TABLE I: *Managing the flexible firm*

	CORE GROUP	EXTERNALS
Focus for management	Employee	Job
Instrument of control	Effecting deployment	Delivery against specification
Management style	Participative	Directive
Remuneration system	Wage for time worked	Fee for work done
Motivation/incentive system	Performance appraisal	Delivery on schedule
Supply	Recruitment and training	Competitive tender/ severance

The table also shows that these divergent approaches to management need to be supported by different rationales for personnel policy. The basis of employment shifts from a salary based on time worked to a fee for work done (among external groups). Incentive payments vary from performance-related at the core to time-related among externals (e.g. bonus for early delivery, penalty payment for late delivery). Labour supply at the core is assured through the recruitment of potential and the provision of extensive training and retraining facilities; among externals it may be assured through competitive tender, or through the establishment of ex-employees on a new contractual basis.

The management of unorthodox work systems is clearly an issue requiring a good deal more research than we have been able to devote to it. One thing is clear however, the relegation of some parts of a firm's activities to a peripheral or external status will not eliminate managerial shortcomings; for example, the solution to a problem of low productivity among maintenance engineers is unlikely to be so simple as to push regular maintenance work out to contract, making it 'Somebody else's problem'. Reorganisation for flexibility does not remove the need for effective management, but it can reproduce that need on a more favourable terrain.

Reference

1. Handy, C. 'The organisation revolution and how to harness it', *Personnel Management*, July, 1984.

Q **ACTIVITY 3.2: QUESTION**

In your organisation, can you see any evidence of the core/periphery model being used in practice? What kinds of staff are retained as core, and what form part of the periphery? Or is another approach taken to flexibility? Consider the flexibility of the company in relation to its culture. Does it have any negative effects on commitment and loyalty from employees?

A ACTIVITY 3.2: ANSWER

Internal and external markets

An organisation can choose to train and develop its own employees to match its resourcing requirements, or hire from the external market. Each strategy may suit a particular organisation at a particular time and is linked to the overall organisational strategy. The recruitment or development of staff can be matched to the strategic direction.

Read: pages 179-180.

Q ACTIVITY 3.3: QUESTION

Consider the statement 'The strategy of internal recruitment is more likely than external recruitment to produce continuing effectiveness in organisational performance'. Do you agree with this? Give your reasons.

A ACTIVITY 3.3: ANSWER

You might argue that promotion from within rewards those who have contributed to the business objectives and therefore reinforces good behaviours and attitudes. Internal people have a well developed understanding and feeling for the organisation. They have already taken on board the culture and the operational procedures. No learning curve is required for either operations or culture. Loyalty is seen to pay off and genuine career prospects are achieved by staying with the company rather than learning and moving on.

However, you could take the alternative stance that internal recruiting just reinforces existing methods and attitudes that may have been successful in the past but are not required for a visionary future. It reinforces complacency and self-satisfaction. Recruiting externally brings in new ideas and approaches, and traditional values, culture and methods are challenged by individuals who are developing their careers in a positive and pro-active way.

Your arguments are likely to be influenced by your own experiences and by the particular type of business or industry that you might have in mind. What did you understand by 'organisational performance'?

Reading: Chapter 4.

Here we take a very practical approach and consider methods that are used to plan various aspects of HR activities. You should recall the differences between strategy and planning from Unit 1. Planning is required to support and put into operation all HR strategy. Strategy cannot be implemented without planning. Consider what happens too, when you have planning without strategy. All planning activities are interdependent and operate on a continuous basis. The planning methods we consider range from sophisticated statistical techniques to simple diagnostic tools.

Read: pages 63-66.

The change from manpower planning to human resource planning is not simply a move away from sexist language. It signifies a different approach to the planning process. Manpower planning developed at a time when large organisations were almost immune from failure – or behaved as if they were – so they were completely preoccupied with the basic quantities of supply and demand. How many have we got, how many do we need and how do we bridge the gap?

Human resource planning addresses a more volatile situation, incorporating both soft and hard elements. It is not just concerned with numbers and skills but with employee and organisational behaviours and culture, organisation design and job structure, and formal and informal systems. Compare the traditional manpower model in Figure 4.2 with a human resource planning approach in Figure 4.3.

In HRP, we first define the future, analyse the present and then reconcile, make decisions and draw up a final plan.

Analysing the environment

We can identify a number of sources of environmental information. The environment impacts on the way that an organisation manages and plans its human resources.

Read: pages 67-68.

Using Figure 4.4 as a basis, draw a map of your own organisation's external environment for 3-5 years ahead. Try and identify spokes of the wheel and select the six most important ones. Draw up a demands and responses list for each one. What do you think your organisation's resourcing priorities should be over this period?

Human resources in the future

To address the hard forecasting needs of an organisation, we can use objective methods using statistics and work study and subjective methods using managerial judgement and the Delphi technique. Make sure you are clear about the difference between managerial judgement and the Delphi technique.

Read: pages 69-73.

Statistical analysis of current situation

The two key measurements required that forecast employee supply concern either staff leaving the organisation or internal movements.

Read: pages 74-81.

Why do employees leave organisations? How is promotion determined in your organisation? Are the criteria clear and known to the staff? What would your criteria be?

Once the current situation is clarified, and the overall future plan identified, from both hard and soft perspectives, the plan needs to be broken down into specific action plans. These must all be feasible and acceptable to staff. The component plans are likely to include:

- human resource supply plans
- organisation and structure plans
- employee utilisation plans
- training and development plans
- performance plans
- appraisal plans
- reward plans
- employee relations plans
- communication plans.

≫ Summary

Human resource management functions through labour markets: internal and external; local and regional; national and international. We need to understand the way in which they work, because there are so many different conventions. Economists provide considerable insight into the operation of these markets, but we also have to understand the informal ways of dealing and their constant changes.

To a great extent, human resource managers actually create the conventions. They decide that certain work will be done by temporary staff or by using agencies and that immediately alters the existing modes of dealing.

Shortages of particular categories of staff change the balance of power between employer and employee so that the human resource manager finds there are different imperatives that need responses. An approach to managing this situation is to use the methods of human resource planning, but they must be used sensitively and sensibly. Human resource planning is important not for the plan that might be produced, but for the process that its production involves. It provides a framework for thinking things through, appreciating the factors that have to be considered and the implications of various strategies that might be adopted.

≫ References

McKay D I *et al*. (1971) *Labour Markets Under Different Employment Conditions*, London: Allen and Unwin.