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MANAGING PEOPLE

It is a truism in modern management that 'an organization's most valuable resource is its people'. But people are more than just providers of labour. They are also the primary custodians of organizational knowledge, and provide the vital spark of creativity that makes businesses innovative and competitive. Without people, organizations would exist only on paper.

Once again, we are not just talking about businesses here. Government departments, health care organizations, charities, religious organizations, military units, even sports teams, all have one thing in common; they are made up of people. And people are unique. Each of us has our own set of motivations, desires, needs and wants. The concept of managing people has at its heart a task which is very simple to describe but often very hard to do; find out what a collection of unique individuals has in common and then unite them around those common factors, so that they will work willingly together for the greater good.

'Human resources' is the modern term for the human component of all organizations. It replaces older terms such as 'labour' and 'personnel', terms which reflected a view that people were primarily just providers of labour, either physical labour on the assembly line or 'mental labour' in areas such as design and sales. It also reflected the old strong division between management and workers. Human resources, which began coming into widespread use in the 1970s, is a more holistic term that includes both management and labour. The management of human resources is now seen to take in a wide range of tasks, from industrial relations to training and development; in effect, anything which affects how

people work within the organization. Some of this work is done by specialist human resource professionals. The rest is done by all managers. That is one of the first rules of management: managing people is everyone's job.

DEFINITIONS

Appraisal   This involves looking at individual staff members, and sometimes also at groups and teams, to see how well they are performing their duties and how effective they are being, in order to ensure that work is carried out as planned. Appraisal also helps to identify people who might be promoted or moved into other roles where they can be even more effective.

Compensation   Compensation or remuneration are terms for the rewards employees and managers receive in exchange for their work. A typical compensation 'package' includes pay (monetary earnings) and benefits, which can include free or subsidised health care, pensions, use of company-owned cars, options to purchase shares in the company, or any other benefit mutually agreed between the organization and its staff. Charities are different in that a proportion of their staff are often volunteers who work unpaid, or perhaps receive only travel expenses. However, at least some charity staff will be paid a salary.

Diversity   Broadly speaking, diversity means ensuring that the organization has a mix of people from different backgrounds, not just 'protected characteristics' like ethnicity, gender orientation, religion, age, maternity, but also different backgrounds and different sets of lived experience. High degrees of diversity have been shown to correlate to better decision-making and higher levels of organizational performance.

Employee involvement   Formerly known as industrial democracy, employee involvement refers to the principle that organizations will be more effective if employees are allowed to participate in management, or at least are allowed to have greater say in management decisions and are consulted regularly to determine their wishes and views.

Human resource management   Human resources management (HRM) is a specific managerial discipline which seeks to make human resources more efficient and more effective. It does so by

(1) forecasting future human resource needs and planning accordingly, (2) recruiting the best possible people into the organization, (3) appraising the performance of existing employees and managers, (4) ensuring that employees and managers are adequately rewarded and compensated for their work, (5) ensuring that the working environment is safe and conducive to effective work, and (6) ensuring that relationships within the workplace are harmonious. Human resource management can thus be seen as the interface between the business and its people.

Inclusion   Often paired with diversity and other terms such as equality, inclusion means ensuring that people from diverse backgrounds feel included and are equals within the organization. Without inclusion, policies to encourage greater diversity can backfire. We will come back to the relationship between diversity and inclusion below.

Industrial relations   This is a subset of human resource management activities which aims to ensure that relationships within the workplace – particularly between employees and management – remain smooth and harmonious. The prevention of industrial disputes such as strikes, and the swift resolution of these when they do occur, is the principal goal.

Motivation   Why do people do the things they do, and behave in the ways that they do? For the purposes of this chapter, what motivates them to work? Why do they get out of bed in the morning and come to work? And as their managers, we need to ask a further question: why do they come to work for us? The answer will be discussed in more detail below.

Staffing   Staffing refers to the number of staff – employees and managers – the organization needs in order to be both efficient and effective. In most cases the organization will seek an optimum number of staff: too few and human resources are overstretched, with a risk that work will not be done properly or at all and that the mental health of staff themselves will begin to suffer; too many and costs begin to rise. This is a particularly tricky task if the organization is growing, for it then becomes necessary to both determine the optimum level of staff now, and try to predict the optimum level in the future. As we saw in the previous chapter, any strategy will be hampered if there are not enough skilled people available to implement it. *Note*: in this chapter we use the

term 'staff' to include both workers and managers. The difference between these two groups is discussed in more detail below. The term also includes volunteers who work unpaid for charities, sports teams and other organizations; they may not be paid, but the same principles of human behaviour still apply to them.

WHY DO PEOPLE WORK FOR US?

In their book *Why Should Anyone Be Led By You?*, Rob Goffee and Gareth Jones pose an interesting question. Why do people come to work, and why in particular do they come to work for us?

This is important because, as managers, we need to understand why people work and what they want from their work. Once we understand this, we can start to better understand the contracts that bind people and organizations together, and build stronger and better partnerships with our teams.

