**Assignment 9**

**Francis Okello**

**Course Code: PGD006 - Post Graduate Diploma in Human Resource Management**

**Course Advisor: Fredrick Ratemo**

**Date of Submission: 30th September 2019**

**Module nine questions**

1. **What is the importance of human capital?**

Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that give the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization.

The importance of human capital can be regarded as the prime asset of an organization and businesses need to invest in that asset to ensure their survival and growth. HRM aims to ensure that the organization obtains and retains the skilled, committed and well-motivated workforce it needs. This means taking steps to assess and satisfy future people needs and to enhance and develop the inherent capacities of people – their contributions, potential and employability – by providing learning and continuous development opportunities. It involves the operation of ‘rigorous recruitment and selection procedures, performance-contingent incentive compensation systems, and management development and training activities linked to the needs of the business’ (Becker et al, 1997).

It also means engaging in talent management – the process of acquiring and nurturing talent, wherever it is and wherever it is needed, by using a number of interdependent HRM policies and practices in the fields of resourcing, learning and development, performance management and succession planning.

However, the focus of HCM is more on the use of metrics (measurements of HR and people performance) as a means of providing guidance on people management strategy and practice. Knowledge management is ‘any process or practice of creating, acquiring, capturing, sharing and using knowledge, wherever it resides, to enhance learning and performance in organizations’ (Scarborough et al, 1999). HRM aims to support the development of firm-specific knowledge and skills that are the result of organizational learning processes.

Reward Management. HRM aims to enhance motivation, job engagement and commitment by introducing policies and processes that ensure that people are valued and rewarded for what they do and achieve and for the levels of skill and competence they reach.

Employee relations. The aim is to create a climate in which productive and harmonious relationships can be maintained through partnerships between management and employees and their trade unions.

Meeting diverse needs HRM aims to develop and implement policies that balance and adapt to the needs of its stakeholders and provide for the management of a diverse workforce, taking into account individual and group differences in employment, personal needs, work style and aspirations and the provision of equal opportunities for all.

Bridging the gap between rhetoric and reality. The research conducted by Gratton et al (1999) found that there was generally a wide gap between the sort of rhetoric expressed above and reality. Managements may start with good intentions to do some or all of these things but the realization of them –‘theory in use’ – is often very difficult. This arises because of contextual and process problems: other business priorities, short-termism, limited support from line managers, an inadequate infrastructure of supporting processes, lack of resources, resistance to change and lack of trust. An overarching aim of HRM is to bridge this gap by making every attempt to ensure that aspirations are translated into sustained and effective action. To do this, members of the HR function have to remember that it is relatively easy to come up with new and innovatory policies and practice. The challenge is to get them to work. They must appreciate, in the phrase used by Purcell

et al (2003) that it is the front line managers who bring HR policies to life, and act accordingly.

1. **What are the human resource practices and sustainable competitive advantage?**

Every Organization intends to have edge over its competitors in order to sustain and gain competitive advantage. Existing research suggests that service Organizations have paid strategic attention in aligning human resources to sub-serve this cause. Organizations find it extremely difficult to recruit, motivate, develop and retain competent manpower in fiercely competitive environment these days.

Relying on your human resource department to recruit the best employees, design appropriate and effective training programs and institute successful retention programs can give your company a competitive advantage. While competitors struggle with maintaining an experienced and motivated workforce, your company can focus more on productivity and increased sales when your HR department plays an integral role in your workforce development. Human resources can ultimately help locate, hire, train and maintain a finely tuned and productive workforce.

Human resource professionals vary in the kinds of skills and experience they bring to a job. Many are administrators proficient at processing payroll and executing benefits programs, but have little more leadership status than your clerical workers. You can upgrade your HR department to include recruitment specialists who also understand your company’s strategic roles and can play an integral part in shaping your business success. Executive-level human resource professionals can help design job descriptions and training programs, advise you on where to find the best candidates, and participate in defining salary levels that will result in the best new hires.

