Lesson-19

Staffing-- Special Issues in Human Resources

Learning Objectives

This lesson is an insight into the following topics related to staffing:

- Four C’s model for evaluating human resources
- Some special issues related to human resources

The Four C’s Model for Evaluating Human Resources

To evaluate the effectiveness of the HRM process within an organization, the Harvard researchers have proposed a four C’s model. This follows the following stages:

- Competence
- Commitment
- Congruence
- Cost effectiveness

Let us look at some examples of questions related to each of the four C’s and some methods for measuring them.

1. Competence

How competent are employees in their work? Do they need additional training? Performance evaluations by managers can help a company determine what talent it has available. To what extent do HRM policies attract, keep and develop employees with skills and knowledge needed now and in the future?

2. Commitment

How committed are employees to their work and organization? Surveys can be conducted through interviews and questionnaires to find answers to this question. Additional information can be gained from personnel records about voluntary separation, absenteeism, and grievances. To what extent do HRM policies enhance the commitment of employees to their work and organization?

3. Congruence

Is there congruence, or agreement, between the basic philosophy and goals of the company and its employees? Is there trust and common purpose between managers and employees? Incongruence can be detected in the frequency of strikes, conflicts between managers and subordinates, and grievances. A low level of congruence results in low
levels of trust and common purpose; tension and stress between employees and managers may increase. What levels of congruence between management and employees do HRM policies and practices enhance or retain?

4. Cost effectiveness

Are HRM policies cost-effective in terms of wages, benefits, turnover, absenteeism, strikes, and similar factors?

Even more difficult than addressing and measuring the extent of the four C’s within a company is the problem of assessing HRM outcomes. In other words, how do you make judgments about the long-term consequences of HRM policies on employee and societal well-being and organizational effectiveness? How, for example, do you go about the formidable task of assigning a value to employee commitment or to an organizational climate and culture that encourages motivation and employee growth? In the final analysis, managers need the participation of a broad range of stakeholders (including management, unions, and governmental agencies) to obtain the data needed to evaluate the impact of HRM practices and policies.

By shaping HRM policies to enhance commitment, competence, congruence, and cost effectiveness, an organization increases its capacity to adapt to changes in its environment. High commitment, for example, means better communication between employees and managers. Mutual trust is enhanced, and all stakeholders are responsive to one another’s needs and concerns whenever changes in environmental demands occur. High competence means that employees are versatile in their skills and can take on new roles and jobs as needed. They are better able to respond to changes in environmental demands. Cost effectiveness means that human resource costs, such as wages, benefits, and strikes, are kept equal to or less than those of competitors. Finally, higher congruence means that all stakeholders share a common purpose and collaborate in solving problems brought about by changes in environmental demands. This capacity to collaborate is crucial in an ever-changing environment.

Some Special Issues in HR-- Diversity and Managing Change

The Nature of Workforce Diversity

Workforce diversity has become a very important issue in many organizations. Diversity exists in a group or organization when its members differ from one another along one or more important dimensions. Thus diversity is not an absolute phenomenon wherein a group or organization is or is not diverse: Instead, diversity can be conceptualized as a continuum. If everyone in the group or organization is exactly like everyone else, there is no diversity whatsoever. If everyone is different along every imaginable dimension, total diversity exists. In reality, of course, these extremes are more hypothetical than real. A level of diversity somewhere between these extremes characterizes most settings. Therefore, diversity should be thought of in terms of degree or level of diversity along relevant dimensions.
These dimensions of diversity might include gender, age, ethnic origin, or any of several others. A group comprising five middle-aged Bengalis has relatively little diversity. If a young female executive replaces one member, the group becomes a bit more diverse. If an older Malayalee executive replaces another member, diversity increases a bit more. And when a Punjabi executive replaces a third member, the group becomes even more diverse.

**The Impact of Diversity on Organizations**

There is no question that organizations are becoming ever more diverse. But the question is what is the impact of this diversity on organizations? As we see, diversity provides both opportunities and challenges for organizations. Diversity also plays a number of important roles in organizations today.