Why do people go to work? Many sociological and psychological studies of the workplace have looked at this issue. Some take the view that people surrender a portion of their freedom by joining an organization and taking orders from others, in exchange for pay and other benefits that make their own lives easier. This trade-off theory of work motivation has a long history and is still widely current. According to this theory, in order to keep workers happy it is necessary to provide pay and benefits that will compensate them for the time and labour they give up.

Alternative theories suggest that people work for other things besides just wages and benefits, important though these may be. As suggested above, work offers people a chance to participate in society, and belonging to an organization helps give them a sense of their own place and identity. And, in most societies and for most people, work is also regarded as personally fulfilling. The German sociologist Max Weber, in his book *The Protestant Ethic and the Spirit of Capitalism*, argued that Western society conditions us to work, and that those who do not work are not only looked down on by the rest of us, but are also psychologically impaired in some way. All of us seek creative outlets, and most of us typically do so in the workplace. The tragedy of modern society, Weber went on, is that the work we usually find rarely allows our creative

energies the chance of full expression. A later sociologist, the American Lewis Mumford, went on to condemn business organizations as 'machine bureaucracies' which turned people into servants of technology, and saw that work was becoming a 'megatechnic wasteland' where people laboured solely for wages, the creative spirit crushed out of them.

The problem with studies like these is that they ignore the individuality of people. Many of these theories are just that: theories, that have never been properly tested or proven. Fortunately, we also have available a long series of studies going back to the 1930s that have focused on workers themselves, from the shop floor and front counter to managerial offices, and asked them what motivates them and why they go to work. In nearly all of these surveys, staff do *not* rank pay and compensation as the most important motivating factor. Pay may come second or third or fourth on the list of factors ranked by importance, but almost never is it the *most* important factor. The satisfaction and sense of achievement and personal worth we get from our jobs is more important than pay, and that again is true for staff across every level.

Each of us has slightly different motivations that gets us out of bed and into our offices each morning, and those motivations can change over time. The psychologist Frederick Herzberg, formerly one of the world's leading specialists in workplace motivation, developed what he called the 'two-factor theory' of job satisfaction. Whether we enjoy our work, Herzberg said, depends on two things. One is the external work environment, things that are outside of our control while we work but nevertheless have an impact on us. These include things like pay and benefits, the status associated with our job and respect we get from others, working conditions (are they clean, safe, etc.), and importantly, the quality of management; staff who feel that their managers are incompetent or untrustworthy are more likely to be dissatisfied.

The other factor, says Herzberg, is intrinsic to us, our motivators. Do we find the work personally satisfying? Is it meaningful, in that it allows us to do something we believe is important and will make the world a better place? It is interesting to note that charity staff, who are usually paid much less than their counterparts in business, are often more highly motivated and report higher levels

of job satisfaction. Other factors like the level of responsibility staff are given and how much involvement they have in decision-making are also important motivators as they contribute to our own sense of self-worth and self-esteem.

Herzberg's research, carried out over many decades, shows that these intrinsic motivators are much more powerful than the external environment. Although we cannot control the environment, we can 'vote with our feet'; if we don't like the job conditions or our managers, we can quit and go somewhere else. The internal motivators, though, are very powerful and we will always seek to find personal satisfaction in work, even sometimes taking a cut in pay to do so. There are exceptions, people who will never care about any job save for the money it brings in, but they are rare.

EMPLOYEE INVOLVEMENT

One of the discoveries to come out of research in this field over the past century has been that people feel more motivated to work hard if they also feel that they have some say in the decisions that affect them. Even before Herzberg, pioneering work was done in this field by the Quaker chocolate making firm of Cadbury Brothers (now Cadbury-Schweppes), which rose from humble origins as a small manufacturer in Birmingham, England to global leader in the chocolate market in the space of about 30 years. Cadbury Brothers used several methods of ensuring involvement, including company suggestions schemes where employees could put forward ideas for improvement, and works committees with representatives from both management and the shop floor, which debated and discussed new initiatives. The Cadburys found that employee involvement, or industrial democracy as it was then known, had two benefits. First, it demonstrated to employees that management was committed to listening to them and taking their views into account when making decisions. Second, and as a consequence, employees were prepared to make serious suggestions for improvements to products and processes, and a considerable amount of innovation was generated in this way.

Other companies over the years have developed methods of employee involvement in their own way. Sometimes some

unusual gimmicks have been employed. In the 1920s the Czech shoe manufacturer Tomas Bat'a gave all staff, including himself, pagers so that anyone could contact anyone else (a crude forerunner of today's in-company e-mail systems). Bat'a also felt that rather than staff having to come to him, he should go and see them, so he installed his office in an elevator, moving up and down between floors in the factory as required. Other companies have adopted less radical means, usually but not always enabled by communications systems like e-mail and mobile phones, and more recently WhatsApp groups and other forms of social media.

