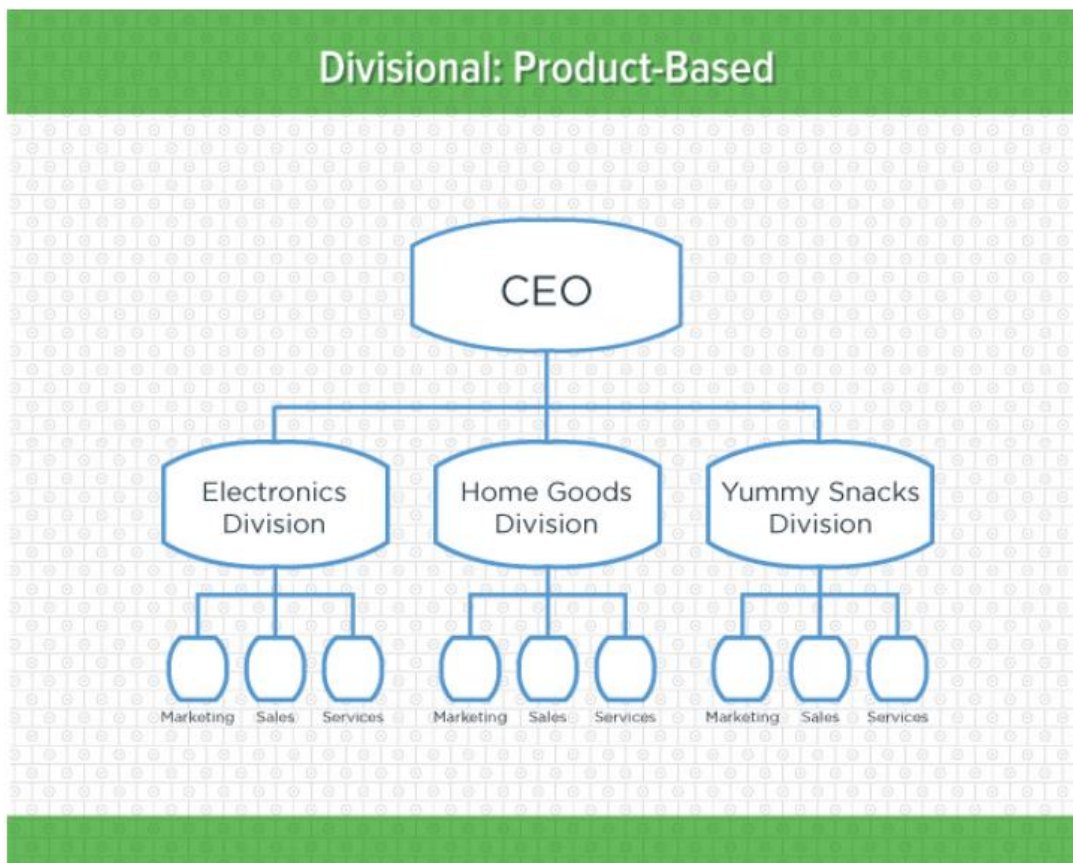




- **Divisional: Product-Based Org Structure**

You can think of a divisional organizational structure as a structure that's comprised of multiple, smaller functional structures (i.e. each division within a divisional structure can have its own marketing team, its own sales team, etc.).

In this case - a product-based divisional structure - each division within the organization is dedicated to a particular product line. This type of structure is ideal for organizations with multiple products and can help shorten product development cycles. The downsides: it can be difficult to scale, and the organization may end up with duplicate resources as different divisions strive for autonomy.