**Diversity as Competitive Advantage**

Many organizations are also finding that diversity can be a source of competitive advantage in the marketplace. In general, six arguments have been proposed for how diversity contributes to competitiveness. These are illustrated in figure 19.1.

<table>
<thead>
<tr>
<th>Resource acquisition argument</th>
<th>Cost argument</th>
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<tbody>
<tr>
<td>Creativity argument</td>
<td>Competitive advantage</td>
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<tr>
<td>Systems flexibility argument</td>
<td>Marketing argument</td>
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Figure 19.1: Competitive Advantage in Diversity

The cost argument suggests that organizations that learn to cope with diversity generally have higher levels of productivity and lower levels of turnover and absenteeism. Those organizations that do a poor job of managing diversity, on the other hand, suffer from problems of lower productivity and higher levels of turnover and absenteeism. Because each of these factors has a direct impact on costs, the former organization remains more competitive than the latter.

The resource acquisition argument for diversity suggests that organizations that manage diversity effectively become known among women and minorities as good places to
work. These organizations are thus better able to attract qualified employees from among these groups. Given the increased importance of these groups in the overall labor force, organizations that can attract talented employees from all segments of society are likely to be more competitive.

The marketing argument suggests that organizations with diverse workforces are better able to understand different market segments than are less diverse organizations. For example, firms like Ponds that wants to sell its products to women can better understand how to create such products and effectively market them if women managers are available to provide inputs into product development, design, packaging, advertising, and so forth.

The creativity argument for diversity suggests that organizations with diverse workforces are generally more creative and innovative than are less diverse organizations. If an organization is dominated by one population segment, it follows that its members generally adhere to norms and ways of thinking that reflect that segment. Moreover, they have little insight or stimulus for new ideas that might be derived from different perspectives. The diverse organization, in contrast, is characterized by multiple perspectives and ways of thinking and is therefore more likely to generate new ideas and ways of doing things.

Related to the creativity argument is the problem-solving argument. Diversity carries with it an increased pool of information. In virtually any organization, there is some information that everyone has and other information that is limited to each individual. In an organization with little diversity, the larger pool of information is common and the smaller pool is unique. But in a more diverse organization, the unique information is larger. Thus, because more information can be brought to bear on a problem, there is higher probability that better solution can be identified.

Finally, the systems flexibility argument for diversity suggests that organizations must become more flexible as a way of managing a diverse workforce. As a direct consequence, the overall organizational system also becomes more flexible. Organizational flexibility enables the organization to better respond to changes in its environment. Thus by effectively managing diversity within its workforce, organization simultaneously becomes better equipped to address its environment.

**Diversity as a Source of Conflict**

Unfortunately, diversity in an organization can also become a major source of conflict. This conflict can arise for a variety of reasons. One potential avenue for conflict is when all individual thinks that someone has been hired promoted, or fired because of her or his diversity status. For example, suppose that a male executive loses a promotion to a female executive. If he believes that she was promoted because the organization simply wanted to have more female managers rather than because she was the better candidate for the job, he will likely feel resentful toward both her and the organization itself.
Another source of conflict stemming from diversity is through misunderstood, misinterpreted, or inappropriate interactions between people of different groups. For example, suppose that a male executive tells a sexually explicit joke to a new female executive. He may intentionally be trying to embarrass her, he may be clumsily trying to show her that he treats everyone the same, or he may think he is making her feel like part of the team. Regardless of his intent, however, if she finds the joke offensive she will justifiably feel anger and hostility. These feelings may be directed at only the offending individual or more generally toward the entire organization if she believes that its culture facilitates such behaviors. And of course, sexual harassment itself is both unethical and illegal.

Conflict can also arise as a result of other elements of diversity. Conflict may also arise as a result of fear, distrust or individual prejudice. Members of the dominant group in an organization may worry that new comers from other groups pose personal threat to their own position in the organization. For example, when US firms have been taken over by Japanese firms, US managers have sometimes been, resentful or hostile to Japanese managers assigned to work with them. People may also be unwilling to accept people who are different from their own self. And personal bias and prejudice are still very real among some people today and can lead to potentially harmful conflict.