Some theorists explicitly link employee involvement with democracy in the political sense, arguing that just as democracy has been proven to be the best way of governing society in general, so too it should be the ideal way of managing a business. Others argue that not all institutions can be run democratically (the army is a frequently cited example), and some degree of authoritarian control is necessary and desirable in business. The most common view, and indeed practice, is that consulting employees is not just desirable but essential, especially when major changes are being planned; many studies show that employees are much less resistant to change when they have been consulted about it in advance.

TRUST AND PSYCHOLOGICAL SAFETY

Herzberg argued that intrinsic motivators are the most powerful force that determines job satisfaction. Yet, we also know that everyone is motivated differently; each of us has our own reasons for getting out of bed in the morning and going to work. How do we bring these different individuals together and get them to coalesce into teams?

The answer comes back to the reasons why we join with groups of other people in the first place. There are various reasons, rooted deep within our psychology as humans. The first is safety; we believe (not always correctly) that there is safety in numbers and we are safer when we are with other people. The second is the social need for belonging; most of us are happier when we are with others, because their views of us and behaviours towards us – if positive – stimulate the pleasure centres in our brain and raise our self-esteem. Finally, there is the feeling of purpose. We can't

achieve everything we want on our own, so we join up with others to achieve a common purpose. We look for groups and organizations where people share our own purpose and join them. Having that sense of common purpose is a major source of satisfaction in work; not finding that purpose is an all-too-common source of dissatisfaction, which can even lead in time to depression and mental health problems for employees.

People go to work for all of these reasons. Workplaces with a positive atmosphere represent places of safety, where we can also mingle with other people whom we respect and who respect us. These are places that make us happy. And best of all, they allow us to achieve our own goals, whether these be personal goals of development and learning to become a better person, making the world a better and safer place for others or, quite commonly, a mixture of the two.

However, this will only happen if the workplace *is* safe and we are respected and able to respect others. In the words of psychologist and leadership scholar Amy Edmondson, the workplace has to be a place of 'psychological safety', where people are free to express themselves and be themselves without fear of unjust criticism or reprisal. Trust is of paramount importance here. We have to be able to trust our colleagues and our managers; without trust, there is no way psychological safety can be reached. On the other hand if people do trust each other, then they will work together to achieve commonly shared goals. One of the key tasks of the manager, then, is to build trust with our staff and our teams so that, by working together with others, we can get things done.

DIVERSITY AND INCLUSION

The need for psychological safety is particularly important when we come to look at diversity and inclusion. Actually, recruiting a lot of diverse people into an organization is fairly easy. All we need to do is run our recruitment process in such a way as to attract people from diverse backgrounds, in such a way that does not discriminate against individuals. But bringing people from diverse backgrounds into a room does not make them a team, or even mean that they will be able to talk to and understand each other, especially if those people from diverse backgrounds are a minority

in the room. Having a team of ten with one person of colour, or one person with a disability, does not in itself amount to diversity.

There is saying in HR circles: 'Diversity is being invited to the party. Inclusion is feeling comfortable enough to get up and dance.' The people from diverse backgrounds who are in the room need to feel comfortable with each other. They need to know that they are respected as individuals in their own right, and are not there as token representatives of minority groups. They must feel able to speak and make their voices heard, and know that they are being listened to. True inclusion is only reached when they are able to fully take part in the working life of the group.

As noted above, diversity is about more than just certain characteristics such as ethnicity, gender, sexual orientation, and disability. As managers, what we are also looking for is a diversity of *lived experience*. This means also looking for different backgrounds, different life experiences, different ways of looking at the world. Hiring a team of people who all graduated from the same school, or who are all members of the same sports club, will not create true diversity, no matter what other characteristics they might have. We need different points of view and different sets of knowledge and skills to help us solve difficult problems effectively.

Diversity and inclusion must be actively managed. Our unconscious biases make us tend naturally to associate with people like us; we feel we understand them and are safe around them, whereas the presence of the unfamiliar challenges our unconscious mind's sense of safety. We need to confront this bias and actively take steps to ensure diversity and inclusion are present in the teams we manage.

Managing diversity and inclusion might seem like hard work, but actually the opposite is true. A truly inclusive team of people works together smoothly and effortlessly, making the manager's job much easier. Also, there is a great deal of data showing that diverse teams make better decisions, and organizations with high levels of diversity outperform those that do not. Too much homogeneity in teams is dangerous. If the team all come from the same background and have the same lived experience, there is an excellent chance that they will all think in the same ways. This makes organizations prone to 'groupthink', the concept first described by psychologist Irving Janis, whereby people make

decisions based on a narrow range of preconceptions and there is no one in the group to challenge preconceptions and suggest possible alternatives. Janis described military and political disasters like the attack on Pearl Harbour in 1941 and the Bay of Pigs fiasco in Cuba in 1961, but groupthink is present in many organizations. The best way of preventing groupthink is to ensure diversity and inclusion.

THE PSYCHOLOGICAL CONTRACT

So what binds these diverse individuals to the organization, and vice versa? In the eighteenth century the philosopher Jean-Jacques Rousseau came up with the notion of the social contract, which defined our obligations as individuals to society, and conversely, society's obligations to us. We surrender partial control over our own lives and allow the state to place limits on our actions; in return, we receive safety and support when we need it. In organizational terms this has been refined into the notion of the *psychological contract*.