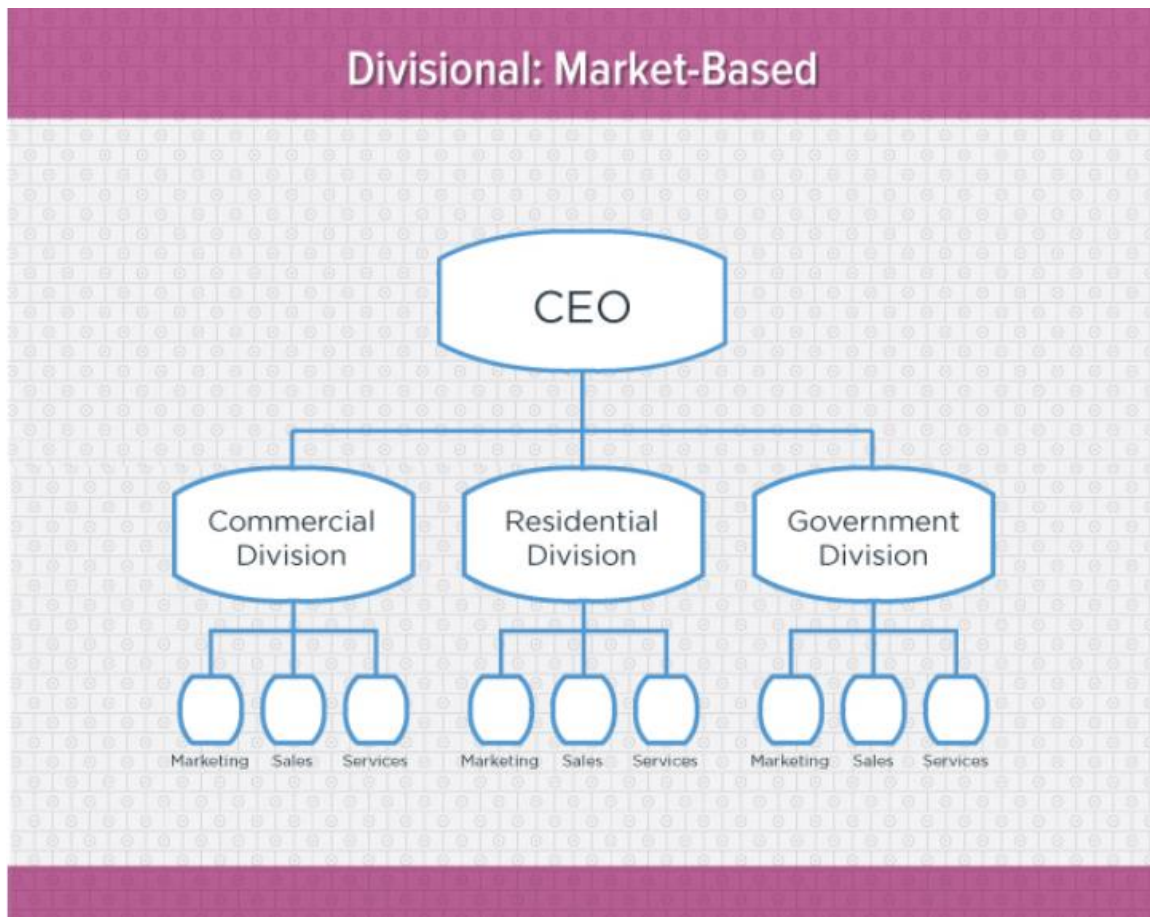


- **Divisional: Market-Based Org Structure**

Another variety of the divisional organizational structure is the market-based structure, wherein the divisions of an organization are based around markets, industries, or customer types.

The market-based structure is ideal for an organization that has products or services that are unique to specific market segments, and is particularly effective if that organization has advanced knowledge of those segments.

The downsides: too much autonomy can lead to divisions developing systems that are incompatible with one another, and divisions may also end up inadvertently duplicating activities that other divisions are already handling.