The human resource department often is given job descriptions and told to fill the positions. Salaries are predetermined and the HR staff has little or no input into the hiring process. To tap into the HR professional’s insights, you should bring your human resource manager into the hiring process more completely. Allow HR to play a role in determining appropriate recruitment pay and tactics, let you know how much it takes to recruit top talent, and how company policies can be amended to recruit the best.

With an HR department that participates in defining and implementing company goals, you can rely on your human resources team to consider the company’s profitability with each decision they make. In addition to defining employee jobs and required qualifications, an actively participatory HR department can monitor employee activity levels, morale and customer service success to design and implement appropriate training programs with line supervisors and executive management teams.

The human resource department can build programs to track those employees who stand out. When your human resource professionals are involved in designing and providing employee reviews, they can help you spot talent and advise you on how you can best groom employees for promotions. They can provide designated employees with specific training and help you devise opportunities for growth, serving as your eyes and ears for seeking out the best candidates that will push your company into a competitive advantage.

"Work-life balance" is a phrase that's become common in the HR vernacular. It means that the employer may be open to flexible work arrangements such as alternative scheduling, telecommuting and compressed workweeks. A competitive advantage is gained through providing employees with opportunities to achieve work-life balance so they remain productive and engaged contributors to the organization. HR planning is necessary to launch these programs; however, small businesses must carefully weigh how successful workplace flexibility can be. Modifying work hours or reducing the time spent in the office could cripple some business units, especially when employees work cross-functionally to support more than one area of the business.

HR departments generally are responsible for creating performance management systems. These systems enable periodic rating of employee job performance through annual evaluations, disciplinary warnings and improvement plans. Small businesses generally have cohesive work environments that lend themselves to more opportunities to engage workers on an individual, personal level. This can encourage employees to strive for high performance levels when they realize an employer genuinely is interested in their success. High-performing employees give organizations a competitive advantage because they are productive, enthusiastic and fully engaged in their responsibilities. HR planning is necessary for monitoring the employer's performance management systems, training supervisors to produce unbiased feedback and adapting the system to meet the needs of employees and employer.

Salaries and wages aren't the only reason employees stay with their employers, but workers who believe their compensation and benefits are fair and competitive are likely to think twice before leaving an organization that provides them with tangible rewards for their talents. Smaller businesses may have an advantage in this area because they often can be flexible in setting wages and salaries more so than large corporations with rigid wage scales. HR planning that includes compensation and benefits analyses reveals areas for improvement concerning the employer's compensation structure. HR's assistance in ensuring a sound compensation structure can increase the organization's appeal to employees, giving it a competitive advantage from an employee retention perspective.

In many organizations, HR is responsible for compliance with employment laws. This critical component of HR saves companies the expense of hiring lawyers to defend employment actions or settlement costs for claims arising out of unfair employment practices. It's especially important for small businesses that could be hit hard by a legal claim, whether by tangible consequences such as litigation expense or intangible consequences such as the loss of reputation. Businesses with as few as 15 employees are subject to federal labor and employment laws. HR implements workplace policies consistent with federal, state and local laws. Policies range from affirming the employer's commitment to equal opportunity employment to seemingly insignificant matters such as coffee breaks, all of which support organizational structure and mitigate the company's risk of liability for claims from employees and applicants. Money saved enables the organization to build its wealth and, consequently, improve its business reputation and competitive advantage .Human resources can ultimately help locate, hire, train and maintain a finely tuned and productive workforce, thus providing a competitive advantage for your business.

Hire Professionals with Experience: Human resource professionals vary in the kinds of skills and experience they bring to a job. Many are administrators proficient at processing payroll and executing benefits programs, but have little more leadership status than your clerical workers. You can upgrade your HR department to include recruitment specialists who also understand your company’s strategic roles and can play an integral part in shaping your business success.

Executive-level human resource professionals can help design job descriptions and training programs, advise you on where to find the best candidates, and participate in defining salary levels that will result in the best new hires.

Give HR Leadership Positions: The human resource department often is given job descriptions and told to fill the positions. Salaries are predetermined and the HR staff has little or no input into the hiring process. To tap into the HR professional’s insights, you should bring your human resource manager into the hiring process more completely. Allow HR to play a role in determining appropriate recruitment pay and tactics, let you know how much it takes to recruit top talent, and how company policies can be amended to recruit the best, both now and in the long term.