The idea is that when we go to work for an organization, we have two contracts. The first is the written formal contract that specifies our job description, duties, remuneration, allowances for holiday time and sick leave, and so on. This is the technical contract that defines what is expected of us in terms of work performance, and what we will receive in terms of financial compensation. The psychological contract, on the other hand, is unwritten and unspoken, at least in direct terms. It requires us to share in the organization's vision and mission, to work towards its goals and to share in its culture, even if this means adapting and changing our own views to some extent. In return, we should get the benefits described above; safety (both physical and psychological), an increase of self-esteem and a sense of personal fulfilment.

Problems happen when the formal contract is left intact but the psychological contract is broken, by one party or the other. That leads to a loss of trust and psychological safety, and ultimately to dissatisfaction of staff. Managers need to be aware of these psychological contracts and be sure that they are clear about *why* people have joined the organization. Failure to do so can often lead to demotivated, dissatisfied employees.

ETHICAL BEHAVIOUR

There is an ethical and moral dimension to the social contact too. First, there is the responsibility that management, especially senior management, has to employees; second, there is the responsibility that employees have to management and the organization that employs them. As already noted, for any organization to function successfully, there must be a great deal of trust between all parties, especially in modern, decentralized organizations where employees and junior managers work with less direct supervision. Those at the top need to take it on trust that their juniors will not abuse their positions for personal gain, while those at the bottom must be able to believe that the company will deal fairly, not only with them, but with customers, suppliers and society at large.

Problems begin when that trust is abused, and here the issues become complicated. It is easy to say that managers must always take the ethical position and take action against those who behave unethically; but ethical issues are not always so clear cut. If an employee learns that the organization they work for has been evading payment of taxes and threatens to give the story to a newspaper, whose side does the department manager take? That of the individual employee against the rest of the company, helping to expose a story that could damage the company itself and its shareholders (who would lose money if a scandal caused the share price to go down, even though they themselves were innocent of any wrongdoing)? Or that of the company against the employee, forcing the latter to keep quiet and suppress the truth?

When dealing with ethical issues, managers have to avoid being caught in the middle, but they also have to avoid being seen to take sides. The final solution to the problem must be seen to be fair and equitable to all, or at least to as many people as possible. If this is not done, then trust will begin to erode.

LEGAL RESPONSIBILITIES

As well as the formal contracts specifying pay and benefits and conditions under which the employee may resign or be dismissed, managers and employees alike are bound by government-enacted

laws and sometimes by specific regulations enacted by industry bodies, such as codes of conduct for financial services companies.

When the law is definitively broken or a contract is agreed by both parties to be breached, then the situation is usually simple, as penalties will be spelled out. But in many cases the fact of a breach of law or contract will be disputed by one or both parties. Managers could be seen to take sides. This is becoming an increasing problem as society becomes more litigious, and some HR departments estimate that they now spend as much as 50 per cent of their time dealing with legal issues. If the HR department or managers more generally persistently takes the side of the company against individual employees in disputes, this may well arouse resentment that will in time hamper the department's other work. But taking the side of individuals against the company is often impractical. Again there is a pressing need to be seen to be fair, equitable and impartial.

THE CHANGING NATURE OF WORK

Another complicating issue is the changing nature of work in many sectors. Employment patterns have changed greatly over the past 20 years. Security of employment is now gone in many industries; the old ideal of lifetime employment with the same company no longer exists. Instead employees and managers alike now increasingly have what are known as 'portfolio careers', moving from job to job and company to company where their skills are most in demand and they can be best rewarded.

Businesses in turn tend to hire an increasingly small core of permanent staff, and then when additional human resources are required either hire more staff on temporary contracts, or contract work out to other agencies or companies. The British management guru Charles Handy calls these new types of business 'shamrock organizations', composed of three parts: permanent core employees, temporary staff, and employees of another organization hired in under contract. For example, a computer software company might have a core of designers who are on permanent contract, bring in engineers and specialists on short-term contracts for specific projects, and contract out all non-essential work such as cleaning, catering, security and payroll management. More recently

we have seen the rise of the so-called 'gig economy', where companies such as Deliveroo call staff in to work only when they are needed; in many cases staff do not have permanent contracts but are treated like self-employed contractors, meaning they have no security of job tenure and often lack benefits like sick pay or even a minimum wage.

This lack of security and permanent employment has two consequences. First, staff turnover rates are much higher. In the 1970s, orthodox management thinking held that the number of staff who leave and have to be replaced in the course of a year should be no more than 10 per cent of the total number of staff (i.e. a company with a thousand employees should have no more than 100 leave and be replaced by new staff). This figure should include staff who were retiring and taking pensions as well as those who left for other jobs. By 2019 the average figure in most developed countries had risen to over 20 per cent, the great majority of whom leave to go to other jobs. This has financial implications, as there are significant costs involved in recruiting new staff including advertising, time spent on interviews and training.