**Managing Diversity in Organizations**

There is a tremendous potential that diversity holds for competitive advantage and possible consequences of diversity related conflict. In recent times, much attention has been given to how individuals and organizations can better manage diversity. In the sections that follow, we will discuss individual strategies for dealing with diversity and then summarize organizational approaches to managing diversity.

**Individual Strategies for Dealing with Diversity**

One important element of managing diversity in an organization consists of things that individuals can do themselves. The four basic attitudes that individuals can strive for are as follows:

- Understanding
- Empathy
- Tolerance
- Willingness to communicate

Understanding-- This involves understanding the nature and meaning of diversity. Some managers have taken the basic concepts of equal employment opportunity to an unnecessary extreme. They know that based on law, they cannot discriminate against people on the basis of sex, race and other factors. Thus, in following its mandate they come to believe that they should treat everyone similar basis.
But this belief can cause problems when translated into workplace behaviors among people after they have been hired because people are not the same. Although people need to be treated fairly and equitably, managers should understand that differences among people do, in fact, exist. Thus, any effort to treat everyone the same, without regard to their fundamental human, differences will only lead to problems. Managers should understand that cultural factors cause people to behave in different ways and that these differences should be accepted.

Empathy is related to understanding. People in an organization should try to understand the perspective of others. Let us suppose that a woman joins a group that has traditionally comprised white men.

Each man may be a little self-conscious as how to act toward the new member and may be interested in making him/her feel comfortable and welcome. But they may be able to do this even more effectively by empathizing with how he/she may feel. For example, the person may feel disappointed or elated about a new assignment. The person may be confident or nervous about the position one has in a group. In many cases, the person may be experienced or inexperienced in working with colleagues of the opposite sex. By learning more about the person’s feelings, the group members can further facilitate their ability to work together effectively.

Tolerance-- A third related individual approach to dealing with diversity is tolerance. Even though managers learn to understand diversity and even try to empathize with others, the fact remains that they may still not accept or enjoy some aspect of other’s behavior. For example, one organization recently reported that it was experiencing considerable conflict amongst its U.S. and Israeli working groups. The Israeli employees always seemed to want to argue about every issue that arose. The U.S. managers preferred to conduct business more harmoniously and became uncomfortable with the conflict. Finally, after considerable discussion it was learned that many Israeli employees simply enjoy arguing and just see it as part of getting work done. The firm’s US employees still do not enjoy the arguing, but they are more willing to tolerate it as a fundamental cultural difference between themselves and their colleagues from Israel.

Willingness to communicate-- A final individual approach to dealing with diversity is communication. Problems often get magnified over diversity issues because people are afraid or otherwise unwilling to openly discuss issues that relate to diversity. For example, suppose that a young employee has a habit of making jokes about the age of an elderly colleague. Perhaps the young colleague means no harm and is just engaging in what one may see as informal behavior. But the older employee may find the jokes offensive. If the two do not communicate, the jokes will continue and the resentment can grow. Eventually, what may have started as a minor problem may erupt into a much bigger argument.

The communication at work should be two-way. In situations where an individual wants to assess one’s behavior toward others, the individual should just ask. Similarly, if someone is offended by the behavior of another person, he or she should explain to the
offending individual how the behavior is perceived and request that it be stopped. As long as such exchanges are friendly, low key and non-threatening, they are generally going to have a positive outcome. Of course, if the same message is presented in an overly combative manner or if a person continues to engage in offensive behavior after having been asked to stop, problems will only escalate. At this point, third parties within the organization may have to intervene. And in fact, most organizations today have one or more systems in place to address question and problems that arise as a result of diversity.

We now turn our attention to various ways in which an organization can better manage diversity.

Whereas individuals are important in managing diversity, the organization itself should play a fundamental role. Through its various policies and practices, people in the organization come to understand what behavior is appropriate and what is not.