Let HR Determine Training Programs: With an HR department that participates in defining and implementing company goals, you can rely on your human resources team to consider the company’s profitability with each decision they make. In addition to defining employee jobs and required qualifications, an actively participatory HR department can monitor employee activity levels, morale and customer service success to design and implement appropriate training programs with line supervisors and executive management teams.

Provide HR Tools to Monitor Employee Performance: The human resource department can build programs to track those employees who stand out. When your human resource professionals are involved in designing and providing employee reviews, they can help you spot talent and advise you on how you can best groom employees for promotions. They can provide designated employees with specific training and help you devise opportunities for growth, serving as your eyes and ears for seeking out the best candidates that will push your company into a competitive advantage.

HR is important as it helps in creating strong competitive advantage through their personnel management policies – productivity and employee happiness is an advantage that often results in superior customer service, which helps drive sales. Human Resource Planning (HRP) plays a vital role in securing organization competitive advantage. This is by ensuring that the right people with necessary and adequate skills are rightly placed at the right time.

**3. Explain the concept of personal management?**

The basic structural unit of human resource management in the organization is the Human Resources department. HR is responsible for personnel hiring and dismissing as well as for its training and retraining. To perform the latter tasks the HR department often resorts to the help of other departments (educational or training). (Online Business dictionary 2015.)

The most important tasks of the Department of Personnel Management: social and psychological diagnosis; analysis and control of the relationships within a group or between individuals, relationship management; management of production and social conflicts (which can cause stresses); information support system of personnel management; employment management; evaluation and selection of candidates for vacant positions; analysis of human resources and staffing requirements; career planning and control; professional, social and psychological adaptation of workers; management of labor motivation; ergonomics and aesthetics work. Every organization is interested in avoiding or solving these types of issues. (Senyucel, Z. 2009. Managing the Human Resource in the 21st Century. BookBoon, 14-16.)

The methodology of personnel management involves the consideration of organizations personnel as a management object, the process of forming the behavior of individuals, the relevant goals and objectives of the organization, methods and the principles of personnel management.

Personnel management system involves the formation of goals, functions, organizational structure, personnel management, vertical and horizontal functional relationships of managers and professionals in the process of researching, developing, adopting and implementation the administrative decisions.

Management of technical personnel involves employee recruitment, selection, reception, business assessment, career guidance and adaptation, training, business career management, service and professional advancement, motivation and work organization, conflict management and stress reduction, organization of social development, staff release and so on. This also should include the productive interactions between the leaders of the organization and the trade unions/employment services. (Online Business dictionary 2015.)

The focus on the concept of personnel management nowadays is related to the increasing role of an individual employee. Knowing their motivational system and being able to shape it according to the challenges facing the organization. Human resource management is of particular importance as it allows to implement, and summarize a range of issues of individual adaptation to external conditions, taking into account the personal factor in the construction of a system of personnel management. There are three factors that affect the people in the organization.

The first one is the hierarchical structure of the organization where the main means of influence is the relationship of power and subordination, the pressure distribution of wealth has on the person. (Garner, E. 2013. Recruitment and Selection: Hiring the people you want. Bookboon, 10-12.)

The second one is the culture, produced by the company, organization, or by group of people with shared values. Social norms, attitudes of behavior that govern the actions of the individual forcing the individual to behave a certain way without any visible coercion.

The third one is the market, the network of equal relations based on the buying and selling of goods and services, property relations, and balance of interests of the seller and the buyer.

These impact factors are complex and in practice are rarely implemented separately. The state of the economic situation of the organization affects the prioritization. Of course the structure of the Human Resources Department is largely determined by the nature and size of the organization and the features of products they create. In small and medium-sized organizations many HR functions are operated mostly by line managers.

A number of organizations formed a personnel management system combined under the unified leadership of the Deputy Director for Personnel Management that includes all entities relevant to the employee management. (Alan Price and HRM Guide contributors 2007. 54-60.)