At higher levels, the recruitment of senior staff is usually contracted out to specialist corporate recruiters or 'head-hunters', and these too have significant costs: typically, they charge the client company a percentage of the newly hired manager's first year's salary. At the very highest level, there is almost a revolving office door; by 2019 the average tenure in office of a chief executive officer (CEO) in large British companies was only 16 months.

Some people are comfortable with these new portfolio careers and are able to adjust and adapt to new circumstances. Others are not, and this lack of ability does not necessarily reflect their skills and abilities in other areas of their work. Without at least a degree of protection, these employees can become stressed, lose motivation and become less effective at their work. From there it is usually only a matter of time until they resign or are dismissed, becoming in effect casualties of the changing nature of work.

WORKING REMOTELY

Advances in communication technology are making it increasingly possible for people to carry out certain types of work outside the

main business office. Laptop computers, modems and satellite communications mean that increasingly work can be carried out wherever the worker is, be it an airport terminal, a hotel room, a private house or apartment, or even in the open air. This is especially true in knowledge-intensive industries such as publishing, consulting and financial services. Many companies now recognize this and offer facilities for workers and managers who wish to spend part or all of their time away from the main office. 'Telecottaging' or 'telecommuting', as this is known, refers to working either from small satellite offices or from offices in the staff member's home.

Many value remote working as it gives them a chance to work in their own way and to their own patterns. It also reduces or eliminates time spent on commuting to and from work, making for a better quality of life. However, not everyone is comfortable with working in this way; some employees find they need the social environment of the office in order to work effectively. This became acutely obvious in 2020 when the Covid-19 pandemic struck and most of the world went into lockdown, with many offices closed and those who could work from home being forced to do so.

Surveys conducted in the UK and the US during lockdown found people split over the benefits of lockdown. Looking across a number of different surveys, about half the people working from home liked being able to do so and felt they were more productive. They wanted to keep on working from home after lockdown ended, and return to the office only rarely, if ever. The other half struggled, and reported themselves to be less productive. They felt lonely, isolated, cut off from decision-making processes, unable to get feedback from colleagues or work collaboratively, and they wanted to get back to the office as soon as possible.

Quite what the long-term trend will be is hard to say, but it seems likely that more organizations will switch to hybrid working, whereby people work from home part of the time and then return to the office for 1–2 days a week, while others have announced they are giving up their offices and everyone will work from home full-time. This will bring its own challenges in terms of managing and motivating people. Technology will give us part of the answers, but not all of them. Many managers reported that during

lockdown they were less focused on the performance of their teams and more on pastoral care, ensuring that their teams were mentally healthy and safe. A kinder, more person-centred approach to the management of people with a greater emphasis on well-being and psychological safety may turn out to be one of the outcomes of the Covid-19 pandemic.

THE HUMAN RESOURCE MANAGEMENT DEPARTMENT

Organizations exist on the backs of human relationships, and managing those relationships is part of the task of every manager. However, in any organization of any size there is usually a human resource management department that monitors and supports managers and provides specialist support and advice. Contrary to some opinions, human resource management is not there simply to make sure that employees work harder and make the company more profitable. The HRM department also has an obligation to individual employees and managers, to represent their interests when they are in conflict with those of the company and to ensure that they are happy and satisfied. Again contrary to much received wisdom, their responsibility extends beyond just working hours. As we saw in the discussion of working at home during the pandemic, issues such as mental health do not recognise boundaries, and easily spill over from work into home life, and vice versa.

Human resources management owes its origins to a sense of managerial social responsibility and genuine need to improve the lot of the ordinary worker. The period 1890–1910 saw the nadir of working conditions in European and American factories, a time when many workers also lived in immense poverty in their homes. The practice of 'sweating' labour, extracting the maximum possible labour from workers for the minimum possible reward, was considered orthodox management practice.

Not surprisingly, the same period of history was characterised by violent and bloody industrial disputes which often lasted for weeks or even months at a time. Enlightened employers realized that time lost during strikes was eating into productivity. Better industrial relations meant more efficient working. Companies began setting up labour relations departments with the primary function

of promoting industrial peace. But gradually it became clear that there was more involved than just ensuring that disputes were resolved. The realization that employees, if well paid and well looked after, would work harder and become more productive, dawned slowly over the next 20 years. In 1910, Henry Ford's car production plant at Highland Park, Michigan offered daily wages five times those of his competitors, and received thousands of applications for jobs. Ford and his managers could take their pick of the best possible employees, and the plant became world famous for its efficiency and productivity. Similarly John Patterson, founder of National Cash Register, realized that by providing subsidized meals for his employees he could improve their health and they would be better able to work and take less time off due to illness.

There was also a moral argument for treating employees well. Enlightened entrepreneurs like John Spedan Lewis, the British department store magnate, and Jamsetji Tata, the Indian textile and steel entrepreneur, realized that their employees were the real creators of value. Lewis reached this moment of epiphany after a prolonged period away from the office, recuperating from an accident. While he was away, the company thrived without him, continuing to expand while income and profits grew. Lewis realized that he himself was almost incidental to the company, and eventually gave away his entire shareholding to his employees, who still own the company today. Tata emphasized that his employees were 'the sure and certain creators of all our wealth' and decreed that 'what comes from the people goes back to the people' in the form of benefits such as housing, education, health care, maternity leave, holiday pay and many other things that we now take for granted.