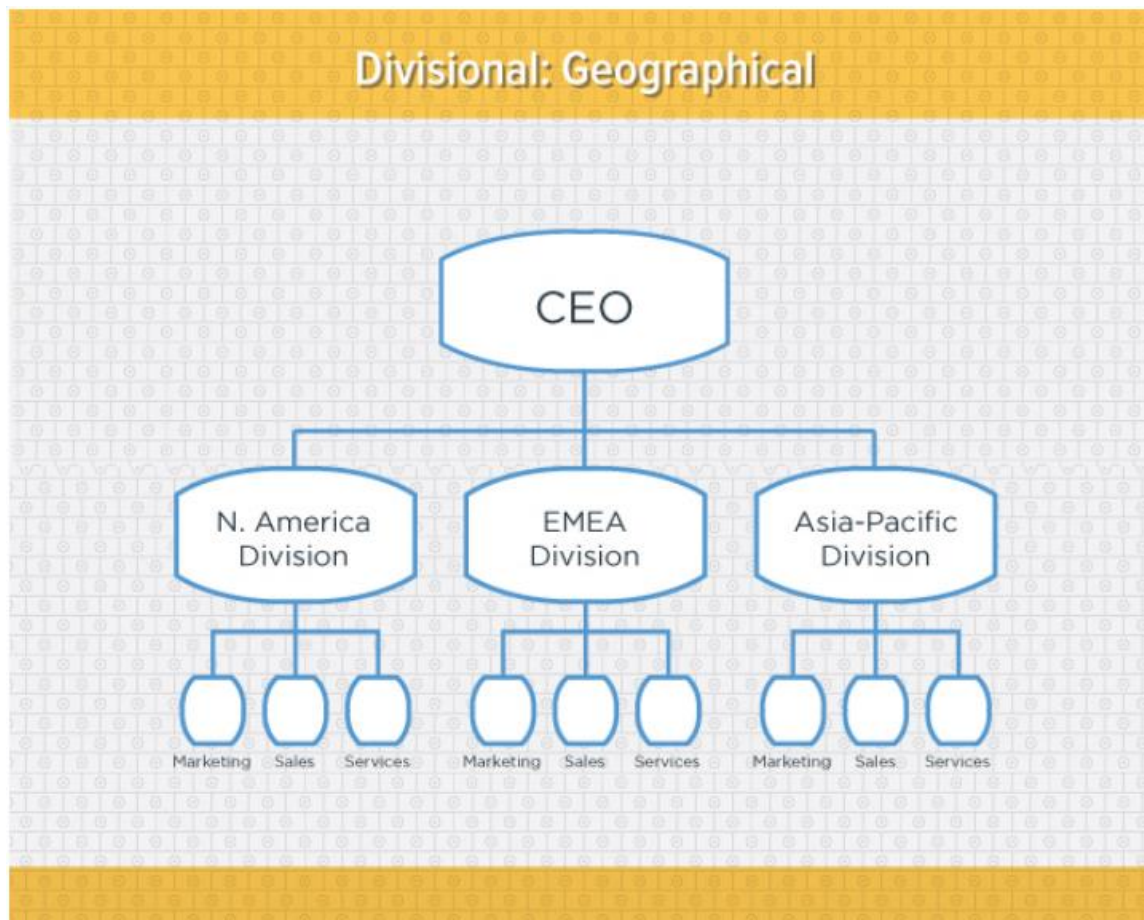


- **Divisional: Geographical Org Structure**

The geographical organizational structure establishes its divisions based on - you guessed it! - geography. More specifically, the divisions of a geographical structure can include territories, regions, or districts.

This type of structure is best-suited to organizations that need to be near sources of supply and/or customers (e.g. for deliveries, or for on-site support).

The main downside of a geographical org structure: it can be easy for decision-making to become decentralized, as geographic divisions - which can be hundreds, if not thousands of miles away from corporate headquarters - often have a great deal of autonomy.