**4. What are the principles of personnel management?**

Principles of personnel management help the personnel managers to conduct and direct the policies in a proper way. These principles are:

* Principle of Maximum Personnel Development: By this principle, the workers are developed to the maximum extent, so that their developed ability, cleverness, productivity and efficiency can be used for the firm’s objective.
* Principle of Scientific Selection: This principle enables to have a right person for the right job.
* Principle of High Morale: Ideal wage policy should be offered to the workers so that their morale becomes high and they work with interest.
* Principle of Dignity of Labour: The labour should feel proud of their work.
* Principle of Team Spirit: Team spirit must be developed in the workers. They should work collectively with collective responsibility, and should have sense of cooperation, unity and mutual trust.
* Principle of Effective Communication: There must be effective communication between the management and workers otherwise complex problems like mistrust, hatred and ill- will arise which in turn affects the production of the organization.
* Principle of Joint Management: This creates responsibility in the labour with increasing mutual faith and friendship. This improves the labour relations.
* Principle of Fair Reward: Labour should be given proper compensation for the work. This develops industrial peace.
* Principle of Effective Utilization of Human Resources: Personnel management should be developed for the effective use of the human resources. Proper training should be awarded to the personnel for their development.

Personnel management principles include selection, recruitment and placement of staff; a combination of one-man management and collegiality, centralization and decentralization; monitoring the execution of decisions, etc. For example, some of American and Japanese corporations widely use the following principles of personnel management: lifetime employment, control of task execution based on trust; the combination of such control with the corporate culture; consensual decision-making - meaning mandatory approval of decisions by the majority of workers.

The main construction principles of the personnel management system are the rules, provisions and norms which are to be followed by managers and specialists from departments of Personnel Management so they can form and maintain a highly functioning management system. The construction principles of personnel management system must be distinguished from the methods. The first one is a binding constant. The set of methods can vary depending on the changing conditions while retaining principles. The principle allows you to create a system of methods or separate methods. However the method does not have such an impact on the principle as the latter one is impersonal.

There are two types of construction principles in personnel management:

* principles which characterize the requirements for the formation of the organizations personnel management system;
* Principles which guide the development of the organizations personnel management system.

All the principles of the human resource management system implement in cooperation with each other. Their combination depends on the specific operating conditions of the personnel in the organization. (Decenzo, D. & Robbins, S. 2002. Human resource management. 7th Ed. New York: Wiley.)

**5. What is the importance of incentives in a work environment?**

As organizations rapidly change in this dynamic world, so, too, do compensation programs. Most notably, organizations are finding that they can no longer increase wage rates by a certain percentage each year (cost-of-living raise) without some comparable increase in performance. Subsequently, more organizations are moving to varied themes of pay for performance. These may include incentive compensation plans, and competency- and team-based compensation.

In addition to the basic wage structure, organizations sincerely committed to developing a compensation system designed around performance should consider incentive pay. Typically given in addition to—rather than in place of—the basic wage, incentive plans can add a dimension to the wage structure. Incentives can be paid based on individual, group, or organization-wide performance—a pay for- performance concept.

Individual Incentives Individual incentive plans pay off for individual performances. Popular approaches include merit pay, piecework plans, time-savings bonuses, commissions, and stock options. One popular and almost universally used incentive system is merit pay. Under a merit pay plan, employees who receive merit increases have a sum of money added to their base salary. Somewhat similar to a cost-of-living raise, merit pay differs in that the percentage of increase to the base wage rate is attributable solely to performance. Those who perform better generally receive more merit pay. Although the merit pay plan is the most widely used, the best-known incentive is undoubtedly piecework. Under a straight piecework plan, the employee is typically guaranteed a minimal hourly rate for meeting some pre-established standard output.