The modern HR department has a wide remit within the organization. However, human resource managers also need to watch carefully for trends and issues in society at large. Changing attitudes to work and changing behaviour more generally can cause unexpected problems. For example, in recent years as tattooing has become more fashionable across all social classes, some companies have introduced policies forbidding visible tattoos in the workplace and requiring staff to cover them up. Staff in turn feel that their rights are being abused. Some organizations also monitor their staff on social media to prevent them from revealing sensitive information or posting things that would harm the organization's

reputation. This too has huge ramifications for privacy and human rights.

In cases like these, the HR department often finds itself being required to represent conflicting interests. The wishes and needs of senior managers may not always be the same as those of junior managers or employees. This is particularly true in times of crisis, when management may need to make major unplanned changes to the organization. The good of the organization can sometimes require the interests of individuals to be sacrificed: for example, if it is suddenly necessary to close departments or lay off employees to save money so that the rest of the organization can continue to function. Individual employees who fail to live up to the needs of the business – failing to carry out their tasks properly (or at all), wasting money or scarce resources, etc. – may also have to be dismissed in order to ensure the organization itself remains effective. The employees thus affected may then call upon the HR department to represent their interests or even to get the decision reversed. This puts the department in a difficult position. If human resource managers argue the workers' case, they risk going against their own colleagues in the organization and could upset important plans. If they argue management's case to the workers, they risk being seen as the 'tools' of senior management and may incur personal resentment and distrust as a result. Being a human resource manager requires fine judgement, an ability to see both sides of a problem, and an ability to negotiate and conciliate, bringing people together to find the best possible mutual solution.

HUMAN RESOURCE FUNCTIONS

Human resource management consists of a number of separate tasks and functions. Many of the following will be carried out primarily by the HR department, but in consultation with other departments. Even when not directly involved in these tasks, managers need to be aware of them.

PLANNING

Human resources planning tries to estimate future needs for employment. Is the company growing or contracting? If the former,

it will need more employees, if the latter then fewer will be required. Assuming growth is forecast, the HR department needs to know how quickly the company plans to grow and in what areas. What special skills will be needed? What types of people will be required? What part of growth needs can be met by training and developing people already in the organization, and how many new people will need to be recruited? These are all questions that human resource planning seeks to answer.

As with most forms of business planning, human resources planning requires careful analysis and fine judgement. It is easy to say, 'Our company will grow by 30 per cent next year, so we need 30 per cent more employees'. But this may not necessarily be true. The growth might be achieved through greater productivity by the existing labour force, for example by introducing new technology. In order to forecast as accurately as possible, the HR department needs to consult with all departments and work closely with other managers to estimate human resource requirements.

RECRUITMENT

Hiring employees and managers is a major HR function. Even when the company is not growing rapidly, there is a constant need for hiring new employees, as existing employees retire, are promoted out of their existing positions, or move on to other companies or organizations to further their own careers. In a company of any size, the HR department will be continuously engaged in hiring new staff.

Recruitment consists of four basic steps. First, the job to be filled needs to be advertised. A job specification or job description (explaining the nature of the job, its responsibilities, the necessary skills, and pay and benefits) must be made public, typically through advertising in newspapers or the trade press; some businesses have a policy of advertising all new jobs internally as well. Sometimes, indeed, if it is felt that the job can be filled by people within the company, no external advertising is needed, but care has to be taken here: in some jurisdictions there is a legal requirement for all jobs to be advertised in public.

Once applications begin to arrive, they need to be filtered, and obviously unsuitable candidates discarded. The aim is to get down

to a shortlist of a few candidates, typically between three and ten (though larger shortlists can exist if desired). The candidates on the shortlist are then subjected to closer scrutiny. This usually means a face-to-face interview with the applicant answering questions from a panel of human resource professionals and the management team to whom the new employee will report. Other measures for determining suitability might include role-playing exercises, intelligence tests, psychometric tests or even giving the prospective employees pieces of work to do and seeing how well they perform them.

At the end of the selection process, the selection panel determines the most suitable applicant. The fourth stage consists of drawing up a contract, to be signed by both employee and employer. This specifies the job description in more detail along with remuneration and benefits, and lays out the legal parameters of the job – including conditions under which either party would be in breach of contract or the employee liable for dismissal.

Great care needs to be taken during this process to avoid discriminating, or even appearing to discriminate, against potential employees. Managers must always check the laws of their own locale, and not assume that similar rules apply across the board – even within the same country. On the other side of the coin, the recruitment process should also be designed in such a way as to encourage applications from a diverse range of candidates. This will bring positive benefits to the organization, as described above.