**Changes in the Organization-- Why are they needed?**

Every organization makes minor structural adjustments in reaction to changes in its direct-action and indirect-action environment. A sales form is revised to eliminate customer confusion. In other cases, the human resources department can create a training program on safety programs. What distinguishes planned change from these routine changes is its scope and magnitude. Planned change aims to prepare the entire organization, or a major part of it, to adapt to significant changes in the organization’s goals and direction. A definition of planned change is the deliberate design and implementation of a structural innovation, a new policy and goal or a change in operating philosophy, climate and style.

Change programs are necessary today because of the shift in time and relationships that we have seen throughout the organizational world. The sophistication increase in information, accompanied by a decrease in the decision-making time managers can afford to take. Managers should improve their ability to manage change. Many large organizations have explicit change management programs to increase the ability of people throughout the organization to anticipate and learn from the changes that are occurring.

Some of the largest, most successful and most venerable firms are victims of their own success. Over the years they have built up highly stable, bureaucratic and tall organizational structures that are very efficient at achieving certain goals in a given environment. Decision-making is a process that is methodical, sluggish and requires new ideas and opportunities for competitive advantages. However, it tends to get strangled by red tape. Many organizations are experimenting with flatter organizational structures that encourage teamwork and faster communication. The idea is that these leaner organizations are built to be more flexible, creative and innovative in reacting to environmental changes of every type. At AT&T, business unit managers are encouraged to adopt these approaches.
A Model of the Change Process

Although many forces for change beset organizations, it is important to recognize that opposing forces act to keep an organization in a state of equilibrium. These opposing forces, then, support stability or the status quo. To understand how this works, let’s take a look at a model of the change process that is based on the work of Kurt Lewin.

Force-Field Analysis

According to the force-field theory of Kurt Lewin, every behavior is the result of equilibrium between driving and restraining forces. The driving forces push one way and the restraining forces push the other way. The performance that emerges is a reconciliation of the two sets of forces. An increase in the driving forces might increase performance, but it might also increase the restraining forces.

Lewin’s model reminds us to look for multiple causes of behavior rather than a single cause. Programs of planned change based on Lewin’s ideas are directed first toward removing or weakening the restraining forces and then on creating or strengthening the driving forces that exist in organizations.

Sources of Resistance

The restraining forces help in keeping an organization stable. They are of special interest to any organization as they represent potential sources of resistance to planned change. If managers can change these forces or address their underlying concerns, they have a much better chance of accomplishing any planned change. For convenience, we can group these sources of resistance into the following three broad classes:

- The organizational culture
- Individual self-interests
- Individual perceptions of organizational goals and strategies

Organizational Culture

Of the three forces, culture is the most important in shaping and maintaining an organization’s identity. Culture is a primary force in guiding employee’s behavior. As a general rule, employees stay with an organization because the work helps them meet their life goals and because their personalities, attitudes and beliefs fit into the organizational culture. Indeed, many employees identify with their organization and take its gains and losses personally. As a result, they may feel threatened by efforts to make radical changes in the organization’s culture and the way things are done.

Rapid growth in a small company necessitates changes in the organizational culture to accommodate its size. People have to understand that they cannot operate like a small business anymore. Changing demographics in the workplace may create anxiety for some
members of the old order. In fact, as they hire and promote minorities and women, some companies have experienced backlash by workers who feel frustrated, resentful and most of all, afraid. This has been the case particularly in companies such as AT&T, DuPont and Motorola. In these companies, diversity is a major part of the organizational mission. To address this issue, DuPont established a “Men’s Forum” to help individuals come to terms with the changes in the organization.

Self Interest

Although employees can and do identify with their organizations, they are also concerned with themselves. In return for doing a good job, they expect adequate pay, satisfactory working conditions, job security, appreciation, power and prestige. When change occurs, employees face a potentially uncomfortable period of adjustment as they settle into a new organizational structure or a redesigned job.

Perceptions of Organizational Goals and Strategies

Goals and strategies are extremely powerful for organizing and coordinating the efforts of information processing technology, together with the increase in the globalization of organizations. In this case, the managers have to face new ideas, new products, and new challenges than ever before. To handle such an organization, mission statements can guide employee actions in the absence of formal policies and procedures. This powerful force for stability can make it difficult to change. Sometimes employees do not understand the need for a new goal because they do not have the same information their managers have. Or, they may long for the good old days.