When output exceeds this standard, the employee earns so much for each piece produced. Differential piece-rate plans establish two rates—one up to standard, and another when the employee exceeds the standard. The latter rate, of course, is higher to encourage the employee to beat the standard. Individual incentives can be based on time saved as well as output generated. The employee can expect a minimal guaranteed hourly rate, but in this case, the bonus is achieved for doing a standard hour’s work in less than sixty minutes. Employees who produce an hour’s work in fifty minutes obtain a bonus percentage (say, 50 percent) of the labor saved.

Salespeople frequently work on commission. Added to a lower base wage, they earn a percentage of the sales price. On toys, for instance, it may be a hefty 25 or 30 percent. On sales of multimillion-dollar aircraft or city sewer systems, commissions are frequently1 percent or less. Individual incentives work best with clear performance objectives and independent tasks. Otherwise, individual incentives can create dysfunctional competition or encourage workers to cut corners. Co-workers can become the enemy, individuals can create inflated perceptions of their own work while deflating the work of others, and the work environment may become characterized by reduced interaction and communications between employees. And cutting corners may compromise quality and safety. A potentially negative effect of incentive for performance is that you may “get what you pay for.” When incentives are tied to specific goals (only part of the total outcomes expected from a job), people may avoid performing unmeasured, and thus not rewarded, activities in favor of measured, rewarded ones. For example, if your school sponsored a lecture by an internationally recognized speaker, and your instructor decided to take your class, would you go? Your response might be contingent on whether the lecture was a requirement, the content might be on an exam, and attendance would be taken. If it was just for your information, attending might not be as high a priority. Despite potential negative repercussions from individual incentives in inappropriate situations, they are undoubtedly widespread in practice.

Merit pay, too, has been used as a substitute for cost-of-living raises. Similar to a cost-of-living raise, merit monies accrue permanently to the base salary and become the new base from which to calculate future percentage increases. The problem with merit pay or a cost-of-living system, then, is that pay increases may become expected. But what if the company has a bad year, or employees fail to produce to expectations? Under these traditional systems, workers still expect wage increases. Theoretically, they should give some of their salary back!

Some occupations have been slow to develop merit pay plans, often because standards are difficult to establish or evaluate. Teaching at a college is a good example. Consider the different types of teaching styles you’ve observed, the different degrees of difficulty in subject matter and different levels of dedication to students and you get an idea of how hard merit plans can be to establish.

Group Incentives. Each individual incentive option can work for groups. That is, two or more employees can be paid for their combined performance. Group incentives make the most sense where employees’ tasks are interdependent and thus require cooperation.

Organization-Wide Incentives Organization-wide incentives aim to direct the efforts of all employees toward achieving overall organizational effectiveness. This type of incentive produces rewards for all employees based on organization-wide cost reduction or profit sharing. Lincoln Electric has had a year-end bonus system for decades, over the years “ranging from a low of 55 percent to a high of 115 percent of annual earnings.” For example The Lincoln Electric plan pays off handsomely when employees beat previous years’ performance standards. This bonus is added to the employee’s salary, which has made Lincoln Electric workers some of the highest-paid electrical workers in the United States. One of the best-known organization-wide incentive systems is the Scanlon Plan. It seeks cooperation between management and employees through sharing problems, goals, and ideas. (It is interesting to note that many quality circle programs instituted in the 1980s were a direct outgrowth of the Scanlon Plan.) Under Scanlon, each department in the organization has a committee composed of supervisor and employee representatives. Suggestions for labor-saving improvements are funneled to the committee. If accepted, cost savings and productivity gains are shared by all employees, not just the individual who made the suggestion. Typically, about 80 percent of the suggestions prove practical and are adopted.

Another incentive plan called IMPROSHARE, a contraction of Improving Productivity through Sharing, uses a mathematical formula to determine employees’ bonuses. For example, if workers save labor costs in producing a product, a predetermined portion of the labor savings goes to the employee. Profit-sharing plans, or gain sharing plans, are also organization-wide incentives. They allow employees to share in the firm’s success by distributing part of the company’s profits back to the workers. For instance, Chamberlin Rubber employees receive 75 percent of company profits. Scanlon Plan essence, employees become company owners. Profit-sharing plans aim to increase commitment and loyalty to the organization. All organization-wide incentives suffer from a dilution effect. It is hard for employees to see how their efforts affect organization’s overall performance. These plans also tend to distribute payoffs at wide intervals; a bonus paid in March 2010 for your efforts in 2009 loses a lot of its reinforcement capabilities.