PAY AND BENEFITS

The human resources function also determines the rate of pay each employee and manager will receive and any additional benefits they may receive. At higher levels, pay and benefits are often a matter of negotiation, and senior managers will ask to be paid what they think they are worth. At lower levels, pay is often set at fixed rates for certain types of jobs; in most cases pay levels are agreed following consultation with employee representatives such as trades unions. Most workers, and indeed most managers today, are paid by unit of labour: that is, by the hour, the day, the month or the year. Casual and manual labourers are often paid by the hour; office workers tend to have an annual salary divided into twelve equal increments and paid once per month.

Employees and managers can also be paid bonuses based on the performance of the firm, either for meeting individual productivity targets or, more commonly, if the company as a whole meets a certain performance target, employees will receive a share of the profits (in addition to their standard pay). This can take the form of a cash bonus or – usually only at the level of very senior management – shares in the company.

As well as monetary compensation for their labour, employees at all levels typically receive other benefits. Paid annual holidays and pensions are the most common of these, and in many jurisdictions companies are required by law to provide these benefits. Others might include free or subsidized medical care, contributions to help with moving house should relocation be necessary, subsidized meals in a company restaurant or canteen, discounts when purchasing the company's products or services, company cars or vouchers for public transport for example. The variety of these 'fringe benefits' is almost endless, and can include almost anything that the company and its employees agree is of value and should be provided.

APPRAISAL AND PROMOTION

Once an employee or manager has been hired, the human resources function needs to monitor that employee's progress. This is known as appraisal. Employees are formally appraised, usually on an annual basis, by the HR department and by their own managers. Self-appraisal, where employees are invited to comment on their own performance, is also becoming common. Appraisal is usually provided in the form of written comments – questionnaires are often sent to managers to fill out for each member of staff reporting to them – and these together with the employee's self-appraisal are then discussed face-to-face by the employee and managers. From this discussion emerges a final written report, and best practice encourages both managers and employees to read and sign these, signifying that they agree to the contents of the report.

Appraisal has many uses. At the most general level, it shows whether staff understand their role and function, and how well they are performing. This has an impact on how efficient and

effective the organization as a whole is, for if individual staff do not perform as expected, the organization will suffer. Appraisal can also identify which staff are particularly competent and might be suitable for promotion. Finally, it gives an idea of current and future training and development needs (see below).

Great care must be taken that appraisal is not seen as a policing function, aimed solely at weeding out incompetents. Many staff become nervous during appraisals, feeling –sometimes rightly – that they are being judged. But a poor appraisal does not mean that the member of staff necessarily must be dismissed. They may need training or development to help them better understand their work, or they may need technological assistance to enable them to work better. They may simply be in the wrong job: N.R. Narayana Murthy, founder and chief executive of the Indian software company Infosys believes that the majority of staff who perform poorly do so because they are in the wrong function, and the problem can often be solved by moving them sideways into a position for which they are better suited. Even when it is clear that the employee is not suited to work for this particular employer, the resulting dismissal needs to be handled carefully and with visible equity and fairness.

Promotion needs to be handled equally carefully. One common complaint amongst those who study organizations is that companies tend to promote employees on the basis of how well they are doing their current job, not how suited they are for the one they are being promoted into. Promotion is often a reward for past good work; but a good junior manager does not always make a good senior manager. The Canadian psychologist Laurence Peter termed this the condition whereby 'everyone is promoted to his or her own level of incompetence' (also known as the Peter Principle). That is, at some point in their career people are promoted into positions for which they are not suited. The result is loss of efficiency for the company, and frustration and unhappiness for the member of staff. Promotion needs to be made with the well-being of both the person and the company in mind. Many companies link promotions to training and development programmes, ensuring that staff have the necessary skills to fill their new jobs before they begin work in them.

TRAINING AND DEVELOPMENT

Training and development are part of the organization's tools for providing staff with the key skills they need to carry out their jobs. Given that the environment is constantly changing, this is a very important function. Staff need to keep up with changes in the market, new regulations, advances in technology, etc, if they are to remain competitive.

People also have different personal requirements for training and development. Organizations often see themselves as having a duty to help employees in their quest for personal growth, to the extent where some will not only provide professional training but will encourage and subsidize staff to take general education courses through evening classes, apprenticeships or workshops. Some British companies offer employees free access to courses run by the Open University, a large distance learning institution which has students all over the world.

Training and development can be provided either in-house or by external providers. Human resources professionals and other managers will determine training and development needs, and will then contract training agencies, business schools, universities, consultants and other providers to actually run programmes. Training and development can range from online programmes or half-day seminars on specific subjects to graduate education programmes (often known as executive education) taken on a part-time basis and lasting a year or more.

DISCIPLINE

If staff breach their contracts, the HR department must get involved. The first step is to investigate and understand the reasons for the breach. Measures taken may then range from warnings to penalties such as demotion or withdrawal of certain privileges to outright dismissal. Cases where discipline is required can include breaking the law or industry codes of conduct (such as financial market dealers engaging in insider trading), verbal or sexual harassment of fellow staff members, other inappropriate workplace behaviour such as alcohol or drug abuse, endangering the health or lives of fellow workers by violating health and safety rules,

persistent absenteeism, and so on. One specific case which requires careful handling, where staff may be in technical breach of their contracts for a good reason, is 'whistleblowing'.