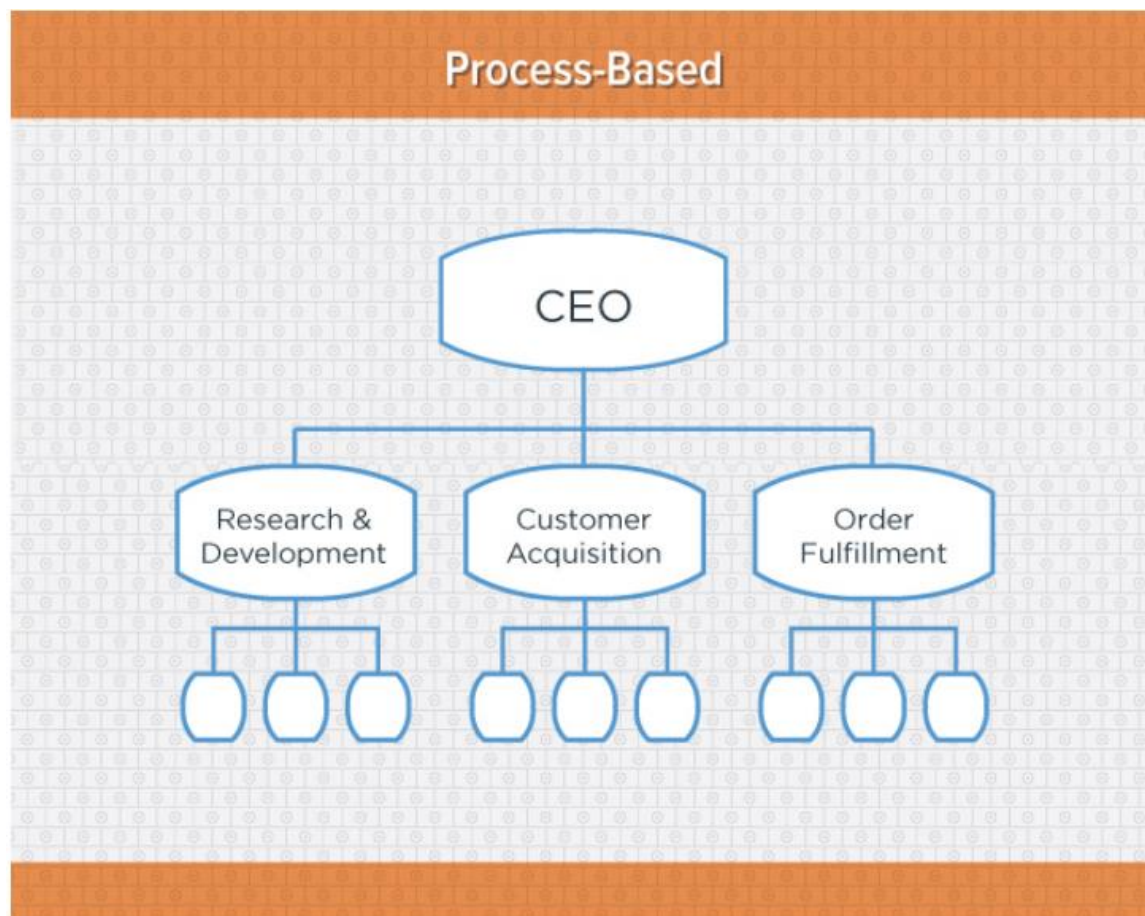


- **Process-Based Org Structure**

Process-based organizational structures are designed around the end-to-end flow of different processes, such as research & development, customer acquisition, and order fulfillment. Unlike a strictly functional structure, a process-based structure considers not only the activities employees perform, but also how those different activities interact with one another.

So, in order to fully understand the diagram below, you need to look at it from left to right: The customer acquisition process can't start until you have a fully developed product to sell. And likewise, the order fulfillment process can't start until customers have been acquired and there are product orders to fill.

This structure is ideal for improving speed and efficiency, and is best-suited to rapidly changing business environments, as it is easily adaptable. The main downside of a process-based org structure: barriers between the different process groups can lead to problems communicating and handing off work.





- **Matrix Org Structure**

Unlike the other structures we've looked at so far, a matrix organizational structure doesn't follow the traditional, hierarchal model. Instead, all employees (represented by the green boxes) have dual reporting relationships.

Typically, there is a functional reporting line (shown in blue) as well as a product based reporting line (shown in yellow). When looking at a matrix structure org chart, solid lines represent strong, direct-reporting relationships, whereas dotted lines indicate that the relationship is secondary, or not as strong. So, in our example below, it's clear that functional reporting takes precedence over product-based reporting.

The main appeal of the matrix structure is that it can provide both flexibility and more balanced decision-making (as there are two chains of command instead of just one). Its primary pitfall: complexity, which can lead to confused employees.