Finally, we should not overlook what happens when organization-wide incentives become both large and recurrent. When this happens, employees often begin to anticipate and expect the bonus. Employees may adjust their spending patterns as if the bonus was a certainty, and the bonus may lose some of its motivating properties. When that happens, it can be perceived as a membership-based reward.

**6. What is the relationship between management services staff and line managers?**

Both line managers and personnel officers are managers of a certain level and are authorized to deliver the people their work tasks and to ensure the execution of them. This they both have in common. The difference is that line managers are entrusted to manage major divisions (industrial, household, etc.), and the Personnel management division (PMD) is mandated to advise and assist them in achieving these goals. (Joshi, M. 2013. Human Resource Management. Bookboon, 29-41.)

The main problem is that the majority of line managers prefer to solve their problems with the subordinate staff by themselves. This creates serious difficulties because, as professionals in a narrow field and with no special training in human relations, each line manager decides personnel matters the most convenient way for the prevailing particular situation in a manner that is not always conducive to implement a unified personnel policy of the company. (Joshi, M. 2013. Human Resource Management. Bookboon, 29-41.)

The task of the company's management is to ensure the cooperation of managers of middle and lower levels, understanding the growing importance of the service personnel to jointly address these issues with the units of human resources management. In the field of employment (recruitment, selection, hiring of staff, etc.) line managers responsibilities include a precise definition of the classification of an employee required to perform specific duties. Then, in the foreground appears personnel management service, whose workers are searching for applicants, conduct interviews with the selected ones and test them. The best candidates are directed to the appropriate line manager, who in the selection process makes a decision about hiring those individuals who are capable and whose skills are suitable for working on a specific job. (Joshi, M. 2013. Human Resource Management. Bookboon, 29-41.)

While training managers for the personnel management department it is important to conduct research to develop comprehensive plans, directions, and providing the training that is required; establishing external contacts; collection and analysis of relevant information. In addition there is a need to assist the president of the company in order to meet the growing needs of the company through the development and coordination of training programs; counseling training divisions of the company, engaging in developing new ideas and products; defining of objectives, preparation of training plans based on the latest researches in the field of education. However providing management materials on the economic efficiency of the training system is required. (Joshi, M. 2013. Human Resource Management. Bookboon, 50-55.)

If a PM supervisor is planning to implement such matters, the line manager solves the problem of training at their own level. The duties of the line manager include the following:

* Identify and promote the implementation of the training needs of those working in the unit; consult with the manager of PM about the targeted training;
* Involve experts to train personnel to develop programs aimed at different categories of employees of personnel;
* To decide on the most promising directions for the department of education.

**References**

Michael Armstrong; *A handbook of human resource management,* 10th Edition

Armstrong, M and Brown, D (1998) *Relating competencies to pay*: the UK experience,

*Compensation & Benefits Review,* May/June, pp 28–39

Armstrong, M and Murlis, H (1998) *Reward Management*, 4th edn, Kogan Page,

London

Armstrong, M and Ryden, O (1996) *the IPD Guide on Team Reward*, IPD, London

David A. Decenzo, Stephen P. Robbins; *Fundamentals of human resource management*, 10th Edition

Barney, J. (1991*). Firm Resources and Sustained Competitive Advantage. Journal of Management*, 17(1), pp. 99-120.

Boxall, P. (1996). *the Strategic HRM Debate and the Resource-Based View of the Firm. Human Resource*

*Management Journal*, 6(3), pp. 59-75.

Boxall, P. & Steeneveld, M. (1999). *Human Resource Strategy and Competitive Advantage:* A Longitudinal

Boxall, P. (2003). *HR Strategy and Competitive Advantage in the Service Sector, Human Resource Management Journal*, 13(3), pp. 5-20.

Rothwell, William J., Kazanas, H. C, (2003), *Strategic Planning for Human Resources Management.*