WHISTLEBLOWING

Whistleblowing is a special form of behaviour that occurs when a member of staff believes that a colleague or the company as a whole is behaving illegally or unethically. There have been a number of high-profile examples of this in recent years, particularly during the series of scandals that rocked corporate America in 2001–2002.

How should management handle whistleblowers? Ideally, of course, the company should never get into a position where whistleblowing is necessary. If problems are occurring, then top management should give potential whistleblowers the chance to express their concerns in private. If, as in the case of the energy company Enron, top management itself is corrupt, then going public may be the only option. In this case human resources may even find themselves in a dilemma, and maybe even in the invidious position of having to take the side of the whistleblower against top management, if the former has a legitimate point to make. It should be added that in some sectors and in some jurisdictions – for example, health care and financial services in the UK – whistleblowers are protected by law and the HR department has a legal duty not to disclose their identity to anyone.

WORK ENVIRONMENT

The human resources function also has a responsibility to maintain a healthy and safe work environment. This involves first, complying with health and safety regulations and generally ensuring that workers are not endangered or put at risk – or, at least, that risks are reduced to acceptable levels. Second, it means checking the work environment to ensure that it allows staff to be as efficient and effective as possible. The science of designing environments in this way is known as ergonomics, and can range from issues such as the design of office chairs and the height of computer workstations to reconfiguring power tools and machinery to reduce vibration and noise and make physical work easier.

RETENTION

Preventing staff from leaving, particularly if they are highly skilled and difficult to replace, is also an important human resource function. In other words, it is important not only to get the best people, but also to keep them. Every member of staff represents a substantial investment on the part of the company, in terms of recruitment costs, training and development. Experienced members of staff are also important repositories of organizational knowledge (see Chapter 8). Formal appraisal and informal contact can help managers to realize whether subordinates and colleagues are happy in their work or are thinking of leaving. If a member of staff is known to be dissatisfied, efforts can be made to solve problems and induce them to stay.

EXITS

Inevitably, people will leave the company. Some reach a certain age or become chronically ill and retire. Others leave to go to better jobs elsewhere. It is important that exits be managed smoothly, as dissatisfied staff can harm the company's reputation once they leave. Some companies use exit interviews, face-to-face informal conversations with departing employees to learn more about why they are leaving and what problems if any may have caused their departure. Identifying and fixing such problems can help in future staff retention. Exit interviews, standard interviews with departing staff, can be a very valuable source of information.

SUMMARY

- Human resources is the interface between the organization and its people.
- Although many formal human resource management functions are handled by human resource departments, managing people is the concern of every manager.
- Managers have a strong ethical and legal responsibility to the people who work for them.
- The nature of work and the workplace is changing, and managers are today faced with managing more flexible and fluid workforces than in the past.

- An understanding of the motivation that brings people to work is critical in understanding employee behaviour and attitudes.

SUGGESTIONS FOR FURTHER READING

Cadbury, E., *Experiments in Industrial Organization*, London: Longmans, Green & Co, 1912. It may seem strange to recommend a book that is more than a hundred years old to today's students, but this is probably the most original book on human resource management ever written. Some of its ideas are of course a product of their time and seem dated, but others are so innovative that one can only wonder why they are not still practiced.

Edmondson, A.C., *The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation and Growth*, New York: Wiley, 2018. Key text on trust and psychological safety. Edmondson has also done a very good summary of her points in a TED talk.

Fanshawe, S., *The Power of Difference: Where the Complexities of Diversity and Inclusion Meet Practical Solutions*, London: Kogan Page, 2021. There are many books about diversity and inclusion but this is one of the most practical, based on the author's consulting experience.

Goffee, R. and Jones, G., *Why Should Anyone Be Led By You? What It Takes To Be An Authentic Leader*, Boston: Harvard Business Review Press, 2019, new edn. This is a later edition of the original book, which asks some blunt and uncomfortable questions that all leaders need to answer.

Handy, C., *The Age of Unreason*, London: Business Books, 1989. Handy is usually thought of as a writer on organizations, but this book is particularly good on the dilemmas facing people inside organizations.

Herzberg, F., *One More Time: How Do You Motivate Employees?*, Boston: Harvard Business Review Press, 2008. This is a very good summary of Herzberg's theories of motivation and satisfaction, and is important reading for any manager.

Janis, I.L., *Groupthink: Psychological Studies of Policy Decisions and Fiascos*, Boston: Houghton–Mifflin, 1982. A classic study, now a little dated, but the basic concept of groupthink and its causes has not gone away.

Peter, L.J., *The Peter Principle*, London: Pan, 1969. An alternative look at human resource management, showing some common and classic mistakes.

Rousseau, D.M., *Psychological Contracts in Organizations: Understanding Written and Unwritten Agreements*, New York: Sage, 1995.