The Process of Change

Lewin also studied the process of bringing about effective change. According to him, most efforts toward bringing about change fail for two reasons. First, people are unwilling or unable to alter long-established attitudes and behavior. If we ask a manager to learn a new analytic technique, the manager will most probably accept the suggestion. If we tell a manager that he/she is aggressive and abrasive in dealing with others, the person can become resentful and resistant to change.

Lewin believed that after a brief period of trying to do things differently, individuals left on their own tend to return to their habitual patterns of behavior. To overcome obstacles of this sort, Lewin developed a three-step sequential model of the change process. The model, later elaborated by Edgar H. Schein and others, is equally applicable to individuals, groups and entire organizations. It involves unfreezing the present behavior pattern, changing or developing a new behavior pattern and then refreezing or reinforcing the new behavior.

1. Unfreezing involves making the need for change so obvious that the individual, group or organization can readily see and accept it.
2. Changing involves discovering and adopting new attitudes, values and behaviors. A trained change agent leads individuals, groups or the entire organization through the process. During this process, the change agent fosters new values, attitudes and behavior through the processes of identification and internalization. The members of an organization should identity with the change agent’s values, attitudes and behavior. They internalize them once they perceive their effectiveness in performance.

3. Refreezing means locking the new behavior pattern into place by means of supporting or reinforcing mechanisms so that it becomes the new norm.

Change agents can be members of the organization or consultants brought in from the outside. For complex and lengthy change programs, hiring an outside consultant has many advantages. First, the outside consultant typically offers specialized expertise and skills. Second, the consultant is not distracted by day to-day operating responsibilities. Third, as an outsider, the consultant may have more prestige and influence than an insider. Fourth, because the consultant has no vested interest in the organization, he or she may be more objective than an insider and find it easier to win the confidence of employees.

Types of Planned Change

Altering its structure, its technology, its people or a combination of all these features can facilitate change in an organization.

Approaches to Structural Change

Changing an organization’s structure involves rearranging its internal systems, such as the lines of communication, workflow or management hierarchy.

Organizational Design

Classical organizational design focuses on carefully defining job responsibilities and on creating appropriate divisions of labor and lines of performance. As we have noted frequently, one of the most significant structural trends is toward the flat and lean organization. In such a structure, middle layers of management are eliminated to streamline the interaction of top managers with non-management employees. The non-managerial staff is usually given more responsibilities.

Decentralization

One approach to decentralization involves creating smaller, self-contained organizational units that are meant to increase the motivation and performance of unit members. It helps in focusing their attention on high-priority activities. Decentralization also encourages each unit to adapt its structure and technology to its particular tasks and to its environment. A good example in this respect is from the Cray research project. The research founder Seymour Cray pursued his own research interests in a new company
called Cray Computer. Another example is from the Disney group of companies. Disney decided to create Touchstone Pictures which offered more sophisticated films than the traditional Disney fare.

**Modified Workflow**

Modification of the workflow and careful grouping of specialties may also lead to an improvement in productivity and morale. One expression of this trend is the amount of money employees can spend without getting authorization or without going through a slow and potentially painful and humiliating process of getting authorization.

**Approaches to Technological Change**

Changing an organization’s technology involves altering its equipment, engineering processes, research techniques and production methods. This approach goes back to the scientific management theory of Frederick W. Taylor. Production technology often has a major effect on organizational structure. For that reason, techno-structural or socio-technical approaches attempt to improve performance by simultaneously changing aspects of an organization’s structure and its technology. Job enlargement and job enrichment are examples of techno-structural approaches to change.

**Approaches to Change People**

Both the technical and the structural approaches try to improve organizational performance by changing the work situation. The people approaches, on the other hand, try to change employee behavior by focusing on their skills, attitudes, perceptions and expectations.

**Questions**

1. Discuss planned change.
2. What are the three major sources of resistance to planned change?
3. Describe Lewin’s three-step process of change.